

# **Municipal Stability Board**

## **REGULAR MEETING**

Wednesday, August 21, 2019 at 10:00 a.m.

Austin Building

State Treasurer's Boardroom

430 W. Allegan Street

Lansing, MI 48922

### **I. Call to Order**

- A. Roll Call
- B. Approval of July 17, 2019 Minutes

### **II. Public Comment**

- A. 2-minute limit
- B. Email from Kalkaska County Road Commission
- C. Email from Marcia Robovitsky, Bloomfield Charter Township Resident

### **III. Correspondence**

- A. Treasury Update
- B. Failure to Resubmit Corrective Action Plan

### **IV. Old Business**

- A. Corrective Action Plan Monitoring

### **V. New Business**

- A. Corrective Action Plan Removal Process (Resolution 2019-20)
- B. Treasury Receipt of Corrective Action Plans (2019-21)
- C. Receipt of Corrective Action Plans
  - i. Blackman Charter Township
  - ii. Village of Capac
  - iii. City of Highland Park (3 systems)
  - iv. Iosco County Road Commission
  - v. Martha T. Berry Medical Care Facility (2 systems)

- vi. Monroe Community Mental Health Authority
- vii. Shiawassee Council on Aging

D. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-22)

- i. 35<sup>th</sup> District Court (2 systems)
- ii. Antrim County Road Commission (2 systems)
- iii. City of Gladstone
- iv. Harrison Charter Township (2 systems)
- v. Henika District Library
- vi. Kalkaska County Road Commission
- vii. Kingsford City Housing Commission
- viii. Monroe Housing Commission
- ix. Negaunee Housing Commission
- x. South Haven Area Emergency Services Authority (SHAES)

**VI. Public Comment**

- A. 2-minute limit

**VII. Board Comment**

**VIII. Adjournment**

# **Municipal Stability Board Minutes**

Wednesday, July 17, 2019 at 10:00 a.m.  
Richard H. Austin Building  
State Treasurer's Boardroom  
430 W. Allegan Street  
Lansing, MI 48922

## **CALL TO ORDER**

Chairman Eric Scorsone called the meeting to order at 10:02 a.m.

## **ROLL CALL**

### **Members Present: Three**

Eric Scorsone  
Barry Howard  
John Lamerato

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

## **APPROVAL OF MINUTES**

Motion was made to approve the minutes regarding the June 13, 2019 board meeting.

Motion moved to approve the June 13, 2019 board meeting minutes by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the June 13, 2019 meeting minutes. 3 ayes, 0 nays.

## **PUBLIC COMMENT**

No public comment.

## **CORRESPONDENCE**

Nick Brousseau presented the Board with Treasury updates. Barry Howard questioned the need to meet during the months where no Corrective Action Plans are scheduled to be received. The Attorney General's Office tentatively agreed that it was not necessary as long as no CAPs are received for the Board to take action on before the next scheduled meeting. Treasury agreed to further research this.

## **OLD BUSINESS**

### **AMENDED AND RESTATED BYLAWS (RESOLUTION 2019-17)**

Nick Brousseau provided the Board with a review of the Amended and Restated Bylaws (Resolution 2019-17).

Motion was made to approve the Amended and Restated Bylaws (Resolution 2019-17). Motion was made by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the Amended and Restated Bylaws (Resolution 2019-17). 3 ayes and 0 nays.

### **BEST PRACTICES PUBLIC COMMENT (RESOLUTION 2019-18)**

Nick Brousseau provided the Board with a review of the Best Practices Public Comment (Resolution 2019-18).

The Board would like to amend the Best Practices Public Comment (Resolution 2019-18) to remove the recommended changes that state "Added best practices regarding bonding if appropriate and meeting Municipal Finance Act" and "Added to Effective Plan Administration a best practice to explore policies to automatically lower benefits or increase contributions in response to market downturn." A motion was moved by Barry Howard to amend and adopt and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the Best Practices Public Comment (Resolution 2019-18) as amended. 3 ayes. 0 nays.

## **NEW BUSINESS**

### **CORRECTIVE ACTION PLAN MONITORING PROCESS**

Nick Brousseau provided the Board with a review of the Corrective Action Plan Monitoring Process.

A motion was moved by Barry Howard to begin the public comment period and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the public comment period. 3 ayes. 0 nays.

### **RECEIPT OF 10 LOCAL GOVERNMENTS' CORRECTIVE ACTION PLANS (13 SYSTEMS)**

Nick Brousseau provided the Board with the following 10 local governments' Corrective Action Plans (13 systems):

- 35<sup>th</sup> District Court (2 systems)
- Cadillac Housing Commission

- City of Gladstone
- Harrison Charter Township (3 systems)
- Henika District Library
- Kalkaska County Road Commission
- Monroe Housing Commission
- Negaunee Housing Commission
- South Haven Area Emergency Services Authority
- Kingsford City Housing Commission

A motion was made to receive the 13 Corrective Action Plans from 10 local governments.

Motion moved by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously received the Corrective Action Plans. 3 ayes. 0 nays.

**APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 8 LOCAL GOVERNMENTS (10 SYSTEMS) (RESOLUTION 2019-19)**

Nick Brousseau was asked to review the Treasury recommendations for approval or disapproval of the Corrective Action Plans (Resolution 2019-19) with the Board. Mr. Brousseau highlighted the local governments that Treasury felt did not meet the Board's criteria. Mr. Brousseau addressed questions from the Board.

- Village of Chesaning (approval)
- Chippewa County Road Commission (pension system) (approval)
- Chippewa County Road Commission (OPEB system) (disapproval)
- City of Gaylord (approval)
- City of Harper Woods (disapproval)
- Village of Homer (approval)
- Village of Lexington (approval)
- City of Melvindale (pension system) (approval)
- City of Melvindale (OPEB system) (disapproval)
- Oscoda County Road Commission (approval)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-19).

Motion made by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-19). A voice vote was made with 3 ayes and 0 nays.

**PUBLIC COMMENT**

No public comment.

## **BOARD COMMENT**

No Board comments.

## **NEXT MEETING**

The next regular meeting will be on August 21, 2019 at 10:00 am.

## **ADJOURNMENT**

Motion made to adjourn. Motion moved by Barry Howard and supported by John Lamerato and Eric Scorsone. The Board unanimously approved the motion to adjourn. 3 ayes. 0 nays,

There being no further business, the meeting adjourned at 10:40 a.m.

DRAFT

**Kalkaska County Road Commission  
Corrective Action Plan - Retirement Health Benefit System  
Submitted July 11, 2019**

**Michigan Stability Board Meeting  
August 21, 2019: Public Comment**

The 2019 ADC/Governmental fund revenues ratio for Kalkaska County Road Commission is 1.4%, well below the 12% underfunded status trigger for primary units of government.

The road commission was proactive and eliminated retiree health benefits in 2014 (administrative) and 2016 (renewal of road workers labor agreement). This was prior to enactment of PA 202 of 2017. Also, the Board and management have taken steps to reduce retiree health benefit costs while maintaining equivalent benefits (post 64 retiree coverage changed from full coverage to Medicare supplement plan).

The Municipal Stability Board established best practices for health benefit plans to be 40% funded in 30 years. Our retirement health benefit plan currently includes 20 retirees ranging in age from 62 to 85. In 30 years, 13 of these retirees would be over 100 years old and the remaining seven retirees would range in age from 92 to 97. It is not unreasonable to believe this health benefit plan will terminate within 30 years.

Also, there are costs associated with a qualified health benefit trust including administrative efforts and additional financial reporting and audit requirements.

We are asking for reason to prevail. The road commission has so many needs that any amount directed to a health benefit trust would have an impact on operations. Our challenges are more than road repairs, there are substantial needs for winter maintenance, road equipment and facilities. For instance, nearly half (45%) of our plow truck fleet is at least 13 years old. A new plow truck costs \$250,000. Another example is our winter salt shed; it barely holds enough salt to make it through a weekend snowstorm (minimum cost \$500,000).

Thank you for hearing our comments.

Jerry Heim  
Finance Director  
Kalkaska County Road Commission

**From:** [Brousseau, Nicholas \(TREASURY\)](#)  
**To:** [Treas-MunicipalStabilityBoard](#)  
**Subject:** FW: Bloomfield Township Public Act 202/OPEB NOT IN COMPLIANCE  
**Date:** Friday, August 16, 2019 10:23:03 AM

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**From:** marcia robovitsky [REDACTED]  
**Sent:** Friday, August 16, 2019 9:37 AM  
**To:** Brousseau, Nicholas (TREASURY) <BrousseauN@michigan.gov>  
**Cc:** LocalRetirementReporting <LocalRetirementReporting@michigan.gov>; MIStateTreasurer <MIStateTreasurer@michigan.gov>  
**Subject:** Bloomfield Township Public Act 202/OPEB NOT IN COMPLIANCE

Hello Mr. Brousseau,

I have contacted you via telephone and email before concerning Bloomfield Township and the Municipal Stability Board and Public Act 202 of 2017. I was not happy to learn that my contact and verbal concerns were not mentioned in any minutes of the meetings. I would like this email to be presented to the three board members of the Municipal Stability Board at the next meeting, August 21, 2019 as a written public comment. Thank you.

This note is to inform you that the efforts of Bloomfield Township Supervisor Savoie, Treasurer Kepes and Clerk Roncelli at the May 20, 2019 Municipal Stability Board that convinced the MS Board to approve a Bloomfield Township OPEB plan (that was never properly submitted via email and still does not reflect the conversation of that day) was overwhelmingly REJECTED by the Bloomfield Township voters on August 6. Bloomfield Township voters said NO to the 2.3 SAD 15 year tax.

I am requesting that the Municipal Stability Board immediately investigate Bloomfield Township as to compliance with Public Act 202 of 2017. In the audio tape and minutes from the Bloomfield Township administrators to the Board on May 20, they said they would eliminate Public Safety positions if the voters rejected the SAD. The SAD was rejected but I do not believe that elimination of public safety employees will happen either. The VOTE NO on the SAD committees believe the township is going to continue to stall making any financial decisions and continue to spend over budget and to grant contracts that will continue to be unsustainable.

This compliance with Public Act 202 of 2017 was due in November 2018. We are approaching November 2019. The citizens of Bloomfield Township want to know how the current administration will comply with this law. We look to your Municipal Stability Board to enforce the law.

Thank you.  
Marcia Robovitsky

Marcia Robovitsky  
[REDACTED]



Bloomfield Township, MI [REDACTED]

[REDACTED]  
[REDACTED]

Begin forwarded message:

**From:** marcia robovitsky <[REDACTED]>  
**Date:** May 24, 2019 4:40:08 PM EDT  
**To:** [MIStateTreasurer@michigan.gov](mailto:MIStateTreasurer@michigan.gov)  
**Cc:** [localretirementreporting@michigan.gov](mailto:localretirementreporting@michigan.gov),  
[BrousseauN@michigan.gov](mailto:BrousseauN@michigan.gov), Marcia Robovitsky  
<[REDACTED]>  
**Subject: FOIA REQUEST: Municipal Stability Board,  
audio tape and more/ meeting May 20,2019**

Hello,

Please accept this email as an official FOIA request. There are three FOIA requests listed below. Time is of the essence, as I don't want the audio tape to be destroyed. Another reason is because there is an election August 6, 2019 in Bloomfield Township and I heard that the submitted OPEB plan is using a YES vote of that ballot question to meet the OPEB plan requirement. I feel this is an attempt by the Township administration to influence the vote. The ballot question is a 2.3 mills S.A.D. for Public Safety for 15 years bringing in \$9 million plus each year.

1. I would like to FOIA one copy of the **audio tape recording of the Municipal Stability Board meeting of May 20, 2019.**

[https://www.michigan.gov/treasury/0,4679,7-121-1751\\_51556\\_86331---,00.html](https://www.michigan.gov/treasury/0,4679,7-121-1751_51556_86331---,00.html)

2. I would like to FOIA a **copy of the minutes of the May 20, 2019 Municipal Stability Board** meeting.

I was told by Nick Brousseau that the minutes will be on the website soon. However, I do want a copy from this FOIA request.

He also indicated that the Bloomfield Township portion of

the meeting, which apparently was "amended" from the board packet MAY NOT BE indicated in the minutes. Why? That is a very important CHANGE from the agenda and is critical to the meeting and vote. The public was not notified of this change.

3. I would like to FOIA **a copy of the Bloomfield Township OPEB Plan exactly as it was presented and approved at the May 20, 2019 Municipal Stability Board meeting.**

The OPEB plan that the board apparently "approved" for Bloomfield Township was NOT in the Board Packet and was NOT indicated as being part of the agenda.

Please advise how the audio tape will be done and what is the total cost of the FOIA request?

Thank you.

Marcia Robovitsky

[REDACTED]  
Bloomfield Township, MI [REDACTED]

[REDACTED]  
[REDACTED]

Email: [MIStateTreasurer@michigan.gov](mailto:MIStateTreasurer@michigan.gov)

Michigan Department of Treasury  
Attn. FOIA Coordinator  
P.O. Box 30716  
Lansing, MI 48909

Requests should include a name, phone number, and mailing address.

[https://www.michigan.gov/treasury/0,4679,7-121-1764\\_72699\\_72706-357928--,00.html](https://www.michigan.gov/treasury/0,4679,7-121-1764_72699_72706-357928--,00.html)

[https://www.michigan.gov/treasury/0,4679,7-121-1764\\_72699\\_72706-357927--,00.html](https://www.michigan.gov/treasury/0,4679,7-121-1764_72699_72706-357927--,00.html)

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

As of 8/15/2019

Table 1: Retirement Report Submission and Review Analysis

Retirement Review Analysis (Form 5572) FY 2018					
Status Option	Primary Units		Non-Primary Units		Total
Underfunded <sup>1</sup>	115	22%	114	35%	229 27%
Funded	410	77%	218	64%	628 72%
Required to Resubmit	6	1%	5	1%	11 1%
<b>Total-Reviewed</b>	<b>531</b>	<b>99%</b>	<b>337</b>	<b>99%</b>	<b>868 99%</b>
Pending Treasury Review	1	1%	4	1%	5 1%
<b>Total-Submission<sup>2</sup></b>	<b>532</b>	<b>61%</b>	<b>341</b>	<b>39%</b>	<b>873</b>

<sup>1</sup> 83 local governments had a system that is not already in the CAP process trigger as underfunded in 2018 (48 non-primary and 37 primary)

<sup>2</sup> 34 local governments failed to file the Form 5572 for FY 2018

Table 2: Waiver Submission and Review Analysis

PA 202: Waiver Analysis FY 2018 <sup>3</sup>				
Waiver Applications				
LOCAL GOVERNMENT TYPE	Recommend Approve (Corrective Action Plan is not required)	Recommend Deny	Recommend Split	Total Waiver Submissions
<b>NON-PRIMARY</b>	16 (84%)	3 (16%)	0 (0%)	19
<b>PRIMARY</b>	4 (29%)	9 (64%)	1 (7%)	14
<b>TOTAL</b>	<b>20 (61%)</b>	<b>12 (36%)</b>	<b>1 (3%)</b>	<b>33</b>

<sup>3</sup> 22 local governments eligible to submit a waiver for 2018. 18 local governments awaiting review.

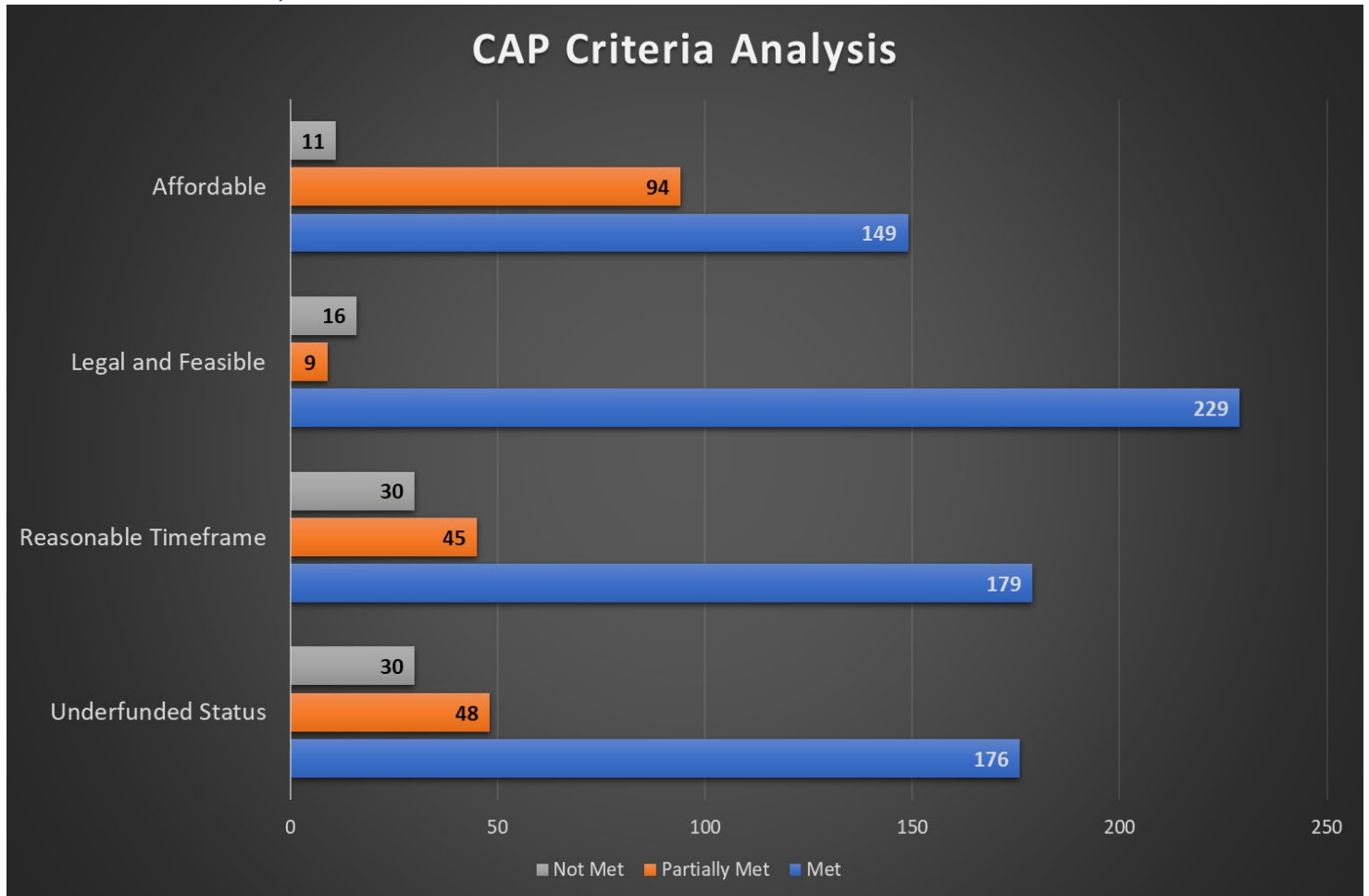
## Treasury Department Communication and Outreach Report

- **173 one-on-one 30-minute calls scheduled by local governments to discuss the P.A. 202 process**
  - **8 individual calls since July MSB Meeting**
- **Calls to 9 local governments delinquent in filing Form 5572**

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

As of 8/15/2019

## CAP Criteria Analysis





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** August 21, 2019  
**TO:** The Municipal Stability Board (the Board)  
**FROM:** Community Engagement and Finance Division, Department of Treasury  
**SUBJECT:** Failure to Resubmit Corrective Action Plan(s)

**Background:** The following local government(s) previously failed to sufficiently meet the Board's Best Practices and Approval Criteria, and are now in noncompliance with Public Act 202 of 2017 (the Act) for failure to resubmit a materially different corrective action plan(s) to the Board within 60 days of the Disapproval Letter:

- I. Alpena County Road Commission
  - a. OPEB – no revised submission received

**Corrective Action Plan Noncompliance:** No action is required because the Approval or Disapproval of Corrective Action Plans Resolution states, "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."



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** August 21, 2019

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

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

**SUBJECT:** Proposed Corrective Action Plan (CAP) Monitoring Process

**Suggested Action:** The Board motions to extend the public comment period to receive additional feedback on the proposed draft of the CAP monitoring process. Treasury will report all public comment submissions and status of a revised draft of the CAP monitoring process at the next regularly scheduled Board meeting.

**Status:** The CAP monitoring process draft was posted at [www.Michigan.gov/MSB](http://www.Michigan.gov/MSB) on July 23, 2019, and subsequently sent to all subscribers of the Bureau of Local Government's email list of over four thousand recipients. Additionally, the draft was sent to association partners for local governments, labor association representatives, and actuarial professionals. As of August 12, 2019, six relevant public comments have been received. Additionally, the CEFD received feedback that more time would be helpful to adequately discuss the proposed process with all relevant parties.

**Background:** Based on the Board's guidance and feedback provided during the May 20, 2019 workshop, the CEFD has provided a proposed draft of the CAP monitoring process for underfunded local governments. At the July 17, 2019 Board meeting, a draft of the CAP monitoring process was approved for public comment.

**Per Section 10(6) of Public Act 202 of 2017:** The Board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with this 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.

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-20**

**ADOPTION OF MONITORING REMOVAL PROCEDURES**

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

**WHEREAS**, Section 10(6) of the Act requires the Board to monitor local units of government’s compliance with the Act and correction action plans;

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

**WHEREAS**, Treasury staff has developed monitoring removal procedures pursuant to the Act, detailed in the memorandum attached to this Resolution as Exhibit A (the “Monitoring Removal Procedures”);

**WHEREAS**, Treasury staff recommends the approval and adoption of the Monitoring Removal Procedures; and

**WHEREAS**, the Board concurs in that recommendation and wishes to approve and adopt the attached Monitoring Removal Procedures.

**NOW, THEREFORE, BE IT RESOLVED**, the Board approves and adopts the Monitoring Removal Procedures attached to this Resolution as Exhibit A; and

**BE IT FURTHER RESOLVED**, any and all previous versions of the Monitoring Removal Procedures are rescinded and replaced with the Monitoring Removal Procedures attached to this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan

August 21, 2019



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** August 21, 2019

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

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

**SUBJECT:** Requirements for Removal from Underfunded Status and Corrective Action Plan Monitoring

**Suggested Action:** The Board motions to approve the guidance below regarding the process for removing local governments from underfunded status and corrective action plan (CAP) monitoring.

**Removal Process:** A local government that received a determination of underfunded status and request to file a CAP per Public Act 202 of 2017 (the Act), may be released from underfunded status and monitoring by the Board as follows:

**I. For local governments in corrective action with retirement systems that failed to meet the Act's funding requirements:**

*Example Situation: On the most recently filed retirement system annual report (Form 5572), a local government with an approved CAP no longer triggers underfunded status per the Act..*

Conditions for removal from corrective action:

- The local government filed a subsequent year's Form 5572 showing that the underfunded system now meets the Act's funding requirements.
  - Local governments meeting this criterion may request to be removed from the CAP process and purview of the Board.
- OR
- The local government may be removed during the CAP monitoring process if the underfunded system has failed to trigger as underfunded during the last two annual Form 5572 submissions. Alternatively, the local government may be removed during the CAP monitoring process if the underfunded system(s) funded ratio is at least 5% greater than the Act's minimum funded ratio in the most recent Form 5572 submission (e.g. an OPEB system is 45% funded when underfunded status is below 40%).



The Board may vote to release these local governments from the CAP process and purview of the Board, thereby removing underfunded status.

**2. For local governments in corrective action for failure to file the retirement system annual report (Form 5572):**

*Example Situation: The local government was required to submit a CAP for failure to file the Form 5572; however, information in their audited financial statements shows that the local government would not have been determined to be underfunded had the required Form 5572 been completed by the due date and submitted to Treasury.*

Conditions for removal from corrective action:

- The local government subsequently filed the Form 5572 showing that they meet the Act's funding requirements.

Local governments meeting this criterion will be biannually reported to the Board. These local governments may be voted by the Board to be released from the CAP process and purview of the Board, thereby removing underfunded status

**Per Section 5(4) of Public Act 202 of 2017:** The state treasurer shall determine that a local government is in underfunded status if any of the following apply:

- a. The actuarial accrued liability of a retirement health system of the local government is less than 40% funded, according to the most recent annual report, 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 general fund operating revenues, based on the most recent fiscal year.
- b. The actuarial accrued liability of a retirement pension system of the local government is less than 60% funded, according to the most recent annual report, and, if the local is a city, village, township, or county, the ADC for all of the retirement pension systems of the local government is greater than 10% of the local government's annual general fund operating revenues, based on the most recent fiscal year.
- c. The local government has not submitted its Form 5572.
- d. The local government fails to make the payments as described under section 4(1), which includes paying normal costs for new hires first hired after June 30, 2018 and any retiree premiums that are due.

**Per Section 10(6) Of Public Act 202 of 2017:** The Board shall monitor each underfunded local government's compliance with this act and any CAP. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local government is in substantial compliance with this 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 CAP. The local government has 60 days from the date of the notification to address the determination of noncompliance.

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-21**

**RECEIPT OF  
CORRECTIVE ACTION PLANS**

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

**WHEREAS**, the Michigan Department of Treasury (“Treasury”) provides administrative services to the Board for purposes of reviewing Corrective Action Plans;

**WHEREAS**, the Board receives Corrective Action Plans during regularly scheduled meetings;  
and

**WHEREAS**, the Board may meet less frequently pursuant to its Bylaws.

**NOW THEREFORE, BE IT RESOLVED**, the Board directs Treasury to receive Corrective Action Plans from local units of government on its behalf when the Board’s meetings are scheduled less often than monthly or as otherwise directed by the Board; and

**BE IT FURTHER RESOLVED**, Treasury shall promptly notify the members of the Board of the receipt of such Corrective Action Plans and the date Board action is required for each plan.

Ayes:

Nays:

Recused:

Lansing, Michigan

August 21, 2019



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** August 21, 2019

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

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

**SUBJECT:** Receipt of Corrective Action Plan(s)

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

**Fiscal Year 2017 Plans**

- I. Blackman Charter Township
  - A. OPEB
- II. City of Highland Park
  - A. Pension, General Employees
  - B. Pension, Public Safety
  - C. Pension, Police and Fire
- III. Iosco County Road Commission
  - A. OPEB
- IV. Martha T. Berry Medical Care Facility
  - A. Pension
  - B. OPEB
- V. Monroe Community Mental Health Authority
  - A. OPEB
- VI. Shiawassee Council on Aging
  - A. Pension

**Fiscal Year 2018 Plans**

- I. Village of Capac
  - A. OPEB

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

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: BLACKMAN CHARTER TOWNSHIP Six-Digit Muni Code: 381010

Retirement Health Benefit System Name: RETIREE HEALTH CARE

Contact Name (Administrative Officer): PETE JANCEK

Title if not Administrative Officer: SUPERVISOR

Email: pjancek@blackmantwp.com Telephone: (517) 788-4345

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

12/19/18 approved creating an OPEB trust fund. 3/18/19 approved a contribution of \$116,601 to new OPEB trust fund. Additionally, the Township approved a policy for funding retiree health benefit that to the extent the budget will allow, will contribute at least \$100,000 annually to OPEB trust fund. The attached Watkins & Ross actuarial valuation (2a), based upon a minimum annual contribution of \$100,000, estimates the system's funded ratio will be 43% by 2047.

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

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



## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria

### Description

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

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

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

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

- The BCT Retiree Health Care Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2047 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature

Pete Jancek

Date

July 10, 2019

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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: City of Highland Park Six-Digit Muni Code: 822160  
Defined Benefit Pension System Name: General Employees Retirement System  
Contact Name (Administrative Officer): Eleanor Williamson  
Title if not Administrative Officer: Finance Director  
Email: ewilliamson@highlandparkmi.gov Telephone: (313) 252-0050

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

The General Employees Retirement System is closed to all new hires.

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

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

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

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

On October 30, 2014 the City was ordered a consent judgment levy, which required the City to levy annually an amount necessary to fund the expected benefit payments needed to participants within the plan. This gives the plan a dedicated source of revenue to ensure all benefits will be paid in their entirety each year. Please see attached for the Order of Consent and Writ of Mandamus.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The attached analysis shows that the City could provide an additional \$20,000 annually to achieve 60% funding by 2026, which would be sustainable and feasible. Providing this in addition to the dedicated levy revenue for current benefit payments would allow for sustainability in the City's pension funds.

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

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

The City's actuary performed a study on the assumptions and calculation of the Actuarially Determined Contribution, and provided a report dated July 19, 2019 in which the amortization period was changed from an 8 year open amortization to a 10 year closed amortization, which allows the system to reach over 60% funding by 2026.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

**An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)**

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

The General Employees Retirement System (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2026 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature Eleanor Williamson Date August 13, 2019



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: City of Highland Park Six-Digit Muni Code: 822160  
Defined Benefit Pension System Name: Public Safety Retirement System  
Contact Name (Administrative Officer): Eleanor Williamson  
Title if not Administrative Officer: Finance Director  
Email: ewilliamson@highlandparkmi.gov Telephone: (313) 252-0050

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

The Public Safety Retirement System is closed to all new hires.

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

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

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

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

On October 30, 2014 the City was ordered a consent judgment levy, which required the City to levy annually an amount necessary to fund the expected benefit payments needed to participants within the plan. This gives the plan a dedicated source of revenue to ensure all benefits will be paid in their entirety each year. Please see attached for the Order of Consent and Writ of Mandamus.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The attached analysis shows that the City could provide an additional \$210,000 annually to achieve 60% funding ratio by 2035, which would be sustainable and feasible. Providing this in addition to the dedicated levy revenue for of current benefit payments would allow for sustainability in the City's pension funds.

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

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

The City's actuary performed a study on the assumptions and calculation of the Actuarially Determined Contribution, and provided a report dated July 19, 2019 in which the amortization period was changed from an 8 year open amortization to a 20 year closed amortization, which allows the system to reach over 60% funding by 2035.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

**An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)**

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above

**7. CORRECTIVE ACTION PLAN CRITERIA**

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

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

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

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

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

The Public Safety Retirement System (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2035 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature Eleanor Williamson Date August 13, 2019

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### I. MUNICIPALITY INFORMATION

Local Unit Name: City of Highland Park Six-Digit Muni Code: 822160  
Defined Benefit Pension System Name: Police and Fire Retirement System  
Contact Name (Administrative Officer): Eleanor Williamson  
Title if not Administrative Officer: Finance Director  
Email: ewilliamson@highlandparkmi.gov Telephone: (313) 252-0050

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

The Police & Fire Plan is closed to all new hires.

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

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

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

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

On October 30, 2014 the City was ordered a consent judgment levy, which required the City to levy annually an amount necessary to fund the expected benefit payments needed to participants within the plan. This gives the plan a dedicated source of revenue to ensure all benefits will be paid in their entirety each year. Please see attached for the Order of Consent and Writ of Mandamus.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The attached analysis shows that the City could provide an additional \$30,000 annually to achieve 60% funding ratio by 2027, which would be sustainable and feasible. Providing this in addition to the dedicated levy revenue for of current benefit payments would allow for sustainability in the City's pension funds.

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

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

The City's actuary performed a study on the assumptions and calculation of the Actuarially Determined Contribution, and provided a report dated July 19, 2019 in which the amortization period was changed from an 8 year open amortization to a 7 year closed amortization, which allows the system to reach over 60% funding by 2023.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

**An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)**

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment –6a

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

The Police and Fire Retirement System (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2023 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature Eleanor Williamson Date August 13, 2019

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

Issued under authority of Public Act 202 of 2017.

## 1. MUNICIPALITY INFORMATION

Local Unit Name: Iosco County Road Commission Six-Digit Muni Code: 350100  
Retirement Health Benefit System Name: Retiree Health Care Plan  
Contact Name (Administrative Officer): Kara A. Coleman  
Title if not Administrative Officer: Finance Director  
Email: kara@ioscoroads.org Telephone: (989) 362-4433

## 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

The losco County Road Commission has created an IRS Section 115 Trust through Municipal Employees' Retirement System to receive, invest and accumulate assets for post retirement health care. The road commission will deposit funds in the amount of \$372,000 to reach a funding level of 100% by August 1, 2019.

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

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



## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes  
 No

If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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

**7. CORRECTIVE ACTION PLAN CRITERIA**

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

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

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

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

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

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

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

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

Signature Kara A. Coleman

Date 07/18/2019

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

Issued under authority of Public Act 202 of 2017.

### 1. MUNICIPALITY INFORMATION

Local Unit Name: Martha T. Berry MCF Six-Digit Muni Code: 507568  
Defined Benefit Pension System Name: Macomb County Employee's Retirement System (MCERS)  
Contact Name (Administrative Officer): Kevin Evans  
Title if not Administrative Officer: Executive Director  
Email: kevin.evans@mcmtd.org Telephone: (586) 469-6981

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

Please review the corrective action plan that was submitted for year 2018 by County of Macomb in which it states the plan is not underfunded. We also are a component of County of Macomb who manages the Macomb County Employee's Retirement System. We have no ability to report on or change how the plan is funded.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

Please review the corrective action plan that was submitted for year 2018 by County of Macomb in which it states the plan is not underfunded. We also are a component of County of Macomb who manages the Macomb County Employee's Retirement System. We have no ability to report on or change how the plan is funded.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

There was no corrective action required as we already had the plan funded. This was just a result of a late filing.

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

Attachment – 1

**This Corrective Action Plan Form (Required)**

Attachment – 1a

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

Attachment – 2a

**An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)**

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

- The Martha T. Berry MCF (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2018 as demonstrated by required supporting documentation listed in section 6. *This has already been achieved as it was a documentation/filing issue, not a funding issue.*

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

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

Signature 

Date 07/19/2019



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan: Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

Local Unit Name: Martha T. Berry MCF Six-Digit Muni Code: 507568  
Retirement Health Benefit System Name: Macomb County Employee's Retirement System (MCERS)  
Contact Name (Administrative Officer): Kevin Evans  
Title if not Administrative Officer: Executive Director  
Email: kevin.evans@mcmtb.org Telephone: (586) 469-6981

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

Please review the corrective action plan that was submitted for year 2018 by County of Macomb in which it states the plan is not underfunded. We also are a component of County of Macomb who manages the Macomb County Employee's Retirement System. We have no ability to report on or change how the plan is funded.

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

Please review the corrective action plan that was submitted for year 2018 by County of Macomb in which it states the plan is not underfunded. We also are a component of County of Macomb who manages the Macomb County Employee's Retirement System. We have no ability to report on or change how the plan is funded.

**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

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

- Yes
- No

**If No, Explain** There was no corrective action required as we already had the plan funded. This was just a result of a late filing.

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

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

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

**Naming Convention**

**Type of Document**

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

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

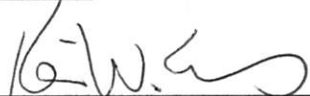
I Kevin Evans, as the government's administrative officer (*enter title*) Executive Director (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

- The Martha T. Berry MCF (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2018 as demonstrated by required supporting documentation listed in section 6. *This has already been achieved as it was a documentation issue (filing issue) not a funding issue.*

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

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

Signature  Date 07/19/2019

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

Issued under authority of Public Act 202 of 2017.

### I. MUNICIPALITY INFORMATION

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

Defined Benefit Pension System Name: Defined Benefit Healthcare Plan

Contact Name (Administrative Officer): Jeff Koras

Title if not Administrative Officer: Finance Director

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

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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



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

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

**Category of Prior Actions:**

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

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

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

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

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

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes  
 No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

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

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

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

Signature

Lisa Jennings

Date

7-26-19

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Shiawassee Council on Aging Six-Digit Muni Code: 787533  
Defined Benefit Pension System Name: \_\_\_\_\_  
Contact Name (Administrative Officer): Cynthia Mayhew  
Title if not Administrative Officer: \_\_\_\_\_  
Email: cmayhew@shiawasseecoa.org Telephone: (989) 723-8875

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

SCOA made additional voluntary contributions to the retirement fund. In 2017 a total of \$5,687.81 was paid as a voluntary contribution and in 2018 a total of \$6,196.30 in voluntary payments was made.

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

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

**4. DESCRIPTION OF PROSPECTIVE ACTIONS**

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

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

**Category of Prospective Actions:**

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

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

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

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

Beginning in fiscal year 2019 the local unit will provide annual voluntary contributions of \$18,000 until 75% funded in 5 years. See page 4 of the MERS Ballpark estimate that the SCOA Board of Directors received on June 19, 2018. A voluntary payment of \$18,000 was paid on 5/21/19, which according to the estimated calculation shows the plan funded at 68% for 2019. The additional contribution is in addition to the 14.27% employer contribution.

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

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



**5. CONFIRMATION OF FUNDING**

Please check the applicable answer:

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

- Yes
  - No
- If No, Explain

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

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

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

**Naming Convention**

**Type of Document**

- Attachment – 1
- Attachment – 1a
- Attachment – 2a

**This Corrective Action Plan Form (Required)**

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

**An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)**

- Attachment – 3a
- Attachment – 4a
- Attachment – 5a

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

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

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

- Attachment –6a

Other documentation not categorized above

**7. CORRECTIVE ACTION PLAN CRITERIA**

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

**Corrective Action Plan Criteria**

**Description**

Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?

Reasonable Timeframe

Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?

Legal and Feasible

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

Affordability

Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system now and into the future without additional changes to this corrective action plan?

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

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

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

The Shiawassee Council on Aging (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2019 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature

Cynthia Mayhew

Date

1/12/19

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

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

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

### Category of Prior Actions:

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

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

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

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

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

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

## 4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

**Category of Prospective Actions:**

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

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

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

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

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes  
 No  
If No, Explain

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention

### Type of Document

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

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria

### Description

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

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

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

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

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

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

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

Signature \_\_\_\_\_

Date \_\_\_\_\_



**MUNICIPAL STABILITY BOARD  
RESOLUTION 2019-22**

**APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS**

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

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

**WHEREAS**, on September 12, 2018, by Resolution 2018-12, the Board adopted the Corrective Action Plans Best Practices and Strategies and Corrective Action Plans Approval Criteria (“Approval Criteria”) pursuant to MCL 38.2808;

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

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

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

August 21, 2019

Municipal Stability Board Appendix A, August 21, 2019

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

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

#	Local Unit	Municode	System Type	Date Received	Underfunded				Treasury		Corrective Action Plan Link
					Status	Timeframe	Legal/Feasible	Affordable	Recommendation		
1	35th District Court	827612	Pension	7/17/2019	Yes	Yes	Yes	Yes	Approve		<a href="#">35th District Court-Pension</a>
2	35th District Court	827612	OPEB	7/17/2019	Yes	Yes	Yes	Yes	Approve		<a href="#">35th District Court-OPEB</a>
3	Antrim County Road Commission	050100	Pension	7/17/2019	Yes	Yes	Yes	Yes	Approve		<a href="#">Antrim County Road Commission-Pension</a>
4	Antrim County Road Commission	050100	OPEB	7/17/2019	Yes	Yes	Yes	Yes	Approve		<a href="#">Antrim County Road Commission-OPEB</a>
5	City of Gladstone	212020	Pension	7/17/2019	Yes	Yes	Yes	Yes	Approve		<a href="#">City of Gladstone-Pension</a>
6	Harrison Charter Township	501050	Pension - Firemen	7/17/2019	Yes	Yes	Yes	Partial	Approve		<a href="#">Harrison Charter Township-Pension - Firemen</a>
7	Harrison Charter Township	501050	OPEB	7/17/2019	Yes	Yes	Yes	Partial	Approve		<a href="#">Harrison Charter Township-OPEB</a>
8	Henika District Library	038002	Pension	7/17/2019	Yes	Yes	Yes	Yes	Approve		<a href="#">Henika District Library-Pension</a>
9	Kalkaska County Road Commission	400100	OPEB	7/17/2019	No	No	Yes	Yes	Disapprove		<a href="#">Kalkaska County Road Commission-OPEB</a>
10	Kingsford City Housing Commission	227510	Pension	7/17/2019	Yes	Yes	Yes	Yes	Approve		<a href="#">Kingsford City Housing Commission-Pension</a>
11	Monroe Housing Commission	587512	Pension	7/17/2019	Yes	Yes	Yes	Yes	Approve		<a href="#">Monroe Housing Commission-Pension</a>
12	Negaunee Housing Commission	527519	Pension	7/17/2019	Yes	Yes	Yes	Partial	Approve		<a href="#">Negaunee Housing Commission-Pension</a>
13	South Haven Area Emergency Services Authority (SHAES)	807515	OPEB	7/17/2019	No	Yes	Yes	Yes	Disapprove		<a href="#">South Haven Area Emergency Services Authority (SHAES)-OPEB</a>

**Treasury Recommendation**  
**35th District - Plymouth Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 827612**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,705,870	\$4,854,672	55.7%	\$116,374	\$4,951,905	2.4%	YES
Healthcare	OPEB	\$502,730	\$7,194,941	7.0%	\$853,033		17.2%	YES
<b>Total</b>		<b>\$3,208,600</b>	<b>\$12,049,613</b>		<b>\$969,407</b>	<b>\$4,951,905</b>	19.6%	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by 35th District - Plymouth, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Benefits levels are the same for union member of the collective bargaining union and for non-union members.
  - The system's multiplier for current and new hires employees was reduced from 2.5% to 1.75% effective January 1, 2015.
  - The employer has adopted the "no Phase-in" employee contribution rate effective January 1, 2018.
- Plan Funding:
  - The five funding entities (the Cities of Plymouth, Northville, and Townships of Plymouth, Northville and Canton) approved a budget to make additional \$300,000 annual contributions as show on the projected budget through year 2022.
  - The additional contributions will increase the retirement system funded ratio to 60% by 2027.
- Other Considerations:
  - The court has removed the employer cap for annual contributions which was adopted January, 2019.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - The five funding entities (the Cities of Plymouth, Northville and Townships of Plymouth, Northville and Canton) have adopted a resolution to make additional contributions of all annual excess revenues to legacy costs.
  - Amount to be determined annual.
- Other Considerations:
  - None Listed.

**Treasury Recommendation**  
**35th District - Plymouth Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 827612**

**System Status for All Divisions: OPEN**

**Plan size: members 27**

- Inactive employees or beneficiaries currently receiving benefits: 14
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 13

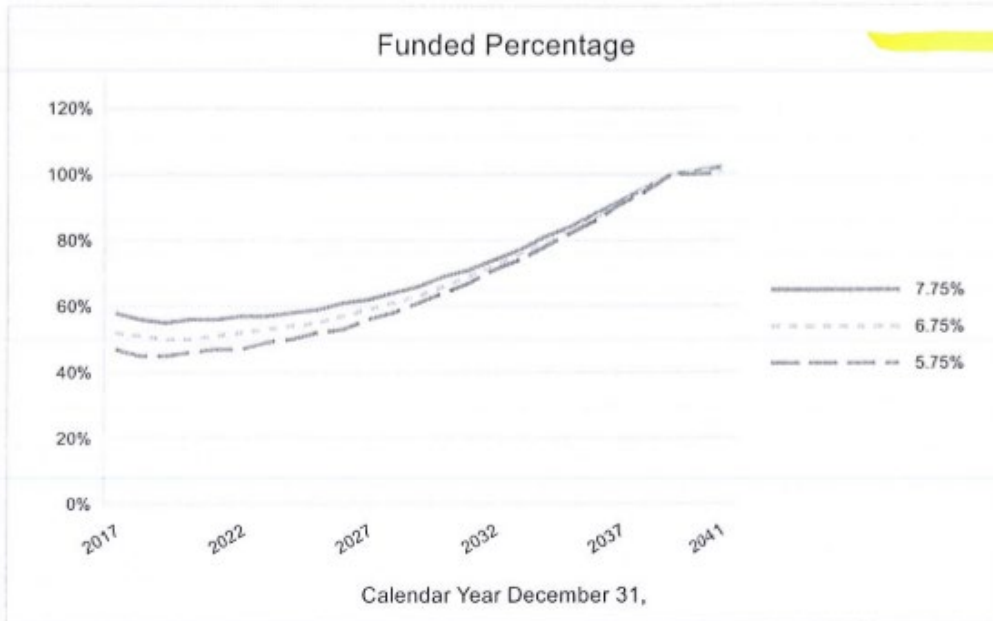
**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

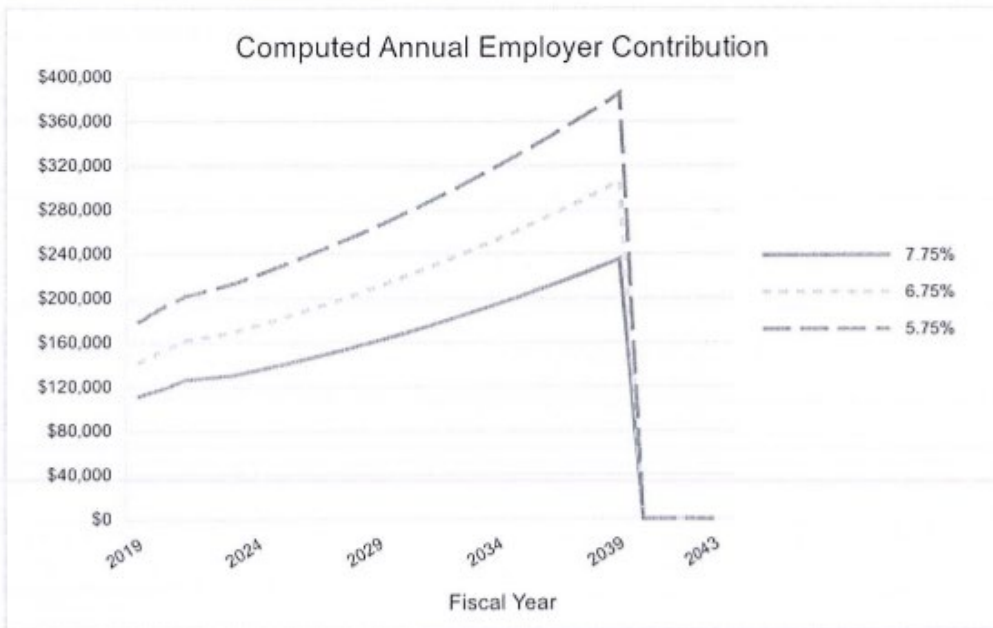
**Supplemental Information:**

**Treasury Recommendation**  
**35th District - Plymouth Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 827612**



**Notes:**

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



**Notes:**

All projected contributions are shown with no phase-in.

The above required annual employer contribution does not reflect future changes in the employee contribution rates due to the impact of a cap, if any, on employer contributions.

**The Community Engagement and Finance Division (CEFD) contact: None**

**Treasury Recommendation  
35th District - Plymouth OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 827612**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,705,870	\$4,854,672	55.7%	\$116,374	\$4,951,905	2.4%	YES
Healthcare	OPEB	\$502,730	\$7,194,941	7.0%	\$853,033		17.2%	YES
<b>Total</b>		<b>\$3,208,600</b>	<b>\$12,049,613</b>		<b>\$969,407</b>	<b>\$4,951,905</b>	19.6%	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by 35th District - Plymouth, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Benefit levels are the same for union members of the collective bargaining unit and non-union employees. Union retirees contribute 6% of their premiums and non-union contribute 10% of their premiums.
  - Employees hired after 1/1/2014 are enrolled in a Health Care Savings Plan funded by the employer's contribution of 5% of employees' salary.
  - Employees hired prior to 1/1/2014 will have Medicare as their primary insurance and Court's retiree health insurance.
- Plan Funding:
  - The five funding entities (Cities of Plymouth, Northville and the Townships of Plymouth, Northville and Canton) approved a budget to make additional \$200,000 contributions annual through year 2022.
  - The funding entities have adopted a Resolution to make additional contributions of all annual excess revenue fund.
- Other Considerations:
  - The information proved on form 5572 used actuarial data for 2017. Attached is an updated roll-forward valuation for 2018 that shows the funded ratio has improved to 11.2% from 7% by implementing the above system changes.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - If additional payments of \$200,000 continue per annual budget the retirement system funded ratio to 40% by 2024.

**Treasury Recommendation**  
**35th District - Plymouth OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 827612**

- Other Considerations:
  - Beginning in May 2019 the Court will be replacing the deposit of OPEB funds from the money market at Comerica Bank and will invest in MERS Retire Health Funding Vehicle (115 Trust) which invests in the market with a prospective return of 5%-7%.

**System Status for All Divisions: CLOSED**

**Plan size: members 50**

- Inactive employees or beneficiaries currently receiving benefits: 26
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 24

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/ actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2024).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

**Supplemental Information:** The local government included an actuarial projection demonstrating that they will reach 40% funded in 2024.



**Treasury Recommendation**  
**35th District - Plymouth OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 827612**

**35th District Court**

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

Discount	Return
7.00%	7.00%

	31-Dec liability	Assets	Contribution	+Benefit payments	=total contribution	funded percent
2018	4,491,599	503,989	0	238,498	238,498	11.2%
2019			200,000	272,950	472,950	16.2%
2020			200,000	283,353	483,353	21.4%
2021			200,000	288,084	488,084	26.9%
2022			200,000	294,622	494,622	32.7%
2023			200,000	301,192	501,192	38.9%
2024	4,810,145	2,187,010	200,000	311,255	511,255	45.5%
2025			200,000	323,160	523,160	52.5%
2026			200,000	330,957	530,957	60.2%
2027			200,000	343,608	543,608	68.6%
2028			200,000	355,988	555,988	77.8%
2029			200,000	363,141	563,141	87.9%
2030			200,000	372,429	572,429	99.1%
2031	4,697,062	4,697,062	52,897	382,799	52,897	100.0%

**The Community Engagement and Finance Division (CEFD) contact: None**

**Treasury Recommendation  
Antrim County Road Commission Pension Corrective Action Plan (CAP)  
Non-Primary Unit 50100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,237,314	\$13,882,954	52.1%	\$617,664	\$9,155,597	6.7%	YES
Healthcare	OPEB	\$0	\$1,864,941	0.0%	\$102,775		1.1%	YES
<b>Total</b>		<b>\$7,237,314</b>	<b>\$15,747,895</b>		<b>\$720,439</b>	<b>\$9,155,597</b>	7.9%	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Antrim County Road Commission, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - The existing MERS defined benefit plan (B-4, multiplier 2.5%, F55/30 and RS-50) was closed to new hires as of June 30, 2017. Employees hired after June 30, 2017 have a defined benefit with a 2.00% multiplier and normal retirement age of 60. Started in July 2017, all current and future employees have an employee contribution to MERS of 3.00% of their payroll. The MERS 2017 actuarial, shows our Funded Ratio has gone up 50% to 52%.
- Plan Funding:
  - Our Board authorized additional contributions to MERS by way of 10% of payroll monthly contribution and any refunds received from our Liability and Workers' Compensation self-insurance pools. From January 2014 thru May 2019, \$943,699.37 was contributed over the required MERS contribution. We also set up "Surplus Divs" for the additional contributions to be placed in in order to not reduce employer contribution calculations.
- Other Considerations:
  - Our 2017 MERS actuarial shows we should reach 60% funded by 2027 by using Surplus Divisions.

**Prospective Changes:**

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

**Treasury Recommendation**  
**Antrim County Road Commission Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 50100**

**System Status for All Divisions: OPEN**

**Plan size: members 76**

- Inactive employees or beneficiaries currently receiving benefits: 40
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 34

**Corrective Action Plan Criteria:**

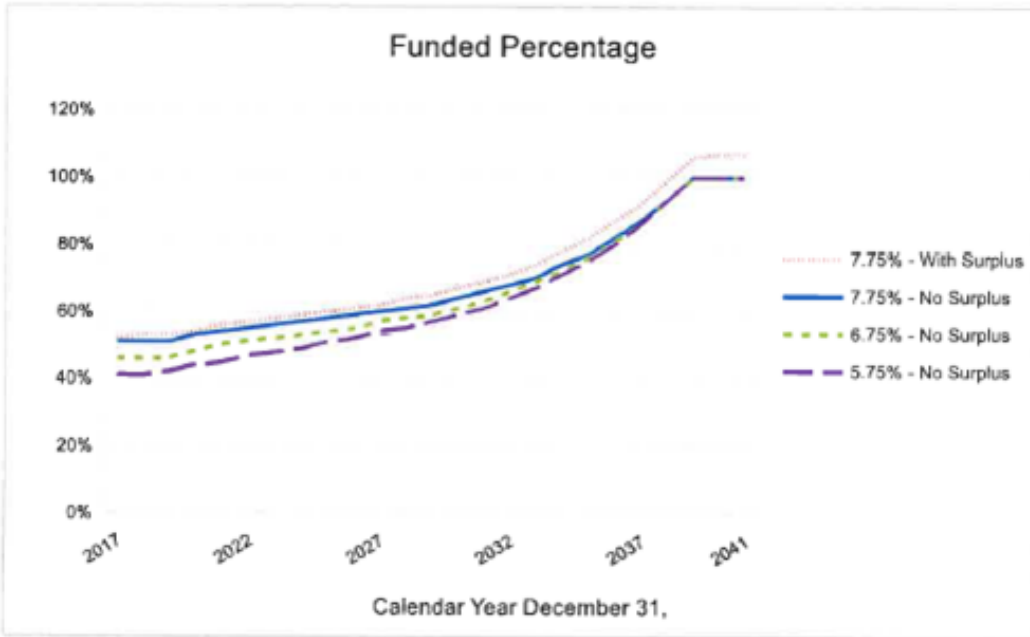
The following corrective action plan approval criteria are met:

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

**Supplemental Information:**

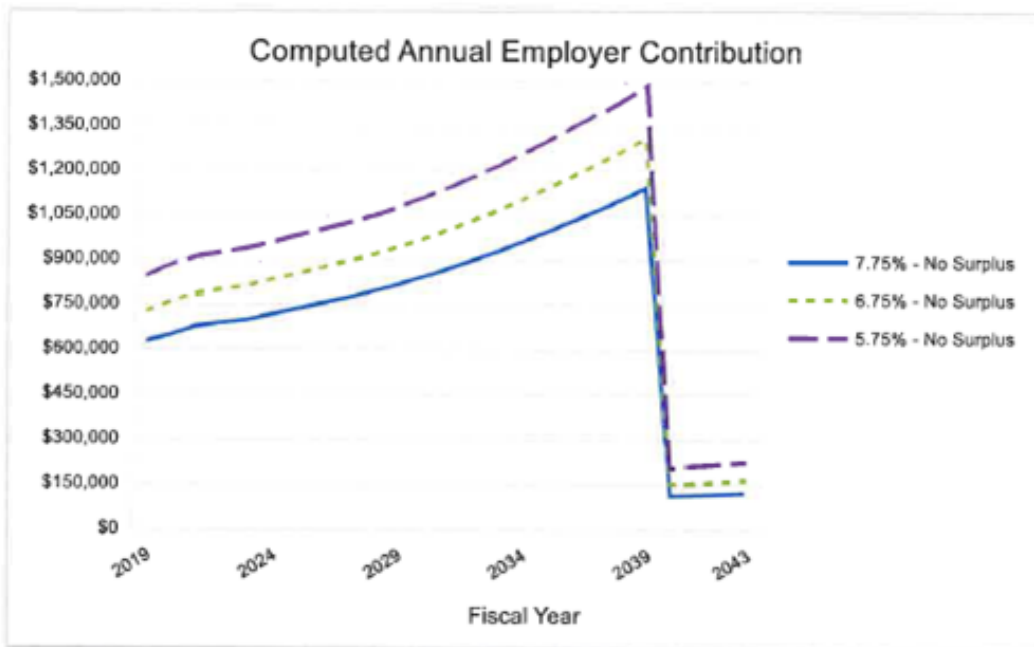
The Board attached a MERS projection which shows that they will reach 60% in 2027. Additionally, the MERS chart showing projected ADC shows an increase of 83% over the next 20 years (approx 4.1% per year).

**Treasury Recommendation**  
**Antrim County Road Commission Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 50100**



**Notes:**

All projected funded percentages are shown with no phase-in.  
 Assumes assets from Surplus divisions will not be used to lower employer contributions during the projection period.



**Notes:**

All projected contributions are shown with no phase-in.  
 Projected employer contributions do not reflect the use of any assets from the Surplus divisions.

The Community Engagement and Finance Division (CEFD) contact: None

**Treasury Recommendation  
Antrim County Road Commission OPEB Corrective Action Plan (CAP)  
Non-Primary Unit 050100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,237,314	\$13,882,954	52.1%	\$617,664	\$9,155,597	6.7%	NO
Health Benefits	OPEB	\$0	\$1,864,941	0.0%	\$102,775		1.1%	YES
<b>Total</b>		<b>\$7,237,314</b>	<b>\$15,747,895</b>		<b>\$720,439</b>	<b>\$9,155,597</b>	<b>7.9%</b>	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Antrim County Road Commission, which was received by the Municipal Stability Board (the Board) on 8/21/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Employees hired after July 1, 2014 will not receive any employer contribution (stipend) to their post-retirement health insurance premium.
- Plan Funding:
  - In 2019, a Retiree Health Care Trust was established. As actuarially determined by Watkins Ross, the Road Commission will contribute \$11,100 annually to the trust, in addition to the current benefit payments made to retirees. By 2042 the Trust will be 40% funded and by 2049 the Trust will be 100% funded and all benefit payments will then be made from the trust.
- Other Considerations:
  - None Listed.

**Prospective Changes:**

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

**System Status for All Divisions: CLOSED**

**Plan size: members 65**

- Inactive employees or beneficiaries currently receiving benefits: 38
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 27

**Treasury Recommendation**  
**Antrim County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 050100**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local government reaches the PA 202 established funding level of 40% within a reasonable timeframe (2042).
- 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.

**Supplemental Information:**

The Board attached a 2019 funding projection based on an actuarial valuation which shows that the plan will reach 40% by 2042. The local government did not certify a year in the CAP form.

**Treasury Recommendation**  
**Antrim County Road Commission OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 050100**

**Antrim County Road Commission**  
**2019 funding projection (based on December 31, 2017 actuarial valuation)**

Discount                      Return  
3.00%                              3.00%

	31-Dec liability	Assets	Contribution	+Benefit payments	=total contribution	funded percent
2019	2,452,009	11,100	11,100	122,898	133,998	0.5%
2020			11,100	120,592	131,692	0.9%
2021			11,100	126,573	137,673	1.4%
2022			11,100	128,134	139,234	2.0%
2023			11,100	138,405	149,505	2.5%
2024			11,100	139,037	150,137	3.2%
2025			11,100	138,862	149,962	3.9%
2026			11,100	144,709	155,809	4.6%
2027			11,100	141,318	152,418	5.5%
2028			11,100	138,432	149,532	6.5%
2029			11,100	135,274	146,374	7.5%
2030			11,100	132,608	143,708	8.7%
2031			11,100	128,173	139,273	10.0%
2032			11,100	127,194	138,294	11.5%
2033			11,100	121,946	133,046	13.2%
2034			11,100	118,233	129,333	15.0%
2035			11,100	114,480	125,580	17.1%
2036			11,100	109,480	120,580	19.5%
2037			11,100	105,994	117,094	22.1%
2038			11,100	102,444	113,544	25.0%
2039			11,100	98,791	109,891	28.4%
2040			11,100	94,946	106,046	32.2%
2041			11,100	91,106	102,206	36.5%
2042			11,100	86,735	97,835	41.4%
2043			11,100	82,787	93,887	47.0%
2044			11,100	78,814	89,914	53.4%
2045			11,100	74,839	85,939	60.7%
2046			11,100	70,889	81,989	69.1%
2047			11,100	66,991	78,091	78.7%
2048			11,100	63,166	74,266	89.9%
2049	540,272	543,930		59,433	0	100.7%

**The Community Engagement and Finance Division (CEFD) contact: None**

**Treasury Recommendation**  
**Charter Township of Harrison Pension Corrective Action Plan (CAP)**  
**Primary Unit 501050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Firemen's Pension System	Pension	\$12,837,084	\$26,484,654	48.5%	\$891,543	\$12,054,541	13.5%	YES
Employees' Retirement	Pension	\$14,671,695	\$22,024,593	66.6%	\$735,521		13.5%	NO
Healthcare	OPEB	\$4,169,490	\$32,364,541	12.9%	\$2,561,346		21.2%	YES
<b>Total</b>		<b>\$31,678,269</b>	<b>\$80,873,788</b>		<b>\$4,188,410</b>	<b>\$12,054,541</b>	34.7%	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Charter Township of Harrison, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - 1/1/2011: IAFF Union contract: Employee contribution rate to pension increased from 5% of salary to 20% of the Total Actuarial Contribution (expressed as a percent of payroll). Eligibility for retirement changed from 20 years to 25 years of service for employees hired after 1/1/2011.
  - 12/19/2014: IAFF Union contract: Pension multiplier reduced from 2.8% to 1.8% for the first 25 years for all employees hired after 12/19/2014.
- Plan Funding:
  - February 2014: Township Board of Trustees filed for Act 312 Arbitration. Final award was effective 12/19/2014. Multiple concessions were awarded by the arbitrator which reduced banks & therefore the payout of those banks, as well as how overtime is calculated. These changes reduced the overall annual compensation for all firefighters.
  - 2017: Actuarial assumptions were revised as follows: Assumed rate of return: 6.50% (was 7.25%) Price inflation: 2.25% (was 2.75%) Mortality table: RP-2014 projected to 2027 using the MP-2016 scale (was RP-2000 projected to 2021) These changes resulted in an additional \$652,872 contribution or 68.5% increase in Township contribution from 2015 valuation to 2017 valuation.
- Other Considerations:
  - 2013: UAAL Amortization Period was closed at 30 years. 2016: UAAL Amortization Period was split between active & retiree liabilities.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.



**Treasury Recommendation**  
**Charter Township of Harrison Pension Corrective Action Plan (CAP)**  
**Primary Unit 501050**

- Plan Funding:
  - The Municipal Stability Board Best Practices indicates that a reasonable timeframe to achieve 60% funded status is 20 years. The projection shows that they will reach 60% funded status in only six years.
- Other Considerations:
  - None Listed.

**System Status for All Divisions: OPEN**

**Plan size: members 29**

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 27

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local government reaches the PA 202 established funding level of 60% within a reasonable timeframe (2025).
- 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:

- 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 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 34.7%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The plan has addressed their underfunded status by providing an Actuarial Valuation from GRS from 2018, which includes a projection that shows they will reach funded status by the year 2025 and they have confirmed they can afford to match the projection. This projection also shows that over the next 8 years, the employer contribution is set to increase by 29%, or 3.6% per year.

**Treasury Recommendation**  
**Charter Township of Harrison Pension Corrective Action Plan (CAP)**  
**Primary Unit 501050**

**Projections: Current Amortization Policy**  
**24-Year Closed for Actives; 8-Year Closed for Retirees**

Contributions Calculated on the Valuation Date											
Year	Valuation Date	Projected Assets	Projected UAAL	Projected Funded Status	Fiscal Year Beginning	Percent of Pay			Dollar Amounts		
						Total Contribution	Employee Contributions	Employer Contributions	Total Contribution	Employee Contributions	Employer Contributions
0	12/31/2018	\$ 12,703,365	\$ 14,708,306	46%	1/1/2020	88.92%	11.00%	77.92%	\$ 1,979,920	\$ 244,928	\$ 1,734,992
1	12/31/2019	13,374,686	14,199,677	49%	1/1/2021	85.33%	11.00%	74.33%	2,073,853	267,357	1,806,496
2	12/31/2020	14,197,646	13,614,047	51%	1/1/2022	82.70%	11.00%	71.70%	2,164,880	287,959	1,876,921
3	12/31/2021	14,780,307	12,945,093	53%	1/1/2023	74.63%	11.00%	63.63%	2,340,708	345,018	1,995,690
4	12/31/2022	15,782,250	12,186,041	56%	1/1/2024	74.63%	11.00%	63.63%	2,410,828	355,368	2,055,560
5	12/31/2023	16,854,527	11,329,636	60%	1/1/2025	74.63%	11.00%	63.63%	2,483,256	366,029	2,117,227
6	12/31/2024	18,000,565	10,368,109	63%	1/1/2026	74.63%	11.00%	63.63%	2,557,754	377,010	2,180,744
7	12/31/2025	19,236,904	9,293,145	67%	1/1/2027	74.63%	11.00%	63.63%	2,634,486	388,320	2,246,166
8	12/31/2026	20,463,414	8,095,841	72%	1/1/2028	43.42%	8.68%	34.74%	1,578,830	315,766	1,263,064
9	12/31/2027	21,777,516	7,937,854	73%	1/1/2029	43.42%	8.68%	34.74%	1,626,195	325,239	1,300,956
10	12/31/2028	22,616,234	7,749,070	74%	1/1/2030	43.42%	8.68%	34.74%	1,674,981	334,996	1,339,985
11	12/31/2029	23,536,695	7,526,873	76%	1/1/2031	43.42%	8.68%	34.74%	1,725,231	345,046	1,380,185
12	12/31/2030	24,529,447	7,268,457	77%	1/1/2032	43.42%	8.68%	34.74%	1,776,988	355,398	1,421,590
13	12/31/2031	25,599,608	6,970,814	79%	1/1/2033	43.42%	8.68%	34.74%	1,830,297	366,059	1,464,238
14	12/31/2032	26,746,618	6,630,721	80%	1/1/2034	43.42%	8.68%	34.74%	1,885,206	377,041	1,508,165
15	12/31/2033	27,987,689	6,244,726	82%	1/1/2035	43.42%	8.68%	34.74%	1,941,762	388,352	1,553,410
16	12/31/2034	29,358,368	5,809,132	83%	1/1/2036	43.42%	8.68%	34.74%	2,000,015	400,003	1,600,012
17	12/31/2035	30,877,137	5,319,979	85%	1/1/2037	43.42%	8.68%	34.74%	2,060,016	412,003	1,648,013
18	12/31/2036	32,542,419	4,773,029	87%	1/1/2038	43.42%	8.68%	34.74%	2,121,816	424,363	1,697,453
19	12/31/2037	34,344,988	4,163,745	89%	1/1/2039	43.42%	8.68%	34.74%	2,185,471	437,094	1,748,377
20	12/31/2038	36,297,527	3,487,271	91%	1/1/2040	43.42%	8.68%	34.74%	2,251,035	450,207	1,800,828
21	12/31/2039	38,459,913	2,738,414	93%	1/1/2041	43.42%	8.68%	34.74%	2,318,566	463,713	1,854,853
22	12/31/2040	40,807,573	1,911,614	96%	1/1/2042	43.42%	8.68%	34.74%	2,388,123	477,625	1,910,498
23	12/31/2041	43,343,507	1,000,928	98%	1/1/2043	43.42%	8.68%	34.74%	2,459,766	491,953	1,967,813
24	12/31/2042	46,085,890	-	100%	1/1/2044	25.19%	5.04%	20.15%	1,469,801	293,960	1,175,841
25	12/31/2043	49,049,053	-	100%	1/1/2045	25.19%	5.04%	20.15%	1,513,895	302,779	1,211,116

Present Value of Future Contributions Shown:      \$ 26,409,294    \$ 4,415,034    \$ 21,994,259

The Community Engagement and Finance Division (CEFD) contact: None

**Treasury Recommendation**  
**Charter Township of Harrison OPEB Corrective Action Plan (CAP)**  
**Primary Unit 501050**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Firemen's Pension System	Pension	\$12,837,084	\$26,484,654	48.5%	\$891,543	\$12,054,541	13.5%	YES
Employees' Retirement	Pension	\$14,671,695	\$22,024,593	66.6%	\$735,521		13.5%	NO
Retirement Healthcare	OPEB	\$4,169,490	\$32,364,541	12.9%	\$2,561,346		21.2%	YES
<b>Total</b>		<b>\$31,678,269</b>	<b>\$80,873,788</b>		<b>\$4,188,410</b>	<b>\$12,054,541</b>	34.7%	

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

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by Charter Township of Harrison, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - 1/1/2010 & 1/1/2012: Retiree Health Care eliminated for all new employees.
  - 10/13/2015: Township Board switched all pre-65 retirees to BCBS High Ded. HSA plan & all post-65 retirees to BCBS Medicare Advantage, effective 1/1/2016. Savings: \$521,182 annually (blended for Fire & Gen. Employees).
- Plan Funding:
  - None Listed.
- Other Considerations:
  - None Listed.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - The Municipal Stability Board Best Practices indicates that a reasonable timeframe to achieve 40% funded status is 30 years. The township's projection shows that they will reach 40% funded status in 23 years.
- Other Considerations:
  - None Listed.

**System Status for All Divisions: CLOSED**

**Treasury Recommendation**  
**Charter Township of Harrison OPEB Corrective Action Plan (CAP)**  
**Primary Unit 501050**

**Plan size: members 108**

- Inactive employees or beneficiaries currently receiving benefits: 67
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 40

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local government reaches the PA 202 established funding level of 40% within a reasonable timeframe (2041).
- 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:

- 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. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 34.7%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The Township provided an actuarial valuation showing that they will reach 40% funded in 2041. This plan is solely contingent in the existing assets accumulating interest earnings over time. This projection also shows the anticipated benefit payments in this same timeframe. From 2018 to 2031, the projected pay-go payment is set to increase from \$1.1 million to over \$2 million, or an increase of 81% (7.4% per year). When combining the projected pension ADC and project benefit payments, the annual contributions for the Township will remain significant for the foreseeable future.

**Treasury Recommendation**  
**Charter Township of Harrison OPEB Corrective Action Plan (CAP)**  
**Primary Unit 501050**

**Projections: Current Amortization Policy**  
**24-Year Closed for Actives; 8-Year Closed for Retirees**

Year	Valuation Date	Projected Assets	Projected UAAL	Projected Funded Status	Fiscal Year Beginning	Contributions Calculated on the Valuation Date					
						Percent of Pay			Dollar Amounts		
						Total Contribution	Employee Contributions	Employer Contributions	Total Contribution	Employee Contributions	Employer Contributions
0	12/31/2018	\$ 12,703,365	\$ 14,708,306	46%	1/1/2020	88.92%	11.00%	77.92%	\$ 1,979,920	\$ 244,928	\$ 1,734,992
1	12/31/2019	13,374,686	14,199,677	49%	1/1/2021	85.33%	11.00%	74.33%	2,073,853	267,357	1,806,496
2	12/31/2020	14,197,646	13,614,047	51%	1/1/2022	82.70%	11.00%	71.70%	2,164,880	287,959	1,876,921
3	12/31/2021	14,780,307	12,945,093	53%	1/1/2023	74.63%	11.00%	63.63%	2,340,708	345,018	1,995,690
4	12/31/2022	15,782,250	12,186,041	56%	1/1/2024	74.63%	11.00%	63.63%	2,410,928	355,368	2,055,560
5	12/31/2023	16,854,527	11,329,636	60%	1/1/2025	74.63%	11.00%	63.63%	2,483,256	366,029	2,117,227
6	12/31/2024	18,000,565	10,368,109	63%	1/1/2026	74.63%	11.00%	63.63%	2,557,754	377,010	2,180,744
7	12/31/2025	19,236,904	9,293,145	67%	1/1/2027	74.63%	11.00%	63.63%	2,634,486	388,320	2,246,166
8	12/31/2026	20,463,414	8,095,841	72%	1/1/2028	43.42%	8.68%	34.74%	1,578,830	315,766	1,263,064
9	12/31/2027	21,777,516	7,937,854	73%	1/1/2029	43.42%	8.68%	34.74%	1,626,195	325,239	1,300,956
10	12/31/2028	22,616,234	7,749,070	74%	1/1/2030	43.42%	8.68%	34.74%	1,674,981	334,996	1,339,985
11	12/31/2029	23,536,695	7,526,873	76%	1/1/2031	43.42%	8.68%	34.74%	1,725,231	345,046	1,380,185
12	12/31/2030	24,529,447	7,268,457	77%	1/1/2032	43.42%	8.68%	34.74%	1,776,988	355,398	1,421,590
13	12/31/2031	25,599,608	6,970,814	79%	1/1/2033	43.42%	8.68%	34.74%	1,830,297	366,059	1,464,238
14	12/31/2032	26,746,618	6,630,721	80%	1/1/2034	43.42%	8.68%	34.74%	1,885,206	377,041	1,508,165
15	12/31/2033	27,987,889	6,244,726	82%	1/1/2035	43.42%	8.68%	34.74%	1,941,762	388,352	1,553,410
16	12/31/2034	29,358,368	5,809,132	83%	1/1/2036	43.42%	8.68%	34.74%	2,000,015	400,003	1,600,012
17	12/31/2035	30,877,137	5,319,979	85%	1/1/2037	43.42%	8.68%	34.74%	2,060,016	412,003	1,648,013
18	12/31/2036	32,542,419	4,773,029	87%	1/1/2038	43.42%	8.68%	34.74%	2,121,816	424,363	1,697,453
19	12/31/2037	34,344,988	4,163,745	89%	1/1/2039	43.42%	8.68%	34.74%	2,185,471	437,094	1,748,377
20	12/31/2038	36,297,527	3,487,271	91%	1/1/2040	43.42%	8.68%	34.74%	2,251,035	450,207	1,800,828
21	12/31/2039	38,459,913	2,738,414	93%	1/1/2041	43.42%	8.68%	34.74%	2,318,566	463,713	1,854,853
22	12/31/2040	40,807,573	1,911,614	96%	1/1/2042	43.42%	8.68%	34.74%	2,388,123	477,625	1,910,498
23	12/31/2041	43,343,507	1,000,928	98%	1/1/2043	43.42%	8.68%	34.74%	2,459,786	491,953	1,967,833
24	12/31/2042	46,085,890	-	100%	1/1/2044	25.19%	5.04%	20.15%	1,469,801	293,960	1,175,841
25	12/31/2043	49,049,053	-	100%	1/1/2045	25.19%	5.04%	20.15%	1,513,895	302,779	1,211,116

Present Value of Future Contributions Shown:      \$ 26,409,294    \$ 4,415,034    \$ 21,994,259

The Community Engagement and Finance Division (CEFD) contact: None

**Treasury Recommendation  
City of Gladstone Pension Corrective Action Plan (CAP)  
Primary Unit 212020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,015,667	\$13,189,003	45.6%	\$721,620	\$4,193,365	17.2%	YES
Healthcare	OPEB	\$0	\$2,489,098	0.0%	\$190,860		4.6%	NO
<b>Total</b>		<b>\$6,015,667</b>	<b>\$15,678,101</b>		<b>\$912,480</b>	<b>\$4,193,365</b>	21.8%	

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by City of Gladstone, which was received by the Municipal Stability Board (the Board) on 7/17/2018. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - In June 2009, the City closed the final division of the defined benefit pension plan, the POLC.
- Plan Funding:
  - In 2008, the City approved a \$364,088 Lump Sum payment to MERS to bring all divisions up to the 60% funding level.
- Other Considerations:
  - None Listed.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - The City had setup a Surplus Plan with MERS that will provide the City with funding credit towards its pension liability.
  - Over the next five years, the City will provide \$87,500 from the \$175,000 budgeted towards the Internal Retirement System fund. Treasury was unable to verify.
- Other Considerations:
  - None Listed.

**System Status for All Divisions: CLOSED**

**Plan size: members 51**

- Inactive employees or beneficiaries currently receiving benefits: 40
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 8

**Treasury Recommendation**  
**City of Gladstone Pension Corrective Action Plan (CAP)**  
**Primary Unit 212020**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

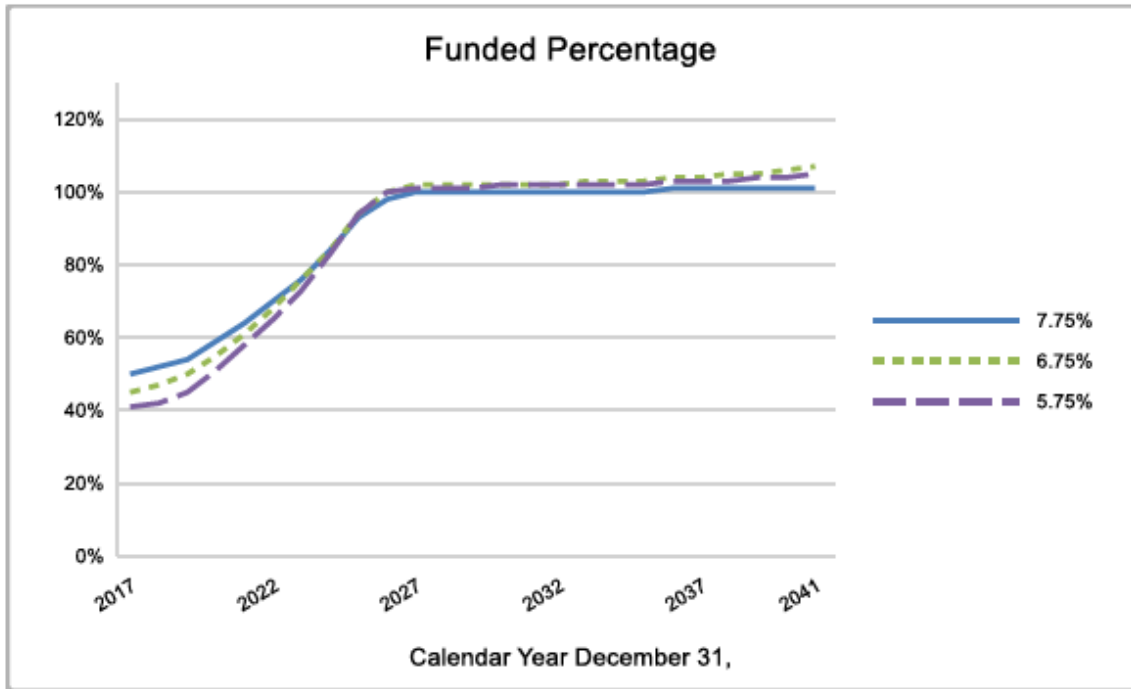
- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local government reaches the PA 202 established funding level of 60% within a reasonable timeframe (2022).
- Legal and Feasible:
  - The local government's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
  - The local 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.

**Supplemental Information:**

The City of Gladstone provided an actuarial valuation report dated December 31, 2017 from CBIZ. That report shows the pension fund demonstrates the pension plan achieving a 60% funded ratio by 2022. Additionally, the valuation shows the schedule of computed employer contributions, illustrating that between 2019 and 2025, the annual employer contribution increases by approximately \$300,000, or 30%. The City of Gladstone has an approved corrective action plan, but due to changes to the original submission, submitted a revised plan. Part of the previous submission was related to the OPEB system, and the proposal to move retirees to to a stipend and eliminate lifetime benefits for Medicare-age retirees. The amended submission provides for 3 options for retirees. Retirees would have the option for 2 buyout options, one into a MERS medical savings account at 90%, and one for a cash payment at 70%. Additionally, retirees have the ability to continue to remain with the monthly stipend amount. Finally, the City will continue to fund Medicare Gap Coverage for two retirees for the next 3 years. The City projects that these changes will still allow them to reach 60% funded in the original timeframe listed in the previous CAP.

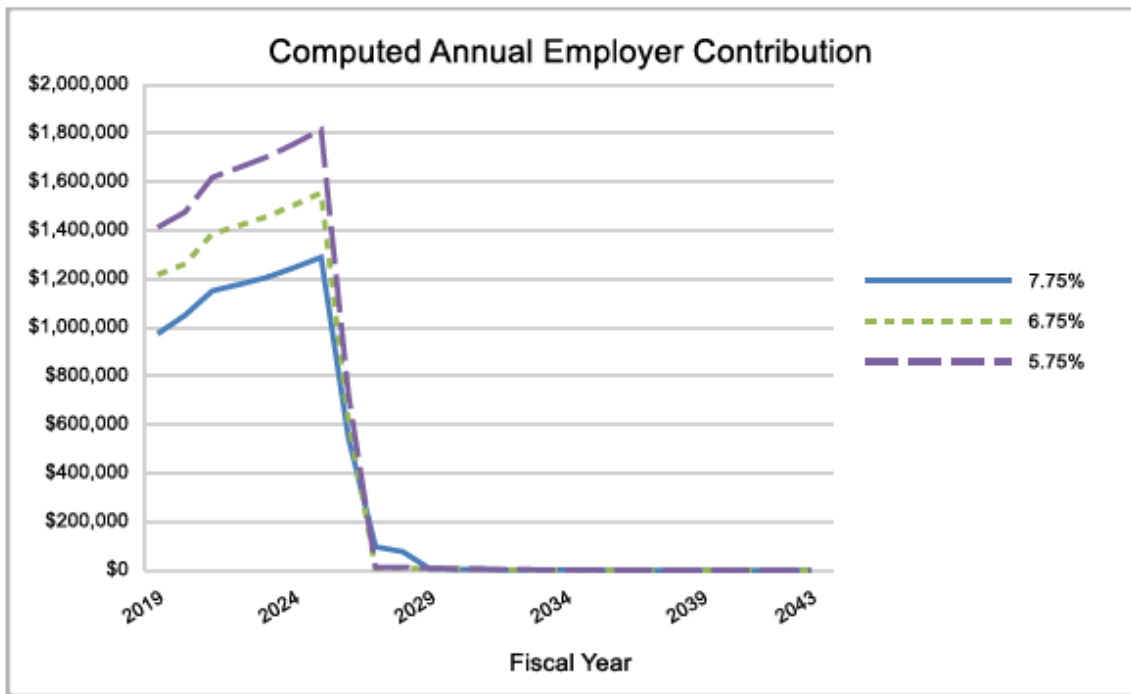
**Treasury Recommendation  
City of Gladstone Pension Corrective Action Plan (CAP)  
Primary Unit 212020**

GLADSTONE, CITY OF (2106) - 2017



**Notes:**

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



The Community Engagement and Finance Division (CEFD) contact: None



**Treasury Recommendation  
Henika District Library Pension Corrective Action Plan  
(CAP) Non-Primary Unit 038002**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$466,672	\$425,937	109.6%	\$3,389	\$357,580	0.9%	YES

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

**Staff Recommendation** Approval of the pension corrective action plan submitted by Henika District Library, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - None Listed.
- Other Considerations:
  - The CAP was submitted because the 5572 was not submitted. The plan is fully funded.

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Plan size: members 2**

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

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

**Treasury Recommendation**  
**Henika District Library Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 38002**

- Reasonable Timeframe:
  - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 60%.
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local 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 annual required contribution payment according to the long-term budget forecast.

**Supplemental Information:**

The Library attached board approval and financial statements to support. The Library was originally determined to be underfunded for failure to file the annual retirement report.

**The Community Engagement and Finance Division (CEFD) contact: None**

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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,951,351	\$9,772,734	40.4%	\$398,576	\$7,819,098	5.1%	NO
Medical Plan	OPEB	\$0	\$1,523,873	0.0%	\$81,538		1.0 %	YES
<b>Total</b>		<b>\$3,951,351</b>	<b>\$11,296,607</b>		<b>\$480,114</b>	<b>\$7,819,098</b>	<b>6.1%</b>	

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

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by Kalkaska County Road Commission, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If disapproved, Kalkaska County Road Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Kalkaska County Road Commission will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

**Changes Made:**

- **Modern Plan Design:**
  - Retiree health care was eliminated for administrative employees September 1, 2014. Retiree health care was eliminated for road worker employees July 1, 2016. These actions were documented on Form 5584, Application for Waiver and Plan.
  - This plan will never included more than the current 20 retirees eligible for retiree health care.
- **Plan Funding:**
  - None Listed.
- **Other Considerations:**
  - Kalkaska County Road Commission is not considered a primary government. Accordingly, the ADC/Governmental Fund Revenue trigger for determining underfunded status was not available in the Form 5572. The ADC/Revenue was 1.0%. Had this trigger been available, the waiver and CAP would have been unnecessary.

**Prospective Changes:**

- **Modern Plan Design:**
  - None Listed.
- **Plan Funding:**
  - None Listed.
- **Other Considerations:**
  - The Municipal Stability Board's Best Practices and Strategies requires 40% funding within 30 years. It is reasonable to believe this Plan will terminate within 30 years.
  - The Road Commission is investigating the use of Mercer Marketplace and/or MERS Health Care Savings Program (HCSP) to reduce retiree health care cost.

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

**System Status for All Divisions: CLOSED**

**Plan size: members 85**

- Inactive employees or beneficiaries currently receiving benefits: 43
- Inactive employees entitled to but not yet receiving benefits: 17
- Active employees: 25

**Corrective Action Plan Criteria: 2048**

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 were not met:

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

The certifying official of the local government indicates the retirement system will reach a funded status of at least 40% by fiscal year 2048; however, there is not adequate supporting documentation to support this claim.

**Supplemental Information:**

The Road Commission certified that they would reach 40% funded in 2048. This certification year was based on the analysis by the Road Commission that all benefits offerings will have expired by this date, and thus would be 100% funded. The actuarial analysis that was provided projected that in 2048, there would be 1.335 benefit recipients remaining. This analysis makes Treasury unable to confirm the projected year.

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

Kalkaska County Road Commission  
Projected retiree lives and healthcare benefits

2018	20.000	
2019	19.353	121,342
2020	18.677	122,988
2021	17.975	125,036
2022	17.249	125,781
2023	16.501	125,869
2024	15.735	125,270
2025	14.955	123,971
2026	14.164	121,976
2027	13.368	119,305
2028	12.572	115,992
2029	11.780	112,081
2030	10.996	107,839
2031	10.223	103,290
2032	9.465	98,465
2033	8.726	93,390
2034	8.008	88,103
2035	7.316	82,654
2036	6.653	77,100
2037	6.022	71,506
2038	5.426	65,936
2039	4.863	60,439
2040	4.337	55,068
2041	3.845	49,850
2042	3.388	44,817
2043	2.964	39,984
2044	2.572	35,383
2045	2.214	31,047
2046	1.889	27,005
2047	1.597	23,277
2048	1.335	19,866
2049	1.104	16,783
2050	0.900	14,000

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

- CEFD had multiple discussions with the finance director of the road commission regarding draft plans, and acceptable criteria for approval.

**Treasury Recommendation  
Kingsford Housing Commission Pension Corrective Action Plan (CAP)  
Non-Primary Unit 227510**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$314,751	\$562,093	56.0%	\$21,528	\$493,812	4.4%	YES

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Kingsford Housing Commission, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - None Listed.
- Other Considerations:
  - As per the attached 2017 Form 5572, Kingsford Housing Commission is not in an underfunded status. This Form was submitted to the Treasury on March 6, 2018 as per the attached email. No further action deemed necessary.

**Prospective Changes:**

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

**System Status for All Divisions: CLOSED**

**Plan size: members 3**

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 0

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

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

**Treasury Recommendation**  
**Kingsford Housing Commission Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 227510**

- Reasonable Timeframe:
  - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 60%.
- Legal and Feasible:
  - The local government's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
  - The local 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.

**Supplemental Information:**

Attached board approval with financial report and 2017 Form 5572 that shows they are 62% funded.

**The Community Engagement and Finance Division (CEFD) contact:** None

**Treasury Recommendation  
Monroe Housing Commission Pension Corrective Action Plan (CAP)  
Non-Primary Unit 587512**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
MERS	Pension	\$1,309,277	\$2,549,723	51.3%	\$106,417	\$3,849,613	2.8%	YES

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Monroe Housing Commission, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

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

**Prospective Changes:**

- Modern Plan Design:
  - Beginning October 1, 2019, the Monroe Housing Commission will lower the multiplier for new hires from 2.0% to 1.5% and change the Final Average Compensation from three years to five years. Additional changes include revising the vesting period from six years to ten years for all new employees and removal of the COLA. Page 13 of the attached actuarial supplemental valuation reflects the funded ratio will be 60% by FY 2027.
- Plan Funding:
  - None Listed.
- Other Considerations:
  - None Listed.

**System Status for All Divisions: OPEN**

**Plan size: members 16**

- Inactive employees or beneficiaries currently receiving benefits: 6
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 8



**Treasury Recommendation**  
**Monroe Housing Commission Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 587512**

**Corrective Action Plan Criteria:**

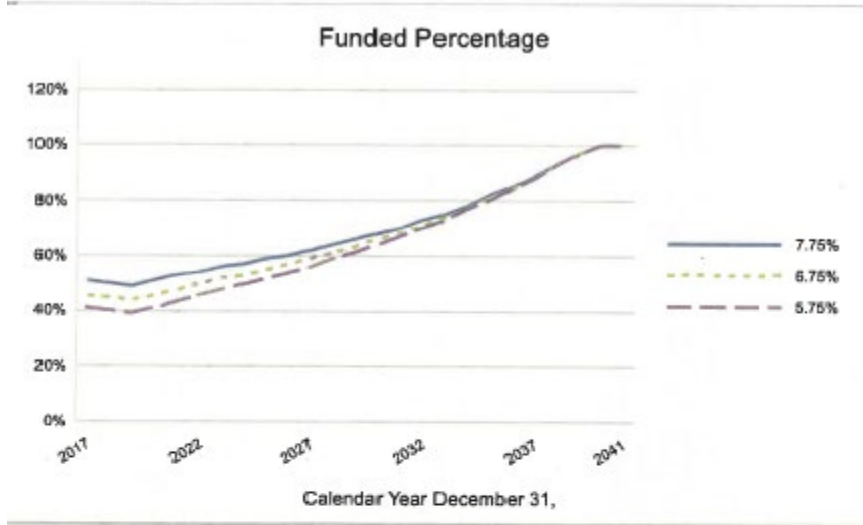
The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local government reaches the PA 202 established funding level of 60% within a reasonable timeframe (2027).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local 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 annual required contribution payment according to the long-term budget forecast.

**Supplemental Information:**

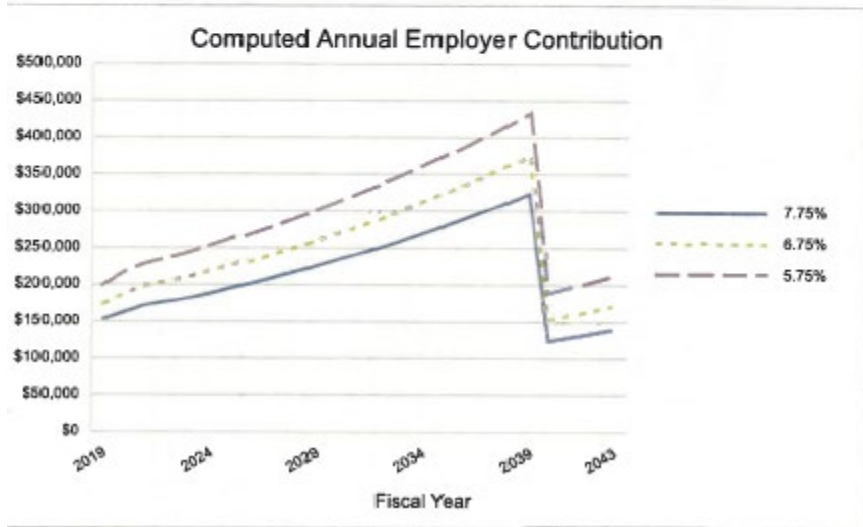
The CAP includes board approval and actuarial projections to supplement the content of the plan.

**Treasury Recommendation  
 Monroe Housing Commission Pension Corrective Action Plan (CAP)  
 Non-Primary Unit 587512**



Notes:

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



The Community Engagement and Finance Division (CEFD) contact: None

**Treasury Recommendation  
Negaunee Housing Commission Pension Corrective Action Plan (CAP)  
Non-Primary Unit 527519**

<b>Name of Systems</b>	<b>Type of System</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Funded Ratio</b>	<b>ADC</b>	<b>Revenues</b>	<b>ADC/Revenue</b>	<b>CAP required?</b>
MERS	Pension	\$346,513	\$631,710	54.9%	\$35,106	\$459,269	7.6%	YES

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

**Staff Recommendation:** Approval of the pension corrective action plan submitted by Negaunee Housing Commission, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - None Listed.
- Other Considerations:
  - Negaunee Housing Commission is part of the City of Negaunee Pension Plan. The Executive Director is in the General and the Maintenance is in the Public Works Divisions. The City invoices the Housing Commission monthly for their portion of MERS, and the Housing Commission pays the City. The City of Negaunee determines the benefits. From the MERS Actuarial dated 12/31/2016, the attached chart projects we should be 60% funded by 2028.

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Plan size: members 3**

- Inactive employees or beneficiaries currently receiving benefits: 1
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 2

**Treasury Recommendation**  
**Negaunee Housing Commission Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 527519**

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
  - The corrective action plan demonstrates the local government reaches the PA 202 established funding level of 60% within a reasonable timeframe (2028).
- 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:

- Affordable:

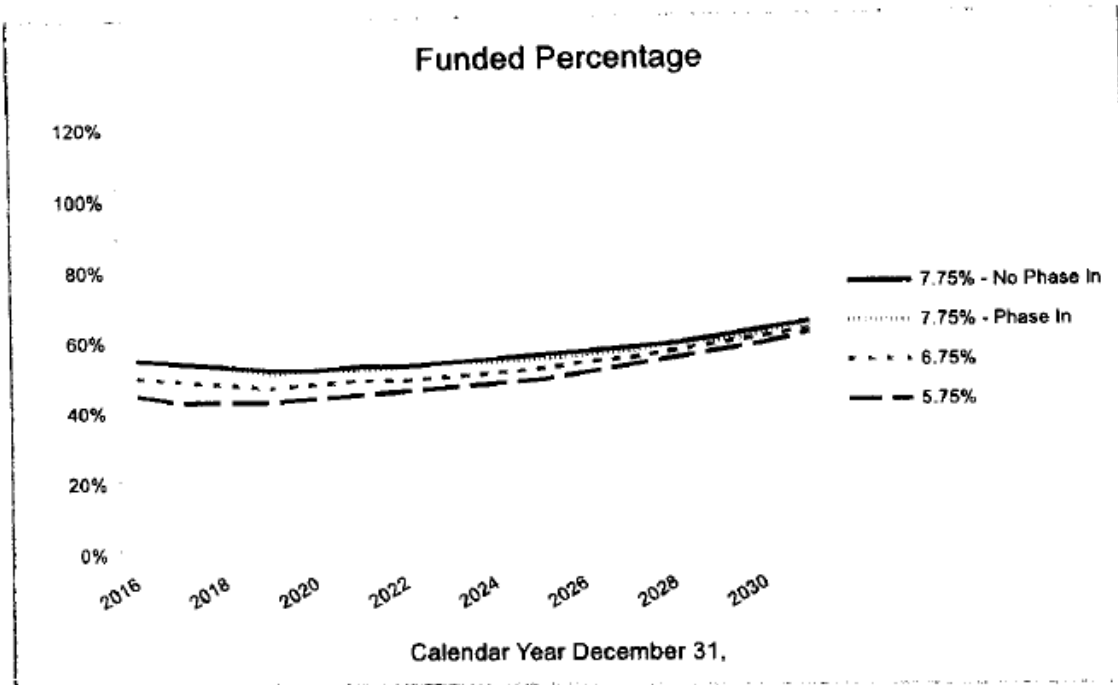
The local government failed to confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates that the payments should remain affordable.

**Supplemental Information:**

The Negaunee City Housing Commission provided the MERS actuarial valuation projection chart. This chart projects that the City's system, of which the Housing Commission is a part, will reach 60% funded in 2028.

Treasury Recommendation  
Negaunee Housing Commission Pension Corrective Action Plan (CAP)  
Non-Primary Unit 527519

NEGAUNEE, CITY OF (5203)



The Community Engagement and Finance Division (CEFD) contact:

**Treasury Recommendation**  
**South Haven Area Emergency Services Authority OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 807515**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$5,326,284	\$7,843,874	67.9%	\$235,392	\$2,572,195	9.2%	NO
Retiree Health Plan	OPEB	\$0	\$593,140	0.0%	\$37,129		1.4%	YES
<b>Total</b>		<b>\$5,326,284</b>	<b>\$8,437,014</b>		<b>\$272,521</b>	<b>\$2,572,195</b>	<b>10.6%</b>	

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

**Staff Recommendation:** Disapproval of the OPEB corrective action plan submitted by South Haven Area Emergency Services Authority, which was received by the Municipal Stability Board (the Board) on 7/17/2019. If disapproved, South Haven Area Emergency Services Authority, will receive a detailed letter from the Board listing the reasons for disapproval. South Haven Area Emergency Services Authority will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

**Changes Made:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - A 30-year projection was prepared by Watkins Ross for SHAES. The projection provides a path for SHAES to obtain 41 percent funding in 30 years for its retiree health plan.
- Other Considerations:
  - None Listed.

**Prospective Changes:**

- Modern Plan Design:
  - None Listed.
- Plan Funding:
  - Included in the March 15, 2019 CAP is the SHAES Authority Joint Emergency Services Restated Agreement. Section 2.2(a) of that Agreement calls for the SHAES Board to prepare an annual budget, divided into the Fire Service and the Ambulance Service.
  - A line item budget for the period ending June 30, 2019 was provided, adding half of the required annual contribution to the Fire budget and the other half of the required annual contribution to the Ambulance budget.
  - By means of those combined annual contributions, SHAES will achieve 41 percent funding for its retiree health plan in 30 years.
- Other Considerations:
  - The authority included the new account information received by SHAES from Chemical Bank for the establishment of a new account to receive required annual contributions that will enable SHAES to obtain 41 percent funding in 30 years for its retiree health plan.

**Treasury Recommendation**  
**South Haven Area Emergency Services Authority OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 807515**

- The new account information will be signed when Mr. Charles Ross Stein, Jr. returns to town.

**System Status for All Divisions: OPEN**

**Plan size: members 21**

- Inactive employees or beneficiaries currently receiving benefits: 15
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 6

**Corrective Action Plan Criteria: 2049**

The following corrective action plan approval criteria are met: 2049

- Underfunded Status:
- Reasonable Timeframe:
- Legal and Feasible:
  - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
  - The local 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 were not met:

- Underfunded Status:
  - The corrective action plan provided documentation showing that the plan is likely reach 40% funded; however, the funds are unable to be counted as assets based on GASB standards.
- Reasonable Timeframe:
  - The corrective action plan does not demonstrate when the retirement system will reach 40% funded.

**Supplemental Information:**

Planned payments and benefit costs will increase approximately 15% a year until 2039. Upon clarification from the local government, the account to which the additional payments are being deposited is not a qualified trust, and therefore does not qualify as assets under the Governmental Accounting Standards Board.

**Treasury Recommendation**  
**South Haven Area Emergency Services Authority OPEB Corrective Action Plan (CAP)**  
**Non-Primary Unit 807515**

<b>South Haven Area Emergency Services</b>						
2019 funding projection (based on December 31, 2018 actuarial valuation)						
		Discount		Return		
		3.00%		3.00%		
	31-Dec liability	Assets	Contribution	+Benefit payments	=total contribution	funded percent
2019	891,964	4,100	4,100	30,349	34,449	0.5%
2020			4,100	39,174	43,274	0.9%
2021			4,100	34,820	38,920	1.3%
2022			4,100	34,806	38,906	1.7%
2023			4,100	29,189	33,289	2.1%
2024			4,100	31,726	35,826	2.4%
2025			4,100	31,150	35,250	2.8%
2026			4,100	33,931	38,031	3.1%
2027			4,100	44,433	48,533	3.4%
2028			4,100	44,394	48,494	3.8%
2029			4,100	48,284	52,384	4.1%
2030			4,100	52,279	56,379	4.5%
2031			4,100	56,326	60,426	4.9%
2032			4,100	69,974	74,074	5.3%
2033			4,100	72,067	76,167	5.7%
2034			4,100	77,005	81,105	6.2%
2035			4,100	82,675	86,775	6.8%
2036			4,100	115,072	119,172	7.4%
2037			4,100	105,743	109,843	8.4%
2038			4,100	125,283	129,383	9.4%
2039			4,100	133,178	137,278	10.8%
2040			4,100	103,470	107,570	12.5%
2041			4,100	110,185	114,285	14.2%
2042			4,100	95,254	99,354	16.4%
2043			4,100	79,923	84,023	18.7%
2044			4,100	85,253	89,353	21.0%
2045			4,100	65,724	69,824	23.9%
2046			4,100	86,923	91,023	26.5%
2047			4,100	66,507	70,607	31.1%
2048			4,100	71,273	75,373	35.7%
2049	490,138	200,911		76,298	76,298	41.0%

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

- CEFD contacted the director of SHAES to clarify whether or not the account used for additional funding was a qualified trust. SHAES indicated that it was not.