

# **Municipal Stability Board**

## **REGULAR MEETING**

Monday, May 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 April 17, 2019 Minutes

### **II. Public Comment**

- A. 2-minute limit

### **III. Correspondence**

- A. Treasury Update

### **IV. Old Business**

- A. Failure to File a Materially Different Corrective Action Plan (Resolution 2019-12)

### **V. New Business**

- A. Receipt of Corrective Action Plans
  - i. Ann Arbor Area Transportation Authority
  - ii. Bay County
  - iii. Blackman Charter Township
  - iv. Capital Area Transportation Authority
  - v. Copper Country Mental Health Authority
  - vi. Hampton Township
  - vii. Henika District Library
  - viii. City of Harper Woods (2 systems)
  - ix. Iron County Medical Care Facility
  - x. Keweenaw County Road Commission (2 systems)

- xi. Mid-Michigan District Health Department
  - xii. Village of Newberry (2 systems)
  - xiii. City of Riverview
  - xiv. Saline Area Fire Department
  - xv. City of St. Clair
  - xvi. St. Joseph County Road Commission
  - xvii. Ypsilanti Housing Commission (2 systems)
- B. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-13)
- i. Alger County Road Commission
  - ii. Alpena County Road Commission
  - iii. Bay City Housing Commission (2 systems)
  - iv. Bay County Library System
  - v. Bay County Road Commission
  - vi. Cadillac City Housing Commission Authority
  - vii. Genesee Charter Township
  - viii. Genesee District Library
  - ix. Grand Blanc Charter Township
  - x. Iosco County Road Commission
  - xi. City of Ishpeming
  - xii. Kalkaska County Road Commission (2 systems)
  - xiii. MBS International Airport Commission
  - xiv. Missaukee County Road Commission
  - xv. Monroe Community Mental Health Authority
  - xvi. Montmorency County Road Commission
  - xvii. Montmorency-Oscoda-Alpena Solid Waste Management Authority

- xviii. Muskegon Central Dispatch 9-1-1
- xix. Osceola County Road Commission (2 systems)
- xx. Saginaw County Road Commission
- xxi. State of Michigan 48th Judicial District Court
- xxii. Van Buren County Road Commission
- xxiii. Waterford Charter Township

C. Public Act 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-14)

**VI. Public Comment**

- A. 2-minute limit

**VII. Board Comment**

**VIII. Adjournment**

# **Municipal Stability Board Minutes**

Wednesday, April 17, 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 10:05 a.m.

## **ROLL CALL**

### **Members Present: Two**

Eric Scorsone  
Barry Howard

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

## **APPROVAL OF MINUTES**

Motion was made to approve the minutes regarding the March 20, 2019 board meeting.

Motion moved by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the March 20, 2019 meeting minutes. 2 ayes, 0 nays.

## **PUBLIC COMMENT**

- No public comment.

## **CORRESPONDENCE**

- Nick Brousseau presented the Board with Treasury updates.
- Nick Brousseau discussed the withdrawal request from St. Joseph County Road Commission.

## **OLD BUSINESS**

### **APPROVAL OF DESIGNATION OF SECRETARY FOR THE MUNICIPAL STABILITY BOARD (RESOLUTION 2019-8)**

Nick Brousseau provided the Board with a review of the Designation of Secretary for the Municipal Stability Board (Resolution 2019-8).



Motion was made to approve the Designation of Secretary for the Municipal Stability Board (Resolution 2019-8).

Motion was moved by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the Designation of Secretary for the Municipal Stability Board (Resolution 2019-8). A voice vote was made with 2 ayes and 0 nays.

## **NEW BUSINESS**

### **SCHEDULE OF WORKSHOP MEETING**

Nick Brousseau reviewed the memo with the Board regarding the scheduling of a workshop meeting. It was decided by the Board to schedule the workshop on May 20<sup>th</sup> from 8:00am-10:00am, prior to the May board meeting.

Motion was made to discuss the workshop meeting.

Motion was moved by Barry Howard and supported by Eric Scorsone, the Board unanimously approved to set a workshop meeting. 2 ayes, 0 nays.

### **RECEIPT OF 11 LOCAL UNITS' CORRECTIVE ACTION EXTENSION REQUESTS (15 PLANS)**

Nick Brousseau provided the Board with the following 11 Local Units' Corrective Action Extension Requests (15 plans):

- 35<sup>th</sup> District Court (2 systems)
- Antrim County Road Commission (2 systems)
- Charter Township of Hampton
- Henrika District Library
- Iron County Medical Care Facility
- Mid-Michigan District Health Department (Montcalm)
- City of Muskegon Heights (2 systems)
- Negaunee Housing Commission
- Village of Newberry (2 systems)
- St. Clair Shores Housing Commission
- St. Joseph County Road Commission

Motion was made to receive the 15 Corrective Action Extension Requests from 11 Local Units.

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

**FAILURE TO FILE A MATERIALLY DIFFERENT CORRECTIVE ACTION PLAN  
(RESOLUTION 2019-9)**

Nick Brousseau was asked to review the Failure to File a Materially Different Corrective Action Plan (Resolution 2019-9). Barry Howard expressed hesitance in approving this resolution. Mr. Howard feels that Bloomfield Township should be able to provide the Board with a corrective action plan and is curious as to why they have not. Barry would like the Board or Treasury to communicate with Bloomfield Township and explain the importance of submitting a Corrective Action Plan that meets the Board's criteria before action is taken.

Motion was not made to receive the Failure to File a Materially Different Corrective Action Plan (Resolution 2019-9), therefore, Resolution 2019-9 failed.

Motion was made to approve the Treasury recommendation of disapproval of Bloomfield Township's Corrective Action Plan. Motion was moved by Eric Scorsone and not supported by Barry Howard. The Board did not unanimously approve the disapproval of Bloomfield Township's Corrective Action Plan. 1 aye, 1 nay.

Bloomfield Township's submitted corrective action plan will be reviewed at the next scheduled MSB meeting.

**RECEIPT OF 23 LOCAL UNITS' CORRECTIVE ACTION PLANS (25 PLANS)**

Nick Brousseau provided the Board with the following 23 Local Units' Corrective Action Plans (25 plans):

- Alger County Road Commission
- Alpena County Road Commission
- Bay City Housing Commission
- Bay County Library System
- Bay County Road Commission
- Cadillac City Housing Commission Authority
- Genesee Charter Township
- Genesee District Library
- Grand Blanc Charter Township
- Iosco County Road Commission
- City of Ishpeming
- Kalkaska County Road Commission (2 systems)
- MBS International Airport Commission
- Missaukee County Road Commission
- Monroe Community Mental Health Authority
- Montmorency County Road Commission
- Montmorency-Oscoda-Alpena Solid Waste Management Authority
- Muskegon Central Dispatch 9-1-1
- Osceola County Road Commission (2 systems)
- Saginaw County Road Commission
- State of Michigan 48<sup>th</sup> Judicial District Court
- Van Buren County Road Commission

- Waterford Charter Township

Motion was made to receive the 25 Corrective Action Plans from 23 Local Units. Motion moved by Barry Howard and supported by Eric Scorsone, the Board unanimously received the Corrective Action Plans. 2 ayes. 0 nays.

**APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS  
(RESOLUTION 2019-10)**

Nick Brousseau was asked to review the 12 Treasury recommendations for approval or disapproval of the Corrective Action Plans (Resolution 2019-10) 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.

- Gogebic County Road Commission (Approved)
- City of Grosse Pointe Woods (Approved)
- Lenawee Medical Care Facility (Approved)
- City of Marshall (Approved)
- City of Oak Park (3 systems) (Approved)
- Charter Township of Plymouth (Approved)
- Redford Township District Library (Approved)
- City of Rockwood (Approved)
- Village of Romeo (Approved)
- South Haven Area Emergency Services (Disapproved)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-10).

Motion made by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-10). A voice vote was made with 2 ayes and 0 nays.

**PA 202 OF 2017 CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION  
2019-11)**

Nick Brousseau reviewed with the Board the PA 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-11).

Motion was made to approve the PA 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-11).

Motion moved by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the PA 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-11). 2 ayes. 0 nays.

## **PUBLIC COMMENT**

No public comment.

## **BOARD COMMENT**

Barry Howard and Eric Scorsone were invited to the Police Officers Association Conference on May 22<sup>nd</sup> in Grand Rapids to speak about PA 202 of 2017. They extended the invitation to Treasury staff.

## **NEXT MEETING**

Next regular meeting will be on April 17, 2019 at 10:00 am.

## **ADJOURNMENT**

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

There being no further business, the meeting adjourned at 11:04 a.m.

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

As of 5/16/2019

**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	108	77 (71%)	53 (49%)	46 (87%)	6 (11%)	1 (2%)	19 (18%)
PRIMARY	106	92 (87%)	81 (76%)	75 (93%)	6 (7%)	0 (0%)	12 (11%)
<b>TOTAL</b>	<b>214</b>	<b>169 (79%)</b>	<b>134 (63%)</b>	<b>121 (90%)</b>	<b>12 (9%)</b>	<b>1 (1%)</b>	<b>31 (14%)</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							
	May	June	July	August	October	November	December	Total
NON-PRIMARY	19	7	1	2	1	3	0	33
PRIMARY	4	9	4	0	5	0	5	27
<b>TOTAL</b>	<b>23</b>	<b>16</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>5</b>	<b>60</b>

## Treasury Department Communication and Outreach Report

- **132 total one-on-one 30-minute appointments with local governments to discuss the P.A. 202 process**
  - **14 appointments in April and May**
    - Determining if local government offers a defined benefit
    - Filing the retirement system annual report
    - Answering general questions: normal costs, underfunded status, uniform assumptions, etc.
    - Developing waivers
    - Developing and reviewing corrective action plans
    - Discussing best practices
    - Understanding the Board's determinations
    - Implementing corrective action plans
    - Monitoring corrective action plans
- **Sent clarification email to City of Gladstone regarding submission of revised corrective action plan**

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-12**

**MUNICIPALITY IN 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**, on December 19, 2018, the Board voted to deny Bloomfield Charter Township’s (the “Municipality”) submitted Corrective Action Plan related to its OPEB Health Care Benefits Trust;

**WHEREAS**, Treasury provided the Municipality with notification of the Board’s detailed reasons for denial of their Municipality’s Corrective Action Plan in a letter dated December 28, 2018 (the “Denial Letter”);

**WHEREAS**, MCL 38.2810(4) requires a Municipality to resubmit their Corrective Action Plan addressing the reasons for denial within sixty days of the Denial Letter;

**WHEREAS**, the Municipality resubmitted their Corrective Action Plan; and

**WHEREAS**, Treasury has reviewed the resubmitted Corrective Action Plan and advises the Board that the plan does not materially address the reasons for denial contained in the Denial Letter.

**NOW THEREFORE, BE IT RESOLVED**, the Board determines that the Municipality is in noncompliance with the Act for failure to resubmit a Corrective Action Plan materially addressing the reasons for denial within sixty days of the Denial Letter as required by MCL 38.2810(4).

Ayes:

Nays:

Recused:

Lansing, Michigan

May 20, 2019



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

Resolution 2019-12: Exhibit A

**DATE:** May 20, 2019

**TO:** The Municipal Stability Board (the Board)

**FROM:** Department of Treasury, Community Engagement and Finance Division

**SUBJECT:** Failure to File a Materially Different Corrective Action Plan

**Background:** The Board's disapproval resolutions provide that local governments who fail to resubmit a Corrective Action Plan materially addressing the reasons for disapproval within 60 days of their disapproval letter shall be in noncompliance with Public Act 202 of 2017.

This memo includes the reasons for disapproval, and links to the previous Treasury recommendation, prior submission, the resubmission, and the

- Bloomfield Charter Township - OPEB: Retired Employees' Health Care Benefits Trust
  - a. Previous Reasons for Disapproval
    - i. Your corrective action plan did not document when your healthcare system would reach a funding ratio of 40% or higher.
    - ii. Your corrective action plan did not address underfunded status in a reasonable timeframe. A local unit with a severely underfunded retirement health system (25% or less) should reach a funded ratio of forty percent within thirty years.
  - b. For additional information:
    - i. [Previous Disapproval Treasury Recommendation](#)
    - ii. [Prior Corrective Action Plan](#)
    - iii. Corrective Action Plan Resubmission
    - iv. Disapproval Resolution: 20XX-XX

**Suggested action:** The Board motions to notify the above referenced local governments to noncompliance due to failure to file a materially different corrective action plan pursuant to their respective disapproval resolutions.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** May 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:

- i. Ann Arbor Area Transportation Authority
  - a. Ann Arbor Area Transportation Authority Retiree Health Care Plan
- ii. Bay County
  - a. OPEB: Bay County Voluntary Employees' Beneficiary Association
- iii. Blackman Charter Township
  - a. OPEB: Retiree Health Care
- iv. Capital Area Transportation Authority
  - a. OPEB: Retiree Healthcare Benefits Plan
- v. Copper Country Mental Health Authority
  - a. OPEB: Copper Country CMH Retiree HealthCare Benefit
- vi. Hampton Charter Township
  - a. OPEB: Retiree Medical Plan
- vii. Henika District Library
  - a. Pension: MERS
- viii. City of Harper Woods
  - a. Pension: MERS – Michigan Employees Retirement System
  - b. OPEB: City of Harper Woods
- ix. Iron County Medical Care Facility
  - a. OPEB: Municipal Employees Retirement System Retiree Health Funding Vehicle



- x. Keweenaw County Road Commission
  - a. Pension: Keweenaw County Road Commission – MERS
  - b. OPEB: Keweenaw County Road Commission Retiree Health Care
- xi. Mid-Michigan District Health Department
  - a. OPEB: Self Funded
- xii. Village of Newberry
  - a. Pension: MERS
  - b. OPEB: None Listed
- xiii. City of Riverview
  - a. OPEB: City of Riverview Retiree Health Care Benefits
- xiv. Saline Area Fire Department
  - a. OPEB: Corrective Action Plan – 2017
- xv. City of St. Clair
  - a. Pension: Municipal Employees’ Retirement System (MERS, St. Clair of (7703)
- xvi. St. Joseph County Road Commission
  - a. OPEB: BCBS
- xvii. Ypsilanti Housing Commission
  - a. Pension: MERS Retirement Plan
  - b. OPEB: Retiree Health Insurance Plan

**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.

#### 1. MUNICIPALITY INFORMATION

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

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

### Category of Prior Actions:

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

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

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

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

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

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

## 4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes  
 No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

- |  |   |
|--|---|
| <input type="checkbox"/> Attachment – 1  | <b>This Corrective Action Plan (Required)</b>   |
| <input type="checkbox"/> Attachment – 1a | <b>Documentation from the governing body approving this Corrective Action Plan (Required)</b>   |
| <input 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 type="checkbox"/> Underfunded Status   | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues? |
| <input type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe ( <a href="#">see CAP criteria issued by the Board</a> )?  |
| <input type="checkbox"/> Legal and Feasible   | Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?  |
| <input type="checkbox"/> Affordability        | Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan?   |

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

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

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

- The \_\_\_\_\_ (**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 \_\_\_\_\_

**Bay County, Michigan**  
**Voluntary Employees' Beneficiary Association (VEBA)**  
**Corrective Action Plan**

**General County Group/Sheriff's Department Group/Medical Care Facility Group**

**MUNICIPALITY INFORMATION**

Local Unit: Bay County                      Six-Digit Muni Code: 090000  
Retirement Health Benefit System: Bay County Voluntary Employees' Beneficiary Association

**Group: General Group and Sheriff's Department Group**

Contact Name (Administrative Officer): James A. Barcia  
Title: Bay County Executive  
Email: [barciaj@baycounty.net](mailto:barciaj@baycounty.net)  
Telephone Number: (989) 895-4130

Financial Contact: Jan M. Histed  
Title: Bay County Finance Officer  
Email: [histedj@baycounty.net](mailto:histedj@baycounty.net)  
Telephone Number: (989) 895-2007

**Group: Medical Care Facility Group**

Contact Name (Administrative Officer): Ruth MacAlpine  
Title: Administrator  
Email: [ruthmacalpine@bcmcf.com](mailto:ruthmacalpine@bcmcf.com)  
Telephone Number: (989) 459-1030

Financial Contact: Michael J. Regulski  
Title: Finance Director  
Email: [mikeregulski@bcmcf.com](mailto:mikeregulski@bcmcf.com)  
Telephone Number: (989) 459-1031

**GENERAL INFORMATION:**

Bay County's Voluntary Employees' Beneficiary Association (VEBA) Plan is a multi-employer plan containing six employer groups and the Bay Area Behavioral Health (BABH), which is reported separately.



This Corrective Action Plan (CAP) only includes the Bay County General County Group, the Bay County Sheriff's Department Group and the Bay County Medical Care Facility Group.

#### **General County Group and Sheriff Department Group**

This plan is closed to any new employees hired on or after 1/1/2012 for the General County and Sheriff Department Groups.

#### **Medical Care Facility Group**

The plan is closed to any new employees hired on or after 1/15/2010 for the Medical Care Facility Group.

Based on review of the 2017 Retirement System Annual Report, Michigan Department of Treasury form 5572, pursuant to Public Act 202, it was determined that our Voluntary Employees' Beneficiary Association (VEBA) plan to be underfunded. The State of Michigan's threshold for funded status is 40% of the Plan's liability.

#### **General County Group and Sheriff Department Group**

Within the PA202 funding report as of 12/31/17 (based on our OPEB valuation report dated 12/31/15), Bay County VEBA had a funding ratio of:

- ✓ 17.7% for the General County Group
- ✓ 20.2% for the Sheriff's Department Group

Bay County's current updated Actuarial Valuation Report as of December 31, 2017 identifies the following funding levels:

- ✓ 30.4% for the General County Group
- ✓ 35.1% for the Sheriff's Department Group

The General Group has 326 active members, which includes 116 employees hired after 1/1/2012.

The Sheriff's Group has 77 active members with 27 employees hired after 1/1/2012.

All employees hired on or after 1/1/2012 are excluded in all attached financial computations.

#### **Medical Care Facility Group**

The Medical Care Facility Group has a funding ratio of:

- ✓ 17.8% for the Medical Care Facility Group

Bay County's current updated Actuarial Valuation Report as of December 31, 2017 identifies the following funding levels:

- ✓ 29.2% for the Medical Care Facility Group

The Medical Care Facility Group has 256 active members, which includes 155 employees hired after 1/15/2010. All employees hired on or after 1/15/2010 are excluded in all attached financial computations.

### **CHANGES MADE TO VEBA PLAN:**

#### **All Groups**

1. The VEBA Board of Trustees approved increasing the long-term assumed rate of investment return from 5.00% to 7.00%. One of the key assumptions used in the valuation process of the cost of postemployment health benefits is the rate of return on assets that will be used to pay Plan benefits. A higher assumed investment rate will result in a lower Actuarially Computed Employer Contribution. The new 7.00% rate of investment return was used in calculating our current Actuarial Valuation Report dated 12/31/17.
2. Our actuaries, GRS Retirement Consulting, have also updated the mortality tables and demographic assumptions to be more consistent with our pension assumptions. These adjustments were included in our December 31, 2017 valuation report.
3. The VEBA Board of Trustees has currently updated its Investment Policy to be more in-line and more aggressive in investments mirroring Bay County Employee's Retirement Trust Fund, which is over 100% funded. As of 2018, The VEBA Trust Fund added a Real Estate Manager and is currently adding a Small and a Mid Cap Managers, in hopes to increase our investment income – rate of return.

#### **General County Group and Sheriff Department Group**

1. Bay County Board of Commissioners approved a one-time lump sum contribution of \$1,464,000 in the 2018 Budget process.
2. Also included in the 2018 Budget, the Board approved a monthly contribution of 6% of payroll for all employees who qualify for future participation in the VEBA plan. This monthly amount varies as vacant positions are not considered, but is estimated at an additional \$70,500 per month. The additional monthly amount will be reviewed annually during the budget process, but at this point, the additional contribution is expected to continue. Please see attached Board Resolution number 2017-285.

#### **Medical Care Facility Group**

1. Converted all current retirees age 65 years or older to Medicare Advantage plan in 2018.

2. All future retirees will be required to enroll in the Medicare Advantage Plan.
3. Increase contributions to \$510,587 in 2018.
4. Budgeted contributions of \$463,986 in 2019.
5. Continue to make Pay-As-You-Go payments.

**REASONABLE TIME FRAME:**

**General County Group and Sheriff Department Group**

The attached Bay County VEBA Plan Estimated schedule, which indicates that Bay County's General Group will achieve a funded ratio of 40% by its fiscal year ending 2021. The VEBA plan would be paying the Benefit / Pay as you Go payment and contribute the Additional Contribution per year, which exceeds the yearly Normal Cost projection.

As per the attached Bay County VEBA Plan Estimated schedule, which indicates that the County Sheriff's Group will achieve a funded ratio of 40% by its fiscal year ending 2018. The plan would be paying the Benefit / Pay as you Go payment plus contribute the Additional Contribution per year, which exceeds the yearly Normal Cost projection.

Since both the General County group and the County Sheriff's group are closed groups, there is no additional Normal Cost calculation for newly hired employees.

See the attached Bay County Board of Commissioners Resolution No. 2019- 80 approving the Corrective Action Plan.

**Medical Care Facility Group**

Per the attached Retirement Health Benefits System (OPEB/VEBA) Analysis, the Medical Care Facility Group is anticipated to attain a 40% funded ratio by fiscal year ending December 31, 2022.

Beginning in 2023 the Medical Care Facility Group plans on contributing \$1,000,000 per year until fully funded at 100%.

As the Medical Care Facility Group is closed to new participants, its normal cost should decline in future years.

See attached Bay County Department of Health & Human Services Board Resolution No. 2019-01 approving their Corrective Action Plan.

**CAP SUMMARY:**

Bay County is confident that based on the above listed changes it has made to its Voluntary Employees' Beneficiary Association (VEBA) Plan, that we will see an increase in our annual investment rate of return and position ourselves to increase our investment potential in the current market place.

Bay County Voluntary Employees' Beneficiary (VEBA) Retiree Health Care Plan consists of employers from Department of Water and Sewer, Library, Road Commission, Medical Care Facility, Bay County and Bay Area Behavioral Health (BABH). These employers are working directly with their individual Board of Directors in order to meet the required 40% funding compliance. The VEBA Plan (other than BABH) in total as of 12/31/17 is funded at 27.9%. With all of the positive efforts being put forth into this plan, we believe that overall we will strive to reach our required 40% funding within the next ten years. The employer, BABH, is reported separately and is currently in compliance as they exceed 100% funding status.

The Bay County VEBA Board of Trustees is actively monitoring its investments and rebalancing assets to continually increase the value of our plan assets.

Bay County will continue to take into account and review the required funding status during our annual budget process. Bay County is committed to provide medical benefits for its retired employees, their spouses and dependents of Bay County and its Component Units.

Respectfully Submitted:

  
\_\_\_\_\_  
Jan Histed, Bay County Finance Officer

## 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: BLACKMAN CHARTER TOWNSHIP Six-Digit Muni Code: 381010

Retirement Health Benefit System Name: RETIREE HEALTH CARE

Contact Name (Administrative Officer): PETE JANCEK

Title if not Administrative Officer: SUPERVISOR

Email: pjaneck@blackmantwp.com

Telephone: (517) 788-4345

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

Effective 1/1/2014 for non-union and 4/1/2014 for union employees and retirees will contribute 20% of the total annual costs of health insurance premiums. Effective 5/12/14 allowed retirees to opt out of group health insurance and receive 50% of the Township's cost of providing such insurance coverage.

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

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

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

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

**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.*

See attached

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

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



## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Blackman Charter Township 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, PETE JANCEK, as the government's administrative officer (insert title) 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 BCT Retiree Health Care Plan (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

Pete Jancek

Date

4-16-19

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

Issued under authority of Public Act 202 of 2017.

## 1. MUNICIPALITY INFORMATION

Local Unit Name: Capital Area Transportation Authority Six-Digit Muni Code: 337510  
Retirement Health Benefit System Name: Retiree Healthcare Benefit Plan  
Contact Name (Administrative Officer): Bradley T. Funkhouser  
Title if not Administrative Officer: Chief Executive Officer  
Email: bfunkhouser@cata.org Telephone: (517) 394-1100

## 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

See attached memorandum.

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

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

See attached memorandum.

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

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

See attached memorandum.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

See attached memorandum.

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

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

See attached memorandum.

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

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

See attached memorandum.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

Attachment – I

Attachment – Ia

Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

### Type of Document

**This Corrective Action Plan (Required)**

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

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

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

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

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

Other documentation, not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria

### Description

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Underfunded Status   | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues? |
| <input checked="" type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe ( <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, Bradley T. Funkhouser, as the government's administrative officer (insert title)  
Chief Executive Officer (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The CATA Retiree Healthcare Benefit Plan (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2030 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the 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

Bradley T. Funkhouser

Date

4-18-2019



# 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: Copper Country Community Mental Health Six-Digit Muni Code: 077501

Retirement Health Benefit System Name: Copper Country CMH Retiree HealthCare Benefit

Contact Name (Administrative Officer): Susan D. Serafini

Title if not Administrative Officer: Finance Director

Email: sserafini@cccmh.org Telephone: (906) 483-5515

#### 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**.*

Health Insurance for retirees is only available to staff employed as of December 31, 2010. This benefit is not available to staff hired on and after January 1, 2011. Please see the attached poplcy for details regarding eligibility and cost sharing.

- 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**.*

As of September 30, 2018 based on the new actuarial valuation under GASB 75, the funding ratio is 37.8% on form 5573. We project exceeding 40% before the next reporting deadline.

**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.*

Beginning Oct 1, 2018 the Agency is making an additional \$ 200,000 contribution annually over the next 10 years. This is in addition to the required Annual Required 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 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) Copper Country 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 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 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)</b> |
| <input type="checkbox"/> Attachment – 3a            | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).   |
| <input type="checkbox"/> Attachment – 4a            | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)   |
| <input type="checkbox"/> Attachment – 5a            | A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio  |
| <input checked="" type="checkbox"/> Attachment – 6a | Other documentation, not categorized above  |



## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria

### Description

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

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

- The Copper Country CMH Retiree Healthcare (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2019 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature



Date 04/24/2019

## 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 Hampton Six-Digit Muni Code: 091070  
Retirement Health Benefit System Name: Retiree Medical Plan  
Contact Name (Administrative Officer): Terri Close  
Title if not Administrative Officer: Supervisor  
Email: tmclose@hamptonmi.net Telephone: (989) 893-7541

### 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**.*

N/A

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

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

N/A

- 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**.*

N/A

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

Effective, July 2018, the local unit implemented the following changes for their non-union contracts: the local unit will no longer be providing healthcare benefits for employees' spouses upon retirement, a maximum of \$500 per month will be paid towards healthcare coverage upon retirement for employee only and the local unit will no longer provide Medicare supplemental insurance coverage after reaching Medicare eligibility age of 65.

- 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 local unit has approved to contribute \$50,000 in 2019 and \$25,000 for the next two fiscal years, attachment 4a, in addition to paying the retiree healthcare benefits. As you can see in attachment 2a, page 7 of the actuarial study, the local unit meet their ARC contribution for 2018. After the system design changes noted above the local units ARC for 2018 was \$314,279 and the local unit contributed \$318,673 in 2018, which is an excess contribution of \$4,394.

- 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.*

With the system design changes noted above the local units net OPEB liability decreased from \$9,588,445 to \$5,633,322, which is a decrease of \$3,985,123. The changes can be seen in attachment 2a, pages 7 and 8. The local unit is also in the process of approving the same system design changes for their union retirees. The local unit completed Form 5572 for their fiscal year ended 12/31/18, attachment 6a, which shows that the local unit no longer triggers an "underfunded status" as defined by PA 202 of 2017, which is due to the system design changes that have been already implemented. As of 12/31/18, the local units ARC is less than 12% of the governmental fund revenues.

## 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 Hampton 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, Terri Close, as the government's administrative officer (insert title) 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 \_\_\_\_\_ (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 Hampton Township Retiree Medical Plan (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 Terri Close

Date 05/13/2019



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: City of Harper Woods Six-Digit Muni Code: 822150  
Defined Benefit Pension System Name: MERS - Michigan Employees Retirement System  
Contact Name (Administrative Officer): Joseph Rheker - City Manager  
Title if not Administrative Officer: \_\_\_\_\_  
Email: jrheker@harperwoods.net Telephone: (313) 343-2503

#### 2. GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

See attachment #2a

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

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

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

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

**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 Attachment #2a

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

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

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

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



## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

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

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

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

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

Signature \_\_\_\_\_ 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: City of Harper Woods Six-Digit Muni Code: 822150  
Retirement Health Benefit System Name: City of Harper Woods  
Contact Name (Administrative Officer): Joseph Rheker  
Title if not Administrative Officer: City Manager  
Email: jrheker@harperwoods.net Telephone: (313) 343-2505

#### 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 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.*

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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



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

**Category of Prospective Actions:**

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

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

See Attachment 2a

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

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

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

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



## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

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

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above



## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe ( <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, Joseph Rheker, 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 Harper Woods (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 6 MAY 2019



# Protecting Local Government Retirement and Benefits Act

## Application for Waiver and Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Henika District Library Six-Digit Muni Code: 038002  
Defined Benefit Pension System Name: MERS  
Contact Name (Administrative Officer): Nicole Gray  
Title if not Administrative Officer: Director  
Email: wayng@henikalibrary.org Telephone: (269) 792-2891

#### 2. GENERAL INFORMATION

**Application for Waiver and Plan:** This Application for Waiver and Plan may be filed by any local unit of government with at least one defined benefit pension retirement system that has triggered a preliminary review of underfunded status. In accordance with Public Act 202 of 2017 (the Act), if the state treasurer determines that the underfunded status is adequately being addressed by the local unit of government, the state treasurer shall issue a waiver of the determination of underfunded status. If requesting a waiver, you must submit a separate and unique application for each underfunded retirement system as determined by the *2017 Retirement System Annual Report (Form 5572)*.

**Due Date:** The local unit of government has **45 days from the date of notification** to complete and file the Application for Waiver and Plan. Failure to file within 45 days will result in a determination of underfunded status for your local unit of government as defined by the Act, and your local unit of government will be required to submit a corrective action plan to the Municipal Stability Board for approval.

**Filing:** This Application for Waiver and Plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this Application for Waiver and Plan and attach the documentation as a separate PDF document.** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a denial of the waiver application.

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

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

**Considerations for Waiver:** A successful Application for Waiver and Plan will demonstrate what your local unit **has already done** to adequately address its underfunded status. Prospective solutions will not be granted merit in determining the outcome of the waiver application (e.g. future amendments to collective bargaining agreements, upcoming millage proposals, potential budget changes, etc.). However, Treasury may consider additional ongoing funding dedicated to your retirement system if those commitments have been formally enacted by the governing body and can be documented. Section three of this waiver application allows the local unit of government to enter a brief description

of prior actions that have already been implemented to adequately address its underfunded status. For purposes of Sec. 6.(1) of the Act, this application will also be considered the plan.

Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the actuarially determined contribution for all of the defined benefit pension retirement systems of the local unit of government is greater than 10% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

#### Category of Prior Actions:

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

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

Enter System Design Statement here:

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

**Sample Statement:** *The local unit provided a lump sum payment of **\$1 million** to the **General Employees' Retirement System** on **January 1, 2017**. This lump sum payment was in addition to the actuarially determined contribution (ADC) of the*

system. The additional contribution will increase the retirement system's funded ratio to **61% by 2025**. Please see page **10** of the attached enacted budget, which highlights this contribution of **\$1 million**.

**Enter Additional Funding Statement here:**

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

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

**Sample Statement:** ***50%** of our retirement liabilities are attributable to employees within our enterprise divisions as shown in the attached analysis, yet we could not include enterprise revenue as part of our governmental funds. The attached analysis shows that our revenue ratio (ADC / Total Governmental Funds) would only be **5%** when including enterprise funds within the calculation.*

**Enter Other Considerations Statement here:**

We did not receive the information about Form 5572 because it went to the email of an employee that no longer works at Henika District Library. We have filled out Form 5572 with the actuarial information for 2017, and it shows that we are 102.2% funded, and thus would not have triggered being underfunded had the form been submitted on time.

**4. DOCUMENTATION ATTACHED TO THIS WAIVER APPLICATION AND PLAN**

Documentation must be attached as a .pdf to this waiver application. The documentation must demonstrate the prior actions that have already been implemented to adequately address the local unit of government's underfunded status. Please ensure this documentation directly supports and highlights the systems funded ratio as entered in section three of the waiver application above. Please check all documents that are included as part of this application and attach in successive order as provided below:

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

*Continued on Page 4.*

**Naming Convention**

- Attachment – 1
- Attachment – 1a
- Attachment – 2a
- Attachment – 3a
- Attachment – 4a
- Attachment – 5a
- Attachment – 6a
- Attachment – 7a

**Type of Document**

**This Waiver Application and Plan (Required)  
Documentation from the governing body approving the  
Waiver Application and Plan (Required)**

Actuarial Analysis (annual valuation, supplemental valuation, projection)

Internally Developed Projection Study

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

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

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

Other documentation, not categorized above

**5. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF WAIVER APPLICATION AND PLAN**

I Nicole Gray, as the government's administrative officer (*enter title*)  
Director (Ex: City/Township Manager, Executive director, Chief Executive Officer, etc.) approve this Application for Waiver and Plan. We are requesting a waiver of underfunded status, because we have already implemented substantial changes to our retirement system as described above.

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

The Retirement Pension System listed below will achieve a funded status of at least 60% by the Fiscal Year listed below.

Retirement Pension System Name: \_\_\_\_\_ Fiscal Year: \_\_\_\_\_

Signature: Nicole Gray

Date: 03/29/2019

## 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: Iron County Medical Care Facility Six-Digit Muni Code: 367510  
Retirement Health Benefit System Name: Municipal Employees Retirement System Retiree Health Funding Vehicle  
Contact Name (Administrative Officer): Chester E. Pintarelli  
Title if not Administrative Officer: Administrator  
Email: cepimcf@up.net Telephone: (906) 875-6671

### 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**.*

Retirement Health Care Coverage is no longer available to any employee hired after 1/15/2017.

Effective 2/27/2018, eligible employees retiring after this date are required to contribute 40% of the premium.

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

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

Effective 6-27-18 the Iron County Medical Care Facility Health & Human Services Board approved establishing a Retiree Health Funding Vehicle with the Municipal Employees Retirement System (M.E.R.S.). A total of \$175,000.00 was contributed for 2018 and \$180,000.00 will be contributed for 2019 in addition to continuing to pay the regular premiums for current retirees. No withdrawals are scheduled to come out of the Funding Vehicle. Contributing \$180,000 annually will bring our funded ration to 40% by 2021 per actuarial report.

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

Retirement Health Care Coverage is no longer available to any employee hired after 1/15/2017.  
Effective 2/27/2018, eligible employees retiring after this date are required to contribute 40% of the premium.

- 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 Retiree Health Funding Vehicle with the Municipal Employees Retirement System (M.E.R.S.) has been created to receive, invest and accumulate assets for retirement healthcare. A total of \$175,000.00 was contributed for 2018 and \$180,000.00 will be contributed annually in addition to continuing to pay the regular premiums for current retirees. No withdrawals are scheduled to come out of the Funding Vehicle and it will reach 40% funding by 12/31/2021.

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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, Chester E. Pintarelli, as the government's administrative officer (insert title) 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 Municipal Employees Retirement System (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2021 as demonstrated by required supporting documentation listed in section 6.

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

The ARC for all of the 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 Chester E. Pintarelli

Date 05/14/2019

# 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: Keweenaw County Road Commission Six-Digit Muni Code: 420100  
Defined Benefit Pension System Name: Keweenaw County Road Commission - MERS  
Contact Name (Administrative Officer): Kenneth Rowe  
Title if not Administrative Officer: Director of Finance - Clerk of Board  
Email: ken@keweenawroads.com Telephone: (906) 337-1610

#### 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**.*

7/11/17 A new defined benefit plan was adopted for employees hired after 7/31/17. The new plan reduces the multiplier from 2.5 to 1.5 and requires a 4% employee contribution (See Attachment 6A-plan document and Attachment 6B-Board Minutes). 7/11/17 A defined benefit surplus division was adopted to deposit additional employer contributions into (See Attachment 6C).

**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**.*

Beginning in January 2015, additional contributions in the amount of 10% of the required contributions began (Attachment 3C). Additional contributions totaled \$23,120 in 2015 and \$26,058 in 2016. When the MERS surplus division was established in 2017, additional contributions totaled \$53,632 (Attachment 3B). In December 2017 the Board approved increasing the additional monthly contributions to 15% (Attachment 3A).

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

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

**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.

9/05/18 Based on projections provided by MERS (Attachment 2A), the Board adopted a resolution (Attachment 4B) committing to continue an additional 15% funding into the surplus division resulting in attaining a funded ratio of 60% by fiscal year 2026.

**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**.

During calendar year 2018, based on MERS quarterly statements (Attachment 4C), the road commission actually contributed approximately 29% into the surplus division, well above the initial commitment of 15% as initially envisioned.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

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

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

- 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 Kenneth W. Rowe, as the government's administrative officer (*enter title*) Director of Finance-Clerk of Board (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The Keweenaw County Road Comm. MERS (**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 05/14/2019



# 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: Keweenaw County Road Commission Six-Digit Muni Code: 420100  
Retirement Health Benefit System Name: Keweenaw County Road Commission Retiree Health Care  
Contact Name (Administrative Officer): Kenneth W. Rowe  
Title if not Administrative Officer: Director of Finance - Board Clerk  
Email: ken@keweenawroads.com Telephone: 906-337-1610

#### 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 Board of County Road Commissioners at a special meeting held on 9/5/18 changed the retiree health care plan to exclude new hires after 9/1/18. There has not been a new full time hire since 9/4/13. (See Attachment 6A, paragraph 4).

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

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

In the past, the Board has provided retiree health insurance for it's retirees for 3 years after retirement. This policy was changed on 9/5/18. The Board plans to continue to fund on a pay as you go basis, however a MERS Retiree Health Funding Vehicle was established on 6/1/18 and the Board adopted a resolution to contribute \$39,000 per year per projections by Watkins Ross to achieve a funded ratio of 59.8% within 9 years (See attachment 6A Paragraph 3). Contributions to this Vehicle totaled \$49,000 in 2018 (See attachment 3A and attachment 2A, page 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**.*

See Attachment 6B. The Watkins Ross roll forward report as of 12/31/18 (page 7) indicates a fiduciary net position as a percentage of total OPEB liability of 11.3% as of 12/31/18 which is substantially higher than projected.

**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 funding of retiree health insurance has always been done on a pay as you go basis. Since we have seldom had more than 2 or 3 individuals receiving the benefit at any one time, this has never been a burden, especially since the retiree health benefit is only offered for 3 years after retirement. It is our intention to continue to fund retiree health premiums on a pay as you go basis, while at the same time making recommended contributions to the MERS RHFV to achieve a minimum funding ratio of at least 48.2% within 8 years. See attachment 4A, paragraph 3.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria

### Description

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Underfunded Status   | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues? |
| <input checked="" type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe ( <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, Kenneth W. Rowe, as the government's administrative officer (insert title)  
Finance Director-Board 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 Keweenaw County Road Comm. Retiree health (**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 05/14/2019

# 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: Mid-Michigan District Health Department Six-Digit Muni Code: 597511

Retirement Health Benefit System Name: Self Funded

Contact Name (Administrative Officer): Melissa Bowerman

Title if not Administrative Officer: Division Director

Email: mbowerman@mmdhd.org Telephone: (989) 831-3641

## 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 Board of Health approved committing \$50,000 from fund balance for the OPEB liability. The Board also approved funding \$5,000 or more annually to meet the \$175,000 obligation. We would reach the 40% funded status within 5 years. The plan is self funded, therefore, committing to fund balance would be used as needed in the future. The plan has been closed and there are only approximately 10 employees that may be eligible if they meet the requirements.

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes  
 No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

Attachment – 1

Attachment – 1a

Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

### Type of Document

**This Corrective Action Plan (Required)**

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

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

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

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

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

Other documentation, not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input 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, Melissa Bowerman, as the government's administrative officer (insert title) Mid-Michigan District Health Department (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 Mid-Michigan District Health Department (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 Melissa Bowerman

Date 05/13/2019

Michigan Department of Treasury  
5598 (08-18)

## 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: Village of Newberry Six-Digit Muni Code: 483010

Defined Benefit Pension System Name: MERS

Contact Name (Administrative Officer): Jennifer James-Mesloh, M.P.A, Ph.D.

Title if not Administrative Officer: Village Manager

Email: manager@newberrymi.gov Telephone: (906) 293-3433

### 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 Village of Newberry was notified of the need for a corrective action plan due to the 2017 audit being completed more than 180 days past the end of the fiscal year, which resulted in the annual reporting of Form 5572 not being submitted by the due date. The Village of Newberry does not meet the underfunded status based on the criteria developed regarding Public Act 202 of 2017. The information from the 2017 audit used actuarial data from 2017. Attached is the actuarial valuation for 2017 that shows our funded ratio is 65%.*

**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 from the 2017 audit used actuarial data from 2017. Attached is the actuarial valuation for 2017 that shows our funded ratio is 65%. Beginning in fiscal year 2018, the Village of Newberry began contributing additional funding to the MERS pension in order to maintain or improve a funded status of 65% by 2018.

## 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 Newberry 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 James-Mesloh, as the government's administrative officer (*enter title*) Village 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 2017 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature Jennifer James-Mesloh Date 5/13/19

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

Issued under authority of Public Act 202 of 2017.

### 1. MUNICIPALITY INFORMATION

Local Unit Name: Village of Newberry Six-Digit Muni Code: 483010

Retirement Health Benefit System Name: \_\_\_\_\_

Contact Name (Administrative Officer): Jennifer James-Mesloh, M.P.A., Ph.D.

Title if not Administrative Officer: Village Manager

Email: manager@newberrymi.gov Telephone: (906) 293-3433

### 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.*

The Village of Newberry was notified of the need for a corrective action plan due to the 2017 audit being completed more than 180 days past the end of the fiscal year, which resulted in the annual reporting of Form 5572 not being submitted by the due date. The Village of Newberry does not meet the underfunded status based on the criteria developed regarding Public Act 202 of 2017.

**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 Village of Newberry was notified of the need for a corrective action plan due to the 2017 audit being completed more than 180 days past the end of the fiscal year, which resulted in the annual reporting of Form 5572 not being submitted by the due date. The Village of Newberry does not meet the underfunded status based on the criteria developed regarding Public Act 202 of 2017.

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

Attachment – 1

Attachment – 1a

Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

### Type of Document

**This Corrective Action Plan (Required)**

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

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

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

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

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

Other documentation, not categorized above

**7. CORRECTIVE ACTION PLAN CRITERIA**

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

**Corrective Action Plan Criteria**

**Description**

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, Jennifer James-Mesloh, as the government's administrative officer (insert title) Village 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 Village of Newberry (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 2017 as demonstrated by required supporting documentation listed in section 6.

Signature

Jennifer James-Mesloh

Date

5/13/19

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

#### 2. GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

(ii) Capping employer costs.

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

#### Category of Prior Actions:

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

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

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

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

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

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

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

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

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

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

#### 4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

##### Category of Prospective Actions:

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

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

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

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

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

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

-The City of Riverview will make annual deposits of \$200,000.00 into the Other Post-Employment Benefits Trust starting in fiscal year 2018/19 and will continue to budget a \$200,000.00 contribution per year, for the next 30 years, which will result in a fund balance of \$20,414,608.27 or 43.25% funded OPEB Liability (please see the attachment 7a for details).

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

**Yes**

**No**

If No, Explain:

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

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

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

Naming Convention	Type of Document
<input checked="" type="checkbox"/> Attachment – 1	<b>This Corrective Action Plan (Required)</b>
<input 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 Douglas W. Drysdale, as the government’s administrative officer (*enter title*) City Manager (City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

Signature  Date 4-15-2019



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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

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

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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



**Category of Prior Actions:**

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

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

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

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

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

Our local unit has started a qualified trust to receive, invest, and accumulate assets for retirement healthcare. Our objective is to reach the 40% in 30 years.

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes  
 No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

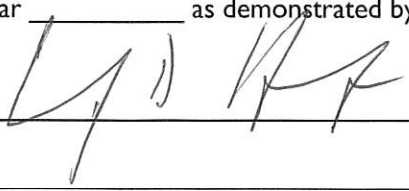
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

- The Saline Area Fire Dept (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature \_\_\_\_\_



Date 03/27/2019



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: City of St. Clair Six-Digit Muni Code: 742070  
Defined Benefit Pension System Name: Municipal Employees' Retirement System (MERS, St. Clair, City of (7703))  
Contact Name (Administrative Officer): Michael E. Booth  
Title if not Administrative Officer: Superintendent/Finance Director  
Email: mbooth@cityofstclair.com Telephone: (810) 329-7876

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

See Attached 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**.*

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**.*

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

See Attached Statement

- 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 Statement

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

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

The MERS, St. Clair, City of (7703) (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2027 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature \_\_\_\_\_ Date 05/01/2019

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

## 2. GENERAL INFORMATION

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

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

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

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

The completed plan must be submitted via email to Treasury at [LocalRetirementReporting@michigan.gov](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**.

[Empty box for additional text]

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

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

April 17, 2019 the St. Joseph County Road Commission (SJCRC) Board of Commissioners passed a Resolution 1A) for implementing the SJCRC Sec. 115 OPEB Trust Vehicle and to establish a funding method to meet the 40% minimum funding levels of our underfunded OPEB Liability by 2029 and fully funded by 2043 with an annual contribution of \$5,000. (See Attached for continued wording 1D)

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

SJCRC's Annual Actuarial Valuation will be updated December 31, 2019 and yearly thereafter (2A).

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

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

**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

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

- Yes
  - No
- If No, Explain

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

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

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

**Naming Convention**

**Type of Document**

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

**This Corrective Action Plan (Required)**

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

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

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

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

Other documentation, not categorized above

X " -1c  
X " 1D

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

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

The St. Joseph County Road Comm. (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2029 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature

John Lindsey

Date

5-1-19

# 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: Ypsilanti Housing Commission Six-Digit Muni Code: 817551  
Defined Benefit Pension System Name: MERS Retirement Plan  
Contact Name (Administrative Officer): Zac Fosler  
Title if not Administrative Officer: Executive Director/CEO  
Email: zfosler@ypsilantihc.org Telephone: (734) 482-4300

## 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.

Ypsilanti Housing Commission authorized a surplus contribution of 100% funding of the current MERS Pension liability at the time of 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) Ypsilanti 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 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 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 Zachary Fosler, as the government's administrative officer (*enter title*) Exeutive Director/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 MERS Retirement Plan (**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



Date 04/25/2019

# 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: Ypsilanti Housing Commission Six-Digit Muni Code: 817551  
Retirement Health Benefit System Name: Retiree Health Insurance Plan  
Contact Name (Administrative Officer): Zac Fosler  
Title if not Administrative Officer: Executive Director  
Email: zfosler@ypsilantihc.org Telephone: (734) 482-4300

## 2. GENERAL INFORMATION

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

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

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

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

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

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



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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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



**Category of Prior Actions:**

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

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

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

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

Ypsilanti Housing Commission authorized the investment in a \$220,000 Certificate of Deposit designated to cover 100% funding of the current OPEB liability.

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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**

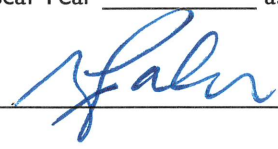
I, Zachary Fosler, as the government’s administrative officer (insert title) Executive Director/CEO (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The Retiree Health Insurance Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2019 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature 

Date 04/25/2019

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-13**

**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

May 20, 2019



MSB Appendix A, May 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				Treasury		Corrective Action Plan Link
					Status	Timeframe	Legal/Feasible	Affordable	Recommendation		
1	Alger County Road Commission	020100	OPEB	4/17/2019	Partial	Partial	Yes	Yes	Approve	<a href="#">Alger County Road Commission OPEB</a>	
2	Alpena County Road Commission	040100	OPEB	4/17/2019	No	No	Partial	Yes	Disapprove	<a href="#">Alpena County Road Commission OPEB</a>	
3	Bay City Housing Commission	97519	Pension	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Bay City Housing Commission Pension</a>	
4	Bay City Housing Commission	097519	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Bay City Housing Commission OPEB</a>	
5	Bay County Library System	098010	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Bay County Library System OPEB</a>	
6	Bay County Road Commission	090100	OPEB	4/17/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">Bay County Road Commission OPEB</a>	
7	Cadillac Housing Commission	837511	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Cadillac Housing Commission OPEB</a>	
8	Charter Township of Genesee	251110	Pension	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Charter Township of Genesee Pension</a>	
9	Charter Township of Grand Blanc	251120	OPEB	4/17/2019	Partial	Partial	Yes	Partial	Approve	<a href="#">Charter Township of Grand Blanc OPEB</a>	
10	City of Ishpeming	522010	Pension	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">City of Ishpeming Pension</a>	
11	Genessee District Library	258001	OPEB	4/17/2019	Partial	Partial	Yes	Yes	Approve	<a href="#">Genessee District Library OPEB</a>	
12	Iosco County Road Commission	350100	OPEB	4/17/2019	No	No	Yes	Yes	Disapprove	<a href="#">Iosco County Road Commission OPEB</a>	
13	Kalkaska County Road Commission	400100	Pension	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Kalkaska County Road Commission Pension</a>	
14	Kalkaska County Road Commission	400100	OPEB	4/17/2019	No	No	Yes	Yes	Disapprove	<a href="#">Kalkaska County Road Commission OPEB</a>	
15	MBS International Airport Commission	737528	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">MBS International Airport Commission OPEB</a>	
16	Missaukee County Road Commission	570100	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Missaukee County Road Commission OPEB</a>	
17	MOA Sold Waste Mgmt Auth	607502	OPEB	4/17/2019	Partial	Partial	Yes	Yes	Approve	<a href="#">MOA Sold Waste Mgmt Auth OPEB</a>	
18	Monroe Community Mental Health Authority	587515	OPEB	4/17/2019	Partial	Partial	No	Yes	Disapprove	<a href="#">Monroe Community Mental Health Authority OPEB</a>	
19	Montmorency County Road Commission	600100	OPEB	4/17/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">Montmorency County Road Commission OPEB</a>	
20	Muskegon Central Dispatch 9-1-1	617517	OPEB	4/17/2019	Partial	Yes	Yes	Yes	Approve	<a href="#">Muskegon Central Dispatch 9-1-1 OPEB</a>	
21	Osceola County Road Commission	670100	Pension	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Osceola County Road Commission Pension</a>	
22	Osceola County Road Commission	670100	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Osceola County Road Commission OPEB</a>	
23	Saginaw County Road Commission	730100	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Saginaw County Road Commission OPEB</a>	
24	State of Michigan 48th Judicial District Court	637629	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">State of Michigan 48th Judicial District Court OPEB</a>	
25	Van Buren County Road Commission	800100	OPEB	4/17/2019	Yes	Yes	Yes	Yes	Approve	<a href="#">Van Buren County Road Commission OPEB</a>	
26	Waterford Charter Township	631220	OPEB	4/17/2019	Yes	Yes	Yes	Partial	Approve	<a href="#">Waterford Township OPEB</a>	

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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,577,641	\$12,705,133	67.5%	\$400,129	\$5,596,095	6.9%	
Alger County Road Commission	OPEB	\$0	\$4,212,810	0.0%	\$168,018		3.0%	YES
<b>Total</b>		<b>\$8,577,641</b>	<b>\$16,917,943</b>		<b>\$568,147</b>	<b>\$5,596,095</b>	<b>9.9%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Alger County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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 1/14/2019 ACRC's Board approved opening a MERS RHFV trust.
  - On 2/4/2019, the ACRC approved funding the trust with \$40,000 and made a resolution to reach 40% funded status by 2047.
- Other Considerations:
  - ACRC received an actuarial analysis, which was recommended by their auditor. The actuarial analysis showed a lower liability than their 2017 audit.

**Prospective Changes:**

- Modern Plan Design:
  - ACRC's current union contracts are under negotiation until June 30, 2020. ACRC will try to negotiate to reduce the OPEB liability further.
- Plan Funding:
  - As noted above, ACRC committed to annually funding their trust so they will reach 40% funded by fiscal year 2047.
- Other Considerations:
  - ACRC notes that they anticipate only 3 retirees on the health care plan at any given time. Treasury was unable to confirm this.

**System Status for All Divisions: Open**

**Plan size: members 29**

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

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

**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 2047; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

**Supplemental Information:**

Alger County Road Commission's plan is to take their current underfunded liabilities, multiply that by .4 and then divide by the number of years until fiscal year 2047 to ensure that they will reach 40% funded by 2047.

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

To: Local Retirement Reporting  
From: James Gariepy, Finance Director  
Date: March 27, 2019  
Subject: **Methodology** used to fund OPEB @ \$40% by year 2047.

I would like to thank you for the feedback you gave me for what is still needed to approve the Alger County Road Commission OPEB Plan to be 40% funded by Year 2047. It was suggested by you that I show a spreadsheet containing inflation with every year's payout, but I do not think that would work as well as the formula that was approved by the board at the board meeting held on February 4, 2019

During this board meeting I explained to the board that we would have an actuarial done every 2 years, and the years between them we would use the roll-forward method to determine our OPEB Liability. We then would Take the Liability and Times it by 40%, then subtract out what was already paid into the trust, and then divide by the remaining years to get the amount we would pay. So I explained to them, for 2017 the payment to the trust would be \$12,576.00, and for 2018 the payment to the trust would be \$13,688.00.

Here is an example how I reached those numbers

**2017**

OPEB liability	\$943,201
Funding Level	<u>.40%</u>
	\$377,280 -- 0.00 current trust /30 years remaining = \$12,576.00

**2018**

OPEB liability	\$1,023,806
Funding Level	<u>.40%</u>
	\$409,522 -- \$12,576 current trust/29 years remaining = \$13,688

At this board meeting the Board approved the method used, and made a motion to put \$40,000 into the trust, \$20,000 for 2017, and \$20,000 for 2018. So, at the end of 2019 we would use the roll forward method to determine our OPEB liability, times 40%, subtract by \$40,000, and the divide by the 28 years remaining for funding. The board agreed to put at least this amount into the trust to ensure 40% funding in 30 years.

  
James C. Gariepy  
Finance Director

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

- None noted.

**Treasury Recommendation  
Alpena County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 040100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,185,718	\$12,427,308	73.9%	\$352,368	\$6,339,188	5.6%	NO
ACRC OPEB	OPEB	\$0	\$865,216	0.0%	\$132,138		2.1%	YES
<b>Total</b>		<b>\$9,185,718</b>	<b>\$13,292,524</b>		<b>\$484,506</b>	<b>\$6,339,188</b>	<b>7.6%</b>	

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

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Alpena County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2018. If Disapproved, Alpena County Road Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Alpena 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:
  - Medicare reimbursement was capped for retirees at \$96.40 per month and eliminated for employees hired after 11/1/10.
  - Benefit levels of the refined membership have been changed to reduce long-term liability and are based on the current Collective Bargaining Agreement effective November 1, 2017.
- Plan Funding:
  - None Listed
- Other Considerations:
  - The information that was used on Form 5572 was from the 2015 Actuarial. Attached is a copy of the valuation report that was completed in March of 2019 for the year ending December 31, 2018.

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Treasury Recommendation**  
**Alpena County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 040100**

**Plan size: members 37**

- Inactive employees or beneficiaries currently receiving benefits: 25
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 12

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- 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 indicated its corrective action plan was legal and feasible in Section 7 of the corrective action plan template; however, our review indicates that the system may still be open to new hires, but there is no projection of prefunding for new hires

The following corrective action plan approval criteria were not met:

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

The corrective action plan does not demonstrate when the retirement system will reach 40% funded.

**Supplemental Information:**

Alpena County Road Commission provided no documentation indicating how they would reach 40% funded. The information provided was used to demonstrate the reduction in liabilities, but there is no funding plan provided.

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

- None noted



**Treasury Recommendation  
Bay City Housing Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 097519**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,173,349	\$8,040,156	89.2%	\$199,648	\$5,160,376	3.9%	YES
Bay City Housing Commission-OPEB	OPEB	\$3,936,408	\$4,083,973	96.4%	\$79,782		1.5%	YES
<b>Total</b>		<b>\$11,109,757</b>	<b>\$12,124,129</b>		<b>\$279,430</b>	<b>\$5,160,376</b>	<b>5.4%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Bay City Housing Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:
  - BCHC was a 2017 delinquent filer. BCHC went to CAP. BCHC submitted 2017 5572to demonstrate its OPEB system meets PA 202 thresholds and therefore funded.

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Plan size: members 32**

- Inactive employees or beneficiaries currently receiving benefits: 19
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 13

**Corrective Action Plan Criteria:**

**Treasury Recommendation  
 Bay City Housing Commission OPEB Corrective Action Plan (CAP)  
 Non-Primary Unit 097519**

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:**

BCHC was a 2017 delinquent filer. BCHC went to CAP. BCHC submitted its 2017 Form 5572 to demonstrate its OPEB system meets PA 202 thresholds and therefore funded. BCHC submitted different numbers for its OPEB system than the numbers in the 2017 audit. BCHC's OPEB system according to its 2017 audit meets PA 202 thresholds and is funded.

<b>System 1</b>
<b>MERS</b>
<b>7,173,349</b>
<b>8,040,156</b>
<b>12/31/16</b>
<b>199,648</b>
<b>-</b>
<b>NO</b>
<b>89.2%</b>
<b>0.0%</b>
<b>NO</b>

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

- None noted.

**Treasury Recommendation  
Bay City Housing Commission Pension Corrective Action Plan (CAP)  
Non-Primary Unit 097519**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,173,349	\$8,040,156	89.2%	\$199,648	\$5,160,376	3.9%	YES
Healthcare	OPEB	\$3,936,408	\$4,083,973	96.4%	\$79,782		1.5%	YES
<b>Total</b>		<b>\$7,173,349</b>	<b>\$8,040,156</b>		<b>\$199,648</b>	<b>\$5,160,376</b>	<b>5.4%</b>	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Bay City Housing Commission, which was received by the Municipal Stability Board (the Board) on April 17, 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:
  - Bay City Housing Commission (BCHC) was a 2017 delinquent filer. BCHC went to CAP. BCHC submitted its 2017 Form 5572 to demonstrate its pension system meets PA 202 thresholds and therefore funded.

**Prospective Changes:**

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

**Plan size: members 28**

- Inactive employees or beneficiaries currently receiving benefits: 19
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 9

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The local government has demonstrated through supporting documentation that is has already reached the PA 202 established funding level of 60% funded.

**Treasury Recommendation  
 Bay City Housing Commission Pension Corrective Action Plan (CAP)  
 Non-Primary Unit 97519**

- 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:**

BCHC was a 2017 delinquent filer. BCHC went to CAP. BCHC submitted its 2017 Form 5572 to demonstrate its pension system meets PA 202 thresholds and therefore funded. The reviewer verified the pension numbers in the 2017 audit.

<b>System 1</b>
<b>MERS</b>
<b>7,173,349</b>
<b>8,040,156</b>
<b>12/31/16</b>
<b>199,648</b>
<b>-</b>
<b>NO</b>
<b>89.2%</b>
<b>0.0%</b>
<b>NO</b>

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

- None noted.

**Treasury Recommendation  
Bay County Library System OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 098010**

<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>
Bay County Retiree Health Care Plan	OPEB	\$1,635,000	\$4,401,000	37.2%	\$306,893	\$6,536,757	4.7%	YES

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Bay County Library System, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:
  - Contributing to the VEBA, switched plans for insurance coverage reducing costs 40%. Only 13 retirees. Believe would be over 40% if study done.
- Plan Funding:
  - None Listed
- Other Considerations:
  - Actuarial data from 2015. Attached valuation shows 102% funded.

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Plan size: members**

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

**Treasury Recommendation  
Bay County Library System OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 098010**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 40% funded.
- Reasonable Timeframe:
  - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 40%.
- Legal and Feasible:
  - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable)

**Supplemental Information:**

Unit provided detail to show 102% funded

**Bay County Employers Excluding BABH - Results by Division  
as of December 31, 2017**

	General County	DWS	Library	Medical Care Facility	Sheriff's Department	Road Commission	Total
A. Present Value of Future Benefits							
i) Retirees and Beneficiaries	\$ 21,415,055	\$ 8,115,627	\$ 1,021,609	\$ 24,999,740	\$ 6,345,718	\$ 18,147,027	\$ 80,044,776
ii) Vested Terminated Members	0	0	0	0	0	0	0
iii) Active Members	<u>19,841,723</u>	<u>5,164,327</u>	<u>1,295,496</u>	<u>14,388,784</u>	<u>5,223,624</u>	<u>12,060,315</u>	<u>57,974,269</u>
Total Present Value of Future Benefits	41,256,778	13,279,954	2,317,105	39,388,524	11,569,342	30,207,342	138,019,045
B. Present Value of Future Normal Costs	3,705,546	1,836,178	283,325	1,910,386	1,238,744	3,634,441	12,608,620
C. Actuarial Accrued Liability (A.-B.)	37,551,232	11,443,776	2,033,780	37,478,138	10,330,598	26,572,901	125,410,425
D. Actuarial Value of Assets	11,432,434	5,760,410	2,076,533	10,943,671	3,625,221	1,101,505	34,939,774
E. Unfunded Actuarial Accrued Liability (C.-D.)	26,118,798	5,683,366	(42,753)	26,534,467	6,705,377	25,471,396	90,470,651
F. Funded Ratio (D./C.)	30.4%	50.3%	102.1%	29.2%	35.1%	4.1%	27.9%
G. Fiscal Year Ending December 31, 2018							
i) Employer Normal Cost	\$ 578,217	\$ 225,130	\$ 44,954	\$ 301,828	\$ 157,005	\$ 404,476	\$ 1,711,610
ii) Amortization of UAAL*	<u>2,201,102</u>	<u>358,112</u>	<u>(3,603)</u>	<u>2,318,632</u>	<u>565,080</u>	<u>2,815,107</u>	<u>8,254,430</u>
Actuarially Computed Employer Contribution	\$ 2,779,319	\$ 583,242	\$ 41,351	\$ 2,620,460	\$ 722,085	\$ 3,219,583	\$ 9,966,040
H. Fiscal Year Ending December 31, 2019							
Actuarially Computed Employer Contribution	\$ 2,738,647	\$ 602,198	\$ 38,737	\$ 2,594,802	\$ 715,615	\$ 3,223,518	\$ 9,913,517

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

- None noted.



**Treasury Recommendation  
Bay County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 090100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$35,875,872	\$33,435,119	107.3%	\$587,549	\$15,286,729	3.8%	No
General Employees	OPEB	\$904,055	\$30,689,652	2.9%	\$2,821,742		18.5%	YES
<b>Total</b>		<b>\$36,779,927</b>	<b>\$64,124,771</b>		<b>\$3,409,291</b>	<b>\$15,286,729</b>	<b>22.3%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Bay County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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 January 1, 2016 the system was closed to new hires, and employees that retire after this date are required to contribute the same amounts as active employees.
- Plan Funding:
  - On January 1, 2002 a VEBA was created to receive invest and accumulate assets for retirement healthcare.
  - As of April 2018 the road commission has been contributing \$30,000 per month. As documentation of these payments, the road commission attached letters to their financial institution that appear to be wire transfer requests.
- Other Considerations:
  - The information provided on the Form 5572 was from a valuation dated 12/31/2015, and updated valuation shows the funded ratio improved to 4.1%.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - 2019 budget has the Board agreeing to make monthly contributions of \$40,000, or \$480,000 annually.
- Other Considerations:
  - In the BCRC's plan, the unfunded liabilities are being amortized over a closed period of 14 years at a level dollar method.

**System Status for All Divisions: CLOSED**

**Treasury Recommendation**  
**Bay County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 090100**

**Plan size: 88 Members**

- Inactive employees or beneficiaries currently receiving benefits: 88
- Inactive employees entitled to but not yet receiving benefits: N/A
- Active employees: N/A

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the 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 (2031).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Affordable:

The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 22.3%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The Road Commission provided an actuarial projection schedule demonstrating the assets, liabilities, and annual payments for this plan to reach 40% funded by fiscal year 2031. Additionally, this projection shows that the annual pay-go contribution for retiree benefit payments increases by 76% by 2031 (5.4% per year). This excludes the additional \$480,000 needed to reach 40%.

**Treasury Recommendation  
Bay County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 090100**

**Bay County Road Commission VEBA Projection  
Projection Schedule**

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection					Unfunded Liability EOY	Funded Percentage
	Normal Cost	Benefit Payments	7.00% Interest	AAL End of Year (EOY)	Pay-Go Contribution	Additional Contribution <sup>(1)</sup>	Benefit Payments	7.00% Interest	Asset Value EOY <sup>(2)</sup>		
	(a)				(b)					(c) = (a) - (b)	(d) = (b) / (a)
1/1/2017 - 12/31/2017				\$26,572,901					\$ 1,101,505	\$25,471,396	4.15%
1/1/2018 - 12/31/2018	\$404,443	\$1,405,941	\$1,825,643	27,397,046	\$1,405,941	\$480,000	\$1,405,941	\$ 93,621	1,675,126	25,721,920	6.11%
1/1/2019 - 12/31/2019	408,455	1,436,746	1,882,412	28,251,167	1,436,746	480,000	1,436,746	133,775	2,288,901	25,962,266	8.10%
1/1/2020 - 12/31/2020	408,767	1,539,773	1,938,666	29,058,827	1,539,773	480,000	1,539,773	176,739	2,945,640	26,113,187	10.14%
1/1/2021 - 12/31/2021	401,085	1,658,261	1,990,861	29,792,512	1,658,261	480,000	1,658,261	222,711	3,648,351	26,144,161	12.25%
1/1/2022 - 12/31/2022	387,713	1,794,270	2,037,079	30,423,034	1,794,270	480,000	1,794,270	271,900	4,400,251	26,022,783	14.46%
1/1/2023 - 12/31/2023	368,001	1,928,998	2,075,902	30,937,939	1,928,998	480,000	1,928,998	324,533	5,204,784	25,733,155	16.82%
1/1/2024 - 12/31/2024	344,053	2,063,309	2,106,499	31,325,182	2,063,309	480,000	2,063,309	380,851	6,065,635	25,259,547	19.36%
1/1/2025 - 12/31/2025	323,066	2,157,443	2,129,645	31,620,450	2,157,443	480,000	2,157,443	441,110	6,986,745	24,633,705	22.10%
1/1/2026 - 12/31/2026	303,368	2,232,915	2,147,040	31,837,943	2,232,915	480,000	2,232,915	505,588	7,972,333	23,865,610	25.04%
1/1/2027 - 12/31/2027	283,923	2,320,578	2,158,579	31,959,867	2,320,578	480,000	2,320,578	574,579	9,026,912	22,932,955	28.24%
1/1/2028 - 12/31/2028	266,820	2,396,984	2,163,896	31,993,599	2,396,984	480,000	2,396,984	648,400	10,155,312	21,838,287	31.74%
1/1/2029 - 12/31/2029	251,688	2,393,901	2,165,843	32,017,229	2,393,901	480,000	2,393,901	727,388	11,362,700	20,654,529	35.49%
1/1/2030 - 12/31/2030	234,414	2,385,385	2,167,195	32,033,453	2,385,385	480,000	2,385,385	811,905	12,654,605	19,378,848	39.50%
1/1/2031 - 12/31/2031	217,972	2,469,638	2,164,866	31,946,653	2,469,638	480,000	2,469,638	902,338	14,036,943	17,909,710	43.94%

<sup>(1)</sup> The Additional Contribution amount is set equal to \$40,000 a month for 2018. This amount was assumed to carry forward for future years, as reported by the Road Commission.

<sup>(2)</sup> Projected values with the exception of the December 31, 2017 value. 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  
Cadillac Housing Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 837511**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$563,098	\$666,059	84.5%	\$20,330	\$972,808	2.1%	NO
OPEB	OPEB	\$0	\$37,618	0.0%	\$5,310		0.5%	YES
<b>Total</b>		<b>\$563,098</b>	<b>\$703,677</b>		<b>\$25,640</b>	<b>\$972,808</b>	<b>2.6%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Cadillac Housing Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:
  - As of December 2008, the policy changes and does not cover retiree health insurance benefits. There is only one employee remaining who is eligible for this benefit.
  - Treasury was unable to verify this as their 2017 audit does not state the plan is closed and states that there are three employees eligible for benefits.
  - However, the paperwork they provided regarding their MERS RHCV states that there is one fulltime employee eligible for the OPEB plan.
- Plan Funding:
  - None Listed
- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - The Road Commission created a RHCV with MERS.
- Plan Funding:
  - The Road Commission states that they will fund the OPEB system 100%.
- Other Considerations:
  - None Listed

**System Status for All Divisions: OPEN**

**Plan size: members 3**

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

**Treasury Recommendation**  
**Cadillac Housing Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 837511**

**Corrective Action Plan Criteria: 2019**

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 (2019).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

**Supplemental Information:**

The Cadillac City Housing Commission provided a deposit receipt for \$18,000 to their MERS RHFV, along with governing body approval approving another deposit of \$18,000 in November of 2019. This would bring the funded percentage to over 40%.

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

- None noted.

**Treasury Recommendation  
Genesee Charter Township Pension Corrective Action Plan (CAP)  
Primary Unit 251110**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,399,390	\$17,682,133	47.5%	\$651,816	\$6,101,265	10.7%	YES
Healthcare	OPEB	\$1,346	\$6,259,326	0.02%	\$499,542		8.2%	NO
<b>Total</b>		<b>\$8,400,736</b>	<b>\$23,941,459</b>		<b>\$1,151,358</b>	<b>\$6,101,265</b>	<b>18.9%</b>	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Charter Township of Genesee, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:
  - Created new hybrid system for new hires Jan. 1, 2017
- Plan Funding:
  - Lump sum payment of \$185,200 on March 3, 2017
- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - Negotiating to lower system multiplier for current employees from 2.5 to 2 effective Jan. 1, 2020
- Plan Funding:
  - Assignment of PA 328 funds to pension liability. Potentially \$175,000 per year to MERS.
- Other Considerations:
  - None Listed

**System Status for All Divisions: OPEN**

**Plan size: members 84**

- Inactive employees or beneficiaries currently receiving benefits: 44
- Inactive employees entitled to but not yet receiving benefits: 8
- Active employees: 32

**Corrective Action Plan Criteria:**



**Treasury Recommendation**  
**Charter Township of Genesee Pension Corrective Action Plan (CAP)**  
**Primary Unit 251110**

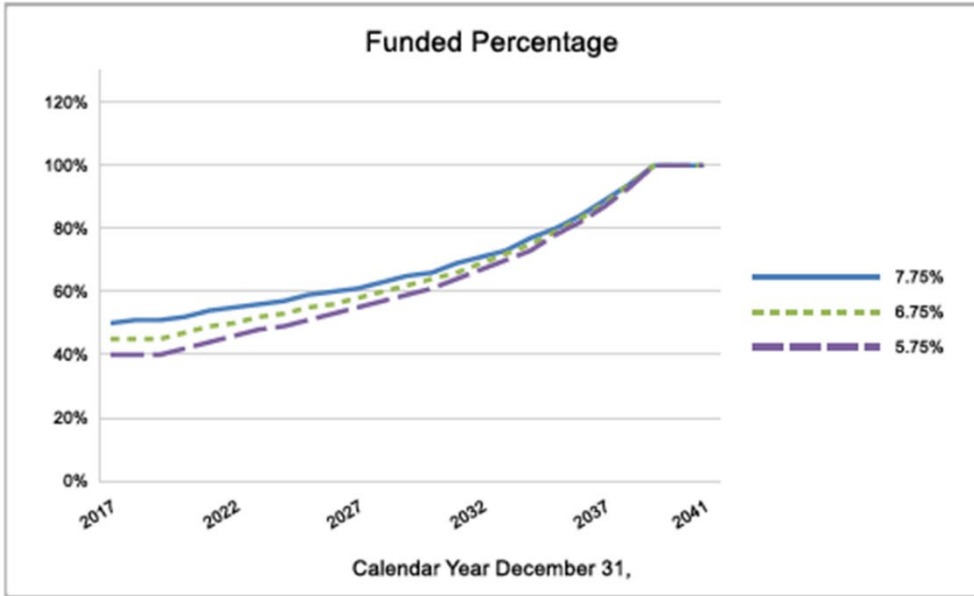
The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2027).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

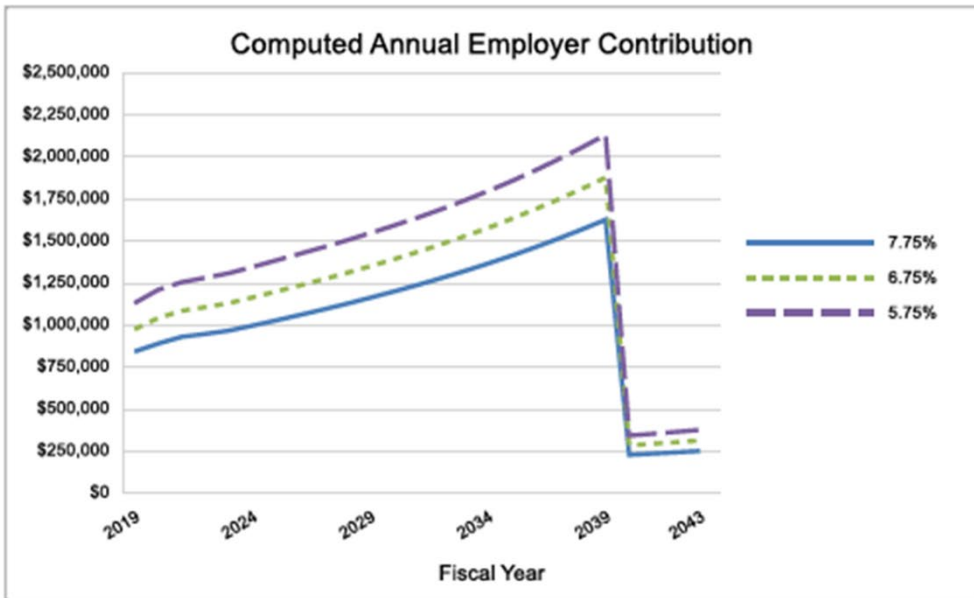
**Supplemental Information:**

Genesee Charter Township provided their MERS valuation which included a chart projecting the local government reaching 60% funded in approximately 2027. Additionally, they provided a chart projecting the annual employer contribution, which shows the annual payment increasing from around \$800k in 2019 to approximately \$1.6 million in 2039, or an increase of 100% (5% per year).

**Treasury Recommendation  
Charter Township of Genesee Pension Corrective Action Plan (CAP)  
Primary Unit 251110**



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



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

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

- None noted.

**Treasury Recommendation  
Genesee District Library OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 258001**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$13,081,574	\$20,099,871	65.1%	\$482,817	\$9,782,104	4.9%	NO
Genesee District Library Retiree Medical	OPEB	\$0	\$8,109,785	0.0%	\$1,102,911		11.3%	YES
<b>Total</b>		<b>\$13,081,574</b>	<b>\$28,209,656</b>		<b>\$1,585,728</b>	<b>\$9,782,104</b>	<b>16.2%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Genessee District Library, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:**
  - As of 7/1/13, all post 65 retirees are covered by Medicare Advantage Plan through BCBS. Also, 10% cost-sharing for premium for any employee who retires on or before 12/31/16.
  - Also, 20% cost-sharing premium for all employees who retire after 12/31/16 for single coverage on the Medicare Advantage Plan. Spouses covered under plan are responsible for the additional premium cost.
  - Board voted 1/23/17 to require all retirees who retired before 1/1/16 to contribute 10% of monthly premium regardless of any previous contribution amounts.
- **Plan Funding:**
  - District library has separate account with Chemical Bank designated for retiree healthcare benefits. 2013 balance was \$250,000. Then the following contributions: 2014 \$250K; 2015 \$250K; 2016 \$150K; 2017 \$300K; 2018 \$800K.
  - District library CAP states: "If these funds were counted towards the unfunded liability, GDL would have a 24.7% funded ratio."
  - District library continues a "pay-go" process, and has committed to contributing funds annually to the designated account.
  - District library continues a "pay-go" process, and has committed to contributing funds annually to the designated account.
- **Other Considerations:**
  - The district library retained Watkins Ross to complete OPEB actuary studies for the fiscal year ending 12/31/16. Footnote to the Watkins Ross report says by changing the employer contribution to 90% of premiums, it would lower liability from \$8,109,785 to \$7,775,167. However, a new actuarial report has not been completed yet to reflect this change, according to the CAP.

**Treasury Recommendation  
Genesee District Library OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 258001**

**Prospective Changes:**

- **Modern Plan Design:**
  - Library board will vote to approve (March 18, 2019 meeting) moving Chemical Bank funds to a MERS 115 Trust.
  - Library established a Healthcare Committee that has union and non-union employees. Committee meets annually to review healthcare plan options and premium costs.
  - Current CBA with AFSCME expires 12/31/2019. The library wants to transition future retirees to a health savings account.
  - Current CBA with AFSCME expires 12/31/2019. The library wants to transition future retirees to a health savings account.
- **Plan Funding:**
  - Starting FY 2019, annual budgeting process to include adding funds to the trust account. For FY 2019, \$250K added to trust fund to reduce OPEB liability.
  - The library is committed to making annual contributions in the range of \$125K to \$250K over the next six years to achieve a 40% funding level.
- **Other Considerations:**
  - Watkins Ross working to complete report for fiscal year-ending 12/31/19, to be in compliance with GASB 74 & 75.

**System Status for All Divisions: OPEN**

**Plan size: members N/A**

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

**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.

**Treasury Recommendation**  
**Genesee District Library OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 258001**

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 2024; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

**Supplemental Information:**

The corrective action plan attempts to demonstrate the library will reach the PA 202 established funding level of 40% funded through an internal analysis; however, the analysis does not account for healthcare inflation or other economic and demographic changes in its calculation. As a result, OPEB liabilities remain stagnant within the analysis. For the purposes of accurately addressing their underfunded system, the local government should seek an analysis that adequately projects assets and liabilities within generally accepted accounting principles and/or actuarial standards of practice.

**Treasury Recommendation  
Genesee District Library OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 258001**

**Genesee District Library  
OPEB Funding Schedule**

<u>Year</u>	<u>OPEB Liability</u>	<u>Bank/Trust Contributions</u>	<u>Plan Assets</u>	<u>Percentage Funded</u>
2013		250,000		0.0%
2014		250,000		0.0%
2015		250,000		0.0%
2016	8,109,785	150,000	-	0.0%
2017	8,109,785	300,000	-	0.0%
2018	8,109,785	800,000	-	0.0%
2019	8,109,785	250,000	2,250,000	27.7%
2020	8,109,785	250,000	2,500,000	30.8%
2021	8,109,785	225,000	2,725,000	33.6%
2022	8,109,785	200,000	2,925,000	36.1%
2023	8,109,785	175,000	3,100,000	38.2%
2024	8,109,785	150,000	3,250,000	40.1%
2025	8,109,785	125,000	3,375,000	41.6%
2026	8,109,785	125,000	3,500,000	43.2%
2027	8,109,785	125,000	3,625,000	44.7%
2028	8,109,785	100,000	3,725,000	45.9%
2029	8,109,785	100,000	3,825,000	47.2%

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

- None noted.



**Treasury Recommendation  
Grand Blanc Charter Township OPEB Corrective Action Plan (CAP)  
Primary Unit 251120**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$12,668,625	\$20,979,928	60.4%	\$978,987	\$16,726,655	5.9%	NO
Grand Blanc Township Post-Employment Health Benefits	OPEB	\$4,601,228	\$34,779,739	13.2%	\$3,138,563		18.8%	YES
<b>Total</b>		<b>\$17,269,853</b>	<b>\$55,759,667</b>		<b>\$4,117,550</b>	<b>\$16,726,655</b>	<b>24.6%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Charter Township of Grand Blanc, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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 township instituted retiree health care premium contributions of \$100/\$200 depending on single or double/family coverage for all employees that retire after 1/1/2017.
  - In 2017, the township closed the plan to new hires.
  - The township increased the length of service eligibility from 20 years to 25 years for AFSCME union members and age 50 with 25 years of service for the Police unions.
  - On 1/1/2019 the township changed the plan so retirees 65 and older now use the Hartford Supplemental Plan, this change is estimated to annually save the township \$140,907.
- Plan Funding:
  - The township has deposited money into its trust in 2015 through 2018. \$600,000 in 2015; \$811,826 in 2016; \$1,575,405 in 2017; \$1,753,860 in 2018.
- Other Considerations:
  - The township notes that the Form 5572 used actuarial data from 2014; their actuarial study from 12/31/2017 shows their funding ratio is now at 21.2% funded.
  - The township notes that approximately 19% of their retirement liabilities are attributed to their enterprise fund divisions.

**Prospective Changes:**

- Modern Plan Design:
  - The collective bargaining contracts open for negotiation between July 2019 and August 2020. The township will seek to convert all employees hired within the last 5 years from the defined benefit plan to the current defined contribution plan.

**Treasury Recommendation**  
**Charter Township of Grand Blanc OPEB Corrective Action Plan (CAP)**  
**Primary Unit 251120**

- Plan Funding:
  - The township changed its funding methodology to annually pay the pay-go amount and deposit the general fund reserve contributions (all dollars above the mandated 12%-15% of annual expenses) to paying the ARC.
  - Effective with fiscal year 2020, the township will contribute \$500,000 annually, in addition to the ARC until the OPEB trust is over 40% funded.
- Other Considerations:
  - None Listed

**System Status for All Divisions: Closed**

**Plan size: members 110**

- Inactive employees or beneficiaries currently receiving benefits: 35
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 75

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
  - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2025; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.
- 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,

**Treasury Recommendation**  
**Charter Township of Grand Blanc OPEB Corrective Action Plan (CAP)**  
**Primary Unit 251120**

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 township submitted an internal analysis showing their assets as a percentage of the OPEB liability, showing they will reach 40.5% funded status in fiscal year 2025. However, the assets in the documentation come from their 2018 actuarial analysis that uses a different funding policy than the plan they described. Their actuarial analysis assumes a \$700,000 yearly payment, instead of the \$500,000 that their CAP states. The townships employer contribution is estimated to increase approximately 780% from 2019 to 2054 (which is a 22% annual increase). Their required payments are projected to be \$0 in 2056. The documentation showing their funding ratio and future liabilities is an internal estimate and does not include actuarial standards.

**Grand Blanc Township**  
**Post Employment Health Benefits**  
**Projection of Assets as a Percentage of OPEB Liability**

<u>FYE</u>	<u>Projected OPEB Liability</u>	<u>Projected Value of Assets</u>	<u>Assets as a Percentage of OPEB Liability</u>
2018	43,701,779	10,376,845	23.74%
2019	45,012,832	11,720,456	26.04%
2020	46,363,217	13,144,683	28.35%
2021	47,754,114	14,654,364	30.69%
2022	49,186,737	16,254,625	33.05%
2023	50,662,339	17,950,903	35.43%
2024	52,182,210	19,748,957	37.85%
2025	53,747,676	21,654,894	40.29%
2026	55,360,106	23,675,188	42.77%
2027	57,020,909	25,816,698	45.28%
2028	58,731,537	28,086,700	47.82%
2029	60,493,483	30,492,902	50.41%
2030	62,308,287	33,043,476	53.03%
2031	64,177,536	35,747,084	55.70%
2032	66,102,862	38,612,909	58.41%
2033	68,085,948	41,650,684	61.17%
2034	70,128,526	44,870,724	63.98%
2035	72,232,382	48,283,968	66.85%
2036	74,399,353	51,902,006	69.76%
2037	76,631,334	55,737,126	72.73%
2038	78,930,274	59,802,354	75.77%
2039	81,298,182	64,111,494	78.86%
2040	83,737,128	68,679,184	82.02%
2041	86,249,242	73,520,935	85.24%
2042	88,836,719	78,653,191	88.54%

Assumes an annual increase of 3% in OPEB liability.  
Projected Value of Assets from Actuarial Valuation.

**Treasury Recommendation  
Charter Township of Grand Blanc OPEB Corrective Action Plan (CAP)  
Primary Unit 251120**

*Actuarial Information for GASB Statement 74/75*

*December 31, 2018*

**Table I  
Projection of Total Contributions\***

<b>Year Beg. 1/1</b>	<b>Projected Funding Value of Assets</b>	<b>Employer Contribution</b>	<b>Employee Contribution</b>	<b>Total Contributions</b>
2019	\$10,376,845	\$1,331,725	\$0	\$1,331,725
2020	11,720,456	1,407,844	0	1,407,844
2021	13,144,683	1,455,781	0	1,455,781
2022	14,654,364	1,526,528	0	1,526,528
2023	16,254,625	1,587,435	0	1,587,435
2024	17,950,903	1,664,894	0	1,664,894
2025	19,748,957	1,758,668	0	1,758,668
2026	21,654,894	1,852,044	0	1,852,044
2027	23,675,188	1,964,981	0	1,964,981
2028	25,816,698	2,131,894	0	2,131,894
2029	28,086,700	2,365,902	0	2,365,902
2030	30,492,902	2,590,927	0	2,590,927
2031	33,043,476	2,821,882	0	2,821,882
2032	35,747,084	3,094,093	0	3,094,093
2033	38,612,909	3,321,656	0	3,321,656
2034	41,650,684	3,575,489	0	3,575,489
2035	44,870,724	3,841,741	0	3,841,741
2036	48,283,968	4,216,204	0	4,216,204
2037	51,902,006	4,651,522	0	4,651,522
2038	55,737,126	5,134,361	0	5,134,361
2039	59,802,354	5,610,690	0	5,610,690
2040	64,111,494	5,963,144	0	5,963,144
2041	68,679,184	6,391,029	0	6,391,029
2042	73,520,935	6,820,041	0	6,820,041
2043	78,653,191	7,287,745	0	7,287,745

**Treasury Recommendation  
Charter Township of Grand Blanc OPEB Corrective Action Plan (CAP)  
Primary Unit 251120**

*Actuarial Information for GASB Statement 74/75*

*December 31, 2018*

**Table 1 (Continued)  
Projection of Total Contributions\***

<b>Year Beg. 1/1</b>	<b>Projected Funding Value of Assets</b>	<b>Employer Contribution</b>	<b>Employee Contribution</b>	<b>Total Contributions</b>
2044	\$84,093,382	\$7,700,915	\$0	\$7,700,915
2045	89,859,986	8,154,099	0	8,154,099
2046	95,972,585	8,684,249	0	8,684,249
2047	102,451,939	9,133,756	0	9,133,756
2048	109,320,056	9,692,941	0	9,692,941
2049	116,600,259	10,161,188	0	10,161,188
2050	124,317,275	10,510,492	0	10,510,492
2051	132,497,312	10,866,890	0	10,866,890
2052	141,168,151	11,212,890	0	11,212,890
2053	150,359,241	11,476,188	0	11,476,188
2054	160,101,795	11,777,818	0	11,777,818
2055	170,428,903	10,819,400	0	10,819,400
2056	180,074,975	0	0	0
2057	178,924,193	0	0	0
2058	177,418,806	0	0	0
2059	175,626,022	0	0	0
2060	173,488,981	0	0	0
2061	171,071,429	0	0	0
2062	168,390,675	0	0	0
2063	165,462,714	0	0	0
2064	162,309,074	0	0	0
2065	158,954,694	0	0	0
2066	155,429,709	0	0	0
2067	151,767,833	0	0	0
2068	148,007,270	0	0	0

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

- None noted.

**Treasury Recommendation  
Iosco County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 350100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,647,101	\$11,588,958	74.6%	\$214,896	\$7,993,823	2.7%	NO
Iosco County Road Commission	OPEB	\$0	\$295,429	0.0%	\$24,031		0.3%	YES
<b>Total</b>		<b>\$8,647,101</b>	<b>\$11,884,387</b>		<b>\$238,927</b>	<b>\$7,993,823</b>	<b>3.0%</b>	

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

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Iosco County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. If Disapproved, Iosco County Road Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Iosco 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:
  - Benefit levels for reitrees were changed in the collective bargaining agreement in Sept. 2014. These coverage changes resulted in lower premiums for the road commission and a complete phase out of OPEB insurance by the 2030.
- Plan Funding:
  - None Listed
- Other Considerations:
  - The information provided on the 5572 used actuarial data through Dec. 2015. The updated valuation provided shows an OPEB liability of \$371,404 which declines to \$11,600 or less by 2030.
  - The road commission states that their ADC is \$25,598 which is 0.48% of their annual Michigan Transportation Fund (MTF) revenues.

**Prospective Changes:**

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

**System Status for All Divisions: CLOSED**



**Treasury Recommendation**  
**Iosco County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 350100**

**Plan size: members 53**

- Inactive employees or beneficiaries currently receiving benefits: 24
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 29

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria were not met:

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

The corrective action plan does not demonstrate when the retirement system will reach 40% funded.

**Supplemental Information:**

The Road Commission has a limited liability due to closing their health care plan. However, there is not sufficient documentation projecting the remaining \$400/year stipend that is offered. Without projection of future benefits, Treasury cannot give a recommendation of approval.

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

- None noted.

**Treasury Recommendation  
City of Ishpeming Pension Corrective Action Plan (CAP)  
Primary Unit 522010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,482,340	\$16,329,953	.519%	\$565,838	\$5,619,217	13.3%	YES
Policemen and Firemen Retirement System	Pension	\$4,420,761	\$6,464,961	68.4%	\$181,160			NO
<b>Total</b>		<b>\$12,903,101</b>	<b>\$22,794,914</b>		<b>\$746,998</b>	<b>\$5,619,217</b>	<b>13.3%</b>	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by City of Ishpeming, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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 December 5, 2018, the City Council approved removing the city manager position from MERS. They provided a defined benefit plan adoption agreement reflecting the changes to the city manager.
- Plan Funding:
  - The City has been doing various plan funding including: implementating a closed amortization period of no more than 20 years; meeting their ARC; and, assigning \$26,458 of fund balance from an insurance dividend as an additional payment above ARC.
  - On December 6, 2017, the City signed letters with three unions agreeing that any savings for 2018 shall be used to pay down the unfunded liability.
  - The City has been increasing its employee member contribution rates: Division 1, the rate has been increased to 5.43%; Division 10, the rate has increased to 7.51%; and, Division 11, the rate remains at 9.70%.
  - The City has been increasing its employee member contribution rates: Division 1, the rate has been increased to 5.43%; Division 10, the rate has increased to 7.51%; and, Division 11, the rate remains at 9.70%.
- Other Considerations:
  - None Listed
  - The city is arguing they had two enterprise funds that are responsible for 36% of the MERS liability.
  - If the revenue for these funds were included, the ADC to revenues percentage would be reduced from the reported 13.3% down to 7.9%, which would remove the city from the underfunded list.

**Treasury Recommendation**  
**City of Ishpeming Pension Corrective Action Plan (CAP)**  
**Primary Unit 522010**

**Prospective Changes:**

- **Modern Plan Design:**
  - Union contracts expire December 31, 2019. The City has had several meetings with the unions on how to reduce MERS unfunded liability, although no agreement has been reached yet.
  - A few items were discussed: bridging the MERS plan multiplier from 2.5 to 2.0; freezing the final average compensation; and, closing the MERS defined benefit plan to new hires for certain divisions.
  - The City included a copy of the October 25, 2018, December 18, 2018 and February 18, 2019 letters with the unions.
  - The City included a copy of the October 25, 2018, December 18, 2018 and February 18, 2019 letters with the unions.
- **Plan Funding:**
  - MERS calculates the City's defined benefit plan will reach 60% funded by 2027, if rate of return is 7.75%. The City provided a graph from the latest actuarial report.
  - The City also explained their ARC will grow at a pace that exceeds the growth in governmental revenues. They provided a chart for their computed annual employer contribution.
  - The City is considering closing all of its divisions so that it may do a pension bond.
- **Other Considerations:**
  - None Listed

**System Status for All Divisions: Closed**

**Plan size: members 72**

- Inactive employees or beneficiaries currently receiving benefits: 41
- Inactive employees entitled to but not yet receiving benefits: 4
- 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 internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- **Reasonable Timeframe:**
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2027).

**Treasury Recommendation**  
**City of Ishpeming Pension Corrective Action Plan (CAP)**  
**Primary Unit 522010**

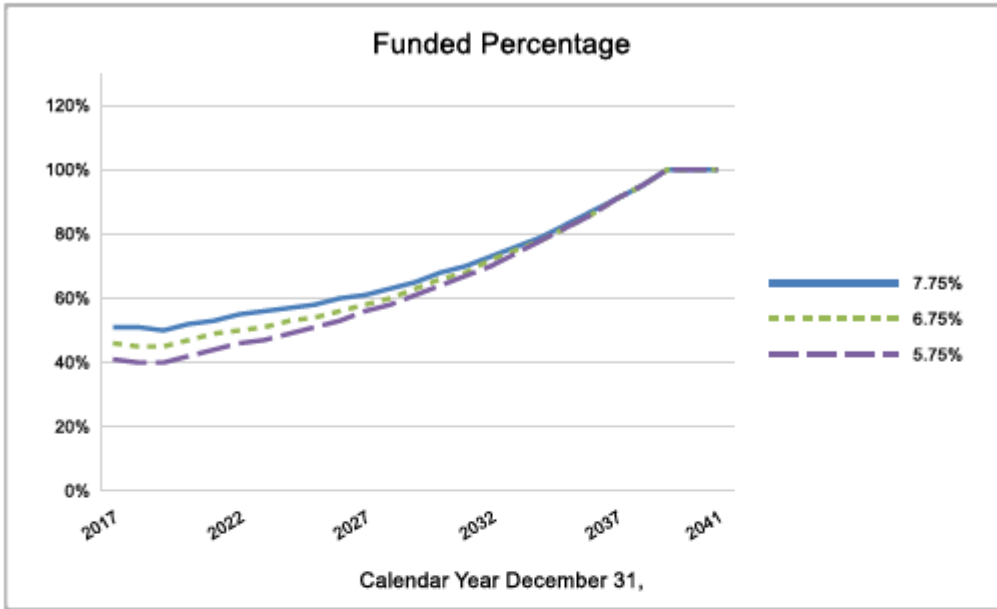
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
  
- Affordable:
  - The local unit 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 has provided several arguments and pieces of evidence on how they are getting towards being 60% funded. Their most significant evidence is the graph from MERS 2017 actuarial report showing them reaching 60% funded between 2027 and 2032. If they had a 7.75% rate of return, they would be at 60% by 2027. If the ROR is 5.75% it will be shortly before 2032. It should be noted that under current provisions, the projected required employer contribution increases from about \$750,000 to about \$1.5 million in 2039, or 100% (about 4.8% annually). The city makes the following statement within the CAP: "Looking at the ARC projections, it becomes clear the City of Ishpeming's ARC will grow at a pace exceeding the growth in governmental revenues which will put a strain on the City of Ishpeming's budget and eventually impact services to residents, unless actions are taken to slow the growth of the MERS unfunded liability."

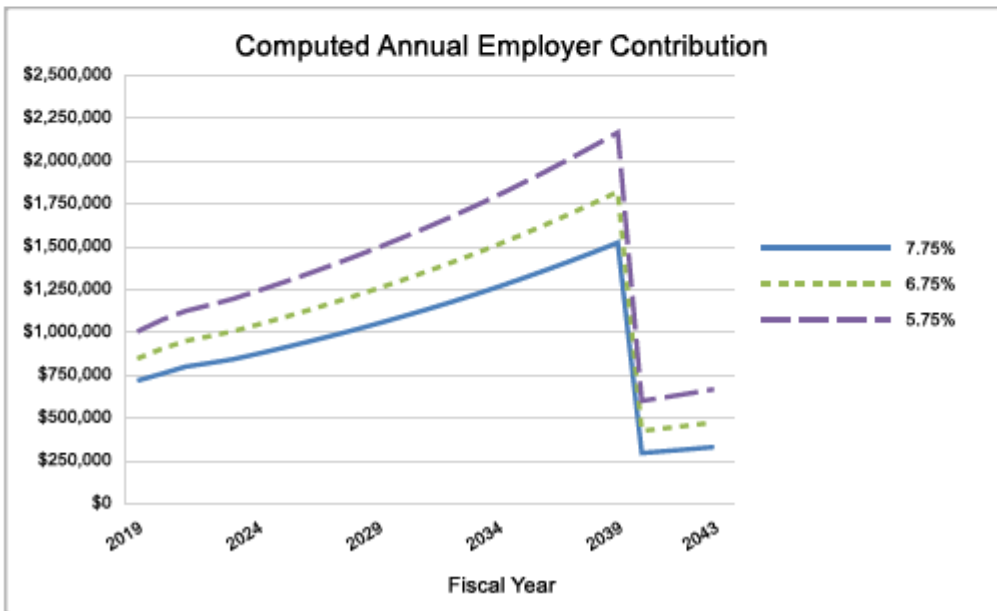
**Treasury Recommendation  
City of Ishpeming Pension Corrective Action Plan (CAP)  
Primary Unit 522010**

ISHPEMING, CITY OF (5204) - 2017



Notes:

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



Notes:

All projected contributions are shown with no phase-in.

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

- None noted.

**Treasury Recommendation**  
**Kalkaska County Road Commission Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 400100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,951,351	\$9,772,734	40.4%	\$398,576	\$7,819,098	5.1%	YES
Healthcare	OPEB	\$0	\$1,523,873	0%	\$81,538		1.0%	YES
<b>Total</b>		<b>\$3,951,351</b>	<b>\$11,296,607</b>		<b>\$480,114</b>	<b>\$7,819,098</b>	<b>6.1%</b>	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Kalkaska County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - 7/1/11 - Division 1 was closed to new participants. Hybrid Plan was adopted. Multipliers for the divisions were changed.
  - 6/1/14 - Division 10 was closed to new participants. Hybrid plan was adopted. Multipliers for the divisions were changed.
  - 10/1/18 - MERS Hybrid HA and HB divisions were frozen. Employer required and matching DC contributions were increased. 17 out of 18 participants in Hybrid HA converted to defined contribution plan.
  - 11/2/18 - Conversions of benefits to a DC plan was offered to deferred, vested participants of MERS defined benefit plan division 10.
- Plan Funding:
  - None Listed
- Other Considerations:
  - The unit is not considered a primary government for purposes of PA 202 of 2017. If the ADC/Governmental fund revenue ratio had been a trigger, the waiver and plan application would have not applied.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - None Listed
- Other Considerations:
  - A MERS prepared actuarial projection assuming ADC is paid annually reflects the plan will reach 64% funding in 2032.

**System Status for All Divisions: Closed**



**Treasury Recommendation**  
**Kalkaska County Road Commission Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 400100**

**Plan size: members 82**

- Inactive employees or beneficiaries currently receiving benefits: 41
- Inactive employees entitled to but not yet receiving benefits: 15
- 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 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2032).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- 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:**

While the road commission certified they would achieve a funded status of at least 60% by fiscal year 2032, the supporting documentation provided through MERS shows the road commission reaching 60% in fiscal year 2034. It should be noted that the projected annual required employer contribution increases from about \$450,000 to about \$821,000 in fiscal year 2032, or 83% (about 5.2% annually).

**Treasury Recommendation**  
**Kalkaska County Road Commission Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 400100**

Municipal Employees Retirement System



February 6, 2019

**Kalkaska CRC (4002) - Divisions 01 & 10**  
**Estimated Projected Employer Contributions and Funded Ratios**

**Modified Baseline - Exclude Divisions HA & HB from the Valuation, Close Division 01 to DC with Accelerated Amortization Schedule until 15 Years, Close Division 10 to DC with Non-accelerated Amortization Schedule**

<b>Valuation Year Ending 12/31</b>	<b>Fiscal Year Beginning in Year</b>	<b>Actuarial Accrued Liability</b>	<b>Valuation Assets</b>	<b>Funded Ratio</b>	<b>Total Annual Employer Contribution</b>
2017	2019	10,084,640	3,826,426	38%	\$449,760
2018	2020	10,110,000	3,700,000	37%	\$625,000
2019	2021	10,080,000	3,550,000	35%	\$671,000
2020	2022	10,050,000	3,670,000	37%	\$652,000
2021	2023	10,010,000	3,850,000	38%	\$640,000
2022	2024	9,950,000	3,960,000	40%	\$629,000
2023	2025	9,850,000	4,040,000	41%	\$616,000
2024	2026	9,760,000	4,120,000	42%	\$630,000
2025	2027	9,660,000	4,200,000	43%	\$651,000
2026	2028	9,560,000	4,310,000	45%	\$673,000
2027	2029	9,440,000	4,420,000	47%	\$697,000
2028	2030	9,280,000	4,560,000	49%	\$721,000
2029	2031	9,100,000	4,710,000	52%	\$745,000
2030	2032	8,880,000	4,880,000	55%	\$769,000
2031	2033	8,640,000	5,090,000	59%	\$794,000
2032	2034	8,380,000	5,330,000	64%	\$821,000

*Notes: The phase-in was included for the purpose of displaying a truer estimate. The assumed annual market return and discount rate is 7.75%.*

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

- None noted.

**Treasury Recommendation  
Kalkaska County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 400100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,951,351	\$9,772,734	40.4%	\$398,576	\$7,819,098	5.1%	YES
Healthcare	OPEB	\$0	\$1,523,873	0%	\$81,538		1.0%	YES
<b>Total</b>		<b>\$3,951,351</b>	<b>\$11,296,607</b>		<b>\$480,114</b>	<b>\$7,819,098</b>	<b>6.1%</b>	

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

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Kalkaska County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. If Disapproved, Kalkaska County Road Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Kalkaska 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:
  - Retiree health care was eliminated for administrative employees on 9/1/14.
  - Retiree health care was eliminated for road worker employees on 7/1/16.
- Plan Funding:
  - None Listed
- Other Considerations:
  - Unit pays retiree health care: Pre-65 retiree - premiums equivalent to the current group for one retiree, age 61. Retiree pays the cost of premiums in excess of PA 270 annual limitations.
  - Unit pays retiree health care: Post 64 retirees - benefits for 13 retirees have been reduced from full coverage to premiums for a medicare supplement plan.
  - Unit pays retiree health care: Retiree opt-out - a monthly stipend is paid to 6 retirees.
  - The unit is not considered a primary government for purposes of PA 202 of 2017. If the ADC/Governmental fund revenue ratio had been a trigger, the waiver and plan application would have not applied.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - None Listed
- Other Considerations:
  - The longest life expectancy of any retiree receiving health care benefits is 20 years. The Plan is expected to terminate in less than 30 years.
  - Annual pay as you go cost will decrease in seven to eight years.
  - The unit is investigating the use of Mercer Marketplace and MERS health care savings program (HCSP) together to reduce retiree health care cost.

**Treasury Recommendation  
Kalkaska County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 400100**

**System Status for All Divisions: OPEN**

**Plan size: members N/A**

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

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria were not met:

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

The corrective action plan does not demonstrate when the retirement system will reach 40% funded.

**Supplemental Information:**

The road commission failed to provide an actuarial analysis or other adequate documentation showing how and when the retiree health care system reaches a 40% funded status.

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

- None noted.

**Treasury Recommendation**  
**MBS International Airport Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 737528**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,204,858	\$11,106,005	55.9%	\$327,418	\$5,319,494	6.2%	NO
Retiree Medical Care Plan	OPEB	\$0	\$2,786,701	0.0%	\$327,418		6.2%	YES
<b>Total</b>		<b>\$6,204,858</b>	<b>\$13,892,706</b>		<b>\$654,836</b>	<b>\$5,319,494</b>	<b>12.3%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by MBS International Airport Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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 2008 the airport commission voted to change the retiree health care benefit for non-union new-hire employees, from full coverage to \$125 per month stipend, which equaled the union benefit. In 2011, through the collective bargaining process, the union health care retiree benefit of \$125 per month was eliminated. In 2012, the airport commission voted to eliminate the non-union retiree health benefit of \$125 per month for new hires. see pages 6a, 2, 3, 11, 18.
- **Plan Funding:**
  - The airport commission has over \$1.85 million in a reserved bank account specifically designated to fund retiree health care. Although these funds are available, the commission has continued to use a "pay as you go" method to fund retiree health care premiums from the annual operating budget. Using this method has preserved the reserved account and allowed those funds to accumulate. See page 6a, 23, January, 2019 Cash and Investment Statement.
- **Other Considerations:**
  - In June, 2018 the airport commission voted to hire an outside law firm to assist with the development of a PA 202 compliant trust document. The intent is to deposit sufficient funds into the irrevocable Other Post-Employment Benefit Trust to meet the State 40% threshold; the trust document is currently being drafted. See pages 6a, 26, 27 and also see Prospective Actions below.

**Prospective Changes:**

- **Modern Plan Design:**
  - Since the airport commission actions in October, 2012 no employees at MBS Airport have qualified for retiree health care benefit. There are only eight (8) retirees receiving this benefit and only two (2) active employees left who qualify for the benefit.

**Treasury Recommendation**  
**MBS International Airport Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 737528**

- Plan Funding:
  - Upon completion of the compliant trust document, the airport commission will transfer at least 40% of the current OPEB liability from the reserved fund into the trust. This will bring MBS into compliance with PA 202 which is expected by fiscal year 2020.
- Other Considerations:
  - None Listed

**System Status for All Divisions: CLOSED**

**Plan size: members 52**

- Inactive employees or beneficiaries currently receiving benefits: 23
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 25

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will 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 (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 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 airport commission plans to open a trust and transfer money from the reserved fund into that trust in order to reach 40% funded by 2020. The amount transferred will be at least 40% at once.

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

- None noted.

**Treasury Recommendation**  
**Missaukee County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 570100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Healthcare Plan	OPEB	\$0,000	\$2,360,353	0.0 %	\$90,053	\$6,181,017	1.5%	YES

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Missaukee County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Employees hired after July 1, 1984, discontinued 100% funding of retiree healthcare by Road Commission. This health insurance benefit will terminate upon retirement.
  - Changed helath insurance plan to combination Priority/Medicare plan for retirees over age 65
  - Increased deductibles and co-payments on Priority/medicare plan resulting in lower premiums.
- Plan Funding:
  - None Listed
- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - From 2019 through 2023 the Rod Commission will begin contributing an additional \$145,000 annually to a qualified medical trust
  - The Road Commission will continue to pay the healthcare premiums out of the general fund until the plan achieves 100% funded status. (FY2036)
- Other Considerations:
  - None Listed

**System Status for All Divisions: CLOSED**

**Plan size: members 37**

- Inactive employees or beneficiaries currently receiving benefits: 17
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 20



**Treasury Recommendation**  
**Missaukee County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 570100**

**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 (2024).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the 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 Community Engagement and Finance Division (CEFD) contact:**

- None noted.

**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
<b>Total</b>		<b>\$15,199,645</b>	<b>\$29,753,167</b>		<b>\$1,096,513</b>	<b>\$33,147,616</b>	<b>3.3%</b>	

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

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Monroe Community Mental Health Authority, which was received by the Municipal Stability Board (the Board) on 4/17/2019. If Disapproved, Monroe Community Mental Health Authority, will receive a detailed letter from the Board listing the reasons for disapproval. Monroe Community Mental Health 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:
  - 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:
  - Use current statements to fund pension (?) liability to 60% by 2038. Form 5572 has shown an increas from 25% funded liability to a 30% funding rate.

**System Status for All Divisions:**

**Plan size: members N/A**

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

**Treasury Recommendation**  
**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:

- 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 2023; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

The following corrective action plan approval criteria were not met:

- Legal and Feasible:
  - The local unit failed to attach supporting documentation indicating the corrective action plan was approved by the governing body.

**Supplemental Information:**

The "governing body approval" that Monroe Community Mental Health Authority (MCMHA) submitted appears unacceptable. There are no signatures. There is no official document (i.e., minutes) indicating the 12-member board saw and approved this CAP. There is no documentation from the Board that specifically demonstrates a commitment to make annual contributions necessary to hit the 40% funded ratio in the allotted time.

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

- None noted.

**Treasury Recommendation**  
**Montmorency County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 600100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Road Commission Health Care Benefits	OPEB	\$36,252	\$1,078,268	3.4%	\$63,736	\$5,584,846	1.1%	YES

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Montmorency County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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 March 12, 2009, the Road Commission started a Retiree Health Care Trust Fund with CLS Investments. To date, there is approx. \$36,250 in the Trust.
  - On February 14, 2019, the board approved the Road Commission's application for waiver along with depositing \$130,000 into the trust with a commitment to deposit another \$67,000 annually for the next four years.
- Plan Funding:
  - None Listed
- Other Considerations:
  - None Listed

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Plan size: members 31**

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

**Treasury Recommendation**  
**Montmorency County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 600100**

**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 the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (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.

The following corrective action plan approval criteria are partially met:

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

**Supplemental Information:**

Committed to adding additional funds to trust, but do not provide a valuation that shows growth of assets and liabilities. Because this is an open plan liabilities will continue to grow.

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

- None noted.

**Treasury Recommendation  
Montmorency-Oscoda-Alpena (MOA) Solid Waste  
Management Authority  
OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 607502**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$878,436	\$924,138	95.1%	\$22,800	\$2,932,929	0.8%	NO
OPEB	OPEB	\$0,000	\$243,880	0.0%	\$40,034		1.4%	YES
<b>Total</b>		<b>\$878,436</b>	<b>\$1,168,018</b>		<b>\$62,834</b>	<b>\$2,932,929</b>	<b>2.1%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by MOA Solid Waste Mgmt Auth, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:
  - Made a \$40,034 deposit into a qualified trust through MERS, which is the Annual Required Contribution amount.
- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - Will make a minimum payment of \$10,000 into a qualified trust starting with their 2020 budget planning.
  - The Board will review the status of the underfunded retiree healthcare annually and adjust accordingly.
- Other Considerations:
  - None Listed

**System Status for All Divisions: OPEN**

**Plan size: members 7**

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 5

**Treasury Recommendation**  
**MOA Sold Waste Mgmt Auth OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 607502**

**Corrective Action Plan Criteria: 2028**

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 20xx; 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:**

Local unit created trust in 2019 and deposited \$40,034 and committed to make a additional payment in 2020 budget of \$10,000. Plan is still open. No projection provided showing expected growth in liabilities. However, shows plan will be 40% funded by 2025 well within timeframe required.



# Treasury Recommendation

## MOA Sold Waste Mgmt Auth OPEB Corrective Action Plan (CAP)

### Non-Primary Unit 607502

#### Montmorency-Oscoda-Alpena Solid Waste Management Authority

**Below: Informational spreadsheet to assist in addressing underfunded status.**

1) Currently Retiree Health Care Benefits cost under 1 percent of our yearly budget on tipping fees alone (2018 - 150,000 cubic yards a year/ \$2,025,000.00 )

2) Retiree- Receiving Retiree Healthcare: 2 (1 over 65-Medicare Eligible -capped at \$3216 annually)

5 current Full time employees : 4 (potential future eligibility - 1 not eligible)

Future Eligibility 15years service/55 years old

1	6 years	2026
1	8 years	2028
1	12 years	2031
1	19 years	2038

3) Pay-Go current retirees

EXAMPLE A:

YEAR	Actual Cost	
2014	\$ 3,216.00	
1 retiree over 65		
2015	\$ 2,353.01	
2016	\$ 11,577.71	
1 retiree over 65 (+) 1 retiree under 65		
2017	\$ 12,953.31	
2018	\$ 13,470.25	
<b>Total</b>	<b>\$ 43,570.78</b>	
2019	Actual Budget \$15,350.00	\$ 55,884.00
Loose estimate of future Budget for Pay-Go:		
2020	\$ 16,000.00	\$ 71,884.00
2021	\$ 16,000.00	\$ 87,884.00
2022	\$ 16,000.00	\$ 103,884.00
2023	\$ 16,000.00	\$ 119,884.00
2 retirees over 65	\$ 6,432.00 over 65 capped at \$268.00 monthly	\$ 126,316.00
2024	\$ 6,432.00	\$ 132,748.00
2 retirees over 65 Additional 1 (possible retirement 55)	\$ 20,000.00	\$ 152,748.00
2025	\$ 21,000.00	\$ 173,748.00
2026	\$ 22,000.00	\$ 195,748.00
2027	\$ 22,000.00	\$ 195,748.00
2028	\$ 22,000.00	\$ 195,748.00
<b>ESTIMATED PAY-GO 10 YEAR TOTAL</b>		<b>\$ 195,748.00</b>

4) Retiree Health Fund Vehicle-future retirees

EXAMPLE B:

Corrective Action Plan		
(RHFV deposits to address underfunded status)		
YEAR	Budget Yearly Deposits	RHFV
2019	Actual Initial deposit \$	40,034.00
2020	\$ 10,000.00	\$ 50,034.00
2021	\$ 10,000.00	\$ 60,034.00
2022	\$ 10,000.00	\$ 70,034.00
2023	\$ 10,000.00	\$ 80,034.00
2024	\$ 10,000.00	\$ 90,034.00
2025	\$ 10,000.00	\$ 100,034.00
2026	\$ 10,000.00	\$ 110,034.00
2027	\$ 10,000.00	\$ 120,034.00
2028	\$ 10,000.00	\$ 130,034.00
	principle total \$	<b>130,034.00 10 years</b>

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

- None noted.

**Treasury Recommendation  
Muskegon Central Dispatch 9-1-1 OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 617517**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$5,147,590	\$6,293,177	81.8%	\$101,828	\$3,516,207	2.9%	NO
Retiree Healthcare Plan	OPEB	\$56,000	\$376,000	14.9%	\$28,826		0.8%	YES
<b>Total</b>		<b>\$5,203,590</b>	<b>\$6,669,177</b>		<b>\$130,654</b>	<b>\$3,516,207</b>	<b>3.7%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Muskegon Central Dispatch 9-1-1, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:
  - \$45,000 of additional funds were contributed in FY 2018. This brought the funded ratio to 35.28%.
  - The Authority submitted an additional \$25,000 in February 2019, bringing their net position to \$136,802. They claim they have a funded ratio of 44.39%.
- Other Considerations:
  - None Listed

**Prospective Changes:**

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

**System Status for All Divisions: CLOSED**

**Plan size: members 62**

- Inactive employees or beneficiaries currently receiving benefits: 22
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 35

**Treasury Recommendation**  
**Muskegon Central Dispatch 9-1-1 OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 617517**

**Corrective Action Plan Criteria: 2020**

The following corrective action plan approval criteria are met:

- 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.

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.

**Supplemental Information:**

The Authority proposes to reach the 40% funded threshold through an additional contribution of \$25,000 made in February 2019. As of the 9/30/2018 Retiree Health Plan report, the plan was at 36.3% funded. The Authority submitted a screenshot from their MERS page showing they had submitted a \$25,000 contribution in February 2019. This brought the plan balance to \$137,963. It should also be noted this CAP is based upon FY 2017. The FY 2018 audit has since been submitted.

**Treasury Recommendation  
Muskegon Central Dispatch 9-1-1 OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 617517**

Hello, 610901R1Muskegon Central Dispatch 911RHF

---

## Plan Summary

---

### ☰ Alerts ⊕ Manage Alert Settings

10/19/2018      Reporting Enhancements

---

### ☰ Plan Balances ⊕ Plan Features

Plan Balance : ⊕ \$137,963

Number of Investments : ⊕ 13

### ☰ Go to Participant ⊕ Activity summary

Enter PartId  GO ⊕ Investment Change

[⊕ Click here for name search](#)

---

### ☰ Contribution Deposit ⊕ Contribution details

Here are the most recent contributions received by source.

Source	Trade Date	Amount
Employer	02/15/2019	\$25,000.00

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

- None noted.

**Treasury Recommendation**  
**Osceola County Road Commission Pension Corrective Action Plan (CAP)**  
**Primary/Non-Primary Unit 670100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,241,559	\$7,997,394	53.0%	\$275,088	\$6,557,935	4.2%	YES
Blue Care Network	OPEB	\$0	\$710,781	0%	\$23,693		0.4%	YES
<b>Total</b>		<b>\$4,241,559</b>	<b>\$8,708,175</b>		<b>\$298,781</b>	<b>\$6,557,935</b>	<b>4.6 %</b>	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Osceola County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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 7/25/2018 OCRC closed one division receiving the benefit.
  - OCRC reduced the multiplier from 2.25% to 1.5%.
- Plan Funding:
  - On 11/10/2016 OCRC made additional payments to the pension system, with a goal of being 100% funded in 20 years or less.
- Other Considerations:
  - None Listed

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Plan size: members 64**

- Inactive employees or beneficiaries currently receiving benefits: 41
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 23

**Treasury Recommendation**  
**Osceola County Road Commission Pension Corrective Action Plan (CAP)**  
**Primary/Non-Primary Unit 670100**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

**Supplemental Information:**

OCRC's annual required payments from 2019 to 2028 increase by approximately 45%. OCRC included an estimated projected employer contributions and funded ratio for MERS which shows them reaching 61% funded.

**Osceola CRC (6703) - All Divisions**  
**Estimated Projected Employer Contributions and Funded Ratios**

Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Modified Baseline - Current Participants as of the Valuation Date, Closed Division 01 to Division 11 with 4% Member Rate and 6.82% Total Normal Cost, Reflected Additional Contributions of \$50,764.46 to Division 01 and \$49,166.62 to Division 10 in 2018				Scenario 1 - Based on Modified Baseline, Use an 18-year Amortization Schedule and Decline by One Year Going Forward			
		Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual Employer Contribution	Actuarial Accrued Liability	Valuation Assets	Funded %	Total Annual Employer Contribution
2017	2019	8,306,155	4,573,817	55%	\$320,076	8,306,155	4,573,817	55%	\$348,336
2018	2020	8,398,253	4,656,223	55%	\$346,296	8,398,253	4,656,223	55%	\$376,548
2019	2021	8,476,672	4,607,479	54%	\$373,296	8,476,672	4,636,278	55%	\$405,708
2020	2022	8,543,913	4,707,474	55%	\$381,456	8,543,913	4,769,989	56%	\$414,420
2021	2023	8,603,427	4,816,764	56%	\$390,732	8,603,427	4,918,373	57%	\$424,524
2022	2024	8,658,495	4,888,467	56%	\$404,100	8,658,495	5,032,192	58%	\$439,176
2023	2025	8,713,997	4,969,561	57%	\$417,648	8,713,997	5,159,526	59%	\$454,008
2024	2026	8,770,970	5,066,035	58%	\$431,652	8,770,970	5,307,158	61%	\$469,380
2025	2027	8,823,209	5,173,149	59%	\$445,932	8,823,209	5,470,728	62%	\$485,064
2026	2028	8,869,180	5,291,185	60%	\$460,764	8,869,180	5,651,016	64%	\$501,360

Notes: The phase-in was included for the purpose of displaying a truer estimate.  
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%.

**Treasury Recommendation**  
**Osceola County Road Commission Pension Corrective Action Plan (CAP)**  
**Primary/Non-Primary Unit 670100**

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

- None noted.



**Treasury Recommendation  
Osceola County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 670100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,241,559	\$7,997,394	53.0%	\$275,088	\$6,557,935	4.2%	YES
Blue Care Network	OPEB	\$0	\$710,781	0%	\$23,693		0.4%	YES
<b>Total</b>		<b>\$4,241,559</b>	<b>\$8,708,175</b>		<b>\$298,781</b>	<b>\$6,557,935</b>	<b>4.6 %</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Osceola County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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 3/14/2019 OCRC opened a trust.
  - OCRC changed its funding policy from pay-as-you-go to funding the full annual required contribution (ARC).
- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - In addition to their ARC, OCRC has committed to contributing additional money into their trust so the their total annual contribution will be a minimum of \$50,000.
  - OCRC will not disburse funds from their trust until they are 100% funded.
- Other Considerations:
  - None Listed

**System Status for All Divisions: OPEN**

**Plan size: members N/A**

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

**Treasury Recommendation**  
**Osceola County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 670100**

**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 (2024).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the 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:**

OCRC used an internally developed analysis to show that they will be over 40% funded in 2024.

**Treasury Recommendation  
Osceola County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 670100**

Osceola County Road Commission  
OPEB Internally Developed Analysis  
(Condensed from spreadsheet)

29.

Employee	Estimated Costs	Discounted Estimated Costs
C015	93,873	53,217
D013	128,613	51,609
F023	93,234	53,241
H026	64,904	55,162
H028	94,291	53,194
K032	87,162	53,596
K033	102,535	52,756
K029	193,872	49,583
N056	74,001	54,458
N049	201,713	49,392
P052	104,379	52,664
S061	66,665	55,009
S057	175,806	50,053
S063	188,810	49,705
W071	63,153	55,305
L038	25,702	24,059
Q060	77,136	54,244
		867,247
	28 year amort	30,973

	Actuarial Accrued Liability	Actuarial Value of Assets	Under-funded AAL	Funded Ratio
12/31/2018	867,247	-	867,247	0%
12/31/2019	836,274	50,000	786,274	6%
12/31/2020	805,301	102,750	702,551	13%
12/31/2021	774,328	158,401	615,927	20%
12/31/2022	743,355	217,113	526,242	29%
12/31/2023	712,382	279,055	433,327	39%
12/31/2024	681,409	344,403	337,006	51%
12/31/2025	650,436	413,345	237,091	64%
12/31/2026	619,463	486,079	133,384	78%
12/31/2027	588,490	562,813	25,677	96%
12/31/2028	557,517	643,768	(86,251)	115%

Notes/Assumptions to analysis:

- > Closed system (15 current/2 retired eligibles) - no employees eligible after 8/1/2011 hire date.
- > Closed time frame - benefits only available from age 62-65.
- > Assumed 5% premium increase per year.
- > Assumed 5.5% discount rate.
- > Assumed 5.5% rate of return.
- > Mortality rate - none.
- > Final year of OPEB closed system - 2046 (28 years)
- > Per resolution, no disbursements from Trust until 100% funding level.

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

- None noted.

**Treasury Recommendation  
Saginaw County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 730100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$23,687,628	\$33,525,923	70.7%	\$623,888	\$23,864,132	2.6%	NO
Saginaw County Road Commission OPEB Plan	OPEB	\$0	\$22,518,466	0.0%	\$3,737,749		15.7 %	YES
<b>Total</b>		<b>\$23,687,628</b>	<b>\$56,044,389</b>		<b>\$4,361,637</b>	<b>\$23,864,132</b>	<b>18.3%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Saginaw County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:
  - As of 12/27/11, all new hires are no longer eligible for post-employment benefits and all future bargaining retirees no longer have life insurance.
  - As of 5/1/10, all retirees who are 65 years or older were moved to a Medicare Advantage Plan.
  - The local unit mandated by Act 51 to comply with the hard caps or 80-20 (Currently use hard caps).
  - Benefit levels of the retired membership mirrors the current collective bargaining agreement.
- Plan Funding:
  - As of July 2008, the MERS Retiree Health Funding Vehicle was set up. In December 2018, the first payment of \$60,000 was made.
- Other Considerations:
  - The plan is closed. In the 2015 actuarial, there were 146 members; in 2019, the plan decreased to 130 members. The youngest of the members is 33 and the oldest is 98. The plan has 60 people under the age of 65, and 71 older than 65. Only 12 are below the age of 45.

**Prospective Changes:**

- Modern Plan Design:
  - The unit is interested in pursuing negotiations of a monthly stipend for retirees over 65. The stipend would be used to purchase supplemental Medicare insurance through the marketplace and would not be implemented until 1-1-22.

**Treasury Recommendation**  
**Saginaw County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 730100**

- Plan Funding:
  - The unit will pay \$120,000 annually to the MERS trust, in addition to the Pay-Go method. Refunds received will also provide assistance; refunds were received all but one of the last five years.
- Other Considerations:
  - None Listed

**System Status for All Divisions: CLOSED**

**Plan size: members 138**

- Inactive employees or beneficiaries currently receiving benefits: 98
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 40

**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 (2044).
- 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.

**Treasury Recommendation  
Saginaw County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 730100**

**Supplemental Information:**

Closed plan and are able to document a 65% decrease in plan members over next 25 years. Setup Trust in 2008, but first payment of \$60,000 not made until 2018.

**Payment of Retiree Premiums**

Year	Plan Members	Estimated Rates	Current Premium	RHFV Balance
2016	142	\$5,409	\$768,091	\$0
2017	135	\$6,511	\$878,962	\$0
2018	130	\$6,384	\$829,933	\$60,000
2019	127	\$6,703	\$851,306	\$293,000
2020	123	\$6,600	\$811,800	\$513,650
2021	120	\$6,798	\$855,360	\$665,333
2022	115	\$7,342	\$885,298	\$934,599
2023	109	\$7,562	\$906,237	\$1,217,329
2024	106	\$7,789	\$951,798	\$1,514,196
2025	104	\$8,023	\$1,008,547	\$1,825,905
2026	102	\$8,263	\$1,068,284	\$2,043,201
2027	100	\$8,511	\$1,089,231	\$2,381,361
2028	99	\$8,767	\$1,121,472	\$2,726,429
2029	94	\$9,030	\$1,107,425	\$3,088,750
2030	88	\$9,300	\$1,078,208	\$3,369,188
2031	84	\$9,579	\$1,070,366	\$3,763,647
2032	82	\$9,867	\$1,097,126	\$4,177,829
2033	81	\$10,163	\$1,137,933	\$4,386,721
2034	75	\$10,468	\$785,078	\$4,606,057
2035	66	\$10,782	\$711,595	\$4,836,360
2036	61	\$11,105	\$677,417	\$5,078,178
2037	58	\$11,438	\$663,424	\$5,332,087
2038	56	\$11,781	\$659,764	\$5,598,691
2039	53	\$12,135	\$643,152	\$5,878,625
2040	51	\$12,499	\$637,449	\$6,172,557
2041	48	\$12,874	\$617,950	\$6,481,184
2042	46	\$13,260	\$609,968	\$6,805,244
2043	45	\$13,658	\$614,609	\$7,145,506
2044	42	\$14,068	\$590,844	\$7,502,781
2045	39	\$14,490	\$565,100	\$7,877,920
2046	36	\$14,924	\$537,280	\$8,271,816
2047	34	\$15,372	\$522,654	\$8,685,407
2048	31	\$15,833	\$490,831	\$9,119,677
2049	28	\$16,308	\$456,634	\$9,575,661

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

- None noted.

**Treasury Recommendation**  
**State of Michigan 48th Judicial District Court OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 637629**

<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>
Postemployment Healthcare	OPEB	\$0	\$7,170,401	0.0%	\$531,963	\$4,378,868	12.1%	YES

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by State of Michigan 48th Judicial District Court, which was received by the Municipal Stability Board (the Board) on 4/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Effective July 1, 2007 the plan was closed for all but very insignificant life insurance benefits, as a result all employees hired after that date are not eligible for health benefits. See 6a.
  - In addition, in 2019 Court changed from Blue Cross to Hartford Group for retiree health insurance which is expected to save approximately 40% of the cost of retiree health insurance. See 6b.
  - This will also significantly decrease the net liability, when a new report is prepared at 12/31/2018
- Plan Funding:
  - On February 29, 2019 the Courts established a qualified trust to receive, invest, and accumulate assets for retirement health care. See 6c.
  - On March 25, 2019 the Court contributed \$545,430.22 to the trust that had been set aside and restricted for health care benefits. See 3a.
- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - None Listed
- Plan Funding:
  - The Court administrator met with four funding units and they have agreed to increase the funding from \$55,000 per year to \$110,000 for 2019, which it is anticipated will stay at this level until the Trust is adequately funded.
  - See attached budget 4(a). Current benefits will continue to be paid from the General Fund until the benefits are fully funded. Based on this plan will be 53% funded by 2037 and 88% funded by 2042. See analysis on 2a.
- Other Considerations:
  - None Listed



**Treasury Recommendation**  
**State of Michigan 48th Judicial District Court OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 637629**

**System Status for All Divisions: CLOSED**

**Plan size: members N/A**

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

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2037).
- Legal and Feasible:
  - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

**Supplemental Information:**

Closed plan. Setup up a trust in 2019 and deposited \$545,430.22. 49th District court makes an additional contribution each year of \$110,000 which was recently approved by funding units. Balance End of Year should continually increase over the years.

**Treasury Recommendation  
State of Michigan 48th Judicial District Court OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 637629**

**48th District Court  
Estimated Net Position Restricted for OPEB Benefits by Contributing \$110,000 per year and  
earning 3% Interest and the Estimated OPEB Liability 10 years from the Plan Date and each 5  
year period thereafter.**

Balance Transferred to Trust in March 2019		<u>\$ 545,430</u>			
	<u>Additional Contribution</u>	<u>Interest</u>	<u>Balance @ End of Year</u>	<u>Estimated OPEB Liability</u>	<u>Percentage Funded</u>
2019	110,000	12,272	667,702		
2020	110,000	20,031	797,733		
2021	110,000	23,932	931,665		
2022	110,000	27,950	1,069,615		
2023	110,000	32,088	1,211,704		
2024	110,000	36,351	1,358,055		
2025	110,000	40,742	1,508,797		
2026	110,000	45,264	1,664,061		
2027	110,000	49,922	1,823,982	8,359,280	21.82%
2028	110,000	54,719	1,988,702		
2029	110,000	59,661	2,158,363		
2030	110,000	64,751	2,333,114		
2031	110,000	69,993	2,513,107		
2032	110,000	75,393	2,698,500	7,930,205	34.03%
2033	110,000	80,955	2,889,455		
2034	110,000	86,684	3,086,139		
2035	110,000	92,584	3,288,723		
2036	110,000	98,662	3,497,385		
2037	110,000	104,922	3,712,307	7,040,966	52.72%
2038	110,000	111,369	3,933,676		
2039	110,000	118,010	4,161,686		
2040	110,000	124,851	4,396,537		
2041	110,000	131,896	4,638,433		
2042	110,000	139,153	4,887,586	5,563,043	87.86%
2043	110,000	146,628	5,144,213		
2044	110,000	154,326	5,408,540		
2045	110,000	162,256	5,680,796		
2046	110,000	170,424	5,961,220		
2047	110,000	178,837	6,250,056	3,834,372	163.00%

The estimated liability was determined by the Courts Certified Public Accounting firm utilizing the alternative measurement method. See 2b.

Note: The above "estimated OPEB liability" does not take into account the estimated saving as a result of changing the insurance carrier for retiree health care, which is estimated to save approximately 40% per year.

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

- None noted.

**Treasury Recommendation  
Van Buren County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 800100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,626,089	\$8,781,873	98.2%	\$215,978	\$14,874,414	1.5%	NO
Van Buren County Road Commission OPEB	OPEB	\$30,000	\$10,687,444	0.3%	\$1,087,595		7.3%	YES
<b>Total</b>		<b>\$8,656,089</b>	<b>\$19,469,317</b>		<b>\$1,303,573</b>	<b>\$14,874,414</b>	<b>8.8%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Van Buren County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Effective January 1, 2019, all Road Commission contributions to retirement health plans for current and future retirees have been capped.
  - These Changes are shown in our Union contract with AFSME and our non-union personal policy, excerpts from both are attached. This plan design change resulted in a reduction of OPEB liability of \$4,387,422
- Plan Funding:
  - The Van Buren County Road Commission established an OPEB Trust account through MERS many years ago, but our Board chose the Pay as we go methodology until 2016.
  - In 2016 we began funding the trust with a deposit of \$30,000. The board is now committed to funding the trust and has made annual deposits of \$320,000 in 2017, 2018 and 2019.
  - The Board is dedicated to continuing this level of funding for at least the next 5 years as demonstrated by the attached board action. Additionally, the Road Commission will continue funding pay as you go from operating funds.
  - The Board is dedicated to continuing this level of funding for at least the next 5 years as demonstrated by the attached board action. Additionally, the Road Commission will continue funding pay as you go from operating funds.
- Other Considerations:
  - None Listed

**Prospective Changes:**

- Modern Plan Design:
  - The Van Buren County Road Commission's December 31, 2018 OPEB report shows decreased liability (\$5,339,834) and an Increased balance in the trust fund (\$653,326) resulting in a current funding ratio 12%, up from the initially reported ratio of 0.3%.

**Treasury Recommendation**  
**Van Buren County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 800100**

- Continued funding as provided for above will enable our OPEB plan to be over 40% funded in 2022 as shown in attachment 2a.
- Plan Funding:
  - None Listed
- Other Considerations:
  - None Listed

**System Status for All Divisions: OPEN**

**Plan size: members 89**

- Inactive employees or beneficiaries currently receiving benefits: 40
- Inactive employees entitled to but not yet receiving benefits: 8
- Active employees: 41

**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 (2022).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the 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**  
**Van Buren County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 800100**

**Supplemental Information:**

Attachment 2a

Year	Additional Contributions to OPEB Trust	Pay as you go Benefit payments	Projected Trust Assets	OPEB Liability	Percent funded
2018			\$ 653,326.00	\$ 5,339,834.00	12%
2019	\$ 320,000.00	\$ 240,000.00	\$ 1,048,758.77	\$ 5,473,329.85	19%
2020	\$ 320,000.00	\$ 240,000.00	\$ 1,474,837.57	\$ 5,610,163.10	26%
2021	\$ 320,000.00	\$ 240,000.00	\$ 1,933,937.48	\$ 5,750,417.17	34%
2022	\$ 320,000.00	\$ 240,000.00	\$ 2,428,617.64	\$ 5,894,177.60	41%
2023	\$ 320,000.00	\$ 240,000.00	\$ 2,961,635.50	\$ 6,041,532.04	49%
2024	\$ 320,000.00	\$ 240,000.00	\$ 3,535,962.25	\$ 6,192,570.34	57%
2025	\$ 320,000.00	\$ 240,000.00	\$ 4,154,799.33	\$ 6,347,384.60	65%
2026	\$ 320,000.00	\$ 240,000.00	\$ 4,821,596.28	\$ 6,506,069.22	74%
2027	\$ 320,000.00	\$ 240,000.00	\$ 5,540,069.99	\$ 6,668,720.95	83%
2028	\$ 320,000.00	\$ 240,000.00	\$ 6,314,225.41	\$ 6,835,438.97	92%
2029	\$ 320,000.00	\$ 240,000.00	\$ 7,148,377.88	\$ 7,006,324.95	102%
2030	\$ 320,000.00	\$ 240,000.00	\$ 8,047,177.17	\$ 7,181,483.07	112%
2031	\$ 320,000.00	\$ 240,000.00	\$ 9,015,633.40	\$ 7,361,020.15	122%
2032	\$ 320,000.00	\$ 240,000.00	\$ 10,059,144.99	\$ 7,545,045.65	133%
2033	\$ 320,000.00	\$ 240,000.00	\$ 11,183,528.72	\$ 7,733,671.79	145%
2034	\$ 88,537.90	\$ 240,000.00	\$ 12,145,651.79	\$ 7,927,013.59	153%

Assume ROR on Trust Assets of 7.75% and Liability Rate of 2.5%

\*\*This scenario anticipates that over the funding period, we will continue to make retiree benefit payments from general operating funds and not plan assets until some point at which funding levels will support that without dropping asset levels below 40% of the liability.

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

- None noted.

**Treasury Recommendation  
Waterford Charter Township OPEB Corrective Action  
Plan (CAP) Primary Unit 631220**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Waterford Township Policemen and Firemen Retirement System	Pension	\$65,536,884	\$63,384,410	103.4%	\$989,146	\$50,966,440	7.7%	NO
Waterford Twp. Employees Retirement System	Pension	\$97,481,518	\$108,223,757	90.1%	\$2,946,541			NO
Post Retirement Health Care Fund	OPEB	\$11,422,373	\$186,829,068	6.1%	\$13,688,352		26.9%	YES
<b>Total</b>		<b>\$174,440,775</b>	<b>\$358,437,235</b>		<b>\$17,624,039</b>	<b>\$50,966,440</b>	<b>34.6%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Waterford Charter Township, which was received by the Municipal Stability Board (the Board) on 4/17/2019. 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:
  - System closed to new employees from all divisions with the exception of the police division. General employees and dispatch closed in 2016, Fire closed in 2012.
  - Implemented Medicare Advantage for retirees, switched to Medicare Advantage Part D for prescriptions, and implemented retiree health care mirroring.
- Plan Funding:
  - Created a retirement health care trust in 2008 and made subsequent additional payments to trust in 2008-2018 in the amount of \$9,351,912. The total trust balance is \$13,729,495.
- Other Considerations:
  - A portion of the OPEB liability can be attributed to the employees of the Water and Sewer Fund, an enterprise Fund of the Township. It is estimated that the Township can use the resources of this fund to pay for 8-10% of the total OPEB costs.

**Prospective Changes:**

- Modern Plan Design:

**Treasury Recommendation  
Waterford Charter Township OPEB Corrective Action  
Plan (CAP) Primary Unit 631220**

- The Township has formed a committee of elected officials, management, and third-party consultants to identify and analyze potential system design changes. The third-party consultants include benefits consultants, the Township's auditors, and our actuary.
- Plan Funding:
  - The Township has worked with their actuary to devise a funding plan that achieves a 40% funding level within the next 30 years. This plan included additional funding to the trust for the next 6 years.
  - The Township will use a portion of the trust assets to pay the benefit payments from 2025-2041, as the projected payments are expected to exceed the Township's available resources.
  - Beginning again in 2042, the Township will continue additional trust payments until they reach 43% funded in 2048.
- Other Considerations:
  - None Listed

**System Status for All Divisions: OPEN**

**Plan size: members 542**

- Inactive employees or beneficiaries currently receiving benefits: 283
- Inactive employees entitled to but not yet receiving benefits: 36
- Active employees: 223

**Corrective Action Plan Criteria: 2048**

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 (20xx).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

The following corrective action plan approval criteria are partially met:



**Treasury Recommendation  
Waterford Charter Township OPEB Corrective Action  
Plan (CAP) Primary Unit 631220**

- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 34.6%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

Waterford Township provided an actuarial projection showing the progress of their funding plan. This plan shows the OPEB system exceeding 40% funded in 2048. This projection also shows that the annual benefit cost from 2018 to 2036 increases from 5.9 million to 15.6 million, or 162% (9%/year). The annual benefit payment remains above \$15 million per year for the remainder of the plan. The Township did factor this cost into their funding plan, and provided data indicating that the cost does not increase as dramatically when factoring inflation.

**Waterford Township Retiree Health Trust Projections  
Based on the December 31, 2016 Actuarial Valuation**

**Scenario 2: Alternate**

	Actuarial Accrued Liability	Present Value of Future Normal Cost	Present Value of Future Benefits
From Report	153,892,087	23,588,021	177,480,108
Life Insurance	741,696	44,738	786,434
Net as of 12/31/2016	153,150,391	23,543,283	176,693,674
	Loaded		167,858,950

Assumed Earnings	6.50%	Projected Earnings	6.50%
Normal Cost Load	-5.0000%	Price Inflation	2.50%
AAL Load	-5.0000%	167,837,013.22	PVFB Test
Benefit Load	-5.00%	22	PVFB Test

Calendar Year	Calendar Year	Projected Actuarial Accrued Liability BOY	Estimated Normal Cost	Estimated Benefit Payments	Calendar Year	Calendar Year	Assets BOY	Contributions Above PayGo	Funded Status	Percent of Benefits Paid from		Total Employer Contrib (PayGo Benefits + Contribs To Trust)	
										Trust	Future Dollars	2019 Dollars	
2018	2018	\$ 152,829,631	\$ 2,592,339	\$ 5,943,407	1	2018	\$ 13,729,495	\$ 1,258,200	9.10%	0.0%	\$ 7,201,607		
1	2019	\$ 158,453,295	\$ 2,537,159	\$ 6,475,197	1	2019	\$ 15,920,350	\$ 2,006,400	10.05%	0.0%	\$ 8,481,597	\$ 8,481,597	
2	2020	\$ 164,888,749	\$ 2,475,212	\$ 7,051,252	2	2020	\$ 19,025,765	\$ 1,681,250	11.55%	0.0%	\$ 8,082,502	\$ 7,885,368	
3	2021	\$ 170,871,098	\$ 2,398,229	\$ 7,658,984	3	2021	\$ 21,328,678	\$ 850,000	12.50%	0.0%	\$ 8,508,984	\$ 8,098,973	
4	2022	\$ 176,333,618	\$ 2,311,046	\$ 8,292,268	4	2022	\$ 23,590,102	\$ 750,000	13.38%	0.0%	\$ 9,042,268	\$ 8,396,645	
5	2023	\$ 181,622,752	\$ 2,214,750	\$ 8,926,326	5	2023	\$ 25,897,450	\$ 500,000	14.26%	0.0%	\$ 9,526,326	\$ 8,630,381	
6	2024	\$ 186,398,764	\$ 2,084,520	\$ 9,621,350	6	2024	\$ 28,096,778	\$ 300,000	15.07%	0.0%	\$ 9,921,350	\$ 8,769,027	
7	2025	\$ 190,530,325	\$ 1,932,790	\$ 10,336,035	7	2025	\$ 29,356,511	-	15.41%	6.8%	\$ 9,839,811	\$ 8,484,839	
8	2026	\$ 194,026,019	\$ 1,747,797	\$ 11,124,123	8	2026	\$ 30,556,904	-	15.79%	6.5%	\$ 10,400,000	\$ 8,749,158	
9	2027	\$ 196,961,450	\$ 1,593,118	\$ 11,716,787	9	2027	\$ 31,513,027	-	16.00%	9.0%	\$ 10,660,000	\$ 8,749,158	
10	2028	\$ 199,322,627	\$ 1,418,573	\$ 12,271,839	10	2028	\$ 32,236,473	-	16.17%	11.0%	\$ 10,926,500	\$ 8,749,158	
11	2029	\$ 201,099,793	\$ 1,266,074	\$ 12,773,919	11	2029	\$ 32,771,086	-	16.30%	12.3%	\$ 11,199,663	\$ 8,749,158	
12	2030	\$ 202,314,892	\$ 1,153,201	\$ 13,221,232	12	2030	\$ 32,994,159	-	16.31%	14.5%	\$ 11,479,654	\$ 8,749,158	
13	2031	\$ 202,954,895	\$ 1,042,657	\$ 13,598,987	13	2031	\$ 32,980,220	-	16.20%	15.0%	\$ 11,766,645	\$ 8,749,158	
14	2032	\$ 202,678,350	\$ 945,665	\$ 14,432,090	14	2032	\$ 32,760,489	-	16.16%	16.4%	\$ 12,060,812	\$ 8,749,158	
15	2033	\$ 201,934,702	\$ 840,748	\$ 14,990,532	15	2033	\$ 32,328,063	-	16.01%	17.2%	\$ 12,362,332	\$ 8,749,158	
16	2034	\$ 200,519,964	\$ 745,052	\$ 15,278,226	16	2034	\$ 31,800,585	-	15.86%	17.1%	\$ 12,671,390	\$ 8,749,158	
17	2035	\$ 198,555,695	\$ 673,474	\$ 15,464,815	17	2035	\$ 31,259,531	-	15.79%	15.9%	\$ 12,988,175	\$ 8,749,158	
18	2036	\$ 196,236,105	\$ 604,179	\$ 15,623,452	18	2036	\$ 31,040,680	-	15.82%	14.8%	\$ 13,312,879	\$ 8,749,158	
19	2037	\$ 193,470,436	\$ 546,066	\$ 15,476,865	19	2037	\$ 31,150,686	-	16.10%	11.8%	\$ 13,645,701	\$ 8,749,158	
20	2038	\$ 190,637,603	\$ 496,818	\$ 15,423,942	20	2038	\$ 31,087,323	-	16.62%	9.3%	\$ 13,988,844	\$ 8,749,158	
21	2039	\$ 187,624,429	\$ 448,527	\$ 15,258,941	21	2039	\$ 32,784,772	-	17.47%	6.0%	\$ 14,336,515	\$ 8,749,158	
22	2040	\$ 184,535,842	\$ 378,815	\$ 15,278,047	22	2040	\$ 34,314,763	-	18.60%	3.8%	\$ 14,694,928	\$ 8,749,158	
23	2041	\$ 181,152,773	\$ 300,080	\$ 15,448,090	23	2041	\$ 36,151,476	-	19.96%	2.5%	\$ 15,062,301	\$ 8,749,158	
24	2042	\$ 177,295,134	\$ 240,540	\$ 15,317,860	24	2042	\$ 38,501,321	\$ 120,999	21.72%	0.0%	\$ 15,438,858	\$ 8,749,158	
25	2043	\$ 173,299,699	\$ 175,609	\$ 15,156,426	25	2043	\$ 41,128,777	\$ 468,404	23.74%	0.0%	\$ 15,824,830	\$ 8,749,158	
26	2044	\$ 168,992,153	\$ 131,692	\$ 15,478,985	26	2044	\$ 44,285,535	\$ 741,466	26.23%	0.0%	\$ 16,220,451	\$ 8,749,158	
27	2045	\$ 163,992,510	\$ 100,026	\$ 15,486,541	27	2045	\$ 47,929,279	\$ 1,139,421	29.23%	0.0%	\$ 16,625,962	\$ 8,749,158	
28	2046	\$ 158,793,639	\$ 88,569	\$ 15,359,179	28	2046	\$ 52,220,552	\$ 1,682,432	32.89%	0.0%	\$ 17,041,611	\$ 8,749,158	
29	2047	\$ 153,345,483	\$ 71,176	\$ 15,226,969	29	2047	\$ 57,251,138	\$ 2,340,682	37.40%	0.0%	\$ 17,467,651	\$ 8,749,158	
30	2048	\$ 147,672,137	\$ 57,301	\$ 15,106,250	30	2048	\$ 63,391,320	\$ 2,798,092	42.93%	0.0%	\$ 17,904,343	\$ 8,749,158	

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

- None noted.

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-14**

**MUNICIPALITY IN 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**, on December 19, 2018, the Board voted to disapprove Bloomfield Charter Township’s (the “Municipality”) submitted Corrective Action Plan related to its OPEB Health Care Benefits Trust;

**WHEREAS**, Treasury provided the Municipality with notification of the Board’s detailed reasons for disapproval of their Municipality’s Corrective Action Plan in a letter dated December 28, 2018 (the “Disapproval Letter”);

**WHEREAS**, MCL 38.2810(4) requires a Municipality to resubmit their Corrective Action Plan addressing the reasons for disapproval within sixty days of the Disapproval Letter;

**WHEREAS**, the Municipality resubmitted their Corrective Action Plan; and

**WHEREAS**, Treasury has reviewed the resubmitted Corrective Action Plan and advises the Board that the plan does not materially address the reasons for disapproval contained in the Disapproval Letter.

**NOW THEREFORE, BE IT RESOLVED**, the Board determines that the Municipality is in noncompliance with the Act for failure to resubmit a Corrective Action Plan materially addressing the reasons for disapproval within sixty days of the Disapproval Letter as required by MCL 38.2810(4).

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



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

Resolution 2019-14 Exhibit B

**DATE:** May 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:

1. 35th District Court (2 systems)
  - a. Pension
  - b. OPEB
2. Alpena City Housing Commission
  - a. No Retirement Submission
3. Antrim County Road Commission (2 systems)
  - a. Pension
  - b. OPEB
4. Bruce Township
  - a. No Retirement Submission
5. District Health Department No. 4
  - a. No Retirement Submission
6. Houghton Lake Sewer Authority
  - a. OPEB
7. Kingsford City Housing Commission
  - a. No Retirement Submission FY 2018

8. Village of Marion
  - a. No Retirement Submission FY 2018
  
9. Muskegon Heights (2 systems)
  - a. Pension
  - b. OPEB
  
10. Negaunee Housing Commission
  - a. Pension
  
11. Shiawassee County
  - a. No Retirement Submission
  
12. St Clair River Sewer & Water Authority
  - a. No Retirement Submission
  
13. St. Clair Shores Housing Commission
  - a. No Retirement Submission
  
14. Sturgis City Housing Commission
  - a. No Retirement Submission
  
15. Taylor City Housing Commission
  - a. No Retirement Submission FY 2018
  
16. Tuscola County Road Commission
  - a. No Retirement Submission

**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.”