

Municipal Stability Board

Wednesday, July 15, 2020 at 11:00 a.m.
Virtual Public Meeting
via Microsoft TEAMS

I. Call to Order

- A. Roll Call
- B. Approval of June 17, 2020 Minutes

II. Public Comment

- A. 2 minute limit
- B. Public Comment about City of Flushing OPEB Corrective Action Plan

III. Correspondence

- A. Treasury Update

IV. New Business

- A. Corrective Action Plan Best Practices and Strategies Guide: Updates for 2020
- B. Receipt of Corrective Action Plans
 - i. City of Luna Pier
 - ii. Menominee City Housing Commission
- C. Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-9)
 - i. City of Negaunee
 - ii. Roscommon County Road Commission
- D. Corrective Action Plan Noncompliance (Resolution 2020-10)

V. Public Comment

- A. 2 minute limit

VI. Board Comment

VII. Adjournment

MUNICIPAL STABILITY BOARD

**Wednesday, June 17, 2020
11:00 a.m.**

Virtual Public Meeting via Microsoft TEAMS

DRAFT Meeting Minutes

CALL TO ORDER

Chairman Eric Scorsone called the meeting to order at 11:00 a.m.

ROLL CALL

Members Present: Three

Eric Scorsone

John Lamerato

Barry Howard

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

APPROVAL OF MINUTES

A motion was made to approve the May 20, 2020 board meeting minutes by Barry Howard and supported by John Lamerato. The Board unanimously approved the May 20, 2020 meeting minutes. 3 Ayes and 0 Nays.

PUBLIC COMMENT

There was no public comment.

CORRESPONDENCE

Nick Brousseau presented the Board with the Treasury update, which included an updated report on the Department of Treasury's communication and outreach and Executive Order 2020-75 regarding the temporary authorization of remote participation in public meetings and hearings which is set to expire on June 30, 2020. Barry Howard requested that a letter be sent to the Governor's office requesting an extension of the Executive Order 2020-75. Klein Allison with the Attorney General's office clarified that the current opinion of their office was that remote meetings are prohibited except through authorization in statute, or through extenuating circumstances. Eric Scorsone, Chair, will review sending a letter to send to the Governor's office.

OLD BUSINESS

LOCAL GOVERNMENT ASSISTANCE PUBLIC COMMENT

Nick Brousseau reviewed with the Board the Local Government Assistance Public Comment. John Lamerato asked what was meant by accelerating the timeline of the best practices. Nick Brousseau replied that the original goal was to review this earlier which would have started last month, normally Treasury provides the update in late Summer. Rod Taylor recommended moving to page 19 in the Board packet to discuss Treasury's schedule recommendation moving forward. The Board agreed with this recommendation and Rod Taylor commented that Treasury reviewed the options the Municipal Stability Board has authority to change. The Municipal Stability Board's scope is generally limited to the approval and monitoring of Corrective Action Plans. Barry Howard asked if Treasury thinks the plan gives the Board enough flexibility because of unexpected potential changes. Nick Brousseau commented that Treasury did review the monitoring criteria and determined there was enough flexibility in the criteria to accommodate different situations. John Lamerato commented that MAPERS has had webinars in the last couple months (2 or so a month) on the current situation and wondered if there is a way to see if people are in MERS or MAPERS and make sure people are aware of the webinars. John Lamerato also inquired if Treasury can clarify if local governments are MERS or MAPERS members.

A motion was made to approve the Local Government Assistance Public Comment by John Lamerato and supported by Barry Howard and Eric Scorsone. The Board unanimously approved the Local Government Assistance Public Comment. 3 Ayes and 0 Nays.

NEW BUSINESS

LOCAL GOVERNMENT ASSISTANCE SCHEDULE AND TIMELINE

Nick Brousseau reviewed the memo for the Local Government Assistance Schedule and Timeline with the Board.

A motion was made to approve the Local Government Assistance Schedule and Timeline by Barry Howard and supported by John Lamerato and Eric Scorsone.

The Board unanimously approved the Local Government Assistance Schedule and Timeline. 3 Ayes and 0 Nays.

CORRECTIVE ACTION PLAN MONITORING POLICIES AND PROCEDURES: UPDATES AND REVIEW SCHEDULE

Nick Brousseau reviewed with the Board the Corrective Action Plan Monitoring Policies and Procedures Updates and Review Schedule.

Barry Howard asked if it should say that the Board "may limit" rather than "will limit" – that way if additional reviews can be completed the Board may review more than 20 local governments. Nick Brousseau replied that Treasury can make that change before public comment. Nick Brousseau went over additional changes and said Treasury was requesting for approval from the Board to distribute this out for public comment.

A motion was made to approve the Corrective Action Plan Monitoring Policies and Procedures Updates and Review Schedule based on comments made by the Board by Barry Howard and supported by John Lamerato and Eric Scorsone.

The Board unanimously approved the Corrective Action Plan Monitoring Policies and Procedures Updates and Review Schedule for public comment, based on the Board's comments. 3 Ayes and 0 Nays.

RECEIPT OF CORRECTIVE ACTION PLANS FROM 2 LOCAL GOVERNMENTS (2 PLANS) Nick Brousseau provided the Board with corrective action plans for the following 2 local governments (2 plans):

- City of Negaunee
- Roscommon County Road Commission

A motion was made to receive the corrective action plans by John Lamerato and supported by Barry Howard and Eric Scorsone. The Board unanimously approved receipt of corrective action plans for the City of Negaunee and Roscommon County Road Commission. 3 Ayes and 0 Nays.

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 4 LOCAL GOVERNMENTS (4 PLANS) (RESOLUTION 2020-6)

Nick Brousseau was asked to review the Treasury recommendations for Approval and Disapproval of Corrective Action Plans (Resolution 2020-6) with the Board.

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-6) by Barry Howard and supported by John Lamerato and Eric Scorsone for the following local governments:

- Dexter Area Fire Department (Approval)
- MBS International Airport Commission (Approval)
- City of St. Ignace (Approval)
- City of Vassar (Approval)

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-6). 3 Ayes and 0 Nays. Resolution 2020-6 was passed.

CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION 2020-7)

Nick Brousseau reviewed with the Board the Corrective Action Plan Noncompliance (Resolution 2020-7).

A motion was made by Barry Howard to approve the Corrective Action Plan Noncompliance (Resolution 2020-7) and was supported by John Lamerato and Eric Scorsone for the following local government:

- Village of Kalkaska

The Board unanimously approved the Corrective Action Plan Noncompliance (Resolution 2020-7). 3 Ayes and 0 Nays. Resolution 2020-7 was passed.

**REMOVAL FROM CORRECTIVE ACTION PROCESS AND PURVIEW OF THE BOARD
(RESOLUTION 2020-8)**

Nick Brousseau reviewed with the Board the Removal from Corrective Action Process and Purview of the Board (Resolution 2020-8).

A motion was made by Barry Howard to approve the Removal from Corrective Action Process and Purview of the Board (Resolution 2020-8) and was supported by John Lamerato and Eric Scorsone for the following local governments:

- Cass County Medical Care Facility
- Village of Homer
- Kingsford City Housing Commission
- Metamora Township
- City of Muskegon Heights
- Reed City Housing Commission
- Romeo District Library
- Shiawassee Council on Aging

The Board unanimously approved the Removal from Corrective Action Process and Purview of the Board (Resolution 2020-8). 3 Ayes and 0 Nays. Resolution 2020-8 was passed.

PUBLIC COMMENT

No Public Comment.

BOARD COMMENT

Eric Scorsone thanked Treasury staff for managing the process well and noted that the Board will send comments to the Governor about continuing electronic meetings, because the concerns about meeting in person are probably not unique to this Board.

NEXT MEETING

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

ADJOURNMENT

A motion was made to adjourn by John Lamerato and supported by Barry Howard and Eric Scorsone.

The Board unanimously approved the motion to adjourn. The motion has passed with 3 Ayes and 0 Nays.

There being no further business, the meeting adjourned at 11:52 a.m.

Brousseau, Nicholas (TREASURY)

From: LocalRetirementReporting
Sent: Thursday, June 18, 2020 2:12 PM
To: Brad Barrett
Subject: RE: City of Flushing (252050) OPEB Corrective Action Plan

Dear Brad,

Thank you for notifying us about your concerns about the city of Flushing's OPEB corrective action plan (CAP). We will include your e-mail to the Municipal Stability Board (the Board) under public comment at their next meeting.

Per Public Act 202 of 2017 (the Act), the Board must certify compliance with the Act approximately every two years. This process includes the Board reviewing all approved corrective action plans for substantial compliance with the Act. One component of the CAP monitoring process is to document any substantial changes to the approved CAP. The [CAP monitoring process](#) can be found on our website along with the [CAP Monitoring: Application for Certification of Compliance](#).

If you have further questions, please feel free to email LocalRetirementReporting@michigan.gov.

Thank you,

Michigan Department of Treasury
Local Retirement Reporting Team
www.michigan.gov/LocalRetirementReporting

From: Brad Barrett <bbarrett2005@hotmail.com>
Sent: Tuesday, June 16, 2020 4:13 PM
To: LocalRetirementReporting <LocalRetirementReporting@michigan.gov>
Subject: City of Flushing (252050) OPEB Corrective Action Plan

CAUTION: This is an External email. Please send suspicious emails to abuse@michigan.gov

MI Department of Treasury...

I am writing to you with a citizen concern and complaint regarding the city's implementation of the adopted Corrective Action Plan for retiree healthcare unfunded liabilities (OPEB).

The city's CAP states the healthcare committee meets annually to discuss healthcare plan options and premium costs. There is no public record that reflects such committee met to discuss optical and dental coverage that is to expire July 1st.

Insurance premiums are the number one factor in determining the city's unfunded liability. Public records indicate (attached) a dental plan meeting coverage requirements was available to the city at a cost savings beginning July 1, 2020. The actual monetary savings may seem small, however there would have been a reduction in OPEB when spread over 20+ years.

Based on the comparative benefit sheet (attached), the lower premium plan meets obligations outlined in CBAs and the administrative code. Dental coverage is a policy and fiscal decision under the Council's authority and jurisdiction. Such dental plan was not implemented by the city.

The City of Flushing is facing a projected loss of 14496 in revenue sharing for FY 2020 and a projected loss of 31791 in revenue sharing for FY 2021. Revenue sharing is the city's second largest source of revenue in the General Fund. The majority of the city's OPEB and pension costs are paid from the General Fund.

In summary, the city's retiree healthcare liability is poorly funded a corrective action plan was required, filed and approved by the state of Michigan. Reducing liability through annual insurance plan review for cheaper plans was a task the city agreed to in the approved plan. The city may not be in compliance with the approved corrective action plan, if a cheaper plan with the same level of benefits/coverage was not approved by the city.

I would request the city's OPEB CAP be pulled for review and deemed noncompliant per the following CAP monitoring policies and procedures:

1. The CAP does not remain substantially the same as the original approved submission.
2. The local government OPEB costs are increasing at a rate greater than what can be afforded through reasonable revenue growth due to the city's failure of adopting a lower cost dental insurance with the same coverage levels, five consecutive Headlee amendment millage rollbacks and a reduction of revenue sharing from the state of Michigan for FY20 and FY21.

Thank you for considering and receiving this written citizen concern and complaint.

Brad Barrett


Flushing, MI 48433

Dental Insurance
Benefit and cost analysis

	Delta Dental		The Standard	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Deductible	\$25 / \$75	\$25 / \$50	\$25 / \$50	\$25 / \$50
Annual maximum	\$1,500	\$1,500	\$1,500	\$1,500
Orthodontia maximum	\$1,000	\$1,000	\$1,000	\$1,000
Preventive services	100%	100%	100%	100%
Basic services	100% after deductible	100% after deductible	100% after deductible	100% after deductible
Major services	75% after deductible	75% after deductible	75% after deductible	75% after deductible
Orthodontia services	50%	50%	50%	50%
R&C percentile	N / A			
Contributions	Noncontributory			
Pediatric dental	Included			
Provider network	Delta Dental PPO			
Rate guarantee	1 Year			
	Additional Information			
	9th			
	Noncontributory			
	Included			
	Anthem / DeltaMax / Colonial Plus Dental			
	1 Year			

	Current Rates		Renewal Rates		Proposed Rates	
	16	20	15	20	16	20
One Person	\$53.51	\$56.24	\$53.51	\$56.24	\$49.08	\$51.81
Two Person	\$99.35	\$105.14	\$99.35	\$105.14	\$96.83	\$102.56
Family	\$176.63	\$182.89	\$176.63	\$182.89	\$162.17	\$168.40
Total Monthly Premium	\$5,492.61	\$5,745.99	\$5,492.61	\$5,745.99	\$5,194.43	\$5,447.72
Total Annual Premium	\$55,911.32	\$66,951.88	\$55,911.32	\$66,951.88	\$61,653.16	\$64,172.64
Annual Dollar Change from Current Plan		\$3,040.56		\$3,040.56	-\$4,058.16	-\$2,524.88
Annual Percent Change from Current Plan		4.61%		4.61%	-6.16%	-3.93%

Full time employees hired after July 1, 2017, are not eligible for city paid retiree healthcare benefits (medical, prescription, dental, optical) and will be enrolled in the MERK Health Care Savings Program. The City will contribute \$150 for each month worked. The City's contribution will be on a graded vesting schedule over 5 years.

Section 3.

The Employer agrees to provide optical insurance coverage for full time employees and eligible dependents. Employees retiring after July 1, 1995, will be provided optical insurance coverage. Eligible dependents of retirees will also be provided the same optical benefits.

Section 4.

The City shall make available a dental health care plan which provides, at minimum, dental benefits for eligible employees in accordance with the Summary of Dental Plan Benefits as described in the attached description for Delta Dental plan for Group # 4996-0001.

Section 5.

In addition to the requirements of testing under the CDL licensing requirements, it is understood that the Employer and the Union wish to promote a safe working environment for all employees. In the interest of promoting this environment, it is agreed that;

- a.) The Director of Public Works, together with the concurrence of the City Manager, may demand upon reasonable suspicion (such as direct observation of drug or alcohol use and or the physical symptoms of being under the influence of drugs or alcohol, a pattern of abnormal conduct or erratic behavior, newly discovered evidence that the employee has tampered with a previous drug test, after an accident or injury on the job, damage to City or private property, misuse or operation of the City equipment), an alcohol test of any employee of this bargaining unit. This test may be demanded immediately before the employee is scheduled to report for duty or while the employee is on duty. It is further understood that the Director of Public Works may demand a test to determine the presence of a controlled substance in an employee of this bargaining unit. This test may be demanded immediately before the employee is scheduled to report for duty, or while the employee is on duty. Any test administered will be at the expense of the Employer. Additional testing with cause may be permitted. Any employee tested will have the right to obtain his/her own test at the expense of the employer. Employees under the care of a qualified physician, will not be disciplined for a positive test of any drug, for which a valid prescription has been supplied. A drug test

This wage schedule is effective on July 1, 2015

Start	19.75
After 1 Full Year	20.70
After 3 Full Years	22.99
After 5 Full Years	27.84
After 6 Full Years	28.95
After 7 Full Years	29.24
Sergeants	30.91

All paychecks shall be delivered through the electronic direct deposit system as may be available to the city.

Once the 240 hour compensatory bank is reached, the overtime will be paid out via a contribution to the employee's MERS Healthcare Savings Account. (Effective August 2016)

ARTICLE XXXVII - DENTAL PLAN

Section 1.

The City shall provide a dental health care plan, which provides the following benefits for eligible employees:

- Maximum Benefit Payable during any calendar year: \$1,500.00
- Employee and Dependent Dental Expense
- Benefit Year Cash Deductible for Non-Orthodontic Services:
 - Group 1 Services - None
 - Group 2 and 3 Services - \$25.00 for each covered person

The policy does not pay benefits for charges otherwise covered by this plan to the extent that benefits for such charges are furnished by:

- (1) Employees other major medical expense insurance carrier; and
- (2) Medicare

Payment Rate for:

Group 1 Services	-	100%
Group 2 Services	-	75%
Group 3 Services	-	50%

Benefit Year Payment Limit for Non-Orthodontic Services - up to \$1,500.00.

A "benefit year" is a 12 month period, which starts on January 1st and ends on December 31st of each year.

ARTICLE XXXVIII - SAVINGS CLAUSE

Section 1.

If any Article or Section of the Agreement or any addendum thereto, should be held invalid by operation of law or by any tribunal or competent jurisdiction, or if compliance

Constitutional and Statutory Revenue Sharing Projections FY 2020 and FY 2021 Projected - Executive Budget Recommendation - May Consensus

Revshare Code	Local Unit Name	Unit Type	County	FY 2020 Projected			FY 2021 Projected			\$ Chg	% Chg
				Const	CVTRS	Total	Const	CVTRS	Total		
252020	Davison	City	Genesee	\$437,068	\$129,066	\$566,134	\$416,406	\$132,293	\$548,699	(\$17,435)	(3.1)%
252030	Fenton	City	Genesee	\$992,423	\$49,811	\$1,042,234	\$945,507	\$61,056	\$996,563	(\$45,671)	(4.4)%
252040	Flint	City	Genesee	\$8,627,479	\$6,916,493	\$15,543,972	\$8,219,617	\$7,089,405	\$15,309,022	(\$234,950)	(1.5)%
252050	Flushing	City	Genesee	\$708,789	\$68,675	\$777,464	\$675,281	\$70,392	\$745,673	(\$31,791)	(4.1)%
252060	Grand Blanc	City	Genesee	\$699,242	\$52,142	\$751,384	\$666,185	\$53,446	\$719,631	(\$31,753)	(4.2)%
252065	Montrose	City	Genesee	\$140,000	\$47,365	\$187,365	\$133,382	\$48,549	\$181,931	(\$5,434)	(2.9)%
252070	Mt Morris	City	Genesee	\$260,737	\$110,497	\$371,234	\$248,410	\$113,259	\$361,669	(\$9,565)	(2.6)%
252080	Swartz Creek	City	Genesee	\$486,495	\$53,148	\$539,643	\$463,496	\$54,477	\$517,973	(\$21,670)	(4.0)%
252085	Linden	City	Genesee	\$337,201	\$18,225	\$355,426	\$321,259	\$18,681	\$339,940	(\$15,486)	(4.4)%
253010	Gaines	VII	Genesee	\$32,106	\$7,991	\$40,097	\$30,588	\$8,191	\$38,779	(\$1,318)	(3.3)%
253020	Goodrich	VII	Genesee	\$157,152	\$0	\$157,152	\$149,722	\$0	\$149,722	(\$7,430)	(4.7)%
253025	Lennon	VII	Genesee	\$6,928	\$0	\$6,928	\$6,600	\$0	\$6,600	(\$328)	(4.7)%
253050	Otsville	VII	Genesee	\$72,989	\$3,062	\$76,051	\$69,548	\$18,831	\$88,379	\$12,318	16.2%

Treasury's Public Act 202 of 2017 Update

As of 7/7/2020

Table 1: Upcoming CAP Reviews

Public Act 202 of 2017: Corrective Action Plan Review Schedule						
LOCAL GOVERNMENT TYPE	Tentative Month of Corrective Action Plan Review					
	July	August	September	October	November	December
NON-PRIMARY	1	1	0	2	0	0
PRIMARY	1	1	1	14	0	1
TOTAL	2	2	1	16	0	1

CAP Monitoring Notifications

- **Two local governments** received a Corrective Action Plan Monitoring: Application for Certification of Compliance form on **June 25, 2020**
- **Twenty seven local governments** are scheduled to receive the monitoring notification at the **end of July**

Treasury Department Communication and Outreach Report

- **223 one-on-one 30-minute calls** scheduled by local governments to discuss the **Public Act 202** process
 - 4 individual calls since the June Board meeting
- **Outreach to 2 local governments** being referred for noncompliance for failure to submit a corrective action plan
- **Outreach to 6 local governments** with optional waiver applications due
- **Outreach to 25 local governments** with December fiscal year end for the Retirement System Annual Report (Form 5572)

CAP Monitoring Policies and Procedures Update: Public Comment

- **Email message sent to 7,805 registered local government officials**, as well as targeted local government associations and actuarial professionals
- **30-Day public comment period set to expire on 7/22/2020**
- To date, no public comment received

Pension System Outreach Update

- Upon request at the June 17, 2020 Municipal Stability Board Meeting, a list was generated to distinguish local government retirement systems that are MAPERS members
 - In the course of local government retirement reviews, Treasury will make these members aware of MAPERS as a resource

COVID-19 Updates and Resources for Local Governments Webinar Series

July 9, 2020 - 5th Webinar: CARES Act Funding

- Over 1,000 registered attendees
- The previous 4 webinars occurred in April, May, and June. Registration for those webinars ranged from 750 to over 1,000
- July 9th webinar focused on assistance to local governments related to Public Act 123 of 2020, which created the First Responders Hazard Pay Premiums Program and the Public Safety and Public Health Payroll Reimbursement Program, as well as provided additional water utility assistance

Local Government COVID-19 Webpage

- www.Michigan.gov/Treasury | **Local Government** | **COVID-19 Updates for Local Governments and School Districts**
 - Local government resources and Treasury guidance
 - Registration for Treasury webinars and links to previous webinars
 - Treasury will continue to provide additional webinars as information becomes available



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: July 15, 2020

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division (CEFD), Department of Treasury

SUBJECT: Update to *Corrective Action Plan Development: Best Practices and Strategies*

Suggested Action: The Board motions to begin the public comment period for the revised best practices document for a period of 30-days. Treasury will report public comment submissions after the 30-day public comment period.

Based on the Board's guidance provided in the *Public Act 202 of 2017: Local Government Corrective Action Plan Assistance Schedule* memo the June 17, 2020 Regular Meeting, the CEFD has drafted an annual update to the Board's *Corrective Action Plan Development: Best Practices and Strategies* guide. This memo will provide a bulleted list of notable changes to this guide and a copy of the updated guide with tracked changes.

Notable Changes:

• **Best Practices:**

- Plan Funding:
 - Added best practice to compare millage types and rates to surrounding communities
- Modern Plan Design:
 - Added best practice to evaluate minimum age and service requirements for pension and retirement health care systems
 - Added best practice to compare pension and retirement health care benefit offerings to surrounding communities and employers to ensure offerings are competitive
 - Added best practice regarding review of retirement health care benefit offerings for consolidated plan offerings
- Effective Plan Administration:
 - Added a best practice for local governments to develop policy statement to guide ongoing plan design decisions
 - Added a best practice for communicating and educating affected stakeholders of retiree health care decisions

- **Corrective Action Plan Approval Criteria**

- While CAP criteria recommendations have not changed, the Board continues to maintain flexibility in approving corrective action plans under a broad scope. For example, many local governments only partially meeting the Board's affordability criterion have received approvals for their initial plans. Treasury reviewed the existing criteria and determined the Board maintains adequate flexibility in their CAP determinations.

Per Section 8 of Public Act 202 of 2017: The board shall review and annually update a list of best practices and strategies that will assist an underfunded local unit of government in developing a corrective action plan.

MUNICIPAL STABILITY BOARD

CORRECTIVE ACTION PLAN DEVELOPMENT: *BEST PRACTICES AND STRATEGIES*



Issued Under Authority of Michigan's Public Act 202 of 2017

July ~~2019~~2020

Goal:

To provide best practice options to Michigan's local governments so they may sustain fiscally stable retirement systems, protect benefits for retirees, and provide high-quality public services to residents. Underfunded local governments are encouraged to utilize this information to assist in developing a Corrective Action Plan (CAP) in compliance with Sec. 8 (MCL 38.2808) of Public Act 202 of 2017 (the Act). Each local government and their governing body will have to agree on a uniquely constructed plan to *address their underfunded status* for retirement pension and/or retirement health care systems.

Best Practice Principles:

The following three principles may be utilized in developing a CAP for local governments with an underfunded retirement pension system and/or retirement health care system¹:

- 1.) Plan Funding
- 2.) Modern Plan Design
- 3.) Effective Plan Administration

Best Practice Options:

Corrective options may include, but are not limited to, the options listed below. This list includes the corrective options outlined in Sec. 10(7) of the Act (MCL 38.2810).

I. Plan Funding

- Funding options to sustain legacy costs and future retirement benefits:
 - Fund the actuarially determined contribution (ADC), which pays the expected cost of all promised benefits for both pension and retirement health care systems (i.e. fund the annual service cost of active employee benefits plus any unfunded actuarial accrued liabilities (UAAL))
 - Add funding to the annual budget in addition to the ADC, e.g. placing additional contributions into a surplus fund. This practice will reduce the unfunded liabilities and allow for potential increased investment income
 - Transfer funds from reserves to increase retirement assets, which will reduce the unfunded liabilities and allow for potential increased investment income
 - [Compare millage types and rates to surrounding communities to ensure all funding sources and methods are reviewed](#)
 - Dedicate additional revenue sources to pay for retirement benefits (e.g. Public Act 345 of 1937 millage, increased operating millage, other special millage)
 - Establish a qualified medical trust designated for retirement health care system funding
 - Add or increase employee contributions for pension systems and health care systems
 - Add or increase retiree contributions for health care systems
 - Implement a closed amortization period of no more than twenty years
 - Calculate amortization payments based on a "level-dollar" amortization schedule

¹ As defined in the Act, retirement health benefit means an annuity, allowance, payment, or contribution to, for, or on behalf of a former employee or dependent of a former employee to pay for any components: (i) Expenses related to medical, drugs, dental, hearing, or vision care. (ii) Premiums for insurance covering medical, drugs, dental, hearing, or vision care. (iii) Expenses or premiums for life, disability, long-term care, or similar welfare benefits for a former employee. These benefits are also commonly referred to as Other Post-Employment Benefits (OPEB).

2. Modern Plan Design

- The goal of a retirement system is its ability to attract and retain a talented workforce while providing a secure retirement for beneficiaries. To accomplish this goal, local governments can develop modern plan solutions that can adapt alongside a changing work environment.
- Modern plan design options for defined benefit pension systems:
 - Implement a “bridged multiplier” for active employees
 - Implement a bridged cost of living adjustment (COLA)
 - [Implement final average compensation \(FAC\) standards](#)
 - [Evaluate minimum age and service requirements](#)
 - Evaluate the affordability of the plan and the need to reduce or eliminate future defined benefit accruals by changing to a defined contribution plan or hybrid plan for:
 - Active employees
 - New hires
 - Limit defined benefit options for newly hired employees, including multipliers, cost of living increases, retirement age, and benefit vesting periods
 - Evaluate the financial implications of any early retirement incentive buyouts
 - [Compare benefit offerings to surrounding communities and employers to ensure benefits are reflective of the marketplace and employment objectives](#)
 - Limit the dual payment of both a pension and a salary to any employee who is rehired after retirement by the same employer, in accordance with IRS regulations
- Modern plan design options for retirement health care systems:
 - Require cost sharing of premiums and reasonable copays
 - Implement a cap on the employer portion of retiree health care costs
 - Require mirroring of retiree health care plans with active employee health care plans within the same local government
 - [Require retirees to use their current employer's health benefits or their spouse's health benefits, if available](#)
 - [Evaluate minimum age and service requirements](#)
 - Require use of Medicare as primary insurance for retirees 65 and older and/or consider alternative methods of coordinating or delivering benefits for those eligible for Medicare
 - Enroll new hires in a defined contribution retiree health care plan
 - Evaluate the financial implications of any early retirement incentive buyouts
 - Raise the eligibility age and/or service requirements for retiree health care benefits
 - Implement vesting rules that provide levels of benefits based on years of service
 - Use a market driven approach to evaluate benefit offerings and carriers, [comparing current offerings to surrounding communities and employers to ensure benefits are reflective of the marketplace and employment objectives](#)
 - [Review Medicare and non-Medicare plan offerings for consolidation, providing economies of scale and negotiating power with carriers](#)

3. Effective Plan Administration

- Local governments should use a variety of options to ensure that their retirement benefits are being administered as effectively as possible
- Administration options to maintain fiscally stable retirement systems:
 - Work with system providers to determine appropriate solutions
 - Require all retirement systems to be 100 percent funded before any benefit increases can take effect
 - Obtain an annual actuarial valuation for both pension and retirement health care systems with greater than 50 members
 - Ensure proper assumptions are utilized according to Actuarial Standards of Practice
 - Require an experience study by the plan's actuary at least every five years

- Require a peer actuarial audit to be conducted by an actuary that is not the plan actuary or change actuaries at least every eight years
- Provide projections within the annual valuations for ADCs, retirement benefit payments, assets, and liabilities until the system is at least 100% funded
- Calculate ADCs in accordance with Treasury's Numbered Letter 2018-3, the sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability
- Apply a blended discount rate that reflects a 20-year, tax-exempt general obligation municipal bond index rate, to the extent that system assets are not sufficient to make projected benefit payments
- Use asset smoothing in the valuation to reduce the impact of significant investment losses on ADC amounts
- Consult with the system provider about diversifying the investment portfolio
- Ensure management and oversight boards have proper experience, skills, and training to administer retirement systems
- Create a retirement benefits committee consisting of all stakeholders (employees, retirees, and employer representation) to evaluate benefit options
- If sustainable, and a compelling reason is provided as determined by the Board, enterprise funds may be utilized to support applicable retirement costs to offset pressure on the governmental fund
- Conduct an annual review of all retiree health care systems to ensure retirees and their dependents still qualify for retiree health care. This would include an audit for those plans that are different for people that are on Medicare.
- Evaluate retirement benefit eligibility for part-time elected officials
- [Develop a policy statement to guide ongoing plan design decisions. This policy should encourage sustainable and properly funded retirement plans, which will attract employees in a competitive labor market, facilitate effective management of the workforce, and fulfill retirement needs.](#)
- [Review options and determine how to communicate effectively and educate affected stakeholders about the impact of decisions made regarding benefits, particularly related to retiree health care](#)

CAP Approval Criteria:

To further assist local governments in developing their CAP, the Municipal Stability Board (the Board) is updating its approval criteria. The Board will be considering this criteria in their review of each CAP. Local governments are encouraged to use a balanced approach from one or more of the best practice principles outlined above to address their underfunded status, however, it is ultimately the responsibility of the local government to determine the components of their CAP. At a minimum, proposed actions must be feasible, meaning that they are reasonably achievable, and address the following:

I. Underfunded Status

- **A local government must address its underfunded status in a reasonable timeframe.**
- **Primary and Non-Primary Governments:** The CAP must demonstrate, through detailed supporting documentation, how and when the retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health care systems. These minimum funding ratio percentages are determined by Sec. 5(4)(a) and Sec. 5(4)(b) of the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis which illustrates how and when the local government will reach the minimum funding ratio percentages.
 - It is recommended that the supporting documentation shows a projection for the duration of the CAP that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments (if applicable), actuarial assumptions, and retiree benefit payments.

- As general guidance, a local government with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local government with a severely underfunded retirement health care system (25% or less) should reach a funded ratio of forty percent within thirty years.
- If the CAP includes future funding to address underfunded status, a resolution or motion approving the additional funding by the governing body should be included.
- The prospective actions listed in a CAP should have a start date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local government has up to 180 days to begin to implement the corrective actions.

Or

- **Primary Governments:** If the local government is a city, village, township, or county, it must demonstrate through detailed supporting documentation how and when its ADC will be less than 10 percent of the general fund operating revenues for pension systems and/or will be less than 12 percent of the general fund operating revenues for retirement health care systems. The Board may consider this as means to address underfunded status in accordance with the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis for ADC. The local government must project general fund operating revenues using a reasonable forecast based on historical trends and projected rates of inflation.
 - For local governments who are addressing underfunded status through the ADC/Revenue trigger in their CAP, the local government must show how it will get below the PA 202 established ADC/Revenue trigger within 5 years.

2. Legality

- A CAP must follow all applicable local, state, and federal laws.
- **The governing body of the local government must approve the CAP**, and the local government must attach proof of the governing body approval with the submission of their CAP.
 - Common examples of governing body approval include official minutes, draft minutes, excerpt of minutes signed by clerk, or formal resolution.
- The local government's administrative officer or designee certifies that it will implement the CAP.

3. Affordability

- The local government must confirm that corrective actions listed in the CAP allow for the local government to make, at a minimum, the actuarially determined contribution (ADC) 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 (*Sec. 4(1) of the Act, MCL 38.2804*). This section confirms that a local government has linked long-term future payment expectations with revenue expectations and has concluded that those payments are affordable now and into the future without additional changes to their CAP.
- The practice of affordability means the ability to meet a local government's current and future obligations, without using a significant percentage of the annual budget. Affordability is defined as follows:
 - In accordance with the Act, the ADC for all retirement systems should not be greater than 22 percent of general fund operating revenues.
 - The ability of a local government to offer residents critical public services while paying for legacy obligations.
 - The ability of a local government to prefund retirement benefits, earn investment income, and build savings to afford future payments.
 - Affordability is reached through plan funding, modern plan design, and effective plan administration.

Implementation:

Approved CAPs will be monitored by the Board for compliance not less than every two years. As a local government implements prospective changes, there is a recognition that specific solutions may need to be adjusted to address its underfunded status. If a local government feels that their approved CAP is no longer materially in effect, they may submit a revised CAP for review by the Board.

Glossary of Terms

Actuarial Accrued Liability: The present value of all future benefit payments to current annuitants, plus the accumulated normal costs allocated to the years before the valuation date for future annuitants.

Actuarial Standards of Practice: The Actuarial Standards Board sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice. These standards describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

Annual Actuarial Valuation: The process that estimates retirement plan liabilities and employer contribution requirements in order to fund the individual employer plan.

Actuarially Determined Contribution (ADC): As defined by Treasury's Numbered Letter 2018-3, the sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability.

Bridged cost of living adjustment (COLA): An employee or retiree's COLA is reduced or eliminated on future service credit. Previous COLA is only applied to portion of benefit earned prior to bridge.

Bridged Multiplier: An active employees' multiplier remains at the previous multiplier, but all future service accrues at the new, reduced multiplier.

Closed Amortization: A closed or fixed period to amortize any unfunded actuarial accrued liability.

Defined Benefit Systems: A retirement plan in which an employer promises a specified payment, lump-sum, or combination thereof, on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. In these types of plans, investment and longevity risk are generally borne by the employer.

Defined Contribution Systems: A retirement savings plan where the employer and employee contributions are defined and known in advance, but the benefit to be paid out is not known in advance. In these types of plans, investment and longevity risk are generally borne by the employee.

Dual Payment: Payments of both a pension and a salary to an active employee who returned to employment for the organization s/he retired from.

Final Average Compensation (FAC): The average salary used for determining pension payments in a defined benefit plan. The period for which salary is averaged and the type of salary used in the calculation is generally determined through state law or plan terms.

Funded Ratio: The value of assets expressed as a percentage of the liability. The funding ratio is reported in the most recent audited financial statement reporting a local government's retirement pension benefits and retirement health benefits.

Level Dollar Amortization: This amortization method amortizes the unfunded actuarial accrued liability into equal dollar amounts to be paid over a given number of years.

Minimum Funding Ratio: As determined by Public Act 202 of 2017, the actuarial accrued liability of a pension plan according to the most recent set of audited financial statements is at least 60% funded for pension systems, and at least 40% funded for retirement health care systems.

Normal Cost: The annual service cost of retirement health benefits as they are earned during active employment of employees of the local government in the applicable fiscal year, using an individual entry-age normal and level percent of pay actuarial cost method.

Prefund: The practice of funding a defined benefit during an employee's working lifetime.

Qualified Medical Trust: A tax exempt investment vehicle designed to set aside money to pay for retiree healthcare.

Underfunded Status: The State Treasurer has determined that the local unit of government is underfunded under the review provided in Section 5 of Public Act 202 of 2017 (MCL 38.2805) and the local unit of government does not have a waiver under Section 6.

Unfunded Actuarial Accrued Liabilities (UAAL): The UAAL is the difference between actuarial accrued liability and valuation assets.

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

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

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

Fiscal Year 2019 Plans

- I. City of Luna Pier
 - A. OPEB – Retiree Health Funding Vehicle

- II. Menominee City Housing Commission 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).

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Luna Pier Six-Digit Muni Code: 582010
Retirement Health Benefit System Name: Municipal Employee's Retirement System (RHFV)
Contact Name (Administrative Officer): DeAnn Parran
Title if not Administrative Officer: Treasurer Telephone: (734) 848-8120
Email (Communication will be sent here): dparran@cityoflunapier.com
Fiscal Year System was Determined to be Underfunded: 2019

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.

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.

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- 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**.*

See attachment - Page 47 of the City of Luna Pier Audit ending June 30, 2019, Note 15A Contributions.
See attachment - Plan balance showing 100% funded as of 07/01/2019
This fund was established 01/01/12 for all new hires and 2% of the employees wages are deposited into their account by the City of Luna Pier. This is a pay-as-you-go basis. This plan will not deposit any money into their accounts once they retire.
The City has not received the actuarial report from MERS for the 2019 fiscal year.

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.*

- 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**.*

See attachment - Page 47 of the City of Luna Pier Audit ending June 30, 2019, Note 15A Contributions.
See attachment - Plan balance showing 100% funded as of 07/01/2019
This fund was established 01/01/12 for all new hires and 2% of the employees wages are deposited into their account by the City of Luna Pier. This is a pay-as-you-go basis.
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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.*

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

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This fund was established 01/01/12 for all new hires and 2% of the employees wages are deposited into their account by the City of Luna Pier. This is a pay-as-you-go basis.

The City has not received the actuarial report from MERS for the 2019 fiscal year.

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, DeAnn Parran, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** Treasurer approve this corrective action plan and will implement the prospective actions contained in this corrective action plan.

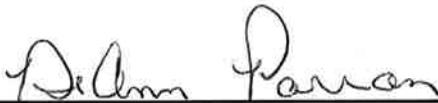
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The MERS - RHFV **(insert retirement health system name)** will achieve a funded status of at least 40% by fiscal year 2019 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 _____ as demonstrated by required supporting documentation listed in Section 6.

Signature:



Date: 06/11/2020

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

Issued under authority of Public Act 202 of 2017 (The Act).

I. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Menominee Housing Commission Six-Digit Muni Code: _____

Defined Benefit Pension System Name: MERS

Contact Name (Administrative Officer): Jenny Staidl

Title if not Administrative Officer: Executive Director Telephone: (906) 863-8717

Email (Communication will be sent here): jennys@wi.twcbc.com

Fiscal Year System was Determined to be Underfunded: 2019

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 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 government is a city, village, township, or county, the actuarially determined contribution (ADC) for all of the defined benefit pension retirement systems of the local government is greater than 10% 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 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.*** 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 60% 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 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 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-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 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) 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 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. 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.

- 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: 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, 2019**. On page 8 of the attached actuarial supplemental valuation, it shows our funded ratio will be **60%** by fiscal year **2022**.*

Men. Housing is currently joined with the City of Menominee for its Defined Benefit Retirement Plan (MERS). At the City Finance committee meeting on May 8, 2020 the committee agreed to allow MHC to break out into our own division. This was our third attempt to get the city to agree to allow this. We have been unable to contribute additional funds to the plan because funds would be spread over all the employees in the plan, including the City's 50-60 employees and our 5 (active) employees. For obvious reasons we would not benefit from contributing additional funds. The city has been slow to allow the change but has now agreed.

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

Sample Statement: *The local government provided a lump sum payment of **\$1 million** to the **General Employees' Retirement System** on **January 1, 2019**. This lump sum payment was in addition to the ADC of the system. The additional contribution will increase the retirement system's funded ratio to **61%** by **2027**. 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 **2017**. Attached is an updated actuarial valuation from **2019** that shows our funded ratio has improved to **62%** as indicated on page 13.*

Since we are not currently our own entity, we pay what the City of Menominee determines we owe each month. Once we are separated out we will be able to determine our actual funded amount and start contributing additional funds to improve this with a goal of getting to 80% funded. (currently 58% funded per the MERS carve out)

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 funding 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: 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 2019** contract negotiations, the local government 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 2021** if these changes were adopted and implemented by **fiscal year 2020**.

As of September 1, 2020 Menominee Housing will be in our own division separate from the city with the Housing Commissions Board of Commissions making plan decisions

and able to make additional contributions and decisions about our plan. Previously the City of Menominee had control and we had no say in it. The Menominee Housing Commission's Board of Commissioners along with the Executive Director will be able to monitor and make additional contributions as needed.

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

Sample Statement: Beginning in **fiscal year 2020**, the local government 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 ADC of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2026**. 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.

Once we are in our own division the Board of Commissioners has committed to making additional contributions as funding allows to get us our funded goal level of 80% within the next 5 years. The Board has determined that Menominee Housing is financially able to do this. See attached board meeting minutes

- 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 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 2023** as shown in the attached actuarial analysis on page 13.

Once the Board of Commissioners has control over the retirement fund, they will look at possibly setting up another division for new hires that either contributes at a lower rate or requires the employee to contribute a portion.

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 ADC payment for the defined benefit pension 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

*Page 16-18
22-23*

Attachment – 3a

Attachment – 4a

*June
minutes
page 4*

Attachment – 5a

Attachment – 6a

*Carve out
plan*

Type of Document:

This corrective action plan form (required);

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

An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 60% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 10% 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.

City Mtg Agenda

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:

- | | |
|--|--|
| <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 government is a city, village, township, or county, how and when the ADC of all pension systems will be less than 10% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe? |
| <input checked="" type="checkbox"/> Legality | Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? |
| <input checked="" type="checkbox"/> Affordability | Do the corrective action(s) listed allow the local government to make the ADC payment for the pension system 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, Jenny Staidl, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** Executive Director 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 Michigan employee retirement system of MI _____ **(insert retirement pension system name)** will achieve a funded status of at least 60% by fiscal year 2025 as demonstrated by required supporting documentation listed in Section 6.

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

- The ADC for all the defined benefit pension retirement systems of the local government will be less than 10% of the local government's annual governmental fund revenues by fiscal year _____ as demonstrated by required supporting documentation listed in Section 6.

Signature: Jenny Staidl

Date: 6.19.20

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-9**

APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS

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

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

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

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

WHEREAS, the Approval Criteria generally requires that a plan (i) demonstrate how and when a retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health systems within a reasonable timeframe; (ii) is legal and feasible; and (iii) is affordable;

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

July 15, 2020

Municipal Stability Board Appendix A, July 15, 2020

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

CAP Criteria Key	
Underfunded Status	Was there description and adequate supporting documentation of how and when the retirement system will address the Underfunded Status criteria as defined by the Municipal Stability Board?
Legality	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
Affordable	The local government must confirm that corrective actions listed in the CAP allow for the local government 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 Government	Municode	Fiscal Year	System Type	Date Received	Underfunded Status	Legality	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	City of Negaunee	522030	2018	Pension	6/17/2020	Yes	Yes	Partial	Approve	City of Negaunee - Pension
2	Roscommon County Road Commission	720100	2018	OPEB	6/17/2020	Partial	Yes	Yes	Approve	Roscommon County Road Commission - OPEB

Treasury Recommendation
City of Negaunee Pension Corrective Action Plan (CAP)
Primary Unit 522030

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,827,304	\$11,580,733	49.5%	\$431,124	\$5,929,574	11.2%	YES
Policemen	Pension	3,775,944	4,427,341	85.3%	146,993			NO
OPEB	OPEB	-	\$ 9,633,954	0.0%	\$607,418		10.8%	NO
Total		\$10,603,248	\$25,642,028		\$1,185,535	\$5,929,574	22.0%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Negaunee which was received by the Municipal Stability Board (the Board) on 6/17/2020. 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:
 - Between the 2014 and 2018, the city has focused on funding their police pension system by contributing an additional \$570,696 per year.
 - The city plans on using the Payments in Lieu of Taxes charge to their electric fund as additional revenue for their pension liabilities.
- Other Considerations:
 - The city notes that they have 3 enterprise funds (electric, water, and wastewater) which have a combined revenue of \$6,005,512. They note that those funds account for 40% of their retirement liabilities. The city notes that if that if the enterprise funds' revenue were included, the city's ADC/Revenue would be 5.4%. However, per the Board's approval criteria only the revenue used to pay for the enterprise fund employees pensions can be counted towards their ADC/Revenue.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - Beginning in 2020, the city will pay an additional \$100,000 every year for a 20 year period to a MERS surplus division.
 - The current ADC is based on a 20 year amortization, where the city will reach 60% funded in 2031. A projected model shows that surplus contribution will achieve a 60% funded status by 2027.

Treasury Recommendation
City of Negaunee Pension Corrective Action Plan (CAP)
Primary Unit 522030

- Other Considerations:
 - None listed.

System Status for All Divisions: OPEN

Plan size: members 73

- Inactive employees or beneficiaries currently receiving benefits:43
- Inactive employees entitled to but not yet receiving benefits: 7
- Active employees: 23

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/ actuarial valuation found in the corrective action plan within a reasonable timeframe (2027).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Affordability:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 22.0%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The city included a ballpark estimate that projects funding progress with an additional \$100,000 deposited into the surplus division annually starting in 2020 . This projection shows the City reaching 60% funded in 2027, and fully funded in 2036. The city's projected employer contribution is expected to increase by approximately 100% by 2040. This is an increased cost of 5% per year.

Treasury Recommendation
City of Negaunee Pension Corrective Action Plan (CAP)
Primary Unit 522030

Projections of Funded Ratios and Employer



- *All projected funded percentages and all projected contributions are shown
- *The study assumes assets from Surplus division will not be used to lower e
- *The green (dotted) indicator line is added at a 60% funded threshold for ill

Treasury Recommendation
City of Negaunee Pension Corrective Action Plan (CAP)
Primary Unit 522030

Per Contributions – Total of All Divisions



own with no phase-in.
er employer contributions during the projection period.
or illustrative purposes.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury contacted the city on 6/30/2020 for a copy of governing body approval. The city sent in their draft minutes showing that the corrective action plan was approved.

**Treasury Recommendation
Roscommon County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 720100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
OPEB	OPEB	-	\$1,296,742	0.0%	\$74,183	10,070,492	0.7%	YES

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Roscommon County Road Commission, which was received by the Municipal Stability Board (the Board) on 6/17/2020. 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 Road Commission recognized the increasing potential liability of this plan and discontinued offering this benefit to new employees, non-union employees, and union employees hired after July 1, 2013. The plan is prospectively closed with the anticipation that the net liability will continually decline. The Road Commission does not anticipate creating a trust rather it will fund the liability each year until the liabilities are depleted.
- Plan Funding:
 - None listed.
- Other Considerations:
 - The Road Commission purchased the outstanding OPEB liability for the current employees over a three year period through a union negotiation. This brought the OPEB liability down from \$4-5 million to the current approximate \$1 million. The only liability left is from the prior retirees which is being funded on an annual basis with the expectation of being eliminated as the employees reach their respective age limits or die. The average age of the 15 retirees currently receiving benefits is 72.6 years. The youngest current retiree is 63 years old. Based on the road commission's mortality tables, the plan should end within 22 years or less. The remaining 20 employees listed as "active" received a three year pay out to their respective retirement accounts in lieu of OPEB benefits and have no prospective liabilities. As demonstrated in the Projections Graph based on the actuarial assumptions listed in the audit report, the annual costs should hit a maximum of \$134,000 in 2025 and consistently decline from there ending in year 2037.

Prospective Changes:

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

Treasury Recommendation
Roscommon County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 720100

System Status for All Divisions: CLOSED

Plan size: members 35

- Inactive employees or beneficiaries currently receiving benefits: 15
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 20

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local government 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 government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local government did not provide clear documentation that demonstrates the retirement system will 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% within a reasonable timeframe if the plan's assumptions remain accurate (2037).

Supplemental Information:

The road commission provided an alternative measurement analysis documenting the projected liabilities, along with a projected annual benefit costs. Based on the analysis, when factoring in the current age of the retirees, as well as retiree life expectancies, the road commission is projecting that the liability will be eliminated within the next 22 years. This is within the Board's maximum timeline of 30 years for OPEB systems to reach 40%. Additionally, the projected benefit payments are projected to peak in 2025, and then continue to decrease until the liability is eliminated. In 2019, the ADC only accounted for 1% of the road commissions governmental revenues, so it is not anticipated that this plan will consume a large portion of the budget. In Treasury's review, there were a few items of note:

1. The expiration of benefits is based on an alternative measurement method analysis, and as such, is less precise than an actuarial analysis.
2. The 2019 audit continues to show 20 active employees. The local government contends that only retirees are eligible for future liabilities.

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Despite these items, it is reasonable to project that the road commission will have addressed their outstanding liabilities within the Board's timeline for OPEB systems. To ensure continued progress, monitoring will be important to confirm assumptions remain accurate.

		2018								100.00%	10
		2019									
Status	DOB	Hire Date	Entry Age	Number of Years Employed	Assumed Retirement Age	Current Age	Remaining Life Expectancy	100.00% 2019			
Retired	1947	1971	24	47	62	71	13	5,400			
Retired	1953	1973	20	45	62	65	18				
Retired	1946	1976	30	42	62	72	13	5,400			
Retired	1955	1976	21	42	62	63	19				
Retired	1955	1977	22	41	62	63	19	5,400			
Retired	1953	1978	25	40	62	65	18				
Retired	1948	1978	30	40	62	70	14	5,400			
Retired	1950	1978	28	40	62	68	15	5,400			
Retired	1946	1978	32	40	62	72	13	5,400			
Retired	1956	1982	26	36	62	62	20				
Active	1954	1983	29	35	62	64	18				
Active	1962	1994	32	24	62	56	24				
Active	1963	1995	32	23	62	55	25				
Retired	1950	1997	47	21	65	68	15	4,050			
Active	1964	1997	33	21	63	54	26				
Active	1974	1998	24	20	62	44	35				
Active	1958	1998	40	20	65	60	21				
Active	1959	1998	39	20	65	59	22				
Active	1968	1998	30	20	62	50	29				
Active	1969	1999	30	19	62	49	34				
Active	1960	1999	39	19	65	58	23				
Active	1960	1999	39	19	65	58	23				
Active	1957	2000	43	18	65	61	21				
Active	1962	2001	39	17	65	56	24				
Active	1956	2005	49	13	65	62	20				
Active	1981	2005	24	13	62	37	41				
Active	1961	2005	44	13	65	57	24				
Active	1956	2006	50	12	65	62	20				
Active	1970	2009	39	9	62	48	31				
Active	1969	2009	40	9	62	49	30				
Active	1957	2009	52	9	67	61	21				
Active - Ineligible	1968	2010	42	8	62	50	29				
Active - Ineligible	1970	2012	42	6	62	48	31				
Retired	1943	1983	40	22	62	75	11	10,800			
Retired	1939	1967	28	34	62	79	9	10,800			
Retired	1950	1975	25	37	62	68	15	5,400			
Retired	1938	1971	33	29	62	80	8	5,400			
Retired	1946	1978	32	30	62	72	13	5,400			
Retired	1942	1978	36	26	62	76	10	5,400			
Retired	1945	1975	30	32	62	73	12	5,400			
Retired	1936	1958	22	40	62	82	7	5,400			
Active-Ineligible	1981	2013	32	5	62	37	41				
Active-Ineligible	1967	2013	46	5	62	51	29				
Active - Ineligible	1989	2015	26	3	62	29	49				
Active - Ineligible	1975	2015	40	3	62	43	36				
Active - Ineligible	1965	2015	50	3	62	53	27				
Active - Ineligible	1966	2015	49	3	62	52	28				
Active - Ineligible	1968	2016	48	2	62	50	29				
Active - Ineligible	1989	2016	27	2	62	29	49				
Active - Ineligible	1962	2016	54	2	62	56	24				
Active - Ineligible	1981	2016	35	2	62	37	41				
Total to Be Paid								85,050			
counted Present Value of Total Benefits to Be Paid								82,174			

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The Community Engagement and Finance Division (CEFD) contact:

- None.

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-10**

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

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

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

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

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

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

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

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

Ayes:
Nays:
Recused:
Lansing, Michigan
July 15, 2020



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

Resolution 2020-10 Exhibit A

DATE: July 15, 2020
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. Midland County Road Commission
 - a. OPEB

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