

# **Municipal Stability Board**

Wednesday, November 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 October 16, 2019 Minutes

## **II. Public Comment**

- A. 2 minute limit
- B. Email from Grosse Ile Civic Association

## **III. Correspondence**

- A. Treasury Update
- B. Open Meetings Act Clarification

## **IV. Old Business**

## **V. New Business**

- A. Approval of 2020 Meeting Schedule (Resolution 2019-29)
- B. Corrective Action Plan Extension Request
- C. Receipt of Corrective Action Plans:
  - i. City of Alpena
  - ii. City of Charlotte (2 systems)
  - iii. City of Ferndale
  - iv. City of South Lyon
- D. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-30)
  - i. Chippewa County Road Commission
  - ii. Davison Township
  - iii. City of Luna Pier
  - iv. City of Melvindale

- v. Village of Otisville
- vi. City of Parchment
- vii. Redford Township

**VI. Public Comment**

- A. 2 minute limit

**VII. Board Comment**

**VIII. Adjournment**

# **Municipal Stability Board Minutes**

Wednesday, October 16, 2019 at 10:00 a.m.  
Richard H. Austin Building  
State Treasurer's Boardroom  
430 W. Allegan Street  
Lansing, MI 48922

## **CALL TO ORDER**

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

## **ROLL CALL**

### **Members Present: Two**

Eric Scorsone  
John Lamerato

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

## **APPROVAL OF MINUTES**

A motion was made to approve the September 18, 2019 board meeting minutes by John Lamerato and supported by Eric Scorsone. The Board unanimously approved the September 18, 2019 meeting minutes. 2 ayes, and 0 nays.

## **PUBLIC COMMENT**

No public comment.

## **CORRESPONDENCE**

Nick Brousseau presented the Board with Treasury updates, which included a tentative schedule for upcoming corrective action plan reviews, an updated Department of Treasury Communication and Outreach Report, and a review of the updated uniform assumption draft.

## **NEW BUSINESS**

### **RECEIPT OF 7 LOCAL GOVERNMENTS' CORRECTIVE ACTION PLANS (7 SYSTEMS)**

Nick Brousseau provided the Board with the following 7 local governments' corrective action plans (7 systems):

- Chippewa County Road Commission (2017)
- City of Melvindale (2017)
- Davidson Township (2018)
- City of Luna Pier (2018)
- Village of Otisville (2018)
- City of Parchment (2018)
- Redford Township (2018)

A motion was made to receive the corrective action plans by John Lamerato and supported by Eric Scorsone. The Board unanimously received the corrective action plans. 2 ayes, and 0 nays.

### **APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 6 LOCAL GOVERNMENTS (6 SYSTEMS) (RESOLUTION 2019-28)**

Nick Brousseau was asked to review the Treasury recommendations for Approval or Disapproval of Corrective Action Plans (Resolution 2019-28) with the Board.

- Capital Area Transportation Authority (Approved)
- Copper County Community Mental Health Services Board (Approved)
- Grosse Ile Township (Approved)
- City of Harper Woods (Approved)
- City of Riverview (Approved)
- St. Clair River Sewer and Water Authority (Approved)

Mr. Brousseau provided additional detail around the plan submissions from Grosse Ile Township and the City of Harper Woods.

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-28) by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-28). 2 ayes, and 0 nays.

## **PUBLIC COMMENT**

No public comment.

## **NEXT MEETING**

The next regular meeting will be on November 20, 2019 at 10:00 am.

## **ADJOURNMENT**

A motion was made to adjourn by John Lamerato 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 10:17 a.m.

DRAFT

**From:** [Board of Directors](#)  
**To:** [LocalRetirementReporting](#)  
**Subject:** Municipal Stability Board Meeting - October 16, 2019 - Agenda Item 5(b); Grosse Ile Township  
**Date:** Wednesday, October 16, 2019 10:28:43 AM

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State of Michigan  
Department of Treasury  
Municipal Stability Board

Subject: October 16, 2019 MSB Meeting  
Agenda Item 5(b)  
Grosse Ile Township Corrective Action Plan Submission

Board Members:

This comment will express concerns regarding the Grosse Ile Township Retirement Health liability, and the Corrective Action Plan submission that you will consider at today's Meeting. We offer this of concern for the fiscal stability, present and future, of Grosse Ile Township.

REGARDING the Corrective Action Plan Submission:

To our knowledge, and confirmed by one or more elected Officials, there have been no formal Meetings (Study Sessions, Regular or Special Meetings) of the Board of Trustees for specific purposes of self-education to PA202 or Township Status and Determination(s), audit of the proposed CAP Submission, or discussion/consideration of elements as outlined in the Best Practices Guide published by the State of Michigan.

There has been no distribution to elected Officials of materials published by Michigan Treasury relating to PA202 or Township status, and available through the Community Engagement and Finance Department (CEFD).

To our knowledge, there have been no Township contacts with CEFD to discuss Determination(s), Corrective Action Plan (CAP) construct or submission.

While the revised Actuarial evaluations provided the Township by Gabriel, Roeder & Smith (GRS) were made available to us, we were unable to identify the specific values or equations employed in recognizing an \$8,000,000 reduction in future liability; neither were we able to substantiate that the funding clearly identified and committed for contribution to the Retiree Health Care vehicle will be sufficient to fund 40% of the aggregate future liability, even as revised.

It is a concern to us that GRS has cited a representation by the Township that funding would be made, without clear identification of what such funding is beyond CVTRS monies, whether such funding has been formally committed by Board action, and documentation of what the material effect will be, Y-o-Y and in the aggregate.

It is of greatest concern to us that emphasis (as voiced during Township Administration presentation to the Board of Trustees during the Meeting of September 9, 2019\*\*) was placed on avoiding the 12% threshold "trigger" for FY2019, thereby avoiding a CAP requirement. There was no commitment made to address structural elements of Agreements/commitments contributing to the liability, nor modeling of future Year(s) liabilities.

We are making no recommendation as to Municipal Stability Board decision on the status of Grosse Ile Township as it relates to (funding of) the Retirement Health obligations. We do not currently have the professional expertise to do so.

We are requesting that the MSB closely audit the Submission, and take the greatest care in substantiating those representations made.

Respectfully,

Board of Directors

Grosse Ile Civic Association

Craig Pilkington, Secretary

\*\* Comments can be viewed beginning at the 31m 20s mark of the Grosse Ile Township Board of Trustees Meeting video at the following address:  
<https://grosseile.civicweb.net/document/4118?splitscreen=true&media=true>

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

As of 11/13/2019

Table 1: Upcoming CAP Reviews

PA 202: Corrective Action Plan Review Schedule							
LOCAL UNIT TYPE	Tentative Month of Corrective Action Plan Review						
	November	December	January	February	March	April	May
NON-PRIMARY	0	0	5	0	5	0	2
PRIMARY	7	3	2	0	6	0	7
<b>TOTAL</b>	<b>7</b>	<b>3</b>	<b>7</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>9</b>

## Treasury Department Communication and Outreach Report

- **185 one-on-one 30-minute calls scheduled by local governments to discuss the P.A. 202 process**
  - Three individual calls since the October Board meeting
- **Calls to two local governments with corrective action plans due for the November Board meeting**





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** November 8, 2019

**TO:** Rodney Taylor, Administrator, Community Engagement and Finance Division

**FROM:** Nicholas Brousseau, Departmental Analyst, Analytics and Outreach Section

**SUBJECT:** Public Act 202 of 2017 (the Act) Funded Ratio Comparison: 2017 to 2018

**Background:** Per the Act, all local governments are reviewed for underfunded status using the funded ratio (assets/liabilities) reported in their Retirement Systems Annual Report (Form 5572).

- To trigger as preliminarily underfunded a local government must have a funded ratio:
  - Below 60% for pension retirement systems
  - Below 40% for retirement healthcare systems
- In fiscal year 2017, the average funded ratio for retirement systems in the State of Michigan was 74.0% for pension systems, and 28% for retirement healthcare systems.

**Reporting Data Analysis:** Using data collected through the Form 5572, unfunded liabilities for all local government retirement systems in the State decreased from approximately \$19.4 billion in fiscal year 2017 to \$18.4 billion in fiscal year 2018, a total decrease of nearly \$1 billion (5%). Additionally, in reviewing the change to reported funded ratios from the Form 5572 for FY 17 to FY 18, the overall average funded ratios for pension and retirement healthcare systems increased.

- The average reported funded ratio for pension systems in FY 2018 was 76.7%, an increase of 2.7% from FY 17.
  - Of the 867 pension systems that reported in both years, 664 (77%) increased their funded ratio
- The average reported funded ratio for retirement healthcare systems in FY 2018 was 34.1%, an increase of 6.8% from FY 17.
  - Of the 507 retirement healthcare systems to report in both years, 243 (48%) improved their funded ratio
    - ❖ An additional 37% had a funded ratio that remained the same

Exhibit A provides further detail specific to each of these data points by local government type, as well as individual data for each reporting local government reviewed.

**Exhibit A****Pension Funded Ratio Analysis 2017-2018**

Local Government Type	2017 Pension Funded Ratio	2018 Pension Funded Ratio	Pension %		
			Change from 17 to 18	Funded % Increased	Funded % Decreased
Authority	82.5%	85.5%	3.8%	187	42
City	69.6%	71.3%	2.4%	242	63
County	75.0%	75.7%	0.3%	52	38
Road Commission	61.6%	64.0%	2.4%	41	25
Township	74.4%	78.1%	1.9%	77	27
Village	74.3%	79.6%	5.1%	65	8
<b>Pension Total</b>	<b>74.0%</b>	<b>76.7%</b>	<b>2.7%</b>	<b>664</b>	<b>203</b>

**OPEB Funded Ratio Analysis 2017-2018**

Local Government Type	2017 OPEB Funded Ratio	2018 OPEB Funded Ratio	OPEB %			
			Change from 17 to 18	Funded % Increased	Funded % Decreased	Funded % Same
Authority	52.9%	61.5%	9.3%	45	13	26
City	22.8%	27.9%	5.3%	94	33	70
County	24.3%	28.9%	5.7%	28	10	23
Road Commission	13.6%	23.3%	10.2%	37	6	21
Township	32.9%	31.7%	5.7%	30	16	34
Village	17.3%	25.9%	8.6%	9		12
<b>OPEB Total</b>	<b>28.4%</b>	<b>34.1%</b>	<b>6.8%</b>	<b>243</b>	<b>78</b>	<b>186</b>

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-29**

**PUBLIC ACT 202 OF 2017**

**APPROVING AND ADOPTING NOTICE OF REGULAR MEETINGS  
OF THE MUNICIPAL STABILITY BOARD FOR 2020**

**WHEREAS**, Public Act 202 of 2017, the Protecting Local Government Retirement and Benefits Act (the “Act”), allows for the creation of the Municipal Stability Board (the “Board”) within the Michigan Department of Treasury; And

**WHEREAS**, Section 7 of the Act provides, in part, that the Board shall exercise its duties through a three member board; And

**WHEREAS**, members of the Board, in the interest of promoting transparency in the discharge of its duties, deems the Board to be a “public body” as that term is used in Section 2(a) of the Open Meetings Act; And

**WHEREAS**, Section 5(2) of the Open Meetings Act, provides that “for regular meetings of a public body, there shall be posted within 10 days after the first meeting of the public body in each calendar or fiscal year a public notice stating the dates, times, and places of its regular meetings”; and

**NOW THEREFORE, BE IT RESOLVED** by the Board as follows:

1. That the Notice of Regular Meetings, attached as **Exhibit A** to this Resolution, is approved and adopted by the Board.
2. That the persons designated in Resolution 2018-2 are hereby directed to post the Notice of Regular Meetings within 10 days pursuant to Section 5(2) of Public Act 267 of 1976, the Open Meetings Act.
3. That the minutes of the Board meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
4. This Resolution shall have immediate effect.

Ayes:

Nays:

Recused:

Lansing, Michigan

November 20, 2019

# MUNICIPAL STABILITY BOARD

Austin Building • 430 W. Allegan Street • Lansing, MI 48922

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## 2020 NOTICE OF REGULAR MEETINGS

The **Municipal Stability Board** will hold its regular meetings during the calendar year ending December 31, 2020, on the following times at the Austin Building, 430 W. Allegan Street, Lansing, MI 48922.

Date	Austin Building Room	Meeting Time	Meeting Type
Wednesday, January 15, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, February 19, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, March 18, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, April 15, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, May 20, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, June 17, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, July 15, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, August 19, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, September 16, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, October 21, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, November 18, 2020	State Treasurer's Boardroom	11:00am	Board Meeting
Wednesday, December 16, 2020	State Treasurer's Boardroom	11:00am	Board Meeting

The meeting is open to the public and this notice is provided under the Open Meetings Act, 1976 PA 267, MCL 15.261 to 15.275.

The meeting location is barrier-free and accessible to individuals with special needs. Individuals needing special accommodations or assistance to attend or address the Municipal Stability Board should contact Kristin Brown at (517) 335-7469 prior to the meeting to assure compliance with Subtitle A of Title II of the Americans with Disabilities Act of 1990, Public Law 101-336, 42 USC 12131 to 12134.

A copy of the proposed minutes of the meeting will be available for public inspection at the principal office of the Board within 8 business days. A copy of the approved minutes of the meeting, including any corrections, will be available for public inspection at the principal office of the Board within 7 business days after approval by the Board.

The Board may hold special meetings, in addition to the regular meetings above. Special meetings are also open to the public and separate notice will be posted in advance of special meetings.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** November 20, 2019  
**TO:** The Municipal Stability Board (the Board)  
**FROM:** Community Engagement and Finance Division, Department of Treasury  
**SUBJECT:** Corrective Action Plan Extension Requests

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

- I. City of Belleville
  - a. OPEB: [City of Belleville - OPEB](#)

**Per Section 10(1) of Public Act 202 of 2017:** “The board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.”



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

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

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

**Fiscal Year 2018 Plans**

- I. City of Alpena
  - A. OPEB, City of Alpena Retiree Health Care Plan
- II. City of Charlotte
  - A. Pension, MERS
  - B. OPEB, Retiree Health Insurance
- III. City of Ferndale
  - A. OPEB, Other Postemployment Benefits
- IV. City of South Lyon
  - A. OPEB, City of South Lyon OPEB 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: <u>City of Alpena</u>	Six-Digit Muni Code: <u>042010</u>
Retirement Health Benefit System Name: <u>City of Alpena Retiree Health Care Plan</u>	
Contact Name (Administrative Officer): <u>Anna Soik</u>	
Title if not Administrative Officer: <u>City Clerk/Treasurer/Finance Director</u>	
Email: <u>annas@alpena.mi.us</u>	Telephone: <u>(989) 354-1721</u>

2. GENERAL INFORMATION
<p><b>Corrective Action Plan:</b> An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one 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.</p> <p><b>Due Date:</b> The local unit of government has <b>180 days from the date of notification</b> to submit a corrective action plan to the Municipal Stability Board. The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.</p> <p><b>Filing:</b> Per Sec. 10(1) of the Act, this Corrective Action Plan must be approved by the local government's administrative officer and its governing body. <b>You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document.</b> Per Sec. 10(4) of the Act, failure to provide documentation that demonstrates approval from your governing body will result in a determination of noncompliance by the Board.</p> <p>The submitted plan must demonstrate through distinct supporting documentation how and when the local unit will reach the 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.</p> <p>The completed plan must be submitted via email to Treasury at <a href="mailto:LocalRetirementReporting@michigan.gov">LocalRetirementReporting@michigan.gov</a> for review by the Board. <b>If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.</b> Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.</p> <p>The subject line of the email(s) should be in the following format: <b>Corrective Action Plan-2017, Local Unit Name, Retirement System Name</b> (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System OPEB</p>

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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



**Category of Prior Actions:**

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

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

Retiree healthcare is now provided to the employee only. On 7/1/09 for Admin. employees and on 7/1/11 for new Police, Fire and DPW employees either a new or more restrictive cap was placed on City paid retiree health premiums or employees were no longer eligible for retiree health insurance. Beginning in FY18/19 the City increased its contribution to the OPEB fund to 6% of all budgeted wages/salaries. This increased to 7% for FY19/20.

- 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 immediate payment of the ARC would severely impact the City's budget to the detriment of its employees and citizens. Therefore, the City Council through resolution 2019-17 has committed to increase annual payments progressively. In FY18/19, contributions increased Plan funding by approximately \$156,000 after payment of the City portion of retiree health insurance premiums. For FY19/20, the additional funding will be approximately \$240,000. This will enable the Plan to reach 40% funding by FY23/24. Please see attachment 2a.

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

The City is working with the Fire Union to potentially move firefighters hired after 7/1/11 to a pre-retirement funding program that will remove those employees from our post-retirement healthcare legacy costs. If implemented and successful, this plan could be expanded to include other employee groups.

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

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

The City is currently working with its retirement fund investment advisor to implement an investment program similar to that for the City's retirement fund to significantly increase return on investment for the Retiree Health Care Plan above the existing bank interest rate. This change should be in place by end of calendar year 2019.

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

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

**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

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

- Yes
  - No
- If No, Explain

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

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

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

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

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria

### Description

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

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

The City of Alpena Retiree Health Cre Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 23/24 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

Greg E. Sundin

Date

Oct. 17, 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: \_\_\_\_\_ Six-Digit Muni Code: \_\_\_\_\_  
Defined Benefit Pension System Name: \_\_\_\_\_  
Contact Name (Administrative Officer): \_\_\_\_\_  
Title if not Administrative Officer: \_\_\_\_\_  
Email: \_\_\_\_\_ Telephone: \_\_\_\_\_

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

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

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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



## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
- No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

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

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

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

Signature Gregg Guetschow Date \_\_\_\_\_

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: City of Charlotte Six-Digit Muni Code: 232010  
Retirement Health Benefit System Name: Retiree Health Insurance  
Contact Name (Administrative Officer): Gregg Guetschow  
Title if not Administrative Officer: City Manager  
Email: gguetschow@charlottemi.org Telephone: (517) 543-8852

#### 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 July 1, 2010, retiree health insurance plan eligibility was restricted to current beneficiaries and an additional five employees who have subsequently retired, a group now totaling 12 former employees and spouses. The City's analysis shows that the plan will achieve 40% funding as of June 30, 2031 through the establishment of a \$200,000 retiree health insurance trust .

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

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The approved corrective action contemplates supplementing the current pay-go funding with the establishment of a \$200,000 trust. It is expected that the trust will be created by June 30, 2020 by allocating \$200,000 in current restricted general fund fund balance originally set aside for retiree health insurance when the benefit was first created in 1989.

**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**.*

Utilizing the Social Security Administration's life expectancy calculator, the City projects that no plan beneficiaries will remain as of June 30, 2047, as shown on the attached "Projected OPEB Costs" spreadsheet.

## 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 Charlotte 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, Gregg Guetschow, 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 Retiree Health Insurance Plan (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2034 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 Gregg Guetschow

Date 11/15/2015



# Protecting Local Government Retirement and Benefits Act

## Application for Waiver and Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: City of Ferndale Six-Digit Muni Code: 632060  
Retirement Health Benefit System Name: City of Ferndale Other Postemployment Benefits  
Contact Name (Administrative Officer): Sheryl Stubblefield  
Title if not Administrative Officer: Finance Director  
Email: sstubblefield@ferndalemi.gov Telephone: (248) 537-2377

#### 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 retirement health benefit 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 *2018 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-2018, Local Unit Name, Retirement System Name** (e.g. Waiver-2018, 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).

**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 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.

### 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: 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, 2018**, 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, 2018**.*

#### Enter System Design Statement here:

We no longer have retiree health care coverage for new hires. Below is a list of the cut-off dates, by employee group:  
Police Command and Patrol - not eligible if hired after 2008.  
Fire Fighter- not eligible if hired after 2011  
Clerical / Technical workers- not eligible if hired after 2006  
DPW/ Water employees - not eligible if hired after 2004.  
Appointees and Administration- not eligible if hired after 2004.

Also, as of 2016 the City runs a free health care clinic that employees and retirees are eligible to go to for routine doctors' visits to assist in the reduction of health care costs. Currently our health care costs are trending down.

**Additional Funding** - Additional funding may include the following: 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.

**Enter Additional Funding Statement here:**

The City of Ferndale currently pays Retiree Health Care Costs from the General Fund and not out of the OPEB trust. Additionally, the City contributes \$100,000 to the OPEB trust each year. Over the next five years the city intends to contribute those funds each year as outlined in the attached budget page.

**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 **2016**. Attached is an updated actuarial valuation for **2018** 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 (ARC / Total Governmental Funds) would only be **5%** when including enterprise funds within the calculation.*

**Enter Other Considerations Statement here:**

Our current funding level is 39.6%. An increase of \$300,000 in system assets will bring us to the required 40% funding and has already been budgeted for over the next three years.

Also, the attached analysis of the revenue ratio (ARC / Total Governmental Funds) would only be 9% when including the enterprise funds within the calculation.

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

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

The **Retirement Health Benefit System** listed below will achieve a funded status of at least 40% by the Fiscal Year listed below.

Retirement Health Benefit System Name: Other Postemployment Benefits, Ferndale Fiscal Year: 2018

Signature:  Date: 09/17/2019

## 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: City of South Lyon Six-Digit Muni Code: 632210

Retirement Health Benefit System Name: City of South Lyon OPEB Plan

Contact Name (Administrative Officer): Paul Zelenak

Title if not Administrative Officer: City Manager

Email: PZelenak@southlyonmi.org Telephone: (248) 437-1735

### 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 City of South Lyon ordered an actuarial valuation of Annual Required Contribution (ARC) to determine contribution for FY 2018/2019 and beyond. The Actuarially Determined Contribution (ADC) was calculated using level dollar amortization with a 3% discount rate. The amortization period is a closed, 30-year period. See attachment 6a for additional statement.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The City will begin to make normal cost contributions for new employees hired after July 1, 2018. The normal cost contribution, calculated by an actuary, will be approximately \$5,349. Additionally, the City of South Lyon will begin in fiscal year 2020 to contribute the annual required contribution and a voluntary contribution above the annual required contribution. The additional voluntary contribution above the annual required contribution will be determined and vary each budget year.

- 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 South Lyon 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, Paul Zelenak, 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 South Lyon (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year 6/30/18 as demonstrated by required supporting documentation listed in section 6.

Signature \_\_\_\_\_

Date 10/15/19

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-30**

**APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS**

**WHEREAS**, the Michigan legislature passed the Protecting Local Government Retirement and Benefits Act, MCL 38.2801 et. seq. (the “Act”), creating the Municipal Stability Board (the “Board”) for the purpose of reviewing and approving corrective action plans submitted by municipalities addressing the underfunded status of their municipal retirement systems (the “Corrective Action Plan”);

**WHEREAS**, the Michigan Department of Treasury (“Treasury”) provides administrative services to the Board;

**WHEREAS**, on July 17, 2019 by Resolution 2019-18, the Board adopted the Best Practices and Corrective Action Plans Approval Criteria (“Approval Criteria”) pursuant to MCL 38.2808;

**WHEREAS**, the Best Practices generally require that a plan (i) will sustain legacy costs and future retirement benefits; (ii) utilizes modern plan design; and (iii) is administered as effectively as possible to maintain a fiscally stable retirement system;

**WHEREAS**, the Approval Criteria generally requires that a plan (i) demonstrate how and when a retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health systems; (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

November 20, 2019

Municipal Stability Board Appendix A, November 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 government must confirm that corrective actions listed in the CAP allow for the local unit to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits

#	Local Unit	Municode	System Type	Fiscal Year	Date Received	Underfunded Status	Legal/Feasible	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	Chippewa County Road Commission	170100	OPEB	2017	10/16/2019	Yes	Yes	Yes	Approve	<a href="#">Chippewa County Road Commission-OPEB</a>
2	Davison Township	251050	OPEB	2018	10/16/2019	Partial	Yes	Partial	Approve	<a href="#">Davison Township-OPEB</a>
3	City of Luna Pier	582010	Pension	2018	10/16/2019	Yes	Yes	Yes	Approve	<a href="#">City of Luna Pier-Pension</a>
4	City of Melvindale	822200	OPEB	2017	10/16/2019	Partial	Yes	Partial	Approve	<a href="#">City of Melvindale-OPEB</a>
5	Village of Otisville	253050	Pension	2018	10/16/2019	Yes	Yes	Yes	Approve	<a href="#">Village of Otisville-Pension</a>
6	City of Parchment	392030	OPEB	2018	10/16/2019	Partial	Yes	Partial	Approve	<a href="#">City of Parchment-OPEB</a>
7	Redford Township	821080	Pension	2018	10/16/2019	Yes	Yes	Partial	Approve	<a href="#">Redford Township-Pension</a>

**Treasury Recommendation**  
**Chippewa County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 170100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$10,192,701	\$19,743,836	51.6%	\$842,918	\$12,660,984	6.7%	YES
Chippewa CRC Retiree Health Care Plan	OPEB	\$0	\$27,396,310	0%	\$1,542,729		12.2%	YES
<b>Total</b>		<b>\$10,192,701</b>	<b>\$47,140,146</b>		<b>\$2,385,647</b>	<b>\$12,660,984</b>	<b>18.9%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Chippewa County Road Commission, which was received by the Municipal Stability Board (the Board) on 10/16/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - Starting February 1, 2005, all new hires are limited to retiree healthcare insurance for a maximum of 10 years, at which time Medicare is available.
  - On August 1, 2016 the CCRC changed their health care plan from a self-insured policy to a high deductible BC/BS plan with an Health Reimbursement Arrangement (HRA) supplement with three different options for employees.
  - Starting August 2, 2018, the prescription drug program was changed to a managed care program which monitors the prescriptions being used by the group.
  - If a high dollar prescription is being used, alternatives are researched and discussed with the individual using the prescription to determine if there is a way to save money for the group. This is now done continuously instead of annually.
- **Plan Funding:**
  - A Section 115 Trust was established in April 2018 to begin to address the CCRC's unfunded OPEB Liability. CCRC has committed to depositing \$250,000 quarterly into the trust as funding allows.
  - As of September 2019, CCRC has deposited \$1,300,000 into the trust.
  - If current funding levels do not allow for the \$250,000 quarterly contributions, CCRC has additional options to reach 40% in 30 years such as making payments of \$21,630 and \$47,235 annually depending on assumptions.
- **Other Considerations:**
  - At December 31, 2018, the percentage of CCRC's annual costs divided by CCRC's revenue is 12.2%.

**Prospective Changes:**

- **Modern Plan Design:**
  - None Listed.
- **Plan Funding:**
  - None Listed.

**Treasury Recommendation**  
**Chippewa County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 170100**

- Other Considerations:
  - None Listed.

**System Status for All Divisions: OPEN**

**Plan size: members 183**

- Inactive employees or beneficiaries currently receiving benefits: 67
- Inactive employees entitled to but not yet receiving benefits: 56
- Active employees: 60

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 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 (2027).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

**Supplemental Information:**

CCRC submitted three supporting documents outlining their plan to reach 40% funded which includes CCRC's benefit payments. From 2019 to 2037, the benefit payments increase by approximately 50%. The first plan includes \$1,000,000 annual payments into the trust, which projects CCRC becoming 40% funded in 2027 and 100% funded in 2033. This plan has CCRC's total contributions increasing approximately 140% from 2019 to 2032. The second plan includes yearly contributions of \$47,235 into the trust with a 3.5% rate of return. The plan will reach 40% funding 2046. This plan has CCRC's total contributions increasing approximately 50% from 2019 to 2037. The third plan includes yearly

**Treasury Recommendation  
Chippewa County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 170100**

contributions of \$21,630 into the trust and assumes a 5% rate of return. It reaches 40% funded in 2046. This plan has CCRC's total contributions increase by approximately 50% from 2019 to 2037.

**Chippewa County Roads  
2019 funding projection (based on December 31, 2017 actuarial valuation)**

Discount                      Return  
3.72%                              5.00%

	31-Dec liability	Assets	Contribution	+Benefit payments	=total contribution	funded percent
2019	25,698,688	1,332,104	0	1,064,691	1,064,691	5.2%
2020	25,782,140	2,398,709	1,000,000	1,109,719	2,109,719	9.3%
2021	25,808,273	3,518,644	1,000,000	1,131,702	2,131,702	13.6%
2022	25,797,410	4,694,576	1,000,000	1,187,146	2,187,146	18.2%
2023	25,713,550	5,929,305	1,000,000	1,223,244	2,223,244	23.1%
2024	25,575,542	7,225,771	1,000,000	1,260,413	2,260,413	28.3%
2025	25,380,246	8,587,059	1,000,000	1,303,618	2,303,618	33.8%
2026	25,117,670	10,016,412	1,000,000	1,339,255	2,339,255	39.9%
2027	24,791,317	11,517,233	1,000,000	1,377,330	2,377,330	46.5%
2028	24,397,315	13,093,094	1,000,000	1,413,162	2,413,162	53.7%
2029	23,937,044	14,747,749	1,000,000	1,426,345	2,426,345	61.6%
2030	23,434,943	16,485,136	1,000,000	1,449,018	2,449,018	70.3%
2031	22,879,406	18,309,393	1,000,000	1,491,113	2,491,113	80.0%
2032	22,250,025	20,224,863	1,000,000	1,531,527	2,531,527	90.9%
2033	21,546,281	21,546,281	310,175	1,568,816	310,175	100.0%



**Treasury Recommendation**  
**Chippewa County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 170100**

**Chippewa County Roads**

2019 funding projection (based on December 31, 2017 actuarial valuation)

Discount                      Return  
3.72%                              5.00%

	31-Dec liability	Assets	Contribution	+Benefit payments	=total contribution	funded percent
2019	25,698,688	735,873	21,630	1,064,691	1,086,321	2.9%
2020	25,782,140	794,297	21,630	1,109,719	1,131,349	3.1%
2021	25,808,273	855,642	21,630	1,131,702	1,153,332	3.3%
2022	25,797,410	920,054	21,630	1,187,146	1,208,776	3.6%
2023	25,713,550	987,687	21,630	1,223,244	1,244,874	3.8%
2024	25,575,542	1,058,702	21,630	1,260,413	1,282,043	4.1%
2025	25,380,246	1,133,267	21,630	1,303,618	1,325,248	4.5%
2026	25,117,670	1,211,561	21,630	1,339,255	1,360,885	4.8%
2027	24,791,317	1,293,769	21,630	1,377,330	1,398,960	5.2%
2028	24,397,315	1,380,088	21,630	1,413,162	1,434,792	5.7%
2029	23,937,044	1,470,722	21,630	1,426,345	1,447,975	6.1%
2030	23,434,943	1,565,888	21,630	1,449,018	1,470,648	6.7%
2031	22,879,406	1,665,813	21,630	1,491,113	1,512,743	7.3%
2032	22,250,025	1,770,734	21,630	1,531,527	1,553,157	8.0%
2033	21,546,281	1,880,901	21,630	1,568,816	1,590,446	8.7%
2034	20,770,129	1,996,576	21,630	1,544,484	1,566,114	9.6%
2035	19,983,989	2,118,035	21,630	1,548,047	1,569,677	10.6%
2036	19,158,309	2,245,567	21,630	1,580,278	1,601,908	11.7%
2037	18,263,514	2,379,476	21,630	1,599,848	1,621,478	13.0%
2038	17,310,860	2,520,080	21,630	1,545,575	1,567,205	14.6%
2039	16,375,328	2,667,714	21,630	1,571,631	1,593,261	16.3%
2040	15,373,713	2,822,730	21,630	1,562,890	1,584,520	18.4%
2041	14,340,048	2,985,497	21,630	1,521,241	1,542,871	20.8%
2042	13,308,339	3,156,402	21,630	1,428,043	1,449,673	23.7%
2043	12,332,241	3,335,852	21,630	1,264,893	1,286,523	27.0%
2044	11,486,637	3,524,275	21,630	1,220,721	1,242,351	30.7%
2045	10,653,708	3,722,119	21,630	1,185,836	1,207,466	34.9%
2046	9,824,637	3,929,855	21,630	1,121,765	1,143,395	40.0%

**Treasury Recommendation  
Chippewa County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 170100**

**Chippewa County Roads**

2019 funding projection (based on December 31, 2017 actuarial valuation)

Discount                      Return  
3.72%                              3.50%

	31-Dec liability	Assets	Contribution	+Benefit payments	=total contribution	funded percent
2019	25,698,688	735,873	47,235	1,064,691	1,111,926	2.9%
2020			47,235	1,109,719	1,156,954	3.1%
2021			47,235	1,131,702	1,178,937	3.4%
2022			47,235	1,187,146	1,234,381	3.7%
2023			47,235	1,223,244	1,270,479	4.1%
2024			47,235	1,260,413	1,307,648	4.4%
2025			47,235	1,303,618	1,350,853	4.8%
2026			47,235	1,339,255	1,386,490	5.2%
2027			47,235	1,377,330	1,424,565	5.6%
2028			47,235	1,413,162	1,460,397	6.1%
2029			47,235	1,426,345	1,473,580	6.7%
2030			47,235	1,449,018	1,496,253	7.2%
2031			47,235	1,491,113	1,538,348	7.9%
2032			47,235	1,531,527	1,578,762	8.6%
2033			47,235	1,568,816	1,616,051	9.4%
2034			47,235	1,544,484	1,591,719	10.3%
2035			47,235	1,548,047	1,595,282	11.3%
2036			47,235	1,580,278	1,627,513	12.5%
2037			47,235	1,599,848	1,647,083	13.8%
2038			47,235	1,545,575	1,592,810	15.4%
2039			47,235	1,571,631	1,618,866	17.1%
2040			47,235	1,562,890	1,610,125	19.2%
2041			47,235	1,521,241	1,568,476	21.6%
2042			47,235	1,428,043	1,475,278	24.4%
2043			47,235	1,264,893	1,312,128	27.7%
2044			47,235	1,220,721	1,267,956	31.2%
2045			47,235	1,185,836	1,233,071	35.2%
2046	9,824,637	3,929,855	47,235	1,121,765	1,169,000	40.0%

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

- CEFD discussed CAP submissions with the Chippewa County Road Commission.

**Treasury Recommendation**  
**Davison Township OPEB Corrective Action Plan (CAP)**  
**Primary Unit 251050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$11,671,123	\$14,924,109	78.2%	\$330,623	\$7,215,074	4.6%	NO
Retiree Healthcare Benefits	OPEB	\$2,296,801	\$14,040,016	16.4%	\$1,498,571		20.8%	YES
<b>Total</b>		<b>\$13,967,924</b>	<b>\$28,964,125</b>		<b>\$1,829,194</b>	<b>\$7,215,074</b>	<b>25.4%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Davison Township, which was received by the Municipal Stability Board (the Board) on 10/16/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - As of July 1, 2017, newly hired police union personnel are no longer offered medical coverage in retirement. This is a result of negotiations with POLC officers union and POLC Lieutenants Union. As of July 1, 2017, non-unionized new hires, including elected officials, are no longer offered medical coverage in retirement.
- Plan Funding:
  - From fiscal year 09/10 through current, Davison Township has made voluntary contributions, over and above PAYGo retiree health care premiums, of \$2,067,655.45. The Davison Township Board passed Resolution 2019-3, committing to make annual contributions of at least \$220,000.
- Other Considerations:
  - Attached is an updated actuarial valuation for 2019. Also, please see the 2019 Corrective Action Plan Supporting Statement.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - At the September 9, 2019, board meeting Resolution 2019-25 was passed authorizing an additional 2019/2020 \$220,000 OPEB contribution for a total contribution in FY 2019/2020 of \$440,000. Funding projections show the Davison Township RHFV being 40% funded in two years and 100% funded in approximately 10 years.
- Other Considerations:
  - Due to assumption changes in the OPEB Plan Accounting Report for Period Ending June 30, 2019, the discount rate changed. Davison Township will continue to make benefit payments from general operating funds along with making additional contributions of \$220,000 annually resulting in no crossover point.

**Treasury Recommendation  
Davison Township OPEB Corrective Action Plan (CAP)  
Primary Unit 251050**

**System Status for All Divisions: CLOSED**

**Plan size: members 61**

- Inactive employees or beneficiaries currently receiving benefits: 26
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 35

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- 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% by 2021 if the plan's assumptions remain accurate.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 25.4%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

Local Government reduced their total liability by increasing the discount rate from 4.3% to 7.75%. Despite this, the local government would still reach 40% funded by 2024/2025 versus presented 2020/2021.

**Treasury Recommendation  
 Davison Township OPEB Corrective Action Plan (CAP)  
 Primary Unit 251050**

**DAVISON TOWNSHIP RHFV FUNDING PROJECTIONS  
 Table of Annual Contributions over and above Pay-as-you-go Premium Payments**

Compounded Annually

Current Principal as of 8/30/2019

(\$220,000 19/20 ann'l contribution made Jul 2019; Yr 1 listed below is an add'l contribution for a total of \$440,00 for FY 19/20)

<b>Current Principal</b>	<b>Annual Additional Contribution</b>	<b>Interest Rate</b>	<b>Future Value</b>	<b>Years to Grow</b>	<b>Fiscal Year</b>	
2,824,563.09	220,000.00	7.75%	<b>3,280,516.73</b>	<b>1</b>	2019/2020	
3,280,516.73	220,000.00	7.75%	<b>3,771,806.78</b>	<b>2</b>	2020/2021	40%
3,771,806.78	220,000.00	7.75%	<b>4,301,171.80</b>	<b>3</b>	2021/2022	
4,301,171.80	220,000.00	7.75%	<b>4,871,562.62</b>	<b>4</b>	2022/2023	
4,871,562.62	220,000.00	7.75%	<b>5,486,158.72</b>	<b>5</b>	2023/2024	
5,486,158.72	220,000.00	7.75%	<b>6,148,386.02</b>	<b>6</b>	2024/2025	
6,148,386.02	220,000.00	7.75%	<b>6,861,935.94</b>	<b>7</b>	2025/2026	
6,861,935.94	220,000.00	7.75%	<b>7,630,785.97</b>	<b>8</b>	2026/2027	
7,630,785.97	220,000.00	7.75%	<b>8,459,221.88</b>	<b>9</b>	2027/2028	
8,459,221.88	220,000.00	7.75%	<b>9,351,861.58</b>	<b>10</b>	2028/2029	100%

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

- None.

**Treasury Recommendation  
City of Luna Pier Pension Corrective Action Plan (CAP)  
Primary Unit 582010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Municipal Employees' Retirement System of Michigan	Pension	\$2,251,900	\$4,776,533	47.1%	\$143,494	\$1,044,710	13.7%	YES
Healthcare	OPEB	\$0	\$617,718	0.0%	\$39,600		3.8%	NO
<b>Total</b>		<b>\$2,251,900</b>	<b>\$5,394,251</b>		<b>\$183,094</b>	<b>\$1,044,710</b>	17.5%	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by the City of Luna Pier, which was received by the Municipal Stability Board (the Board) on 10/16/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - The MERS multiplier for current employees was lowered from 2% to 1.5% for the General Employee Retirement System in June 2013.
  - This system was closed out and a bridge defined contribution was created also in June 2013. All new hires are put in this defined contribution plan. The City doesn't put any monies into this plan.
- Plan Funding:
  - None Listed.
- Other Considerations:
  - The information provided on the Form 5572 from the audit used actuarial data from 2017. Below is an updated actuarial valuation from 2018 that shows our funded ratio is 45%.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - None Listed.
- Other Considerations:
  - The General Employee's Retirement System was closed in June 2013, allowing the retirement system to reach 60% funded by 2028 (see below).

**System Status for All Divisions: CLOSED**

**Treasury Recommendation**  
**City of Luna Pier Pension Corrective Action Plan (CAP)**  
**Primary Unit 582010**

**Plan size: members 21**

- Inactive employees or beneficiaries currently receiving benefits: 13
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 6

**Corrective Action Plan Criteria:**

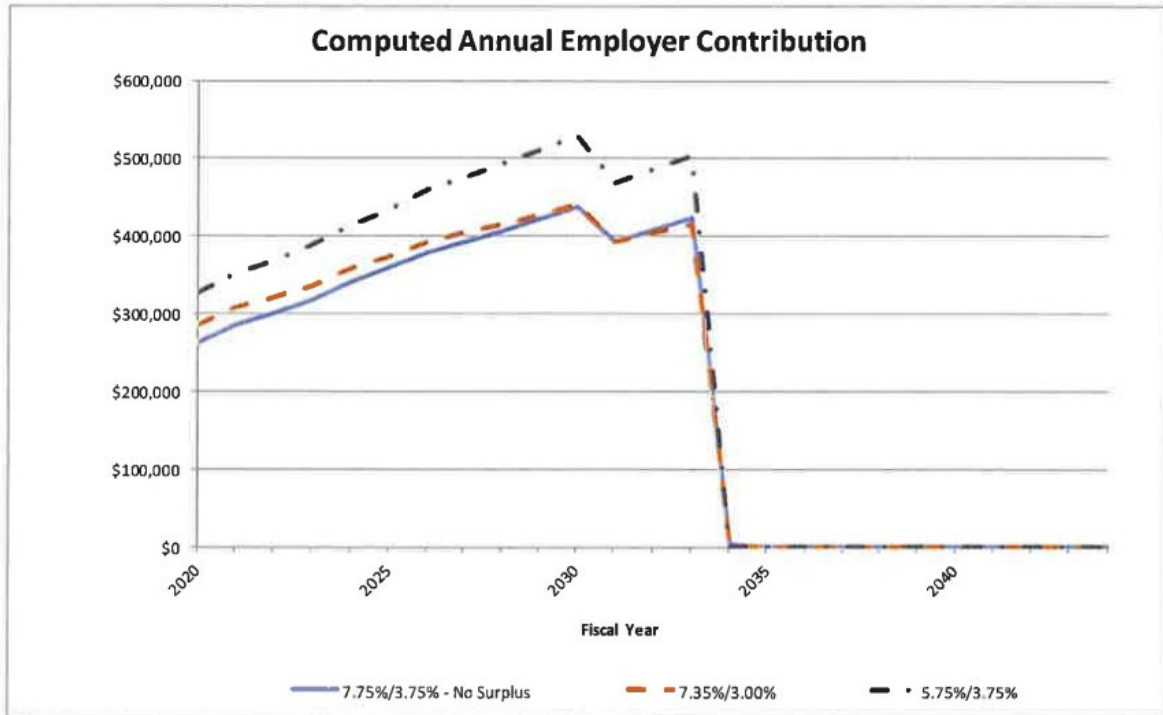
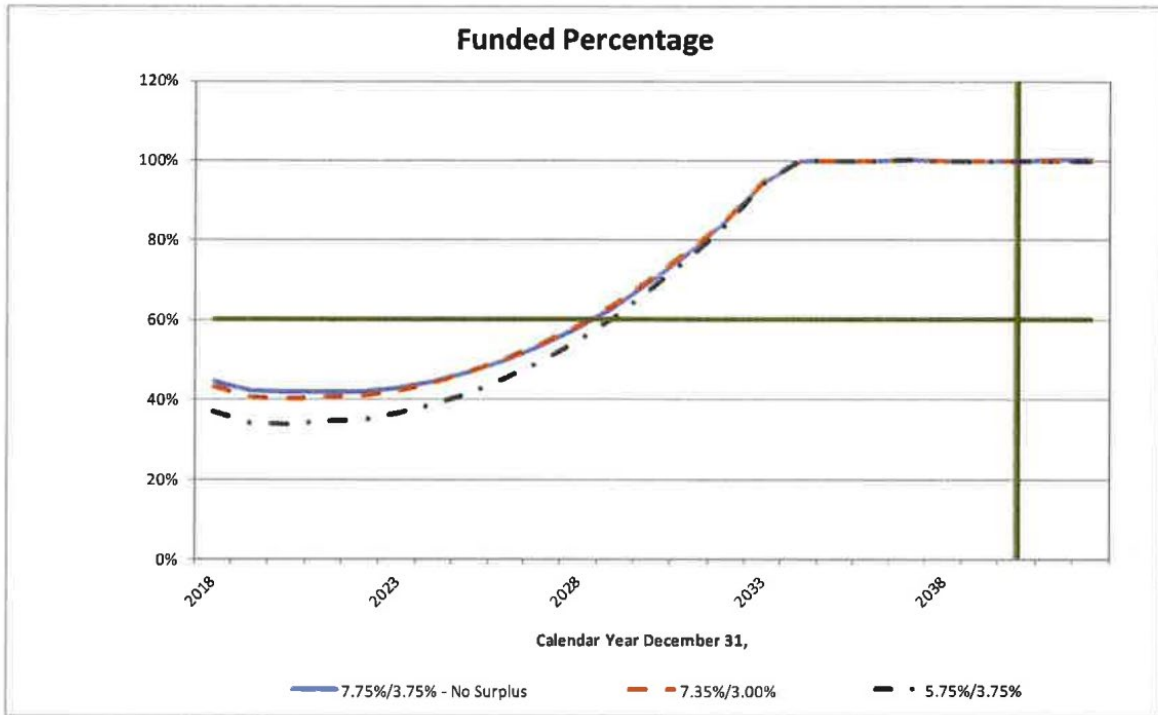
The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded by 2028 as demonstrated by the internal analysis/actuarial projection/ actuarial valuation found in the corrective action plan.
- 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 MERS charts provided show the City reaching 60% funded status in 2029, not 2028 as listed on the City's CAP form. Please see the "Funded Percentage" graph below. Between 2020 and 2029, the annual employer contribution is expected to increase by \$200,000, an average of 6.7% increase per year.

**Treasury Recommendation**  
**CITY OF LUNA PIER Pension Corrective Action Plan (CAP)**  
**Primary Unit 582010**



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

- None.



**Treasury Recommendation  
City of Melvindale OPEB Corrective Action Plan (CAP)  
Primary Unit 822200**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$16,098,157	41,012,348	39.3%	\$1,716,437	\$13,532,738	15.7%	YES
Police and Fire Retirement System I	Pension	\$5,891,960	\$5,663,708	104.0%	\$408,648			NO
City of Melvindale - Self Insured	OPEB	\$0	\$45,097,236	0%	\$1,919,050		14.2%	YES
Police and Fire System I	OPEB	\$2,644,417	\$2,487,319	106.3%	\$0			NO
<b>Total</b>		<b>\$24,634,534</b>	<b>\$94,260,611</b>		<b>\$4,044,135</b>	<b>\$13,532,738</b>	<b>29.9%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by City of Melvindale, which was received by the Municipal Stability Board (the Board) on 10/16/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - On 1/1/15, the City consolidated numerous plans into 3 classes: actives, pre-65 retirees, and post-65 retirees. Actives have a high deductible plan, pre-65 retirees have a deductible plan, and changes were made to co-pays. Post-65 retirees have a deductible plan and changes were made to copays, and are required to participate in Medicare Part B. Additionally, Post-65 retirees reimbursements were eliminated. Since inception, this has allowed for approx. \$600,000 in savings.
- Plan Funding:
  - None listed.
- Other Considerations:
  - None listed.

**Prospective Changes:**

- Modern Plan Design:
  - On January 1, 2020 the City will change it's healthcare plan for the Post-65 population from self-insured Medicare Part B to a Medicare Advantage Plan serviced by Humana. The expected savings are approx. \$300,000. From this savings, \$100,000 will be submitted annually to the trust account.
  - The plan is closed to new hires.
- Plan Funding:
  - None listed.

**Treasury Recommendation  
City of Melvindale OPEB Corrective Action Plan (CAP)  
Primary Unit 822200**

- Other Considerations:
  - None listed.

**System Status for All Divisions: CLOSED**

**Plan size: members 113**

- Inactive employees or beneficiaries currently receiving benefits: 77
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 31

**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% by 2049 if the plan's assumptions remain accurate.
- Affordability:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 29.9%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

From 2019 to 2049, the local government will be making additional contributions to a trust, with the contribution increasing each year. Using the additional contributions and investment earnings at a rate of 7%, the City provided an internal analysis showing that they will reach 40% funded in 2049. This analysis is contingent upon the liabilities remaining stagnant. The additional contribution over the life of this plan increases by 9.7% year, and would be in addition to the annual benefit payment amount.

**Treasury Recommendation  
City of Melvindale OPEB Corrective Action Plan (CAP)  
Primary Unit 822200**

**City of Melvindale**

**Response - Disapproval of Corrective Action Plan**

Fiscal Year: 2017

Municipality Code: 822200

Year	Balance	Annual		Investment	
		Contribution	Cumulative	Rate	Return
2020	\$ -	\$ 100,000	\$ 100,000	7%	\$ 7,000
2021	107,000	110,000	217,000	7%	15,190
2022	232,190	120,000	352,190	7%	24,653
2023	376,843	130,000	506,843	7%	35,479
2024	542,322	140,000	682,322	7%	47,763
2025	730,085	150,000	880,085	7%	61,606
2026	941,691	160,000	1,101,691	7%	77,118
2027	1,178,809	170,000	1,348,809	7%	94,417
2028	1,443,226	180,000	1,623,226	7%	113,626
2029	1,736,852	190,000	1,926,852	7%	134,880
2030	2,061,731	200,000	2,261,731	7%	158,321
2031	2,420,052	210,000	2,630,052	7%	184,104
2032	2,814,156	220,000	3,034,156	7%	212,391
2033	3,246,547	230,000	3,476,547	7%	243,358
2034	3,719,905	240,000	3,959,905	7%	277,193
2035	4,237,099	250,000	4,487,099	7%	314,097
2036	4,801,196	260,000	5,061,196	7%	354,284
2037	5,415,479	270,000	5,685,479	7%	397,984
2038	6,083,463	280,000	6,363,463	7%	445,442
2039	6,808,905	290,000	7,098,905	7%	496,923
2040	7,595,829	300,000	7,895,829	7%	552,708
2041	8,448,537	310,000	8,758,537	7%	613,098
2042	9,371,634	320,000	9,691,634	7%	678,414
2043	10,370,049	330,000	10,700,049	7%	749,003
2044	11,449,052	340,000	11,789,052	7%	825,234
2045	12,614,286	350,000	12,964,286	7%	907,500
2046	13,871,786	360,000	14,231,786	7%	996,225
2047	15,228,011	370,000	15,598,011	7%	1,091,861
2048	16,689,871	380,000	17,069,871	7%	1,194,891
<b>2049</b>	<b>18,264,762</b>	<b>390,000</b>	<b>18,654,762</b>	<b>7%</b>	<b>1,305,833</b>
<b>TOTAL</b>	<b>19,960,596</b>	<b>\$ 7,350,000</b>			<b>\$ 12,610,596</b>

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

- CEFD contacted the City of Melvindale to discuss their CAP submission. The City subsequently submitted a revised plan for review.

**Treasury Recommendation  
Village of Otisville Pension Corrective Action Plan (CAP)  
Primary Unit 253050**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
MERS	Pension	\$831,982	\$1,202,962	69.2%	\$39,064	\$541,858	7.2%	YES

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Village of Otisville, which was received by the Municipal Stability Board (the Board) on 10/16/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None listed.
- Plan Funding:
  - None listed.
- Other Considerations:
  - Attached is an updated actuarial valuation report December 31, 2018 that shows our current funded ratio is at 70% and if we pay \$5,482 instead of the projected \$3,824 will accelerate to a 100% funding ratio in 10 years.

**Prospective Changes:**

- Modern Plan Design:
  - None listed.
- Plan Funding:
  - None listed.
- Other Considerations:
  - Beginning in the 2019-2020 fiscal year the Village of Otisville began budgeting the CVTRS revenue sharing moneys to go towards unfunded MERS.

**System Status for All Divisions: OPEN**

**Plan size: members 8**

- Inactive employees or beneficiaries currently receiving benefits: 3
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 4

**Treasury Recommendation**  
**Village of Otisville Pension Corrective Action Plan (CAP)**  
**Primary Unit 253050**

**Corrective Action Plan Criteria:**

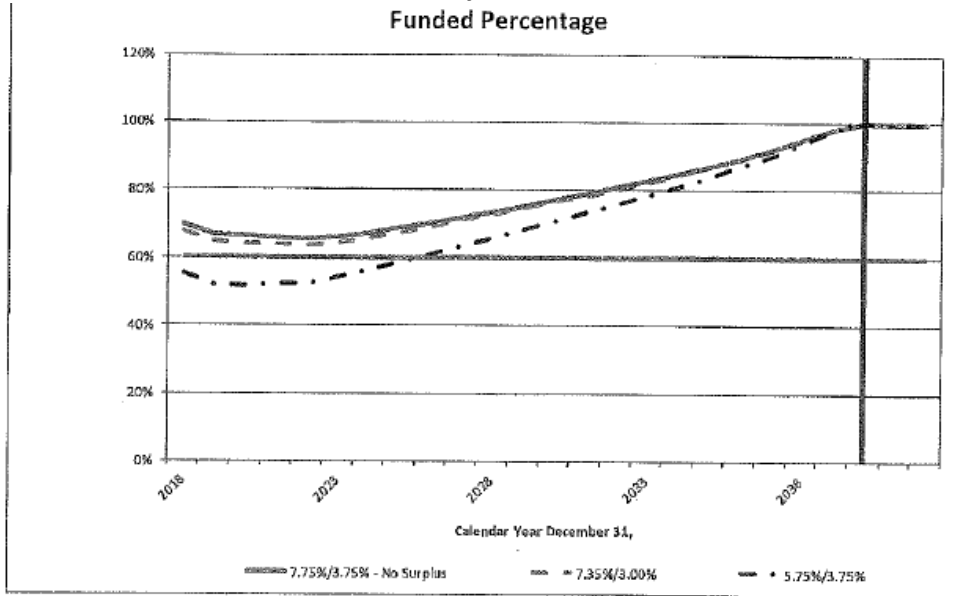
The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 60% funded.
- 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 Village did not file their Form 5572 in 2018. The provided MERS valuation shows their system is already at 70% funded. Additionally, the Village made changes and increased funding to reach 100% in 10 years.

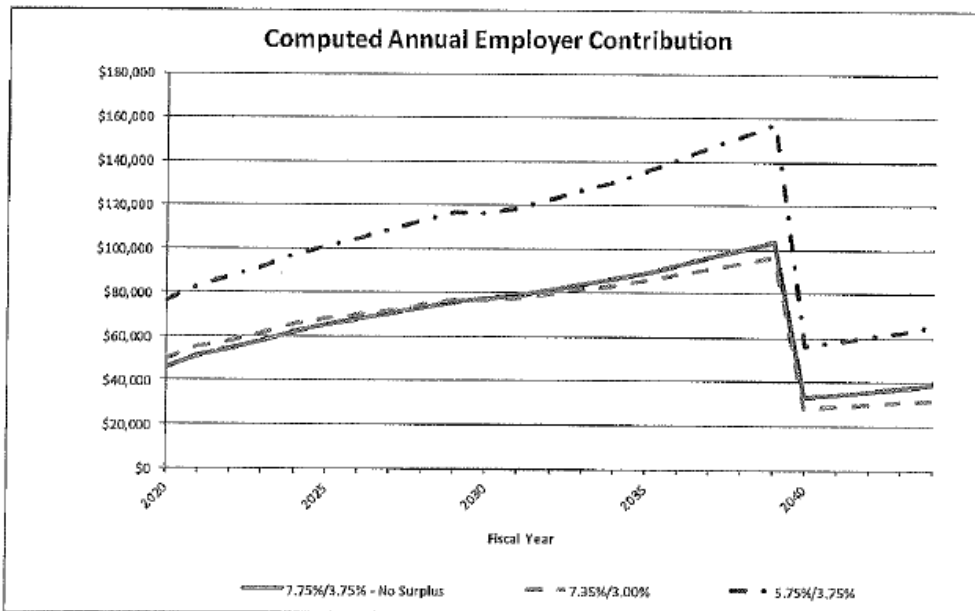
**Treasury Recommendation**  
**Village of Otisville Pension Corrective Action Plan (CAP)**  
**Primary Unit 253050**  
**Funded Percentage**



Notes:

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

The green Indicator lines have been added at 60% funded and 22 years following the valuation date for PA 202 purposes.



Notes:

All projected contributions are shown with no phase-in.

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

- None.

**Treasury Recommendation  
City of Parchment OPEB Corrective Action Plan (CAP)  
Primary Unit 392030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,019,099	\$3,448,581	58.5%	\$47,447		3.0%	NO
City of Parchment Retiree Healthcare Plan	OPEB	\$0	\$216,093	0%	-	\$1,648,371	0%	YES
<b>Total</b>		<b>\$2,019,099</b>	<b>\$3,664,674</b>		<b>\$47,447</b>	<b>\$1,648,371</b>	<b>3.0%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by City of Parchment, which was received by the Municipal Stability Board (the Board) on 10/16/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None listed.
- Plan Funding:
  - The City is currently working with MERS to create qualified trust to receive, invest and accumulate assets for retirement healthcare.
  - City will continue pay-go; current annual costs are approx \$32,000; total OPEB liability is less than 12% of governmental fund revenues.
- 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 9**

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 7

**Treasury Recommendation**  
**City of Parchment OPEB Corrective Action Plan (CAP)**  
**Primary Unit 392030**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Legal and Feasible:
  - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
  - The local government did not provide clear documentation that demonstrates the retirement system will have an ADC less than 12% of its governmental fund revenues. Based on other information presented in the corrective action plan, we have determined the plan's ADC may be already be below 12% of revenues if the plan's assumptions remain accurate.
- Affordable:
  - The local government did not confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government 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 finds that the actions appear affordable.

**Supplemental Information:**

The local government triggered for failure to provide an actuarially determined contribution in the 2018 audited financial statements. The local government made the case that their total liabilities as a percentage of the governmental revenues was only 13% in 2018, and that subsequent changes to the unfunded liabilities have reduced this number to less than 12% of 2018 revenues. Therefore, even though they do not have an actuarially determined contribution calculated in compliance with Numbered Letter 2018-3, any ADC will be less than 12% of their governmental revenues. Future audited financial statements will be used to confirm that the ADC is less than 12%.



**Treasury Recommendation  
City of Parchment OPEB Corrective Action Plan (CAP)  
Primary Unit 392030**

**MEMORANDUM**

**To:** City Manager Stoddard  
**From:** Shannon Stutz, City Treasurer  
**Date:** September 17, 2019  
**Subject:** OPEB Liability/Corrective Action Plan

*City of Parchment Retiree Healthcare Plan determined to be in underfunded status*

Response: Per the last audited financial statements dated 6/30/18, the City's total OPEB liability is \$216,093. By closing the water department and paying off that fund's OPEB liability of \$29,035, the City's remaining liability will be \$186,748. Governmental fund revenues for the same period total \$1,648,371, of which 12% is \$197,805. Therefore the City's entire OPEB liability is less than 12% of the governmental fund revenues.

Total OPEB liability	\$216,093
New funding amount	<u>(29,345)</u>
New total liability	\$186,748
Gov Fund Revenues	\$1,648,371
	<u>    x 12%</u>
	\$197,805

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

- None.

**Treasury Recommendation**  
**Charter Township of Redford Pension Corrective Action Plan (CAP)**  
**Primary Unit 821080**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$30,400,986	\$51,482,465	59.1%	\$1,736,897	\$38,329,835	16.1%	NO
Police and Fire Pension Plan	Pension	\$65,987,607	\$116,705,192	56.5%	\$4,428,716			YES
Police and Fire	OPEB	\$4,134,869	\$88,060,417	4.7%	\$4,614,926		20.0%	YES
General Employees	OPEB	\$2,016,917	\$54,131,489	3.7%	\$3,035,098			YES
<b>Total</b>		<b>\$102,540,379</b>	<b>\$310,379,563</b>		<b>\$13,815,637</b>	<b>\$38,329,835</b>	<b>36.1 %</b>	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Charter Township of Redford, which was received by the Municipal Stability Board (the Board) on 10/16/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - Police patrol hired after 4/1/2017 now contribute 5% of pay.
  - The Police and Fire Pension Board also adopted new demographic assumptions in October 2018 based on the recommendations in the experience study for the 5-year period ending 3/31/2017.
  - The mortality table was updated as recommended to the RP 2014 Healthy Annuitant Mortality Table (Previously the RP 2000 combined Healthy Mortality Table projected to 2014).
- **Plan Funding:**
  - The Charter Township of Redford has a dedicated, uncapped millage to cover the required annual contributions to the Police and Fire Retirement System in full. Therefore, the entire annual contribution is covered by an "additional funding source" and should not be included in the calculation for the ADC/Revenues ratio.
- **Other Considerations:**
  - The Police & Fire Pension plan is on a closed 19-year amortization period to bring us to 100% funding by the end of FY 2038 and 60% by year FY 2031.
  - The projections in the attached GASB 67/68 report show the projected funding requirements to bring us to 100% funding by FY 2038 (all of which will be paid for by the Act 345.)

**Treasury Recommendation**  
**Charter Township of Redford Pension Corrective Action Plan (CAP)**  
**Primary Unit 821080**

**Prospective Changes:**

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

**System Status for All Divisions: CLOSED**

**Plan size: members 282**

- Inactive employees or beneficiaries currently receiving benefits: 183
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 98

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

- Affordability:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 36.0%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The local government provided actuarial projections, showing that they are set to reach 60% funded by 2031. While the local government has a millage that pays the system's ADC, the projected total annual contributions are scheduled to increase by approximately 100% over this timeframe for an average of 7.7% per year.

**Treasury Recommendation**  
**Charter Township of Redford Pension Corrective Action Plan (CAP)**  
**Primary Unit 821080**

**Table 2: Projection of the Pension Plan's Fiduciary Net Position**

Year Beg. 4/1	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions* (b)	Projected Benefit Payments** (c)	Projected Administrative Expense*** (d)	Projected Investment Earnings**** (e)	Projected Fiduciary Ending Net Position (a)+(b)+(c)+(d)+(e)
2019	\$63,373,152	\$5,198,723	\$(11,623,208)	\$(94,068)	\$4,508,541	\$61,363,140
2020	61,363,140	5,612,833	(11,603,681)	(93,990)	4,374,054	59,652,356
2021	59,652,356	6,048,802	(11,579,449)	(93,794)	4,263,010	58,290,925
2022	58,290,925	6,426,973	(11,757,398)	(95,235)	4,168,357	57,033,622
2023	57,033,622	6,953,381	(9,739,861)	(78,893)	4,170,070	58,338,319
2024	58,338,319	7,295,830	(9,732,998)	(78,837)	4,281,024	60,103,338
2025	60,103,338	7,659,865	(9,742,006)	(78,910)	4,426,711	62,368,998
2026	62,368,998	8,078,915	(9,639,255)	(78,078)	4,616,234	65,346,814
2027	65,346,814	8,466,790	(9,661,741)	(78,260)	4,853,266	68,926,869
2028	68,926,869	8,831,855	(9,754,704)	(79,013)	5,131,945	73,056,952
2029	73,056,952	9,249,723	(9,784,910)	(79,258)	5,456,230	77,898,737
2030	77,898,737	9,773,162	(9,631,518)	(78,015)	5,844,791	83,807,157
2031	83,807,157	<b>10,167,530</b>	(9,894,643)	(80,147)	6,292,765	90,292,662
2032	90,292,662	10,594,984	(10,760,000)	(83,106)	6,781,305	97,375,076

**Table 1**  
**Projection of Total Contributions\***  
**Assuming 18 Year Closed Amortization of UAAL**

Year Beg. 4/1	Projected Entry Age AAL	Projected Funding Value of Assets	UAAL	19 Year Closed Amortization	Projected Employer Normal Cost	Employer Contributions	Employee Contributions (paid by Employer)	Total Contributions
2019	\$116,595,306	\$63,616,312	\$52,978,994	\$3,756,419	\$1,191,553	\$4,947,972	\$250,751	\$5,198,723
2020	117,181,836	61,363,140	55,818,696	4,136,498	1,219,378	5,355,876	256,957	5,612,833
2021	117,868,374	59,652,356	58,216,018	4,524,339	1,259,185	5,783,524	265,278	6,048,802
2022	118,682,362	58,290,925	60,391,437	4,941,043	1,224,341	6,165,384	261,589	6,426,973
2023	119,338,033	57,033,622	62,304,411	5,390,119	1,288,128	6,678,247	275,134	6,953,381
2024	120,229,014	58,338,319	61,890,695	5,690,285	1,322,065	7,012,350	283,480	7,295,830
2025	121,239,152	60,103,338	61,135,814	6,008,721	1,359,347	7,368,068	291,797	7,659,865
2026	122,365,071	62,368,998	59,996,073	6,347,233	1,425,770	7,773,003	305,912	8,078,915
2027	123,764,762	65,346,814	58,417,948	6,707,466	1,448,202	8,155,668	311,122	8,466,790
2028	125,276,650	68,926,869	56,349,781	7,092,363	1,429,882	8,522,245	309,610	8,831,855
2029	126,787,651	73,056,952	53,730,699	7,505,400	1,434,293	8,939,693	310,030	9,249,723
2030	128,386,965	77,898,737	50,488,228	7,950,686	1,498,746	9,449,432	323,730	9,773,162
2031	130,343,640	83,807,157	46,536,483	8,433,291	1,422,380	9,855,671	311,859	10,167,530
2032	132,089,068	90,292,662	41,796,406	8,964,726	1,335,040	10,299,766	295,218	10,594,984

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

- None.