

Municipal Stability Board

Wednesday, December 18, 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 November 20, 2019 Minutes

II. Public Comment

- A. 2 minute limit
- B. Email from Grosse Ile Township

III. Correspondence

- A. Treasury Update

IV. Old Business

V. New Business

- A. Corrective Action Plan Extension Request
 - i. City of Inkster
- B. Receipt of Corrective Action Plans:
 - i. City of Belleville
 - ii. Brownstown Charter Township
 - iii. Monroe Community Mental Health Authority
 - iv. Reed City Housing Commission
- C. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-31)
 - i. City of Alpena
 - ii. City of Charlotte (2 Systems)
 - iii. City of Ferndale
 - iv. City of South Lyon

D. Removal from Corrective Action (Resolution 2019-32)

- i. Bay City Housing Commission
- ii. Benzie County
- iii. Village of Britton
- iv. Central Michigan District Health Department
- v. Community Mental Health Authority of Clinton, Eaton and Ingham Counties
- vi. Village of Farwell
- vii. Grosse Pointes-Clinton Refuse Disposal Authority
- viii. Henika District Library
- ix. Interurban Transit Partnership
- x. Jordan Valley Emergency Medical Services Authority
- xi. Kalamazoo Lake Sewer and Water Authority
- xii. Martha T. Berry Medical Care Facility
- xiii. Monroe County Agency
- xiv. Muskegon Heights City Housing Commission
- xv. Shiawassee County

E. Corrective Action Plan Noncompliance (Resolution 2019-33)

- i. Saginaw County Community Mental Health Authority

VI. Public Comment

- A. 2 minute limit

VII. Board Comment

VIII. Adjournment

Municipal Stability Board Minutes

Wednesday, November 20, 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 October 16, 2019 board meeting minutes by John Lamerato and supported by Eric Scorsone. The Board unanimously approved the October 16, 2019 meeting minutes. 2 ayes, and 0 nays.

PUBLIC COMMENT

Nick Brousseau reviewed an email from the Grosse Ile Civic Association.

CORRESPONDENCE

Nick Brousseau presented the Board with Treasury updates, which included an updated report on the Department of Treasury Communication and Outreach, comparison data from PA 202 for 2017 and 2018, and an Open Meetings Act clarification from the Attorney General's Office.

NEW BUSINESS

APPROVAL OF 2020 MSB MEETING SCHEDULE (RESOLUTION 2019-29)

Nick Brousseau presented to the Board the 2020 MSB Meeting Schedule (Resolution 2019-29).

Mr. Brousseau provided an update to the Board with a conflict for the November 18, 2020 meeting. The Board members agreed to move the meeting to November 17, 2020 to accommodate schedules.

A motion was made to amend the 2020 MSB Meeting Schedule (Resolution 2019-29) by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved to amend the 2020 MSB Meeting Schedule (Resolution 2019-29). 2 ayes and 0 nays.

A motion was made to approve the amended 2020 MSB Meeting Schedule (Resolution 2019-29) by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved the amended 2020 MSB Meeting Schedule (Resolution 2019-29). 2 ayes and 0 nays.

CORRECTIVE ACTION PLAN EXTENSION REQUEST APPROVAL/DISAPPROVAL

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

- City of Belleville (OPEB)

A motion was made to approve the corrective action plan extension request for the City of Belleville (OPEB) by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved the corrective action plan extension request for the City of Belleville (OPEB). 2 ayes and 0 nays.

RECEIPT OF 4 LOCAL GOVERNMENTS' CORRECTIVE ACTION PLANS (5 SYSTEMS)

Nick Brousseau provided the Board with the following 4 local governments' corrective action plans (5 systems):

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

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 7 LOCAL GOVERNMENTS (7 SYSTEMS) (RESOLUTION 2019-30)

Nick Brousseau was asked to review the Treasury recommendations for Approval or Disapproval of Corrective Action Plans (Resolution 2019-30) with the Board.

- Chippewa County Road Commission (Approval)
- Davison Township (Approval)
- City of Luna Pier (Approval)
- City of Melvindale (Approval)
- Village of Otisville (Approval)
- City of Parchment (Approval)
- Redford Township (Approval)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-30) by John Lamerato and supported by Eric Scorsone.

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-30). 2 ayes, and 0 nays.

PUBLIC COMMENT

No public comment.

NEXT MEETING

The next regular meeting will be on December 18, 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 10:22 a.m.



Township of Grosse Ile

9601 GROH ROAD
P.O. BOX 300
GROSSE ILE, MICHIGAN 48138

GENERAL OFFICES (734) 676-4422
FAX (734) 676-7433
WEB SITE: www.grosseile.com

November 26, 2019

State of Michigan
Department of Treasury
Municipal Stability Board

Board Members:

This is in response to the e-mail dated October 16, 2019 that was sent to the Municipal Stability Board for discussion at your October 16, 2019 meeting from the Grosse Ile Civic Association.

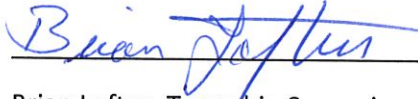
First of all, there has been no one specific meeting of the Township Board dedicated entirely to Public Act 202, however, it has definitely been discussed at several public meetings of the Township Board as well as budget hearings. Furthermore, information and communications have been distributed to the Township Board via e-mail, board resolutions, and the Township website as required by the Michigan Department of Treasury. To keep the residents informed, the Supervisor, in a publication recently mailed to every address in the Township, explained in reasonable detail the efforts of the Township to correct the deficiencies and the progress we have made.

As stated in the Grosse Ile Township Correction Action Plan of the Retirement Health Benefits System filed, the Township has made several changes to the future health care retiree benefits by eliminating them for new hires, implementing a Retiree Health Care Trust and pre-funding a year in advance, as well as contributing additional City, Village, and Township Revenue Sharing (CVTRS) Supplemental monies to the Trust. The Township will pre-fund to the Trust 100% of all retiree benefits including medical, dental and vision and only reimburse all medical costs as long as funds are available to do so. Again, the Township is following every step required for funding by the Michigan Department of Treasury to monitor and move forward to achieving long-term sufficient funding levels.

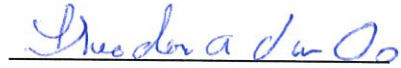
Furthermore, the Grosse Ile Civic Association did not address the Township Board regarding their concerns prior to sending your Board this e-mail. Please be advised, the Grosse Ile Civic Association is comprised of two to three contributing members, some of which are non-residents. They have NO general membership nor do they hold any public meetings, rather they are strictly a social media entity.

We trust, this letter addresses any concerns you may have had regarding this email that was sent to you.

Best Regards.



Brian Loftus, Township Supervisor



Ted Van Os, Township Treasurer



Dale Reaume, Township Manager



Ann Darznick, Finance Director

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

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://grosselle.civicweb.net/document/4118?splitscreen=true&media=true>

Public Act 202 of 2017 Status Update from Treasury

As of 12/12/2019

Table 1: Upcoming CAP Reviews

PA 202: Corrective Action Plan Review Schedule							
LOCAL UNIT TYPE	Tentative Month of Corrective Action Plan Review						
	January	February	March	April	May	June	July
NON-PRIMARY	2	0	4	0	2	4	0
PRIMARY	1	0	5	0	6	9	1
TOTAL	3	0	9	0	8	13	1

Treasury Department Communication and Outreach Report

- **194 one-on-one 30-minute calls scheduled by local governments to discuss the Public Act 202 (the Act) process**
 - Nine individual calls since the November Board meeting
- **Calls to four local governments with corrective action plans due for November Board meeting**
- **Notifications sent to over 30 local governments that were identified as potentially not calculating their actuarially determined contribution in compliance with the Act**
 - Referred to actuaries and auditors to ensure compliance with the Act and Numbered Letter 2018-3
- **Uniform Assumptions and Summary Reporting Posted Online**
 - FY 2019 reporting includes summary reporting data and selection of uniform assumptions
 - Summary Reporting: Discount rate, investment rates of return, amortization method, health care inflation, etc....
 - Uniform Assumptions: Assets, Liabilities, and Actuarially Determined Contribution calculated using uniform assumptions.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: December 18, 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 Inkster
 - a. OPEB: Retiree Healthcare Plan- [Request and Draft Corrective Action Plan](#)

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: December 18, 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 Belleville
 - A. OPEB, City of Belleville – OPEB
- II. Brownstown Charter Township
 - A. OPEB, Charter Township of Brownstown OPEB
- III. Monroe Community Mental Health Authority
 - A. OPEB, Defined Benefit Healthcare Plan
- IV. Reed City Housing Commission
 - A. Pension, MERS

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 (the Act).

I. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Belleville Six-Digit Muni Code: 822020

Retirement Health Benefit System Name: City of Belleville - OPEB

Contact Name (Administrative Officer): Diana Kollmeyer

Title if not Administrative Officer: City Manager Telephone: (734) 697-9323

Email (Communication will be sent here): dkollmeyer@belleville.mi.us

Fiscal Year System was Determined to be Underfunded: 2018

2. GENERAL INFORMATION

Corrective Action Plan: An underfunded local government shall develop and submit for approval a corrective action plan for the local government. The local government shall determine the components of the corrective action plan. This corrective action plan shall be submitted by any local 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 government is a city, village, township, or county, the actuarially determined contribution (ADC) for all of the retirement health systems of the local government is greater than 12% of the local government's annual governmental fund revenues, based on the most recent fiscal year.

Due Date: The local 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 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.** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a disapproval of the corrective action plan.

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

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

The subject line of the email(s) should be in the following format: **Corrective Action Plan-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan-2019, 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 Board shall review and vote on the approval of a corrective action plan submitted by a local government. If a corrective action plan is approved, the Board will monitor the corrective action plan and report on the local government's compliance with the Act not less than every two years.

Review Process: Following receipt of the email by Treasury, the Board will receive the corrective action plan submission at the Board's next scheduled meeting. 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 government may also include in its corrective action plan a review of the local 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 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 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 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 government is in substantial compliance with the Act. If the Board determines that an underfunded local government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local government detailing the reasons for the determination of noncompliance with the corrective action plan. The local 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.

- 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 government done to improve its underfunded status, and which attachment(s) supports your actions).

- 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, 2019**, the local government entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for health care. 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, 2019**.*

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

Sample Statement: *The local government created a qualified trust to receive, invest, and accumulate assets for retirement health care on **June 23, 2016**. The local government adopted a policy to change its funding methodology from Pay-Go to full funding of the ADC. Furthermore, the local government committed to contributing **\$500,000** annually, in addition to the ADC 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 ADC 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 **2017**. Attached is an updated actuarial valuation from **2019** 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 government do to improve its underfunded status, and which attachment(s) supports your actions).

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 government will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2020** contract negotiations, the local government will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for health care. 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 2030** if these changes were adopted and implemented by **fiscal year 2021**.*

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

Sample Statement: *The local government will create a qualified trust to receive, invest, and accumulate assets for retirement health care by **December 31, 2020**. The local government will adopt a policy to change its funding methodology from Pay-Go to full funding of the ADC by **December 31, 2020**. Additionally, beginning in fiscal year 2021, the local government will contribute **\$500,000** annually in addition to the ADC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2023**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ADC and additional **\$500,000** for the next five years.*

The City of Belleville adopted a resolution to authorize a public safety special assessment for the 2019 winter tax roll. With this additional revenue, the ADC / governmental fund revenues is less than 12% for the fiscal year ending June 30, 2020, which no longer triggers an "underfunded status" as defined by PA 202 of 2017.

- 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 2020**, the local government will begin amortizing the unfunded portion of the health care 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 **2023** 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 your local government 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, 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 government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

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

Naming Convention:

Attachment – 1

Attachment – 1a

Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

Type of Document:

This corrective action plan (required);

Documentation from the governing body approving this corrective action plan (required);

An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 40% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 12% of governmental fund revenues, as defined by the Act (required);

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

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

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

Other documentation, not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

Please confirm that each of the three 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 government is a city, village, township, or county, how and when the ADC of all retirement health care systems will be less than 12% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe?

Legality

Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included?

Affordability

Do the corrective action(s) listed allow the local government to make the retiree health care premium payment, as well as normal cost payments for new hires now and into the future without additional changes to this corrective action plan?

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

I, Diana Kellmeyer, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** City Manager 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 health system name)** will achieve a funded status of at least 40% by fiscal year _____ as demonstrated by the required supporting documentation listed in Section 6.

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

The ADC for all the retirement health benefit systems of the local government will be less than 12% of the local government's annual governmental fund revenues by fiscal year 2020 as demonstrated by required supporting documentation listed in Section 6.

Signature:

Date:

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: Brownstown Charter Township Six-Digit Muni Code: 821010
Retirement Health Benefit System Name: Charter Township of Brownstown OPEB
Contact Name (Administrative Officer): Amy Whipple
Title if not Administrative Officer: Deputy Clerk
Email: AmyW@brownstown-mi.org Telephone: (734) 675-0910

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

- 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**.*

Please see Attachment 6a for response.

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.*

In addition to the \$2,747,456 of assets in the OPEB trust as of December 31, 2018, the Township has \$671,713 of General Fund assets assigned for retiree insurance (see Attachment 2a). This amount is available for future benefit payments or contributions to the trust, but the Township intends to continue making pay-as-you-go premium payments from unassigned resources. This will allow the assigned resources to remain intact for the foreseeable future.

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

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – I

This Corrective Action Plan (Required)

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

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

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

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

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

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

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

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

Signature Amy Whipple

Date 12-3-2019

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: Monroe Community Mental Health Authority Six-Digit Muni Code: 587515

Defined Benefit Pension System Name: Defined Benefit Healthcare Plan

Contact Name (Administrative Officer): Jeff Koras

Title if not Administrative Officer: Finance Director

Email: jkoras@monroecmha.org Telephone: (734) 384-8397

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

Closed Plan to New Hire on July 1, 2012. Also, went from an expected 8% return on investments to a 7% return in compliance with the standard rate of return in order to increase the contribution.

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.

Use current actuarial statements to fund pension liability to 60% by 2048. Our submission of form 5572 has shown an increase from 25% funded liability to a 30% funding rate. Actuarial report is attached.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 - No
- If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

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

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

The Monroe CMHA Retiree Health Account (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2048 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature _____ Date _____

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

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 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 | This Corrective Action Plan Form (Required) |
| <input type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> Attachment – 5a | A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio |
| <input 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 (see CAP criteria issued by the Board)?
<input type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

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

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

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

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

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

Signature _____ Date _____

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-31**

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

December 18, 2019

Municipal Stability Board Appendix A, December 18, 2019

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

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

#	Local Unit	Municode	Fiscal Year	System Type	Date Received	Underfunded			Treasury	Corrective Action Plan Link
						Status	Legality	Affordable	Recommendation	
1	City of Alpena	042010	2018	OPEB	11/20/2019	Yes	Yes	Yes	Approve	City of Alpena-OPEB
2	City of Charlotte	232010	2018	Pension	11/20/2019	Partial	Yes	Partial	Approve	City of Charlotte-Pension
3	City of Charlotte	232010	2018	OPEB	11/20/2019	Yes	Yes	Yes	Approve	City of Charlotte-OPEB
4	City of Ferndale	632060	2018	OPEB	11/20/2019	Partial	Partial	Yes	Approve	City of Ferndale-OPEB
5	City of South Lyon	632210	2018	OPEB	11/20/2019	Yes	Yes	Yes	Approve	City of South Lyon-OPEB

Treasury Recommendation
City of Alpena OPEB Corrective Action Plan (CAP)
Primary Unit 042010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$27,354,482	\$34,409,193	79.5%	\$796,584	\$11,886,939	6.7%	NO
City of Alpena Employees' Retirement System	OPEB	\$1,118,040	\$5,651,580	19.8%	Not Provided		N/A	YES
Total		\$28,472,522	\$40,060,773		\$796,584	\$11,886,939	6.7%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Alpena, which was received by the Municipal Stability Board (the Board) on 11/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

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

Prospective Changes:

- Modern Plan Design:
 - 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.

Treasury Recommendation
City of Alpena OPEB Corrective Action Plan (CAP)
Primary Unit 042010

- Plan Funding:
 - The City is currently working with its retirement fund investment advisor to implement an investment program similar to 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:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members 103

- Inactive employees or beneficiaries currently receiving benefits: 24
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 79

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 within a reasonable timeframe (2023/2024).
- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

The city provided an internal analysis showing the funded ratio with additional annual payments into the trust above the annual premium. Based on this analysis, the City will reach 40% funded by 2024.

**Treasury Recommendation
City of Alpena OPEB Corrective Action Plan (CAP)
Primary Unit 042010**

Attachment 2a

City of Alpena Retiree Health Plan						
<u>Projected Annual Contributions from City's General Fund (Revised)</u>						
<u>FY</u>	<u>Est. Salaries & Wages</u>	<u>Contrib. %</u>	<u>Annual Contrib.</u>	<u>Est. Premiums</u>	<u>Plan Balance</u>	<u>% Funded</u>
17-18 (Actual)	4,591,400	2%	91,828	120,960	1,128,014	19.78%
18-19	4,617,050	6%	277,023 (Actual)	120,725	1,284,312	22.20%
19-20	5,097,631	7% (Actual)	371,340 (Actual)	131,300	1,524,352	25.72%
20-21	5,174,095	8%	413,928	145,000	1,793,280	29.55%
21-22	5,251,706	9%	472,654	165,000	2,100,934	33.81%
22-23	5,330,482	10%	533,048	190,000	2,443,982	38.41%
23-24	5,410,439	10%	541,044	215,000	2,770,026	42.51%
24-25	5,491,596	10%	549,160	240,000	3,079,186	46.15%

Notes:

1. FY 2017-18 numbers are actual, as are 18-19 and 19-20 Annual Contributions. Calculations for all subsequent FYs are based on Plan balances as of June 30, 2018, the end of the 2017-18 FY.
2. Estimated Wage & Salary Increases at 1.5% per year for FY 20-21 and beyond.
3. Estimated Premiums include the City portion of retiree health insurance premiums plus plan operating expenses.
4. The Percent Funded is calculated by dividing the Plan Balance by the estimated Plan liability, which as of June 30, 2018 was \$5,651,580. A 2.4% annual increase was utilized based on historical changes.

10/14/2019

The Community Engagement and Finance Division (CEFD) contact:

- Treasury discussed the prospective CAP with the City prior to submission.

**Treasury Recommendation
City of Charlotte Pension Corrective Action Plan (CAP)
Primary Unit 232010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$13,109,586	\$22,252,839	58.9%	\$715,183	\$6,867,818	10.4%	YES
OPEB	OPEB	\$0	\$1,945,991	0.0%	Not Provided		N/A	YES
Total		\$13,109,586	\$24,198,830		\$715,183	\$6,867,818	10.4%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Charlotte, which was received by the Municipal Stability Board (the Board) on 11/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Effective July 1, 2012, all defined benefit plans were closed to new hires. New hires are enrolled in hybrid plans that cap annual employer contributions.
 - The City's 2018 actuarial valuation shows that the funded ratio will be 60% by fiscal year 2030.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - The City Council will consider proposing millage dedicated to address the MERS unfunded accrued liability or imposing a public safety special assessment to address MERS unfunded accrued liability for police and fire pensions or a combination of the two. It is expected that action on these matters will occur prior to December 31, 2020.
- Other Considerations:
 - None Listed.

System Status for All Divisions: CLOSED

**Treasury Recommendation
City of Charlotte Pension Corrective Action Plan (CAP)
Primary Unit 232010**

Plan size: members 129

- Inactive employees or beneficiaries currently receiving benefits: 72
- Inactive employees entitled to but not yet receiving benefits: 11
- Active employees: 46

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- 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.

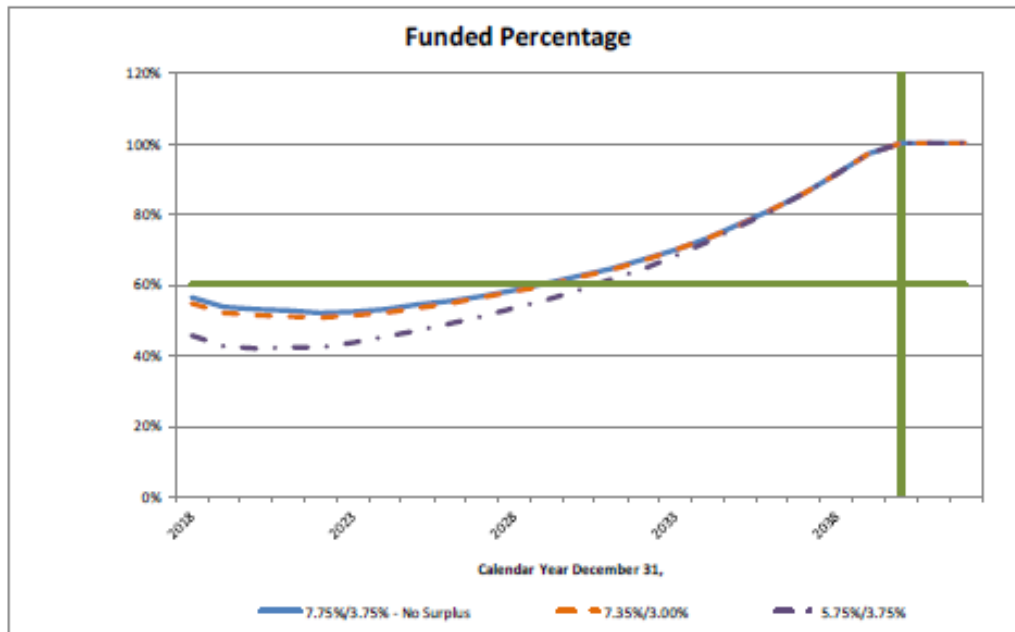
The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit's corrective action plan indicates it will reach 60% funded by 2030. The plan is currently 58.9% funded. According to the board's approval criteria this retirement system is not severely underfunded and the length of time to reach 60% funded is beyond the Board's general guidance.
- Affordable:
 - The local unit did not confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, upon further clarification, the local government stated that if corrective actions were achieved, the payments would remain affordable.

Supplemental Information:

The city intends to pursue a millage or special assessment to allow the continued funding of its pension system. Without one of these new revenue sources, the City does not believe it is able to continue to afford the annual required payment of the MERS pension system. The provided MERS chart shows the City reaching 60% funded in approximately 2030. Additionally, there is a MERS chart demonstrating the increase in annual employer contribution. This payment increases from approximately \$1 million in 2019 to \$2.1 million in 2039. This represents an increase of 5.5% per year.

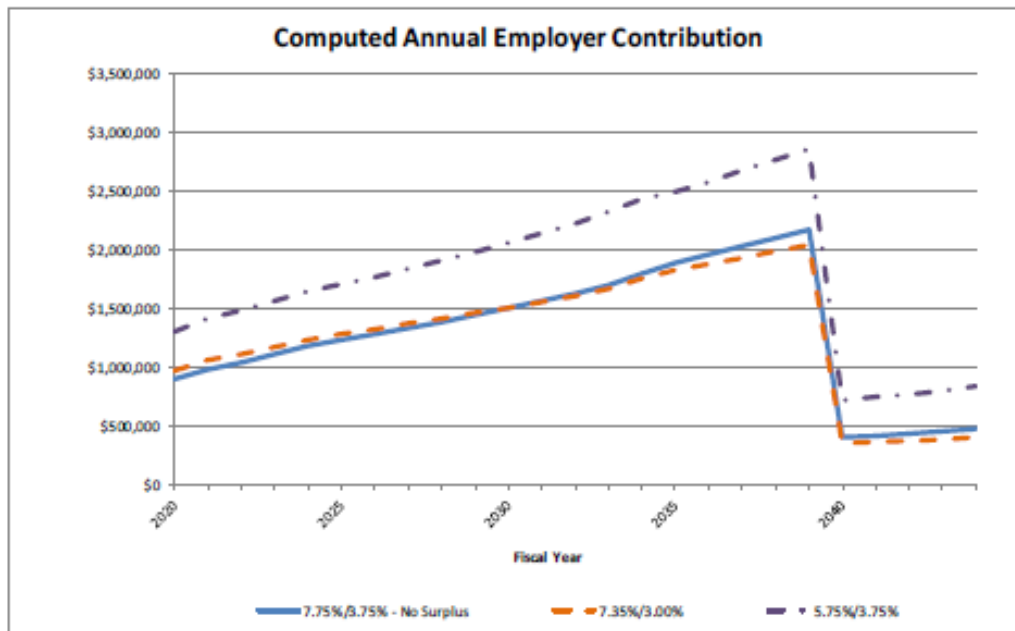
**Treasury Recommendation
City of Charlotte Pension Corrective Action Plan (CAP)
Primary Unit 232010**



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:

- Emailed the City to clarify the "No" response to Section 5 of the CAP form.

**Treasury Recommendation
City of Charlotte OPEB Corrective Action Plan (CAP)
Primary Unit 232010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$13,109,586	\$22,252,839	58.9%	\$715,183	\$6,867,818	10.4%	YES
OPEB	OPEB	\$0	\$1,945,991	0.0%	Not Provided		N/A	YES
Total		\$13,109,586	\$24,198,830		\$715,183	\$6,867,818	10.4%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Charlotte, which was received by the Municipal Stability Board (the Board) on 11/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Effective July 1, 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 .
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

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

**Treasury Recommendation
City of Charlotte OPEB Corrective Action Plan (CAP)
Primary Unit 232010**

System Status for All Divisions: CLOSED

Plan size: members 14

- Inactive employees or beneficiaries currently receiving benefits: 12
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 1

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- 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 within a reasonable timeframe (2034).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

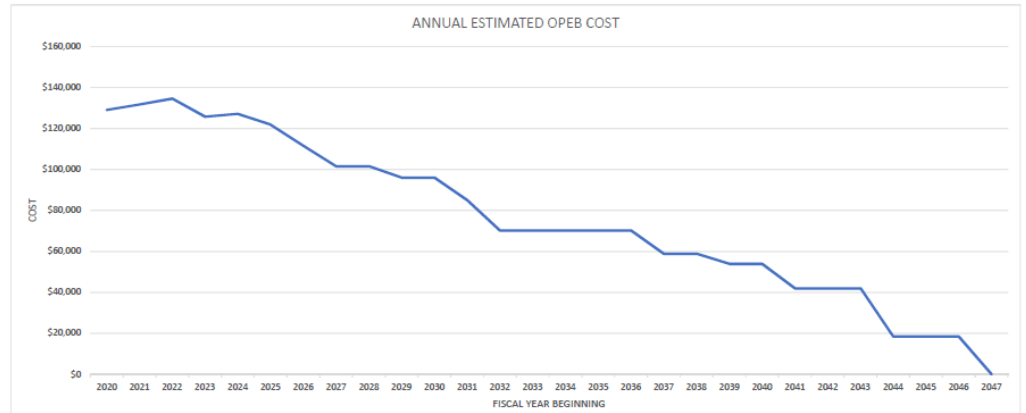
Supplemental Information:

The city proposed opening a trust in FY 2020 and depositing an initial amount of \$200K. This initial investment's interest earnings (at a rate of 5%/year) along with a decrease in liabilities allow the city to reach 40% funded by 2031, as demonstrated in the table below.

Treasury Recommendation City of Charlotte OPEB Corrective Action Plan (CAP) Primary Unit 232010

PROJECTED OPEB COSTS

Date	Retiree	DOB	Lives	Percent City	Mortality Date At Age 70	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030	7/1/2031	7/1/2032	7/1/2033	7/1/2034		
11/7/2019																						
4/26/2031	DBFIR	4/26/1961	2	70%	3/22/2047	10938	11484	12058	12661	13294	13959	8400	8400	8400	8400	8400	8400	8400	8400	8400		
3/20/2021	DGCLK	3/20/1951	1	82%	8/13/2038	4920	4920	4920	4920	4920	4920	4920	4920	4920	4920	4920	4920	4920	4920	4920		
11/5/2027	FTPOL	11/5/1957	2	100%	7/17/2043	15625	16406	17226	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000		
8/6/2007	UCLK	8/6/1937	1	92%	7/19/2028	5520	5520	5520	5520	5520	5520	5520	5520	0	0	0	0	0	0	0		
11/29/2013	JMDPW	11/29/1943	2	92%	12/13/2030	11040	11040	11040	11040	11040	11040	11040	11040	11040	11040	11040	11040	11040	11040	11040		
7/18/2006	JMPOL	7/18/1936	2	84%	10/1/2026	10080	10080	10080	10080	10080	10080	0	0	0	0	0	0	0	0	0		
6/22/2025	KFFIR	6/22/1955	2	100%	1/28/2041	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000		
3/10/2003	LBLIB	3/10/1933	1	78%	3/31/2026	4680	4680	4680	4680	4680	0	0	0	0	0	0	0	0	0	0		
10/6/2030	LHFIR	10/6/1960	2	84%	8/30/2046	13125	13781	14470	15193	15952	10080	10080	10080	10080	10080	10080	10080	10080	10080	10080		
3/28/2015	TPPOL	3/28/1945	1	84%	11/7/2031	5040	5040	5040	5040	5040	5040	5040	5040	5040	5040	5040	5040	0	0	0		
6/1/2028	WCPOL	6/1/1958	2	96%	2/13/2044	15000	15750	16537	11520	11520	11520	11520	11520	11520	11520	11520	11520	11520	11520	11520		
3/7/2016	RGDPW	3/7/1946	2	82%	6/13/2032	9840	9840	9840	9840	9840	9840	9840	9840	9840	9840	9840	9840	0	0	0		
11/28/2021	RVDPW	11/28/1951	2	94%	4/21/2037	11280	11280	11280	11280	11280	11280	11280	11280	11280	11280	11280	11280	11280	11280	11280		
Estimated Annual Retiree Health Insurance Cost						129088	131821	134691	125774	127166	121959	111720	101640	101640	96120	96120	85080	70200	70200	70200		
Pre-65 Health Insurance Annual Premium						15625	16406	17226	18087	18991	19941											
						2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		
						\$129,088	\$131,821	\$134,691	\$125,774	\$127,166	\$121,959	\$111,720	\$101,640	\$101,640	\$96,120	\$96,120	\$85,080	\$70,200	\$70,200	\$70,200		
Projected Total Retiree Health Insurance Costs (not amortized)						\$2,121,099	\$1,992,011	\$1,860,190	\$1,725,499	\$1,599,725	\$1,472,559	\$1,350,600	\$1,238,880	\$1,137,240	\$1,035,600	\$939,480	\$843,360	\$758,280	\$688,080	\$617,880	\$561,880	
Projected Retiree Health Insurance Trust Funding						\$200,000	\$210,000	\$220,500	\$231,525	\$243,101	\$255,256	\$268,019	\$281,420	\$295,491	\$310,266	\$325,779	\$342,068	\$359,171	\$377,130	\$395,986	\$395,986	\$395,986
Funded Percentage						9.43%	10.54%	11.85%	13.42%	15.20%	17.33%	19.84%	22.72%	25.98%	29.96%	34.68%	40.56%	47.37%	54.81%	64.09%		



The Community Engagement and Finance Division (CEFD) contact:

- None Noted.

**Treasury Recommendation
City of Ferndale OPEB Corrective Action Plan (CAP)
Primary Unit 632060**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Employees Retirement System	Pension	\$19,959,837	\$6,646,256	300.3%	\$0	\$26,823,045	1.5%	NO
Policemen and Firemen Retirement System	Pension	\$42,779,904	\$47,722,818	89.6%	\$412,196			NO
City of Ferndale Other Postemployment Benefits	OPEB	\$20,841,879	\$56,913,925	36.6%	\$3,295,206		12.3%	YES
Total		\$83,581,620	\$111,282,999		\$3,710,402	\$26,823,045	13.8%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Ferndale, which was received by the Municipal Stability Board (the Board) on 11/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- **Modern Plan Design:**
 - The city indicates that it no longer offers retiree health care coverage to new hires. Below is a list of the cut-off dates by employee group: Police Command and Patrol are not eligible if hired after 2008. Fire Fighters are not eligible if hired after 2011. Clerical/ Technical workers are not eligible if hired after 2006. DPW/Water employees are not eligible if hired after 2004. Appointees and Administration are not eligible if hired after 2004.
 - 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 the city's health care costs are trending down.
- **Plan Funding:**
 - The city 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:**
 - Also, the attached analysis of the revenue ratio (ARC/Total Governmental Funds) would only be 9% when including the enterprise funds within the calculation.

Prospective Changes:

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

Treasury Recommendation
City of Ferndale OPEB Corrective Action Plan (CAP)
Primary Unit 632060

- Plan Funding:
 - The City stated that its current funding level is 39.6% based on the most recent valuation, but the valuation data was not provided, and Treasury was unable to confirm. An increase of \$300,000 in system assets would bring them to the required 40% funding and has already been budgeted for over the next three years.

- Other Considerations:
 - None Listed.

System Status for All Divisions: CLOSED

Plan size: members 230

- Inactive employees or beneficiaries currently receiving benefits: 157
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 69

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
- Legal and Feasible:
 - Treasury's waiver application form was used instead of the corrective action plan form. Additionally, Ferndale's city council approved a waiver application resolution instead of a corrective action plan resolution. Therefore, the local unit did not confirm that its corrective action plan was legal and feasible. While the governing body approved a waiver application form instead of a corrective action plan, the governing body did commit to the actions listed within the form. As a result, the plan appears to be legal and feasible and approval is recommended.

Supplemental Information:

The local government provided their triennial budget showing that \$100K is budgeted to be paid to the OPEB trust in each of fiscal years 2020-2022, in addition to that payment being budgeted in 2019 as

**Treasury Recommendation
City of Ferndale OPEB Corrective Action Plan (CAP)
Primary Unit 632060**

well. There is no projection of the liabilities during this time, but it can be reasonably assumed that this plan, combined with interest earnings on the current trust assets, will allow the local government to reach 40% funded within that period of time. This is contingent upon liabilities remaining similar and the valuation assets and liabilities being accurate. Additionally, the City is projecting additional payments to the trust beyond 2022, which will further aid in reaching 40%.

City of Ferndale, Michigan Triennial 2020-2022 Budget									
Account Number	Description	2017-18 Activity	2018-19 Original Budget	2018-19 Projected Activity	2019-20 Dept. Requested Budget	2020-21 Dept. Requested Budget	2021-22 Dept. Requested Budget	2022-23 Dept. Forecast Budget	2023-24 Dept. Forecast Budget
Dept 941 - Fringe Benefits									
Expenditures									
101-941-716.200	Health Insurance - Library Retirees	87,403	92,980	92,980	99,489	106,453	113,000	120,000	120,000
101-941-716.736	Health - OPEB Funding	-	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenditures		87,403	192,980	192,980	199,489	206,453	213,000	220,000	220,000

GF Template

General Fund - All Departments

2019-0401 Budget template Draft 2
Page: GF-18

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of South Lyon OPEB Corrective Action Plan (CAP)
Primary Unit 632210**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$11,299,645	\$15,905,023	71.0%	\$549,604	\$7,667,685	7.2%	NO
City of South Lyon OPEB Plan	OPEB	\$0	\$464,775	0.0%	Not Provided		N/A	YES
Total		\$11,299,645	\$16,369,798		\$549,604	\$7,667,685	7.2%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of South Lyon, which was received by the Municipal Stability Board (the Board) on 11/20/2019. 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:
 - The city 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.

Prospective Changes:

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

System Status for All Divisions: OPEN

Treasury Recommendation
City of South Lyon OPEB Corrective Action Plan (CAP)
Primary Unit 632210

Plan size: members 41

- Inactive employees or beneficiaries currently receiving benefits: 1
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 40

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will no longer trigger underfunded status because the local unit's annual required contribution will be less than 12% of general fund operating revenues within a reasonable timeframe (2018).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

The city triggered as underfunded for failure to calculate an actuarially determined contribution rate and disclose that number in their audited financial statements, resulting in their underfunded status being determined by funded ratio alone. The city made the argument that their total OPEB liability was less than 12% of governmental fund revenues, therefore, the ADC would have to be less than 12% as well. Additionally, for FY 2019 reporting, the city calculated an ADC of \$61,000, resulting in an ADC/revenue ratio of less than 1%.

**Treasury Recommendation
City of South Lyon OPEB Corrective Action Plan (CAP)
Primary Unit 632210**

City of South Lyon, Michigan

**Required Supplemental Information
Schedule of OPEB Contributions**

**Last Two Fiscal Years
(schedule is built prospectively upon implementation of GASB 75)
Years Ended June 30**

	2019	2018*
Actuarially determined contribution	\$ 61,253	\$ -
Contributions in relation to the actuarially determined contribution	-	-
Contribution Deficiency	\$ (61,253)	\$ -
Covered Employee Payroll	\$ 2,705,916	\$ 2,566,424
Contributions as a Percentage of Covered Employee Payroll	- %	- %

*No actuarially determined contribution was calculated for fiscal year ended June 30, 2018.

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level percent of salary
Amortization method	Level dollar amortization - Closed
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	3.75 percent
Healthcare cost trend rates	Non-Medicare: 8.50 percent decreasing 0.25 percent per year to a 4.50 percent long-term rate Medicare: 7.00 percent decreasing 0.25 percent per year to a 4.50 percent long-term rate
Salary increase	3.50 percent
Investment rate of return	3.00 percent
Mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 (RPH-2017 table is created based on RPH-2014 Total Dataset Mortality Table with 11 years of MP-2017 mortality improvement backed out, projected to 2017 using MP-2017 improvement)

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-32**

COMPLIANCE WITH ANNUAL REPORTING

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 local units of government addressing the underfunded status of their municipal retirement systems;

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

WHEREAS, MCL 38.2805(6) requires local units of government to submit an annual report to Treasury (Treasury Retirement System Annual Report, Form 5572) (the “Annual Report”).

WHEREAS, the local units of government listed on Exhibit A (the “Local Governments”) failed to file the Annual Report for fiscal year 2017 and were subsequently determined to be noncompliant with the Act by the Board.

WHEREAS, the Local Governments filed the Annual Reports for fiscal year 2018 and were not found to be underfunded pursuant to MCL 38.2805(4).

NOW, THEREFORE, BE IT RESOLVED, the Board determines the Local Governments are now compliant with the Act and are currently no longer under the purview of the Board and not currently required to file a corrective action plan under MCL 38.2809.

Ayes:

Nays:

Recused:

Lansing, Michigan

December 18, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

Resolution 2019-32 Exhibit A

DATE: December 18, 2019
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Removal from the Corrective Action Process and the Purview of Board

Suggested Action: The Board motions to remove the following local governments from the corrective action process and the purview of the Board for subsequently filing the Retirement System Annual Report (Form 5572) showing that they meet the Act's funding requirements:

- I. Bay City Housing Commission
- II. Benzie County
- III. Village of Britton
- IV. Central Michigan District Health Department
- V. Community Mental Health Authority of Clinton, Eaton and Ingham Counties
- VI. Village of Farwell
- VII. Grosse Pointes-Clinton Refuse Disposal Authority
- VIII. Henika District Library
- IX. Interurban Transit Partnership
- X. Jordan Valley Emergency Medical Services Authority
- XI. Kalamazoo Lake Sewer and Water Authority
- XII. Martha T. Berry Medical Care Facility
- XIII. Monroe County Agency
- XIV. Muskegon Heights City Housing Commission
- XV. Shiawassee County

Requirements for Removal from Underfunded Status and Corrective Action Plan

Monitoring: A local government in corrective action for failure to file the Form 5572 may be released by the Board from the corrective action plan process and purview of the Board, provided the local government has subsequently filed the Form 5572 and meets the Act's funding requirements. This removes underfunded status for the local government.

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-33**

**PUBLIC ACT 202 OF 2017
CORRECTIVE ACTION PLAN NONCOMPLIANCE**

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

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

WHEREAS, the local units of government listed on Exhibit B were notified by Treasury of their underfunded status pursuant to MCL 38.2805 (the “Municipalities”);

WHEREAS, MCL 38.2810 requires the Municipalities to submit a Corrective Action Plan within 180 days from the date underfunded status was determined; and

WHEREAS, the Municipalities failed to submit their Corrective Action Plans to the Board by the 180-day deadline.

NOW THEREFORE, BE IT RESOLVED, the Board finds the Municipalities to be in noncompliance with the Act; and

BE IT FURTHER RESOLVED, the Board directs the Municipalities to immediately submit their respective Corrective Action Plans to the Board.

Ayes:

Nays:

Recused:

Lansing, Michigan

December 18, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

Resolution 2019-33 Exhibit B

DATE: December 18, 2019
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Delinquent Corrective Action Plan(s)

Suggested Action: The Board motions to notify the following local government(s) that they are in noncompliance with Public Act 202 of 2017 (the Act) for failure to submit a corrective action plan(s) to the Board within 180 days after the determination of underfunded status:

- I. Saginaw County Community Mental Health Authority
 - a. No Retirement Submission

Corrective Action Plan Noncompliance: Per Section 10(6) of the Act, "If the board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance."