

Municipal Stability Board

REGULAR MEETING

Thursday, June 13, 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 May 20, 2019 Minutes

II. Public Comment

A. 2-minute limit

III. Correspondence

A. Treasury Update

B. Failure to Resubmit a Corrective Action Plan

IV. Old Business

V. New Business

A. Best Practices Update

B. Corrective Action Plan Extension Requests

C. Receipt of Corrective Action Plans

i. Village of Chesaning

ii. Chippewa County Road Commission (2 systems)

iii. City of Gaylord

iv. Village of Homer

v. Village of Lexington

vi. City of Melvindale (2 systems)

vii. Oscoda County Road Commission

D. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-16)

- i. Ann Arbor Area Transportation Authority
- ii. Bay County (2 systems)
- iii. Blackman Charter Township
- iv. Capital Area Transportation Authority
- v. Copper Country Mental Health Authority
- vi. Charter Township of Hampton
- vii. City of Harper Woods
- viii. Henika District Library
- ix. Iron County Medical Care Facility
- x. Keweenaw County Road Commission (2 systems)
- xi. Mid-Michigan District Health Department
- xii. Village of Newberry (2 systems)
- xiii. City of Riverview
- xiv. Saline Area Fire Department
- xv. City of St. Clair
- xvi. St. Joseph County Road Commission
- xvii. Ypsilanti Housing Commission (2 systems)

VI. Public Comment

- A. 2-minute limit

VII. Board Comment

VIII. Adjournment

Municipal Stability Board Minutes

Monday, May 20, 2019 at 10:00 a.m.
Richard H. Austin Building
State Treasurer's Boardroom
430 W. Allegan Street
Lansing, MI 48922

CALL TO ORDER

Chairman Eric Scorsone called the meeting to order at 10:03 a.m.

ROLL CALL

Members Present: Two

Eric Scorsone

Barry Howard

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

APPROVAL OF MINUTES

Motion was made to approve the minutes regarding the April 17, 2019 board meeting. An amendment needs to be made to correct the next meeting date to May 20, 2019 instead of April 17, 2019.

Motion moved to amend and approve the April 17, 2019 board meeting minutes by Barry Howard and supported by Eric Scorsone. The Board unanimously approved the April 17, 2019 meeting minutes. 2 ayes, 0 nays.

PUBLIC COMMENT

- No public comment.

CORRESPONDENCE

- Nick Brousseau presented the Board with Treasury updates.

OLD BUSINESS

FAILURE TO FILE A MATERIALLY DIFFERENT CORRECTIVE ACTION PLAN (RESOLUTION 2019-12)

Nick Brousseau provided the Board with a review of the Failure to File a Materially Different Corrective Action Plan (Resolution 2019-12). This was carried over from the April 17, 2019 board meeting after the Board failed to reach a decision on the resolution (Resolution 2019-9). Prior to the meeting, Treasury contacted Bloomfield Charter Township at the request of the Board to ask them to address their Corrective Action Plan submission during the May 20, 2019 meeting. The Township attended the May 20, 2019 regular board meeting and the Board asked Bloomfield Charter Township to address the Board. Leo Savoie, Supervisor for Bloomfield Charter Township, Jan Roncelli, Clerk, and Brian Kepes, Treasurer, gave the Board an update and additional documentation for their most recent Corrective Action Plan submission. The amended plan proposed a special assessment district to be voted on by the citizens of the Township in August 2019. Through this special assessment district, the Township stated that they would address their underfunded status by 2033. The Township also discussed additional options if the special assessment district vote does not pass. No action was taken on the Failure to File a Materially Different Corrective Action Plan (Resolution 2019-12).

RECEIPT, AMENDMENT, AND APPROVAL OF BLOOMFIELD CHARTER TOWNSHIP'S CORRECTIVE ACTION PLAN (RESOLUTION 2019-15)

Motion was moved by Barry Howard and supported by Eric Scorsone to receive and amend the Corrective Action Plan submission for Bloomfield Charter Township considering the comments from the Township and the provided supporting documentation. The Board unanimously approved the motion. A voice vote was made with 2 ayes and 0 nays.

Motion was made to approve the amended Corrective Action Plan for Bloomfield Charter Township (Resolution 2019-15). Motion was moved by Barry Howard and supported by Eric Scorsone. The Board unanimously approved the amended Corrective Action Plan for Bloomfield Charter Township (Resolution 2019-15). A voice vote was made with 2 ayes and 0 nays.

NEW BUSINESS

RECEIPT OF 17 LOCAL UNITS' CORRECTIVE ACTION PLANS (21 PLANS)

Nick Brousseau provided the Board with the following 17 Local Units' Corrective Action Extension Requests (21 plans):

- Ann Arbor Area Transportation Authority
- Bay County
- Blackman Charter Township
- Capital Area Transportation Authority

- Copper Country Mental Health Authority
- Hampton Township
- Henika District Library
- City of Harper Woods (2 systems)
- Iron County Medical Care Facility
- Keweenaw County Road Commission (2 systems)
- Mid-Michigan District Health Department
- Village of Newberry (2 systems)
- City of Riverview
- Saline Area Fire Department
- City of St. Clare
- St. Joseph County Road Commission
- Ypsilanti Housing Commission (2 systems)

A motion was made to receive the 21 Corrective Action Extension Requests from 17 Local Units.

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

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 23 LOCAL UNITS (26 PLANS) (RESOLUTION 2019-13)

Nick Brousseau was asked to review the Treasury recommendations for approval or disapproval of the Corrective Action Plans (Resolution 2019-13) with the Board. Mr. Brousseau highlighted the local governments that Treasury felt partially met the Board's criteria as well as local governments that did not meet the Board's criteria. Mr. Brousseau addressed questions from the Board.

- Alger County Road Commission (Approval)
- Alpena County Road Commission (Disapproval)
- Bay City Housing Commission (2 systems) (Approval)
- Bay County Library System (Approval)
- Bay County Road Commission (Approval)
- Cadillac City Housing Commission Authority (Approval)
- Genesee Charter Township (Approval)
- Genesee District Library (Approval)
- Grand Blanc Charter Township (Approval)
- Iosco County Road Commission (Disapproval)
- City of Ishpeming (Approval)
- Kalkaska County Road Commission (Pension System – Approval; OPEB System – Disapproval)
- MBS International Airport Commission (Approval)
- Missaukee County Road Commission (Approval)
- Monroe Community Mental Health Authority (Disapproval)
- Montmorency County Road Commission (Approval)
- Montmorency-Oscoda-Alpena Solid Waste Management Authority (Approval)

- Muskegon Central Dispatch 9-1-1 (Approval)
- Osceola County Road Commission (2 systems) (Approval)
- Saginaw County Road Commission (Approval)
- State of Michigan 48th Judicial District Court (Approval)
- Van Buren County Road Commission (Approval)
- Waterford Charter Township (Approval)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-13).

Motion made by Barry Howard and supported by Eric Scorsone. The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-13). A voice vote was made with 2 ayes and 0 nays.

PA 202 OF 2017 CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION 2019-14)

Nick Brousseau reviewed with the Board the PA 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-14).

Motion was moved by Barry Howard and supported by Eric Scorsone, the Board unanimously moved to correct the PA 202 of 2017 Corrective Action Plan Noncompliance language (Resolution 2019-14). 2 ayes. 0 nays.

Motion was made to approve the Amended PA 202 of 2017 Corrective Action Plan Noncompliance language (Resolution 2019-14).

Motion moved by Barry Howard and supported by Eric Scorsone, the Board unanimously approved the PA 202 of 2017 Corrective Action Plan Noncompliance (Resolution 2019-14). 2 ayes. 0 nays.

PUBLIC COMMENT

No public comment.

BOARD COMMENT

No comment.

NEXT MEETING

Next regular meeting will be on June 13, 2019 at 10:00 am.

ADJOURNMENT

Motion made to adjourn. Motion moved by Barry Howard and supported by Eric Scorsone. The Board unanimously approved the motion to adjourn. 2 ayes. 0 nays,
There being no further business, the meeting adjourned at 10:33 a.m.

DRAFT

P.A. 202 of 2017 Status Update from Treasury

As of 6/10/2019

Table 1: PA 202 of 2017 Corrective Action Plan Review FY 2017

PA 202: Corrective Action Plan Analysis FY 2017							
LOCAL UNIT TYPE	CAP Submission Status			CAP Approval Status			
	Required	Submitted	Reviewed	Approved	Disapproved	Split	Noncompliant
NON-PRIMARY	107	77 (72%)	70 (91%)	61 (87%)	7 (11%)	2 (2%)	27 (25%)
PRIMARY	106	94 (89%)	87 (91%)	81 (93%)	5 (6%)	1 (1%)	15 (14%)
TOTAL	213	171 (80%)	156 (91%)	142 (91%)	12 (8%)	3 (1%)	42 (20%)

Table 2: Corrective Action Plan Review Schedule

PA 202: Corrective Action Plan Review Schedule						
LOCAL UNIT TYPE	Tentative Month of Corrective Action Plan Review ¹					
	June	July	August	October	November	December
NON-PRIMARY	10	1	0	1	3	0
PRIMARY	7	6	1	5	0	4
TOTAL	17	7	1	6	3	4

¹ This schedule excludes local governments that are noncompliant.

Treasury Department Communication and Outreach Report

- **154 one-on-one 30-minute appointments with local governments to discuss the P.A. 202 process**
 - **6 appointments in since May MSB Meeting**
 - Determining if local government offers a defined benefit
 - Filing the retirement system annual report
 - Answering general questions: normal costs, underfunded status, uniform assumptions, etc.
 - Developing waivers
 - Developing and reviewing corrective action plans
 - Discussing best practices
 - Understanding the Board's determinations
 - Implementing corrective action plans
 - Monitoring corrective action plans
- **Called 4 local governments with approved corrective action plans from FY 2017 that were delinquent in filing their 2018 Retirement System Annual Report (Form 5572)**
 - Sec. 10(6): The board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan.
 - Treasury will biannually report local governments with approved corrective action plans that fail to submit Form 5572 for noncompliance.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: June 13, 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 unit(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:

1. City of Essexville
 - a. OPEB – no revised submission received
2. Luce County Housing Commission
 - a. Pension – no revised submission received
3. Saginaw City Housing 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
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LANSING

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STATE TREASURER

DATE: June 13, 2019

TO: The Municipal Stability Board (the Board)

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

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

Suggested Action: The Board motions to begin the public comment period for the revised best practices. Treasury will report public comment submissions at the next regularly scheduled Board meeting.

Based on the Board's guidance provided during the May 20, 2019 workshop, the CEFD has drafted an annual update to the Board's *Corrective Action Plan Development: Best Practices and Strategies* guide. This memo will provide a bulleted list of notable changes to this guide and includes two versions of this guide: a version with tracked changes and an unmarked revised version.

Notable Changes:

- Best Practices:
 - Replaced annual required contribution with actuarially determined contribution
 - Added best practice regarding projections provided in actuarial analyses
 - Added a best practice about the use of enterprise funds to offset pressure to the governmental fund
 - Added best practice regarding annual review of retiree health participants and their dependents to determine eligibility
 - Added best practice regarding part-time elected officials and eligibility
 - Several technical and grammatical clarifications, modifications, and consolidations
- CAP Approval Criteria:
 - Combined the "Underfunded Status" and "Reasonable Timeframe" criteria
 - Provided supporting documentation recommendations for "Underfunded Status"
 - Changed "Legal and Feasible" criterion to "Legality" and added section on feasibility to CAP Approval Criteria description
 - Requested governing body approval for future funding proposals as part of addressing "Underfunded Status"

- Provided examples of governing body approval
- Revised “Affordability” criteria definition to refer to 22% combined ADC as a percent of general fund operating revenue rather than 10% for pension and 12% for retirement health
- Several technical and grammatical clarifications, modifications, and consolidations

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

MUNICIPAL STABILITY BOARD

CORRECTIVE ACTION PLAN DEVELOPMENT: *BEST PRACTICES AND STRATEGIES*



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

June 2019

Goal:

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

Best Practice Principles:

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

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

Best Practice Options:

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

I. Plan Funding

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

2. Modern Plan Design

- The goal of a retirement system is its ability to attract and retain a talented workforce while providing a secure retirement for beneficiaries. To accomplish this goal, local governments can develop modern plan solutions that can adapt alongside a changing work environment.
- Modern plan design options for defined benefit pension systems:
 - Implement a "bridged multiplier" for active employees
 - Implement a bridged cost of living adjustment (COLA)
 - Implement final average compensation (FAC) standards

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

- Evaluate the affordability of the plan and the need to ~~R~~reduce or eliminate future defined benefit accruals by offering-changing to a defined contribution plan or hybrid plan ~~to for:~~
 - Active employees
 - New hires
 - Limit defined benefit options for newly hired employees, including multipliers, cost of living increases, retirement age, and benefit vesting periods
 - ~~Enroll new hires into a defined contribution plan or a hybrid plan~~
 - ~~Close the defined benefit plan~~
 - Evaluate the financial implications of any early retirement incentive buyouts
 - Limit the dual payment of both a pension and a salary to any employee who is rehired after retirement by the same employer, in accordance with IRS regulations
- Modern plan design options for retirement health systems:
- Require cost sharing of premiums and ~~sufficient~~reasonable copays
 - ~~Implement a cap on employer retiree health care costs~~
 - ~~Require mirroring of retiree health care plans within the same local government~~
 - Require mirroring of retiree health care plans with active employee health care plans within the same local government
 - Require retirees to use their current employer's health benefits or their spouse's health benefits, if available
 - Require use of Medicare as primary insurance for retirees 65 and older
 - Enroll new hires in a defined contribution retiree health care plan
 - Evaluate the financial implications of any early retirement incentive buyouts
 - ~~Do not offer incentive packages for early separation without first considering the costs of the separation on the retirement health system~~
 - Raise the eligibility age for retiree health care
 - Implement vesting rules that provide levels of benefits based on years of service
 - Use a market driven approach to evaluate benefit offerings and carriers

3. Effective Plan Administration

- Local governments should use a variety of options to ensure that their retirement benefits are being administered as effectively as possible
- Below are administration options to maintain fiscally stable retirement systems:
 - Work with system providers to determine appropriate solutions
 - Obtain an annual actuarial valuation for both pension and retirement health care systems with greater than 50 members
 - Require all retirement systems to be 100 percent funded before any benefit increases can take effect
 - Require an experience study by the plan's actuary at least every five years
 - At least every eight years, require a peer actuarial audit to be conducted by an actuary that is not the plan actuary or change actuaries
 - ~~Obtain frequent annual ADCs for all retirement systems~~
 - At a minimum, provide five-year projections within the annual valuations for ADCs, retirement benefit payments, funded levels assets, and liabilities and required contributions until the system is at least 100% funded
 - Consult with the system provider about diversifying the investment portfolio. Ensure proper assumptions are utilized according to actuarial standards of practice
 - Ensure management and oversight boards have proper experience, skills, and training to administer retirement systems
 - Use of asset smoothing in the valuation to reduce the impact of significant investment losses on ~~required contribution~~ADC amounts

- Create a [retirement benefits](#) committee consisting of all stakeholders (employees, retirees, and employer representation) to evaluate [benefit](#) options ~~for benefit offerings~~
- [If sustainable, enterprise funds may be utilized to support applicable retirement costs to offset pressure on the governmental fund](#)
- [Conduct an annual review of all retiree health care systems to ensure employees/retirees](#) and their dependents still qualify for retiree health care. This would include an audit for those plans that are different for people that are on Medicare.
- [Evaluate retirement benefit eligibility for part-time elected officials](#)

CAP Approval Criteria:

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

I. Underfunded Status

- [A local government must address its underfunded status in a reasonable timeframe.](#)
- [Primary and Non-Primary Governments:](#) The CAP must demonstrate, through ~~distinct-detailed~~ supporting documentation, how and when the retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health systems. These minimum funding ratio percentages are determined by Sec. 5(4)(a) and Sec. 5(4)(b) of the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis which illustrates how and when the local government will reach the minimum funding ratio percentages.
 - [It is recommended that the supporting documentation showsinclude a projection for the durationlife of the plan that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments \(if applicable\), andactuarial assumptions, and retiree benefit payments.](#)
 - [As general guidance, a local government with a severely underfunded pension system \(45% or less\) should reach a funded ratio of sixty percent within twenty years. A local government with a severely underfunded retirement health system \(25% or less\) should reach a funded ratio of forty percent within thirty years.](#)
 - [If the corrective action plan includes future funding to be used to address underfunded status, a resolution or motion approving the additional funding byfrom the governing body should be included.](#)
 - [The prospective actions listed in a CAP should have a start date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local government has up to 180 days to begin to implement the corrective actions, unless a legal or contractual obligation prevents implementation within this timeframe. specifically approving the additional funding.](#)

Or

- [Primary Governments:](#) If the local government is a city, village, township, or county, it must demonstrate through ~~distinct-detailed~~ supporting documentation how and when its [ARC-ADC](#) will be less than 10 percent of the general fund operating revenues for pension systems and/or will be less than 12 percent of the general fund operating revenues for retirement health systems. The Board may consider this as means to address underfunded status in accordance with the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis for [ARCADC](#). The local government must project general fund

operating revenues using a reasonable forecast based on historical trends and projected rates of inflation.

- For local governments who are addressing underfunded status through the ARCADC/Revenue trigger in their corrective action plan, the local government must show how it will get below the PA 202 established ARCADC/Revenue trigger within 5 years.

The prospective actions listed in a CAP should have a start date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local government has up to 180 days to begin to implement the corrective actions, unless a legal or contractual obligation prevents implementation within this timeframe.

2. Reasonable Timeframe

The corrective actions listed will address the underfunded status within a reasonable timeframe. Because all local units and their circumstances are unique, a reasonable timeframe will be determined on a case by case basis for each local unit.

As general guidance, a local unit with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local unit with a severely underfunded retirement health system (25% or less) should reach a funded ratio of forty percent within thirty years.

For local units who are addressing underfunded status through the ARC/Revenue trigger in their corrective action plan, the local government must show how it will get below the PA 202 established ARC/Revenue trigger within 5 years. The prospective actions listed in a CAP should have a date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local unit has up to 180 days to begin to implement the corrective actions, unless a legal or contractual obligation prevents implementation within this timeframe.

2. 3. Legality and Feasible

- A CAP must follow all applicable local, state, and federal laws.
- **The governing body of the local government must approve the CAP**, and the local government must attach proof of the governing body approval with the submission of their CAP.
 - Common examples of Acceptable governing body approval can be but is include not limited to, official minutes, draft minutes, excerpt of minutes signed by clerk, or formal resolution.
- The local government's administrative officer or designee certifies that it will implement the CAP.
- The local unit must demonstrate that prospective actions are feasible. In other words, are the proposals in the CAP reasonably achievable? Examples of reasonably achievable actions are as follows:
 - A proposed millage rate increase must be within the local unit's charter or statutory requirements.
 - A proposed modification in benefit levels must consider the collective bargaining process, if applicable.
 - A funding option to create a separate revenue stream through a new tax, such as a Public Act 345 millage, should include a detailed implementation plan.
 - A proposed change to enact a retiree health care stipend should include the cost savings associated with the stipend option, as well as the plan for adoption and implementation.

3. 4. Affordability

- The local government must confirm that corrective actions listed in the CAP allow for the local government to make, at a minimum, the annual required contribution actuarially determined contribution (ADC) (ARCADC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits (Sec. 4(1) of the Act, MCL 38.2804). This section confirms that a local government has linked long-term future payment expectations with revenue expectations and has concluded that they local government can afford those payments are affordable now and into the future without additional changes to their CAP.

- The practice of affordability means the ability to meet a local government's current and future obligations, without using a significant percentage of the annual budget. Affordability is defined as follows:
 - In accordance with the Act, the ADC for all retirement systems should not be greater than 22 percent of general fund operating revenues. In accordance with the Act, annual required contributions should remain less than 10 percent of general fund operating revenues for pension systems and less than 12 percent of general fund operating revenues for retirement health systems.
 - The ability of a local government to offer residents critical public services while paying for legacy obligations.
 - The ability of a local government to prefund retirement benefits, earn interest or investment income, and build savings to afford future payments.
 - Affordability is reached through plan funding, modern plan design, and effective plan administration.

Implementation:

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

Glossary of Terms

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

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

Annual Required Contribution (ARC) Actuarially determined contribution (ADC): As defined in [Public Act 202 by Treasury's Numbered Letter 2018-3 of 2017](#), the sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability. ~~(MCL 38.2803).~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DRAFT

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MUNICIPAL STABILITY BOARD

CORRECTIVE ACTION PLAN DEVELOPMENT: *BEST PRACTICES AND STRATEGIES*



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

June 2019

Goal:

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

Best Practice Principles:

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

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

Best Practice Options:

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

1. Plan Funding

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

2. Modern Plan Design

- The goal of a retirement system is its ability to attract and retain a talented workforce while providing a secure retirement for beneficiaries. To accomplish this goal, local governments can develop modern plan solutions that can adapt alongside a changing work environment.
- Modern plan design options for defined benefit pension systems:
 - Implement a "bridged multiplier" for active employees

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

- Implement a bridged cost of living adjustment (COLA)
- Implement final average compensation (FAC) standards
- Evaluate the affordability of the plan and the need to reduce or eliminate future defined benefit accruals by changing to a defined contribution plan or hybrid plan for:
 - Active employees
 - New hires
- Limit defined benefit options for newly hired employees, including multipliers, cost of living increases, retirement age, and benefit vesting periods
- Evaluate the financial implications of any early retirement incentive buyouts
- Limit the dual payment of both a pension and a salary to any employee who is rehired after retirement by the same employer, in accordance with IRS regulations
- Modern plan design options for retirement health systems:
 - Require cost sharing of premiums and reasonable copays
 - Implement a cap on employer retiree health care costs
 - Require mirroring of retiree health care plans with active employee health care plans within the same local government
 - Require retirees to use their current employer's health benefits or their spouse's health benefits, if available
 - Require use of Medicare as primary insurance for retirees 65 and older
 - Enroll new hires in a defined contribution retiree health care plan
 - Evaluate the financial implications of any early retirement incentive buyouts
 - Raise the eligibility age for retiree health care
 - Implement vesting rules that provide levels of benefits based on years of service
 - Use a market driven approach to evaluate benefit offerings and carriers

3. Effective Plan Administration

- Local governments should use a variety of options to ensure that their retirement benefits are being administered as effectively as possible
- Below are administration options to maintain fiscally stable retirement systems:
 - Work with system providers to determine appropriate solutions
 - Obtain an annual actuarial valuation for both pension and retirement health care systems with greater than 50 members
 - Require all retirement systems to be 100 percent funded before any benefit increases can take effect
 - Require an experience study by the plan's actuary at least every five years
 - At least every eight years, require a peer actuarial audit to be conducted by an actuary that is not the plan actuary, or change actuaries
 - Provide projections within the annual valuations for ADCs, retirement benefit payments, assets, and liabilities until the system is at least 100% funded
 - Consult with the system provider about diversifying the investment portfolio. Ensure proper assumptions are utilized according to actuarial standards of practice
 - Ensure management and oversight boards have proper experience, skills, and training to administer retirement systems
 - Use of asset smoothing in the valuation to reduce the impact of significant investment losses on ADC amounts
 - Create a retirement benefits committee consisting of all stakeholders (employees, retirees, and employer representation) to evaluate benefit options
 - If sustainable, enterprise funds may be utilized to support applicable retirement costs to offset pressure on the governmental fund

- Conduct an annual review of all retiree health care systems to ensure retirees and their dependents still qualify for retiree health care. This would include an audit for those plans that are different for people that are on Medicare.
- Evaluate retirement benefit eligibility for part-time elected officials

CAP Approval Criteria:

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

I. Underfunded Status

- **A local government must address its underfunded status in a reasonable timeframe.**
- **Primary and Non-Primary Governments:** The CAP must demonstrate, through detailed supporting documentation, how and when the retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health systems. These minimum funding ratio percentages are determined by Sec. 5(4)(a) and Sec. 5(4)(b) of the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis which illustrates how and when the local government will reach the minimum funding ratio percentages.
 - It is recommended that the supporting documentation shows a projection for the duration of the plan that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments (if applicable), actuarial assumptions, and retiree benefit payments.
 - As general guidance, a local government with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local government with a severely underfunded retirement health system (25% or less) should reach a funded ratio of forty percent within thirty years.
 - If the corrective action plan includes future funding to be used to address underfunded status, a resolution or motion approving the additional funding by the governing body should be included.
 - The prospective actions listed in a CAP should have a start date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local government has up to 180 days to begin to implement the corrective actions.

Or

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

2. Legality

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

3. Affordability

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

Implementation:

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DRAFT

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: June 13, 2019

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Corrective Action Plan Extension Requests

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

- I. Harrison Charter Township (3 systems)
 - a. Pension Fire
 - b. OPEB General
 - c. OPEB Fire

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



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DATE: June 13, 2019

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Receipt of Corrective Action Plans

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

- I. Village of Chesaning
 - A. Pension: Municipal Employee's Retirement System
- II. Chippewa County Road Commission
 - A. Pension: Chippewa CRC
 - B. OPEB: Chippewa County Road Commission OPEB Plan
- III. City of Gaylord
 - A. OPEB: OPEB
- IV. Village of Homer
 - A. Pension: MERS
- V. Village of Lexington
 - A. OPEB: MERS
- VI. City of Melvindale (2 systems)
 - A. Pension: MERS
 - B. OPEB: City of Melvindale-Self Insured
- VII. Oscoda County Road Commission
 - A. Oscoda County Road Commission Retiree Health Plan

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

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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: Village of Chesaning Six-Digit Muni Code: 733020
Defined Benefit Pension System Name: Municipal Employee's Retirement System
Contact Name (Administrative Officer): Troy Feltman
Title if not Administrative Officer: Village Administrator
Email: villageadmin@villageofchesaning.org Telephone: (989) 845-3800

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

Effective 3-1-2012 all new hires are placed in the MERS defined contribution plan outlined here: C-1 New, FAC 5, 10-year vesting and retirement age of 60. This plan replaces the defined benefit plan. This action, combined with the additional funding outlined below will bring the retirement system to a 62% funding by year 2032 which meets the requirements of P.A. 202. Please see the attached table from our MERS valuation.

- ☒ **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**.*

The Village has negotiated an increase in employee contributions from 4% to 11% by year 2020. Additionally, the Village continues to contribute at a higher rate than recommended by our annual MERS valuation. Finally, the Village Council has directed that 75% of all dividends from the Village's investments are sent to MERS to address the unfunded liability issue. This results in annual contribution of \$38,000 to \$42,000.

- ☒ **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**.*

While not recognized by the rules implementing PA 202, the Village would note that the significant majority of the current unfunded liability (\$2,658,818 of the total \$2,671,871) is attributable to employees who are funded through our water & sewer systems (enterprise funds). We are not allowed to include the revenue from the enterprise funds in our PA 202 report which skews the ratio of assets to liabilities.

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**.

Village has taken actions which will bring the retirement system into compliance with P.A. 202 in an acceptable time frame per our auditors and accounting consultants.

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

☒ Yes

☐ No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

☒ Attachment – I

☒ Attachment – Ia

☒ Attachment – 2a

☐ Attachment – 3a

☐ Attachment – 4a

☐ Attachment – 5a

☐ Attachment –6a

Type of Document

This Corrective Action Plan Form (Required)

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

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

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

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

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

Other documentation not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

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

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

☒ The Municipal Employee's Retirement System (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2028 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature 

Date May 28, 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: Chippewa County Road Commission Six-Digit Muni Code: 170100

Defined Benefit Pension System Name: Chippewa CRC

Contact Name (Administrative Officer): Brian Decker

Title if not Administrative Officer: Office Manager

Email: bdecker@chippewacountyroads.org Telephone: (906) 635-5295

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

See Attached.

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

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

See Attached.

- ☒ **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.*

See Attached.

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.

See Attached.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

☒ Yes

☐ No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

☒ Attachment – 1

☒ Attachment – 1a

☒ Attachment – 2a

☐ Attachment – 3a

☐ Attachment – 4a

☐ Attachment – 5a

☐ Attachment – 6a

Type of Document

This Corrective Action Plan Form (Required)

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

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

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

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

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

Other documentation not categorized above

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

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

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

☒ The Chippewa CRC MERS Pension Plan (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2038 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature _____

Date 06/06/2019

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: Chippewa County Road Commission Six-Digit Muni Code: 170401

Retirement Health Benefit System Name: Chippewa County Road Commission OPEB Plan

Contact Name (Administrative Officer): Brian Decker

Title if not Administrative Officer: Office Manager

Email: bdecker@chippewacountyroads.org Telephone: (906) 635-5295

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

See Attached

- ☒ **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.*

A Section 115 Trust was established in April 2018 to begin to address the Road Commission's unfunded OPEB Liability. As of June 30, 2018, \$800,000 has been deposited into the trust with an additional \$200,000 being deposited before year-end. We will continue to deposit funds into the trust as funding allows.

- ☒ **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**.*

At December 31, 2018, the percentage of our annual costs vs. annual revenue is 12.2%.

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.

It is the goal of this board to deposit \$250,000 per quarter in 2019 to continue to try and get the unfunded percentage down to a reasonable amount.

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

☒ Yes

☐ No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

☒ Attachment – 1

This Corrective Action Plan (Required)

☒ Attachment – 1a

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

☒ Attachment – 2a

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

☐ Attachment – 3a

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

☐ Attachment – 4a

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

☐ Attachment – 5a

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

☐ Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

☒ Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?

☒ Reasonable Timeframe

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

☒ Legal and Feasible

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

☒ Affordability

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

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

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

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

☒ The Chippewa CRC OPEB Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2040 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 06/06/2019



City of
Gaylord

305 E. Main Street
Gaylord, MI 49735
989.732.4060
989.732.8266 Fax
CityOfGaylord.com

May 29, 2019

Michigan Department of Treasury
Michigan Stability Board
LocalRetirementReporting@michigan.gov

ATTACHMENT - 1

RE: Corrective Action Plan-2018, City of Gaylord, OPEB

Dear Board:

Prior to 1996, the City of Gaylord offered retiree healthcare at a cost of 50% to retirees that choose to utilize the city's retiree policy. After 1996, the amount was changed to a \$205 monthly stipend towards the cost of the policy for those choosing the plan.

The City of Gaylord has thirty (30) retirees eligible to receive this benefit. Currently, we have four (4) that take advantage of this benefit. We have found that most of our retirees are able to find more affordable healthcare through other sources than the City. Due to the small amount that this benefit costs the city on an annual basis; we have been able to fund this benefit, as the expense occurs, utilizing our general fund budget. With the passage of Pubic Act 202 of 2017, we realize that changes will need to be made to comply with the new requirements.

PROSPECTIVE ACTIONS:

SYSTEM DESIGN CHANGES:

The City realizes that this is not a benefit that is utilized by the majority of our retirees. The City would like to eliminate the \$205 per month stipend that is provided, upon retirement, to our current and future employees that elect to utilize the City's retiree healthcare plan. The following are the actions that the City of Gaylord has taken to eliminate this benefit for current and future employees of the City of Gaylord:

- a. Labor negotiations with both our POLC and AFSCME labor unions for contracts dated July 1, 2019 to June 30, 2022 were successful in eliminating this stipend.
- b. City Council, by resolution, approved the removal of the Retiree Health Care from the current Human Resources Policy Manual. All current nonunion employees were made aware of this removal and signed forms acknowledging the discontinuance of this benefit.

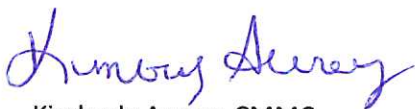
ADDITIONAL FUNDING:

The City of Gaylord realizes that there is still a need to fund the retiree healthcare benefit for current retirees. Calculations provided on Attachment 2a show the amounts necessary to adequately fund such an account. The following is the course of action that the City of Gaylord will take to properly fund our account:

- a. The City of Gaylord, by resolution, has approved a budget amendment to our Health Insurance Premiums line item (Account number 101-951-719.00 in our general fund) in the amount of \$55,000. These funds were used to establish the Retiree Healthcare Benefit Fund for the City of Gaylord and successfully fund it at an amount over the necessary 40%.
- b. The City of Gaylord will continue to make yearly contributions to this fund, utilizing the same budget line item from our general fund, to insure that it remains over the necessary funding levels.

The above listed actions taken by the City of Gaylord has successfully funded our OPEB account at a level that exceeds the funded balances set by Public Act 202 of 2017. We will continue to make the necessary annual contributions to stay at or above this necessary funding. If you should have any questions regarding this plan, or require any additional information please let me know.

Respectively Submitted,



Kimberly Awrey, CMMC
Assistant City Manager/City Clerk

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: VILLAGE OF HOMER Six-Digit Muni Code: 133030
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): ARTHUR KALE
Title if not Administrative Officer: MANAGER
Email: MANAGER@HOMERMICHIGAN.ORG Telephone: (517) 568-4321

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

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

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

The actuarial for 2017 shows that the Village of Homer is 89.9% funded. Also our ARC is less than 10% of our annual required contribution so the Village of Homer is in compliance.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) 133030 to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

☒ Yes

☐ No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

☒ Attachment – 1

☒ Attachment – 1a

☒ Attachment – 2a

☐ Attachment – 3a

☐ Attachment – 4a

☐ Attachment – 5a

☐ Attachment – 6a

Type of Document

This Corrective Action Plan Form (Required)

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

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

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

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

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

Other documentation not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

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

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

☐ The MERS (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2017 as demonstrated by required supporting documentation listed in section 6.

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

☒ The ARC for all of the defined benefit pension retirement systems of Village of Homer (Insert local unit name) will be less than 10% of the local unit of government's annual governmental fund revenues by Fiscal Year 2017 as demonstrated by required supporting documentation listed in section 6.

Signature



Date 05/31/2019

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: Village of Lexington Six-Digit Muni Code: 763050
Retirement Health Benefit System Name: MERS
Contact Name (Administrative Officer): Holly Tatman
Title if not Administrative Officer: Village Manager
Email: htatmanvillagemgr@gmail.com Telephone: (810) 359-8631

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

(ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

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

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

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**.*

During the most recent collective bargaining agreement with our union employees we came to an agreement that beginning in 7/2019 the employees would begin an 80/20 cost sharing program for any increases to the health insurance. This is a 4 year contract and begins the shift to allow employees to share in the rising Village health care costs.

- ☒ **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 Village of Lexington has created a trust account to invest into for the purpose of retiree healthcare liabilities. \$98,206 was used to create the account and by way of our auditors recommendations we are looking at an annual contribution to that account. That number will be determined during our budgeting process but it is recommended we look at contributing no less than \$25,000 annually to show ample efforts in meeting the 40% funding requirement.

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

☒ Yes

☐ No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

☒ Attachment – I

This Corrective Action Plan (Required)

☒ Attachment – 1a

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

☒ Attachment – 2a

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

☐ Attachment – 3a

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

☐ Attachment – 4a

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

☐ Attachment – 5a

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

☐ Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

☒ Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?

☒ Reasonable Timeframe

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

☒ Legal and Feasible

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

☒ Affordability

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

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

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

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

☒ The MERS (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2046 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 Holly Tatman

Date 5/21/19

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: City of Melvindale Six-Digit Muni Code: 822200
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Richard S. Ortiz
Title if not Administrative Officer: _____
Email: finance@melvindale.org Telephone: (313) 429-1059

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

Since 2010, defined benefit plans for new hires has been eliminate. The City has worked with MERS regarding the ARC and have a 21 year amortization. The City will be 60% funded in 2027 (see page 13). The City has never defaulted on any payments and will have the funds to continue the required funding of the system on a monthly basis (see page 6). Contracted Fire Services have reduced legacy costs and increased cash flow.

- ☐ **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**.

As indicated in the 2017 Valuation, divisions 1 and 2 were open. Since the waiver application denial, the City has closed divisions 1 and 2 to new hires and the 60% funded level will be attained in 2027 (8 years), a year earlier than previously reported. The City can meet its monthly funding obligation and will be considering service consolidations and sales of assets to reduce costs and improve cash flow for future funding. Currently, only 12 actives remain.

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

☒ Yes

☐ No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

☒ Attachment – I

☒ Attachment – Ia

☒ Attachment – 2a

☐ Attachment – 3a

☐ Attachment – 4a

☐ Attachment – 5a

☐ Attachment –6a

Type of Document

This Corrective Action Plan Form (Required)

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

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

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

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

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

Other documentation not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

☒ 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 Richard S. Ortiz, as the government's administrative officer (*enter title*) City Administrator/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.

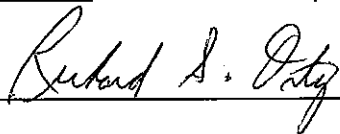
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

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

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

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

Signature



Date 05/16/2019

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: City of Melvindale Six-Digit Muni Code: 822200
Retirement Health Benefit System Name: City of Melvindale - Self Insured
Contact Name (Administrative Officer): Richard S. Ortiz
Title if not Administrative Officer: _____
Email: finance@melvindale.org Telephone: (313) 429-1059

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

Historically, the City had numerous plans due to various retirements from several different union contracts. On January 1, 2015, the City consolidated health care plans to (3) classes. Actives, Pre-65 Retirees and Post-65 retirees. The actives have a HDHP, the Pre-65 have a deductible plan and changes to co-pays. The Post-65 are required to participate in Medicare Part B and their reimbursement was eliminated. Since inception, approx. \$600,000 in savings.

- ☐ **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**.*

In June, the City will be reviewing plan options. The changes and cost savings are to be determined by the Fall, with implementation on 1/1/2020. The City can meet its monthly funding obligation and will be considering service consolidations and sales of assets to reduce costs and improve cash flow for future funding. With the exception of Police, Retiree Healthcare has been closed to new hires since September 14, 2011.

- ☐ **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

☒ 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, Richard S. Ortiz, as the government's administrative officer (insert title)
City Administrator/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 City of Melvindale - Self Insured (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 Richard S. Ortiz

Date 05/16/2019

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: Oscoda County Road Commission Six-Digit Muni Code: 680100

Retirement Health Benefit System Name: Oscoda County Road Commission Retiree Health Plan

Contact Name (Administrative Officer): Steven Defour

Title if not Administrative Officer: Manager

Email: steve@oscr.org Telephone: (989) 826-3218

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

Employees hired after October 1, 2005 who then retire are eligible for Single Subscriber Health Insurance until the age of sixty-five (65), if they have worked for the Road Commission for twenty (20) years and are at least fifty-five (55). After age sixty-five (65), they will not receive any health care benefits paid for by the Road Commission. Refer to Attached A-1.

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

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

The road commission has decided to establish a trust make an annual amount of \$24,000 in addition to the pay-as-you-go payments for the year. This approach will increase the retirement system to the 40% funding level in the year 2036. Refer to Attached A-2.

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

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

December 31, 2018 the road commission hired Watkins Ross to perform an actuarial valuation. The valuation shows a reduction in our retiree healthcare liability over the fiscal year. Refer to Attached A-3.

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

☒ Attachment – 1

This Corrective Action Plan (Required)

☒ Attachment – 1a

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

☒ Attachment – 2a

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

☐ Attachment – 3a

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

☐ Attachment – 4a

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

☐ Attachment – 5a

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

☐ Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

☒ Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?

☒ Reasonable Timeframe

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

☒ Legal and Feasible

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

☒ Affordability

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

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

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

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

☒ The Oscoda Co Rd Commission Retiree Health (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2036 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

Steven Defour

Date

6/6/2019

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-16**

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

June 13, 2019

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

CAP Criteria Key	
Underfunded Status	Was there description and adequate supporting documentation of how and when the retirement system will address the Underfunded Status criteria as defined by the Municipal Stability Board?
Timeframe	Does this corrective action for this plan meet the Reasonable Timeframe criteria as defined by the Municipal Stability Board?
Legal/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?
Affordable	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	<u>Underfunded Status</u>	<u>Timeframe</u>	<u>Legal/Feasible</u>	<u>Affordable</u>	<u>Treasury Recommendation</u>	<u>Corrective Action Plan Link</u>
1	Ann Arbor Area Transportation Authority	817548	OPEB	5/20/2019	Partial	Partial	Yes	Yes	Approve	Ann Arbor Area Transportation Authority - OPEB
2	Bay County	090000	OPEB Voluntary Employees	5/20/2019	Yes	Yes	Yes	Partial	Approve	Bay County - OPEB Voluntary Employees
3	Bay County	090000	OPEB Medical Care Facility	5/20/2019	Yes	Yes	Yes	Partial	Approve	Bay County - OPEB Medical Care Facility
4	Blackman Charter Township	381010	OPEB	5/20/2019	No	No	Yes	Yes	Disapprove	Blackman Charter Township - OPEB
5	Capital Area Transit Authority	337510	OPEB	5/20/2019	No	No	Yes	Yes	Disapprove	Capital Area Transit Authority - OPEB
6	Copper Country Mental Health Services Board Authority	077501	OPEB	5/20/2019	No	No	Yes	Yes	Disapprove	Copper Country Mental Health Services Board Authority - OPEB
7	Charter Township of Hampton	091070	OPEB	5/20/2019	Yes	Yes	Yes	Yes	Approve	Charter Township of Hampton - OPEB
8	City of Harper Woods	822150	Pension	5/20/2019	Yes	Yes	Yes	Partial	Approve	City of Harper Woods - Pension
9	Henika District Library	038002	Pension	5/20/2019	Yes	Yes	No	Yes	Disapprove	Henika District Library - Pension
10	Iron County Medical Care Facility	367510	OPEB	5/20/2019	Yes	Yes	Yes	Yes	Approve	Iron County Medical Care Facility - OPEB
11	Keweenaw County Road Commission	420100	Pension	5/20/2019	Yes	Yes	Yes	Yes	Approve	Keweenaw County Road Commission - Pension
12	Keweenaw County Road Commission	420100	OPEB	5/20/2019	Yes	Yes	Yes	Yes	Approve	Keweenaw County Road Commission - OPEB
13	Mid-Michigan District Health Department	597511	OPEB	5/20/2019	Partial	Partial	Yes	Yes	Approve	Mid-Michigan District Health Department - OPEB
14	Village of Newberry	483010	Pension	5/20/2019	Yes	Yes	Yes	Yes	Approve	Village of Newberry - Pension
15	Village of Newberry	483010	OPEB	5/20/2019	Yes	Yes	Yes	Yes	Approve	Village of Newberry - OPEB
16	City of Riverview	822240	OPEB	5/20/2019	No	No	Yes	Partial	Disapprove	City of Riverview - OPEB
17	Saline Area Fire Department	817542	OPEB	5/20/2019	Yes	Yes	Yes	Yes	Approve	Saline Area Fire Department - OPEB
18	City of St. Clair	742070	Pension	5/20/2019	Yes	Yes	Yes	Yes	Approve	City of St. Clair - Pension
19	St. Joseph County Road Commission	750100	OPEB	5/20/2019	Partial	Partial	Yes	Yes	Approve	St. Joseph County Road Commission - OPEB
20	Ypsilanti Housing Commission	817551	Pension	5/20/2019	Yes	Yes	Yes	Yes	Approve	Ypsilanti Housing Commission - Pension
21	Ypsilanti Housing Commission	817551	OPEB	5/20/2019	No	No	Yes	Yes	Disapprove	Ypsilanti Housing Commission - OPEB

Treasury Recommendation
Ann Arbor Transportation Authority OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817548

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
OPEB	OPEB	\$105,895	\$1,420,888	7.5%	\$85,212	\$47,256,743	0.2%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Ann Arbor Transportation Authority, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - As of January 2008, this Plan was closed and active bargaining and non-bargaining employees who were eligible to retire based upon attaining age 62 with at least 15 years of service were eligible to elect to stay in this plan when they retire.
 - As of September 30, 2018, there are 11 retirees and spouses and one active employee in the medical portion of the OPEB plan.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - The medical benefits portion of the OPEB has been closed for over 10 years. The annual required contribution represents 0.2% of the total revenues and AAATA will continue to be paid on a pay-go basis. The age range for retirees currently receiving medical benefits is between 66 and 81 years.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - AAATA will adopt a policy to change its funding policy from Pay-Go to full funding by 9/30/2019.
 - Will contribute \$660,000 to its qualified trust, which will bring the fund balance to \$768,000 (45% of actuarially determined full-funding) (Treasury not able to confirm contribution was made).
- Other Considerations:
 - None Listed.

System Status for All Divisions: Closed

Treasury Recommendation
Ann Arbor Transportation Authority OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817548

Plan size: members 12

- Inactive employees or beneficiaries currently receiving benefits: 11
- 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:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
 - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2019; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

Supplemental Information:

The Authority committed to contributing \$660,000 to their qualified trust in 2019 to bring their funded ratio to 45% of their liabilities listed in their 2018 audit of \$1,705,243. Plan closed for 10 years and retirees currently receiving medical benefits is between 66 and 81 years. Projected payments expected to increase by 23% between 2018 and 2027 or 2.5% a year.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
County of Bay - Bay County Medical Care Facility OPEB Corrective Action Plan (CAP)
Primary Unit 090000

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$261,487,188	\$243,696,202	107.3%	\$1,072,462	\$49,578,108	2.2%	NO
Bay County Medical Care Facility	OPEB	\$8,603,000	\$48,232,000	17.8%	\$3,320,329		17.5%	YES
Bay County Voluntary Employees'	OPEB	\$12,359,000	\$67,890,000	18.2%	\$5,356,050			YES
Total		\$282,449,188	\$359,818,202		\$9,748,841		19.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the Bay County Medical Care Facility OPEB corrective action plan submitted by County of Bay, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Closed the plan to new employees hired on or after 1/15/2010.
 - Converted all current retirees age 65 and older to Medicare advantage and all future retirees will also be required to enroll.
 - Increased contributions to \$510,587 in 2018 and budgeted contribution of \$463,986 in 2019.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - Increased contributions to \$510,587 in 2018 and budgeted contribution of \$463,986 in 2019. This is in addition to the pay-go contribution.
 - Beyond 2022, an annual additional contribution of \$1,000,000 will be given until 100% funded.
- Other Considerations:
 - None Listed.

System Status for All Divisions: CLOSED

Treasury Recommendation
County of Bay - Bay County Medical Care Facility OPEB Corrective Action Plan (CAP)
Primary Unit 090000

Plan size: members 0

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

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2022).
- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Affordable:
 - The local unit did not confirm section 5 of the corrective action plan template, however, the plan appears to be affordable.

Supplemental Information:

The below actuarial projection shows the County's Medical Care Facility Group reaching 40% funded in 2022.

Treasury Recommendation
County of Bay - Bay County Medical Care Facility OPEB Corrective Action Plan (CAP)
Primary Unit 090000

BAY COUNTY
RETIREMENT HEALTH BENEFITS SYSTEM (OPEB/VEBA) ANALYSIS
Medical Care Facility Group

Fiscal Year	Actuarial Accrued Liability Projection				Market Value of Asset Projection				Unfunded Liability (A) - (B)	Funded Percentage (B) / (A)
	Normal Cost	Benefit / Pay-Go Payments	7.00% Interest	AAL End of Year (A)	Benefit / Pay-Go Payment	Additional Contribution	7.00% Interest	Asset Value End of Year (B)		
1/1/2017 to 12/31/2017				\$ 37,478,138				\$ 10,943,671	\$ 26,534,467	29.2%
1/1/2018 to 12/31/2018	\$ 301,828	\$ 2,045,680	\$ 2,578,496	\$ 38,312,782	\$ 745,706	\$ 510,587	\$ 781,180	\$ 12,235,438	\$ 26,077,343	31.9%
1/1/2019 to 12/31/2019	\$ 286,737	\$ 1,450,000	\$ 2,635,919	\$ 39,785,438	\$ 1,450,000	\$ 463,986	\$ 866,101	\$ 13,565,525	\$ 26,219,913	34.1%
1/1/2020 to 12/31/2020	\$ 271,645	\$ 1,558,750	\$ 2,729,281	\$ 41,227,614	\$ 1,558,750	\$ 578,721	\$ 964,638	\$ 15,108,884	\$ 26,118,730	36.6%
1/1/2021 to 12/31/2021	\$ 256,554	\$ 1,663,966	\$ 2,828,214	\$ 42,648,417	\$ 1,663,966	\$ 769,386	\$ 1,082,898	\$ 16,961,168	\$ 25,687,249	39.8%
1/1/2022 to 12/31/2022	\$ 241,462	\$ 1,767,963	\$ 2,925,681	\$ 44,047,597	\$ 1,767,963	\$ 906,047	\$ 1,218,544	\$ 19,085,759	\$ 24,961,838	43.3%

- * The actuarial assumed rate of investment return is 7.00%.
- * The actuarial assumed medical and drug valuation trend rates of 7.50%, 6.75% and 6.25% for 2020, 2021 and 2022, respectively.
- * Contributions in 2023 and beyond are planned to be \$1,000,000 per year until fully funded at 100%.
- * Established a Voluntary Employees' Beneficiary Association Trust effective September 30, 2001.
- * Employees hired on or after 1/15/10 are not eligible for post employment health care.
- * Converted all current retirees to Medicare Advantage in 2018. All future retirees will be required to enroll in the Medicare Advantage Plan.
- * This analysis excludes the effects of potential plan experience regarding economic or demographic assumptions and future unplanned system design changes.
- * If all above assumptions are met, the Medical Care Facility Group is projected to attain a market value based 40% funded level by the end of 2022.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
County of Bay - Bay County Volunteer Employees' OPEB Corrective Action Plan (CAP)
Primary Unit 090000

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$261,487,188	\$243,696,202	107.3%	\$1,072,462	\$49,578,108	2.2%	NO
Bay County Medical Care Facility	OPEB	\$8,603,000	\$48,232,000	17.8%	\$3,320,329		17.5%	YES
Bay County Voluntary Employees'	OPEB	\$12,359,000	\$67,890,000	18.2%	\$5,356,050			YES
Total		\$282,449,188	\$359,818,202		\$9,748,841		19.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the Bay County Volunteer Employees' OPEB corrective action plan submitted by County of Bay, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Closed the plan to new employees hired on or after 1/1/2010.
- Plan Funding:
 - Approved a one time lump sum contribution of \$1,464,000 in 2018 budget.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - Approved monthly contribution of 6% of payroll for all employees that qualify for future participation in VEBA plan. This amount will be reviewed annually.
 - The referenced VEBA estimated projections show the sheriff group reaching 40% in 2018 and the general group in 2021.
- Other Considerations:
 - None Listed.

System Status for All Divisions: CLOSED

Plan size: members 1000

Treasury Recommendation
County of Bay - Bay County Volunteer Employees' OPEB Corrective Action Plan (CAP)
Primary Unit 090000

- Inactive employees or beneficiaries currently receiving benefits: 397
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 603

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 (2021).
- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Affordable:
 - The local unit did not confirm section 5 of the corrective action plan template, however, the plan appears to be affordable.

Supplemental Information:

The below actuarial projection shows the County's Sherriff group reaching 40% in 2018 and the general group reaching 40% in 2021.

Treasury Recommendation
County of Bay - Bay County Volunteer Employees' OPEB Corrective Action Plan (CAP)
Primary Unit 090000

BAY COUNTY VEBA PLAN ESTIMATED PROJECTIONS
General Group and Sheriff's Group

GENERAL COUNTY GROUP

Fiscal Year	Actuarial Accrued Liability Projection				Market Value of Asset Projection				Unfunded Liability (A) - (B)	Funded Percentage (B) / (A)
	Normal Cost	Benefit / Pay-Go Payments	7.00% Interest	AAL End of Year (A)	Benefit / Pay-Go Payment	Additional Contribution	7.00% Interest	Asset Value End of Year (B)		
1/1/2017 to 12/31/2017				\$ 37,551,232				\$ 11,432,434	\$ 26,118,798	30.4%
1/1/2018 to 12/31/2018	\$ 578,217	\$ 745,706	\$ 2,583,525	\$ 39,967,268	\$ 745,706	\$ 1,771,000	\$ 900,474	\$ 14,103,908	\$ 25,863,360	35.3%
1/1/2019 to 12/31/2019	\$ 577,292	\$ 770,706	\$ 2,749,748	\$ 42,523,602	\$ 770,706	\$ 737,520	\$ 1,012,185	\$ 15,853,614	\$ 26,669,988	37.3%
1/1/2020 to 12/31/2020	\$ 577,003	\$ 802,706	\$ 2,917,119	\$ 45,215,017	\$ 802,706	\$ 737,520	\$ 1,131,515	\$ 17,722,649	\$ 27,492,369	39.2%
1/1/2021 to 12/31/2021	\$ 576,193	\$ 862,909	\$ 3,101,750	\$ 48,030,052	\$ 862,909	\$ 737,520	\$ 1,258,984	\$ 19,719,152	\$ 28,310,899	41.1%
1/1/2022 to 12/31/2022	\$ 575,499	\$ 923,226	\$ 3,294,862	\$ 50,977,187	\$ 923,226	\$ 737,520	\$ 1,395,145	\$ 21,851,817	\$ 29,125,369	42.9%

- * The actuarial assumed rate of investment return is 7.00%.
- * Additional Contribution amounts are paid monthly, except for 2018 which includes a beginning of the year lump sum payment of \$1,121,050.
- * Projections above do not include employees hired on or after January 1, 2012
- * This analysis excludes the effects of potential plan experience regarding economic or demographic assumptions and future unplanned system design changes.
- * Assuming all assumptions are met (included above, but not limited), the County General Group is projected to obtain a 40% funded level on a market value basis by the end of the 2021 fiscal year.

SHERIFF'S GROUP

Fiscal Year	Actuarial Accrued Liability Projection				Market Value of Asset Projection				Unfunded Liability (A) - (B)	Funded Percentage (B) / (A)
	Normal Cost	Benefit / Pay-Go Payments	7.00% Interest	AAL End of Year (A)	Benefit / Pay-Go Payment	Additional Contribution	7.00% Interest	Asset Value End of Year (B)		
1/1/2017 to 12/31/2017				\$ 10,330,598				\$ 3,625,221	\$ 6,705,377	35.1%
1/1/2018 to 12/31/2018	\$ 157,005	\$ 302,680	\$ 710,745	\$ 10,895,668	\$ 302,680	\$ 539,000	\$ 284,000	\$ 4,448,221	\$ 6,447,447	40.8%
1/1/2019 to 12/31/2019	\$ 156,754	\$ 312,826	\$ 749,622	\$ 11,489,218	\$ 312,826	\$ 196,050	\$ 316,739	\$ 4,961,010	\$ 6,528,208	43.2%
1/1/2020 to 12/31/2020	\$ 156,675	\$ 325,814	\$ 788,160	\$ 12,108,240	\$ 325,814	\$ 196,050	\$ 351,712	\$ 5,508,772	\$ 6,599,468	45.5%
1/1/2021 to 12/31/2021	\$ 156,455	\$ 350,252	\$ 830,625	\$ 12,745,068	\$ 350,252	\$ 196,050	\$ 389,069	\$ 6,093,890	\$ 6,651,178	47.8%
1/1/2022 to 12/31/2022	\$ 156,267	\$ 374,733	\$ 874,312	\$ 13,400,914	\$ 374,733	\$ 196,050	\$ 428,974	\$ 6,718,914	\$ 6,682,000	50.1%

- * The actuarial assumed rate of investment return is 7.00%.
- * Additional Contribution amounts are paid monthly, except for 2018 which includes a beginning of the year lump sum payment of \$342,950.
- * Projections above do not include employees hired on or after January 1, 2012
- * This analysis excludes the effects of potential plan experience regarding economic or demographic assumptions and future unplanned system design changes.
- * Assuming all assumptions are met (included above, but not limited), the County Sheriff's Group is projected to obtain a 40% funded level on a market value basis by the end of the 2018 fiscal year.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Blackman Charter Township OPEB Corrective Action Plan (CAP)
Primary Unit 381010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,724,042	\$12,377,473	62.4%	\$312,369	\$5,795,256	5.4%	NO
OPEB	OPEB	\$0	\$14,711,775	0.0%	\$861,285		14.9%	YES
Total		\$7,724,042	\$27,089,248		\$861,285		20.3%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by Blackman Charter Township, which was received by the Municipal Stability Board (the Board) on 4/19/2019. If disapproved, Blackman Charter Township, will receive a detailed letter from the Board listing the reasons for disapproval. Blackman Charter Township 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:
 - 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.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - The Township approved a resolution to contribute \$100,000 annually to the MERS RHFV. Future premium payments will not be funded from this trust.
- Other Considerations:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members N/A

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

Treasury Recommendation
Blackman Charter Township OPEB Corrective Action Plan (CAP)
Primary Unit 381010

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria were not met:

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

The certifying official of the local unit indicates the retirement system will reach a funded status of at least 40% by fiscal year 2047; however, there is not adequate supporting documentation to support this claim.

Supplemental Information:

While there is a board commitment to prefund retiree health care and the internal analysis shows Blackman Township reaching a funded ratio of 43.5% in 2047, there is no supporting documentation to validate the asset or liability projection in that year. The corrective action plan does not contain information about plan membership, demographics, or other assumptions utilized within the analysis. The analysis also shows that the total annual contribution increases from \$559,531 to \$1,041,067, an average annual increase of approximately 3%.

Treasury Recommendation
Blackman Charter Township OPEB Corrective Action Plan (CAP)
Primary Unit 381010

Blackman Charter Township

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

Discount Return
3.00% 5.50%

	31-Dec liability	Assets	Contribution	+Benefit payments	=total contribution	funded percent
2019	16,779,252	116,601	116,601	442,930	559,531	0.7%
2020			100,000	462,689	562,689	1.3%
2021			100,000	488,227	588,227	1.9%
2022			100,000	493,864	593,864	2.5%
2023			100,000	515,669	615,669	3.2%
2024			100,000	535,945	635,945	3.9%
2025			100,000	552,494	652,494	4.6%
2026			100,000	586,502	686,502	5.3%
2027			100,000	598,104	698,104	6.0%
2028			100,000	622,344	722,344	6.8%
2029			100,000	651,736	751,736	7.7%
2030			100,000	672,373	772,373	8.6%
2031			100,000	723,150	823,150	9.5%
2032			100,000	753,032	853,032	10.5%
2033			100,000	792,062	892,062	11.6%
2034			100,000	797,709	897,709	12.8%
2035			100,000	769,032	869,032	14.1%
2036			100,000	817,488	917,488	15.4%
2037			100,000	865,975	965,975	16.9%
2038			100,000	854,309	954,309	18.5%
2039			100,000	879,965	979,965	20.3%
2040			100,000	897,088	997,088	22.3%
2041			100,000	919,698	1,019,698	24.5%
2042			100,000	928,165	1,028,165	26.9%
2043			100,000	914,062	1,014,062	29.6%
2044			100,000	939,169	1,039,169	32.5%
2045			100,000	942,795	1,042,795	35.8%
2046			100,000	945,633	1,045,633	39.4%
2047	15,743,073	6,845,472	100,000	941,067	1,041,067	43.5%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Capital Area Transportation Authority-CATA OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337510

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Union Employees Pension Plan	Pension	\$32,154,390	\$32,221,042	99.8%	\$446,533	\$53,631,807	2.0%	NO
Administrative Employees Pension Plan	Pension	\$18,116,293	\$20,837,015	86.9%	\$645,500			NO
Retiree Healthcare Benefits Plan	OPEB	\$4,224,146	\$23,668,973	17.8%	\$2,732,609		5.1%	YES
Total		\$54,494,829	\$76,727,030		\$3,824,642		7.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by Capital Area Transportation Authority-CATA, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If disapproved, Capital Area Transportation Authority-CATA, will receive a detailed letter from the Board listing the reasons for disapproval. Capital Area Transportation Authority-CATA 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:
 - The existing union contract contains three eligibility groups depending on an employee's hire date.
 - The level of medical benefits to be provided to retirees and their spouses prior to age 65 must match that provided to active employees under the Union contract.
 - If you are age 65 or older, the benefits must equal to that provided under Medical Supplemental benefits underwritten by BC/BS or MI.
- Plan Funding:
 - CATA's OPEB Trust was created in September 2009. CATA has made employer contributions to the OPEB Trust in years following 2010 ranging from \$441,000 a year to \$788,000. 2016 was the only year a contribution was not made.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - In May 2018, CATA management formed a committee to investigate and understand its current OPEB situation, to develop an OPEB corrective action plan and, ultimately, to implement the CAP.

Treasury Recommendation
Capital Area Transportation Authority-CATA OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337510

- Potential CBA changes in 2019: Increasing retirement age, increase % of fees paid by employees, reduce benefit offerings, switch to Medicare Part D plan, limit period of coverage after retirement, close plan for HRA, close plan to certain employees.
- Plan Funding:
 - Potential changes to CBA in 2019: Increase the annual funding-level provided by the authority.
- Other Considerations:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members 342

- Inactive employees or beneficiaries currently receiving benefits: 128
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 214

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria were not met:

- Underfunded Status:
 - The corrective action plan failed to demonstrate the retirement system will reach 40% funded.
- Reasonable Timeframe:
 - The certifying official of the local unit indicates the retirement system will reach a funded status of at least 40% by fiscal year 2030; however, there is no supporting documentation to support this claim.

Treasury Recommendation
Capital Area Transportation Authority-CATA OPEB Corrective Action Plan (CAP)
Non-Primary Unit 337510

Supplemental Information:

In the local government's resubmission, they expanded upon the potential changes to be made in collective bargaining, as well as to certify that they would reach 40% funded within 30 year. However, the local government did not include supporting documentation of future contributions and did not provide documentation projecting that they would reach 40% funded by 2030 as they stated.

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD called CATA to discuss the corrective action plan approval criteria and answer questions about the corrective action plan process.

Treasury Recommendation
Copper Country Community Mental Health OPEB Corrective Action Plan (CAP)
Non-Primary Unit 077501

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Copper Country Community Mental Health Authority	OPEB	\$0	\$3,881,800	0.0%	\$245,300	\$15,962,422	1.5%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by Copper Country Community Mental Health, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If disapproved, Copper Country Community Mental Health, will receive a detailed letter from the Board listing the reasons for disapproval. Copper Country Community Mental Health 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:
 - CCCMH closed the plan to new hires on 1/1/2011.
- Plan Funding:
 - Starting October 1, 2018, CCCHM is making an additional annual contribution of \$200,000 for the next 10 years.
- Other Considerations:
 - CCCHM states that their OPEB is 37.8% funded. However, this money is in an internal service fund and cannot be counted as assets per GASB standards.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 135

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

Treasury Recommendation
Copper Country Community Mental Health OPEB Corrective Action Plan (CAP)
Non-Primary Unit 077501

- Active employees: 109

Corrective Action Plan Criteria: 2019

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria were not met:

- Underfunded Status:
 - The corrective action plan 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:

- None noted.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury staff reached out to Copper Country Community Mental Health to discuss their corrective action plan and recommended CCCMH work with their auditor to update their plan.

Treasury Recommendation
Charter Township of Hampton OPEB Corrective Action Plan (CAP)
Primary Unit 091070

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Retiree Medical Plan	OPEB	\$77,915	\$4,277,193	18%	\$943,812	\$4,200,733	22.5%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Charter Township of Hampton, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - July, 2018: For non-union, the local unit will no longer provide healthcare benefits for spouses upon retirement, max of \$500/mo will be paid towards coverage for employee only (pre-65), and elimination of Medicare supplemental insurance coverage at 65.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - The township has approved contributions of \$50K in 2019 and \$25K for the next two fiscal years, attachment 4a, in addition to paying the retiree healthcare benefits.
 - As shown in attachment 2a, page 7 of the actuarial study, the local unit met their ARC payment for 2018, paying an excess contribution of \$4,394.
- Other Considerations:
 - Using documented system design changes, the township's unfunded OPEB liability decreased by approx. \$4 million, to \$5.6 million as reflected on an updated valuation. This valuation also shows that the ADC for 2018 decreased from \$943,641 to \$314,279
 - The Township also provided a projection of their 2018 revenues, showing that with the decreased ADC, they no longer would trigger as underfunded.

System Status for All Divisions: OPEN

Treasury Recommendation
Charter Township of Hampton OPEB Corrective Action Plan (CAP)
Primary Unit 091070

Plan size: members 68

- Inactive employees or beneficiaries currently receiving benefits: 0
- Inactive employees entitled to but not yet receiving benefits: 34
- Active employees: 34

Corrective Action Plan Criteria: 2018

The following corrective action plan approval criteria are met:

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

Supplemental Information:

The Township provided an updated actuarial valuation to using the newly adopted system design changes, along with an internal analysis that projects their 2018 governmental revenues. The updated valuation and internal analysis show the Township dropping below the trigger threshold of 12% ADC as percentage of governmental revenues.

Net OPEB Liability as Percentage of Payroll		Not available	Not available
Schedule of Employer Contributions			
Actuarially Recommended Contribution (ARC)	Fiscal Year Ending December 31,		
	2019	2018 ¹	2018 ²
Normal cost	\$22,159	\$145,133	\$21,437
Amortization of unfunded liability	284,168 ³	793,414	283,629
Interest cost	9,251	5,094	9,213
Actuarially Determined Employer Contribution	\$315,578	\$943,641	\$314,279
Employer Contribution (benefit payments)	TBD	(318,673)	(318,673)
Contribution Deficiency/(Excess)	TBD	\$624,968	\$(4,394)
Covered Employee Payroll	Not avail.	Not avail.	Not avail.
Contribution as a Percentage of Covered Payroll	Not avail.	Not avail.	Not avail.

Treasury Recommendation
Charter Township of Hampton OPEB Corrective Action Plan (CAP)
Primary Unit 091070

Michigan Department of Treasury
5572 (02-18)

Public Act 202 of 2017 Health Care (OPEB) Report

Enter Local Unit Name	Charter Township of Hampton	Instructions/Questions: For a list of detailed instructions on how to complete and submit this form, visit michigan.gov/LocalRetirementReporting . For questions, please email LocalRetirementReporting@michigan.gov . Return this original Excel file. Do not submit a scanned image or PDF.
Enter Six-Digit Municode	091070	
Unit Type	Township	
Fiscal Year (four-digit year only, e.g. 2017)	2018	
Contact Name (Chief Financial Officer)	Pamela Wright	
Title if not CFO	Clerk	
CFO (or designee) Email Address	pwright@hamptonmi.net	
Contact Telephone Number	989-893-7541	

OPEB System Name (not division) 1	Retiree Medical Plan	If your OPEB system is separated by divisions, you would only enter one system. For example, one could have different divisions of the same system for union and non-union employees. However, these would be only one system and should be reported as such on this form.
OPEB System Name (not division) 2		
OPEB System Name (not division) 3		
OPEB System Name (not division) 4		
OPEB System Name (not division) 5		

Line	Description	Source of Data	Statute Reference	System 1
1	Provide the name of your retirement health care system	Most Recent Actuarial Valuation Report	Sec. 5(6)	Retiree Medical Plan
2	Enter retirement health care system's actuarial value of assets	Most Recent Audit Report	Sec. 5(4)(a)	82,504
3	Enter retirement health care system's actuarial accrued liabilities	Most Recent Audit Report	Sec. 5(4)(a)	5,603,322
4	Date (system year ending) of valuation of system's assets and liabilities (e.g. 12/31/2016)	Most Recent Audit Report	Sec. 5(6)	12/31/18
5	Annual required contribution (ARC)	Most Recent Audit Report	Sec. 5(4)(a)	314,279
6	Governmental Fund Revenues	Most Recent Audit Report	Sec. 5(4)(a)	4,914,926
7 Health Care Trigger Summary				
8	Is this unit a primary unit (County, Township, City, Village)?	From Municode		YES
9	Funded ratio	Calculated	Sec. 5(4)(a)	1.5%
10	All systems combined ARC/Governmental fund revenues	Calculated	Sec. 5(4)(a)	6.4%
11	Does this system trigger "underfunded status" as defined by PA 202 of 2017?	Primary unit triggers: Less than 40% funded AND greater than 12% ARC/Governmental fund revenues. Non-Primary unit triggers: Less than 40% funded	Sec. 5(4)(a)	NO

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
City of Harper Woods Pension Corrective Action Plan (CAP)
Primary Unit 822150

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS		\$22,536,026	\$50,135,997	.44.9%	\$1,901,927	\$15,970,202	11.9%	YES
Healthcare	OPEB	\$0	\$45,615,204	0%	\$2,894,807		18.1	YES
Total		\$22,536,026	\$95,751,201		\$4,796,734	\$15,970,202	30.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Harper Woods, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Closed City sponsored pension system and joined MERS on December 1, 2015. Pension benefits prior to change were frozen at 11/30/2015.
 - 12/31/2015: Uniformed Police and Fire and other personnel that follow those CBA's had multipliers reduced from 2.75X to 2.5X.
 - All new hires after 1/1/2015 earn 1.5X multiplier.
 - 1/1/2019: City had negotiated new Patrol Officers union contract, further reducing pension accruals through "bridge multipliers" from 2.5X to 2.0X for all active uniform personnel and from 2.0X to 1.5X for all non-uniform personnel covered.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - City plans to use new Patrol Officer contract, effective 1/1/19, to seek "bridge multiplier" bargained reductions in pension accruals with remaining union contracts City-wide.
 - The City is seeking a City-wide reduction in pension multiplier accruals from its current 2.50% to 2.00%.
 - for all uniformed personnel and 2.00% to 1.50% for all other personnel.
 - The City is currently in negotiations with its Police Command unit and will seek uniform multiplier changes with its Firefighter union and remaining non- P.A. 312 eligible unions throughout 2019.

Treasury Recommendation
City of Harper Woods Pension Corrective Action Plan (CAP)
Primary Unit 822150

- The City is currently in negotiations with its Police Command unit and will seek uniform multiplier changes with its Firefighter union and remaining non- P.A. 312 eligible unions throughout 2019.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members 187

- Inactive employees or beneficiaries currently receiving benefits: 117
- Inactive employees entitled to but not yet receiving benefits: 9
- Active employees: 61

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 (2028).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Affordable:

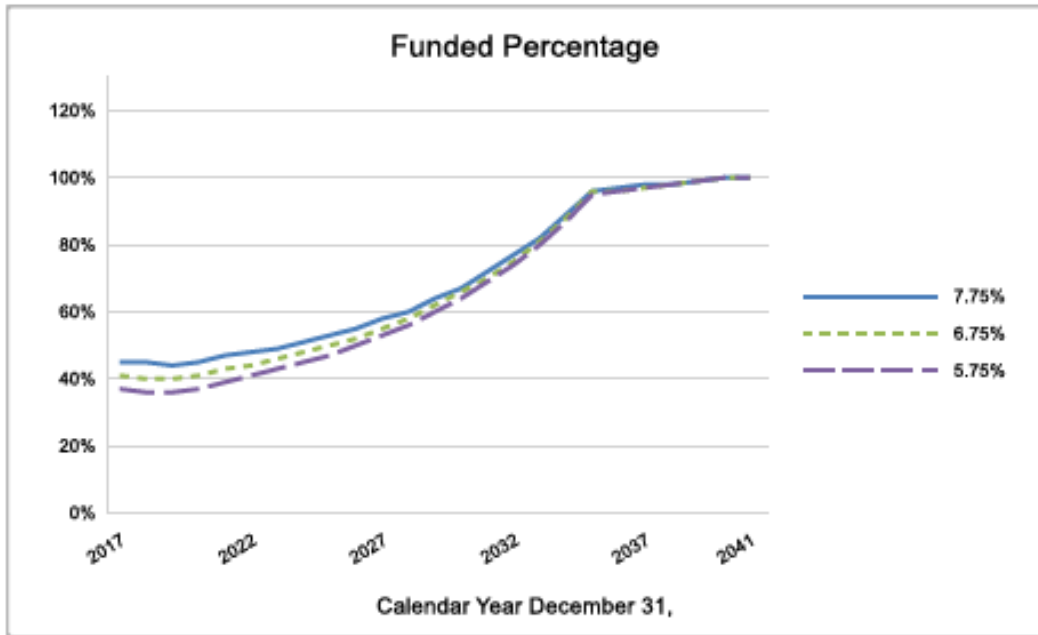
The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 30%. This reflects a significant portion of the local government's budget.

**Treasury Recommendation
City of Harper Woods Pension Corrective Action Plan (CAP)
Primary Unit 822150**

Supplemental Information:

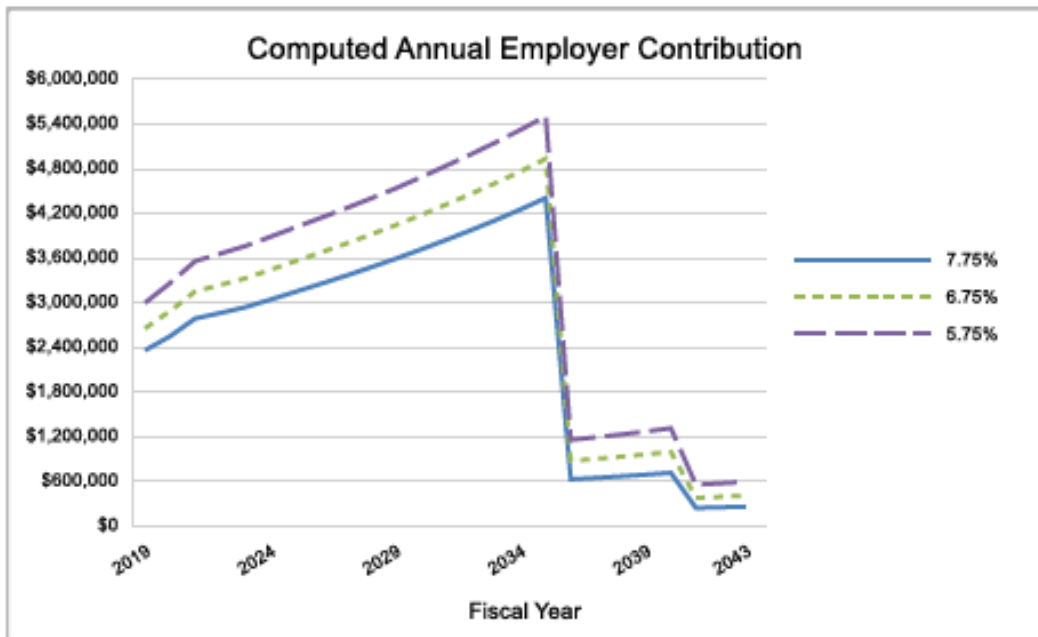
The City provided their MERS valuation, which includes a graph showing that the pension system should reach 60% funded in 2027. Many changes documented in the CAP are not accounted for in this valuation, so the timeline could be different. Additionally, the MERS valuation provides a chart showing the projected annual employer contribution. Prior to the documented system design changes in the CAP, the chart shows that from 2019 to 2034, the annual contribution increases from around 2.4 million to nearly 4.4 million, or 83% (5.5%/year)

Treasury Recommendation
City of Harper Woods Pension Corrective Action Plan (CAP)
Primary Unit 822150



Notes:

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



Notes:

All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
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	\$431,311	\$422,126	102.2%	\$3,012	\$373,044	0.8%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the pension corrective action plan submitted by Henika District Library, which was received by the Municipal Stability Board (the Board) on May 20, 2019. If disapproved, Henika District Library, will receive a detailed letter from the Board listing the reasons for disapproval. Henika District Library 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:
 - None Listed.
- Other Considerations:
 - We did not receive the information about Form 5572 because it went to the email of an employee that no longer works at Henika District Library. We have filled out Form 5572 with the actuarial information for 2017, and it shows that we are 102.2% funded, and thus would not have triggered being underfunded had the form been submitted on time.

Prospective Changes:

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

System Status for All Divisions:

Plan size: members 2

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

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

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 (2017).
- 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.

The following corrective action plan approval criteria were not met:

- Legal and Feasible:
 - The local unit failed to attach supporting documentation indicating the corrective action plan was approved by the governing body.

Supplemental Information:

The local unit is funded according to the audit. The CAP lacks governing body approval though.

The Community Engagement and Finance Division (CEFD) contact:

- A voicemail was left with the Library on June 4, 2019 requesting further documentation.

**Treasury Recommendation
Iron County Medical Care Facility OPEB Corrective Action Plan (CAP)
Non-Primary Unit 367510**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$23,328,106	\$31,427,213	74.2%	\$1,047,260	\$22,659,110	4.6%	NO
Defined Benefit Postretirement Plan	OPEB	\$0	\$2,224,560	0.0%	\$197,725		0.9%	YES
Total		\$23,328,106	\$33,651,773		\$1,244,985		5.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Iron County Medical Care Facility, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - On 1/15/2017, ICMCF closed the plan to new hires.
 - Eligible employees retiring after 2/27/2018 must contribute 40% of the premium payment. Treasury was unable to confirm this.
- Plan Funding:
 - On 6/27/2018 the ICMCF approved a Retiree Health Funding Vehicle (RHFV).
 - In 2018, ICMCF contributed \$175,000 to the RHFV.
 - In 2019, ICMCF will contributed \$180,000 to the RHFV, in addition to paying the premiums for current retirees. No withdrawals are schedule to come from the RHFV.
 - In 2019, ICMCF will contributed \$180,000 to the RHFV, in addition to paying the premiums for current retirees. No withdrawals are schedule to come from the RHFV.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - ICMCF plans on contributing \$180,000 annually to the RHFV from fiscal year until they are 100% funded.
- Other Considerations:
 - None Listed.

System Status for All Divisions:

Treasury Recommendation
Iron County Medical Care Facility OPEB Corrective Action Plan (CAP)
Non-Primary Unit 367510

Plan size: members N/A

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

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 40% within a reasonable timeframe (2021).
- 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:

ICMCF provided an actuarial analysis showing that with their planned \$180,000 additional contributions they will reach 40% funded in fiscal year 2021. ICMCF's pay as you go contributions will increase by approximately 15% from fiscal year 2019 to 2024, or an average of 2.5% a year.

**Treasury Recommendation
Iron County Medical Care Facility OPEB Corrective Action Plan (CAP)
Non-Primary Unit 367510**

**Iron County Medical Care Facility Retiree Health Care Plan
Projection Schedule**

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection					Unfunded Liability (EOY)	Funded Percentage
	Normal Cost	Benefit Payments	Interest	AAL End of Year (EOY)	Pay-Go Contribution	Additional Contribution	Benefit Payments	Interest	Asset Value* EOY		
				(a)					(b)	(c) = (a) - (b)	(d) = (b) / (a)
1/1/2018 - 12/31/2018				\$1,811,511					\$168,852		
1/1/2019 - 12/31/2019	\$35,480	\$161,243	\$122,479	1,808,227	\$161,243	\$180,000	\$161,243	\$18,013	366,865	\$ 1,441,362	20.29%
1/1/2020 - 12/31/2020	32,746	172,267	121,775	1,790,481	172,267	180,000	172,267	31,874	578,739	1,211,742	32.32%
1/1/2021 - 12/31/2021	30,345	164,688	120,711	1,776,849	164,688	180,000	164,688	46,705	805,444	971,405	45.33%
1/1/2022 - 12/31/2022	28,182	163,691	119,717	1,761,057	163,691	180,000	163,691	62,575	1,048,019	713,038	59.51%
1/1/2023 - 12/31/2023	26,142	173,588	118,201	1,731,812	173,588	180,000	173,588	79,555	1,307,574	424,238	75.50%
1/1/2024 - 12/31/2024	23,816	185,533	115,662	1,685,757	185,533	180,000	185,533	97,724	1,585,297	100,460	94.04%
1/1/2025 - 12/31/2025	21,554	198,762	111,906	1,620,455	21,554	103,917	198,762	108,449	1,620,455	0	100.00%
1/1/2026 - 12/31/2026	19,602	207,024	106,983	1,540,016	19,602	0	207,024	106,983	1,540,016	0	100.00%
1/1/2027 - 12/31/2027	17,900	180,419	102,209	1,479,706	17,900	0	180,419	102,209	1,479,706	0	100.00%
1/1/2028 - 12/31/2028	16,482	165,813	98,441	1,428,816	16,482	0	165,813	98,441	1,428,816	0	100.00%

* Projected values with the exception of the December 31, 2018 value.
There may be cases where the schedule does not add due to rounding.

Assuming all assumptions are met (including but not limited to the following), the Plan is projected to obtain a 40% funded level, on a market value basis, by the fiscal year ending December 31, 2021.

- Employer Contributions are assumed to be equal to the sum of the projected benefit payments for retirees and an additional contribution of \$180,000 annually;
- The assumed rate of investment return was 7.00%; and
- Contributions, normal cost accruals, and benefit payments occur halfway through the year.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Keweenaw County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 420100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,292,418	\$6,792,153	.485%	\$287,378	\$3,371,998	8.5%	YES
Retiree Health Plan	OPEB	\$0	\$478,464	\$478,464	0.0%		3.0%	YES
Total		\$3,292,418	\$7,270,617		\$287,378	\$3,371,998	11.5%	

Source: Retirement Report 2017, Audited Financial Statements

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

Changes Made:

- Modern Plan Design:
 - 7/11/17 A new defined benefit plan was adopted for employees hired after 7/31/17. The new plan reduces the multiplier from 2.5 to 1.5 and requires a 4% employee contribution.
 - 7/11/17 A defined benefit surplus division was adopted to deposit additional employer contributions into.
- Plan Funding:
 - Beginning in January 2015, additional contributions in the amount of 10% of the required contributions began (Attachment 3C). Additional contributions totaled \$23,120 in 2015 and \$26,058 in 2016. When the MERS surplus division was established in 2017, additional contributions totaled \$53,632 (Attachment 3B). In December 2017 the Board approved increasing the additional monthly contributions to 15% (Attachment 3A).
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - 9/05/18 Based on projections provided by MERS (Attachment 2A), the Board adopted a resolution (Attachment 4B) committing to continue an additional 15% funding into the surplus division resulting in attaining a funded ratio of 60% by fiscal year 2026.

Treasury Recommendation
Keweenaw County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 420100

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

System Status for All Divisions: Open

Plan size: members 39

- Inactive employees or beneficiaries currently receiving benefits: 23
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 15

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 60% funded.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2026).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

The local unit has shown in the documentation below how it will become 60% in 2026. Local unit plans to contribute and additional 15% of the ARC on a yearly basis. Plan is not signed. ACR plus planned additional contribution will increase 53% from 2019 to 2033 or average of 3.8% a year.

Treasury Recommendation
Keweenaw County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 420100

Municipal Employees' Retirement System



August 30, 2018

Keweenaw CRC (4201) - Estimated Projected Employer Contributions and Funded Ratios

Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Baseline (with Phase-in)				Scenario 1 - 15% of the Flat Dollar ARC into Surplus Division Beginning 1/1/2018					
		Actuarial Accrued Liability	Valuation Assets (Including Surplus)	Funded Ratio	Total Annual Employer Contribution	Actuarial Accrued Liability	Valuation Assets (Including Surplus)	Funded Ratio	Required Annual Employer Contribution	Additional Annual Employer Contribution	Total Annual Employer Contribution
2017	2019	6,782,155	3,329,691	49%	\$317,520	6,782,155	3,329,691	49%	\$317,520	\$47,628	\$365,148
2018	2020	6,864,759	3,342,169	49%	\$339,708	6,864,759	3,391,146	49%	\$339,708	\$50,956	\$390,664
2019	2021	6,953,910	3,336,764	48%	\$360,912	6,953,910	3,437,040	49%	\$360,912	\$54,137	\$415,049
2020	2022	7,048,568	3,455,305	49%	\$366,744	7,048,568	3,616,943	51%	\$366,744	\$55,012	\$421,756
2021	2023	7,147,716	3,594,958	50%	\$372,276	7,147,716	3,826,816	54%	\$372,276	\$55,841	\$428,117
2022	2024	7,242,799	3,709,293	51%	\$381,480	7,242,799	4,016,223	55%	\$381,480	\$57,222	\$438,702
2023	2025	7,327,431	3,822,850	52%	\$391,224	7,327,431	4,211,533	57%	\$391,224	\$58,684	\$449,908
2024	2026	7,406,545	3,944,461	53%	\$400,776	7,406,545	4,422,664	60%	\$400,776	\$60,116	\$460,892
2025	2027	7,480,170	4,075,637	54%	\$410,976	7,480,170	4,651,817	62%	\$410,976	\$61,646	\$472,622
2026	2028	7,541,393	4,211,124	56%	\$421,896	7,541,393	4,894,359	65%	\$421,896	\$63,284	\$485,180
2027	2029	7,589,958	4,352,496	57%	\$433,632	7,589,958	5,152,673	68%	\$433,632	\$65,045	\$498,677
2028	2030	7,630,415	4,505,932	59%	\$445,920	7,630,415	5,433,814	71%	\$445,920	\$66,888	\$512,808
2029	2031	7,663,737	4,674,646	61%	\$458,772	7,663,737	5,741,957	75%	\$458,772	\$68,816	\$527,588
2030	2032	7,687,627	4,858,662	63%	\$472,476	7,687,627	6,078,121	79%	\$472,476	\$70,871	\$543,347
2031	2033	7,700,224	5,058,462	66%	\$487,248	7,700,224	6,443,861	84%	\$487,248	\$73,087	\$560,335
2032	2034	7,707,130	5,282,357	69%	\$503,340	7,707,130	6,848,692	89%	\$493,082	\$0	\$493,082
2033	2035	7,717,389	5,542,251	72%	\$520,188	7,717,389	7,305,843	95%	\$66,552	\$0	\$66,552
2034	2036	7,739,888	5,850,006	76%	\$537,240	7,739,888	7,739,629	100%	\$66,576	\$0	\$66,576
2035	2037	7,771,694	6,206,264	80%	\$554,796	7,771,694	7,771,445	100%	\$66,468	\$0	\$66,468
2036	2038	7,811,269	6,613,164	85%	\$573,132	7,811,269	7,811,085	100%	\$66,480	\$0	\$66,480
2037	2039	7,865,050	7,081,081	90%	\$397,196	7,865,050	7,864,944	100%	\$66,384	\$0	\$66,384
2038	2040	7,927,342	7,608,598	96%	\$66,468	7,927,342	7,927,291	100%	\$66,468	\$0	\$66,468
2039	2041	7,997,790	7,997,790	100%	\$67,032	7,997,790	7,997,790	100%	\$67,032	\$0	\$67,032
2040	2042	8,085,699	8,085,355	100%	\$68,040	8,085,699	8,085,355	100%	\$68,040	\$0	\$68,040
2041	2043	8,194,353	8,193,643	100%	\$69,384	8,194,353	8,193,643	100%	\$69,384	\$0	\$69,384

Notes: The assumed annual market return and discount rate is 7.75%.

The long term cost of benefits, or new hire normal cost, was based on the normal cost report prepared for Division 10 on July 29, 2015 which provided a total normal cost of 6.92%.

In both baseline and proposed scenarios, a surplus division with market value of \$39,338 as of 12/31/2017 is reflected.

It was assumed upon attainment of 100% funding that the additional contributions stopped and the surplus transferred resulting in a required employer contribution of roughly employer normal cost.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Keweenaw County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 420100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,292,418	\$6,792,153	.485%	\$287,378	\$3,371,998	8.5%	YES
Retiree Health Plan	OPEB	\$0	\$478,464	\$478,464	0.0%		3.0%	YES
Total		\$3,292,418	\$7,270,617		\$287,378	\$3,371,998	11.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Keweenaw County Road Commission, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - The Board of County Road Commissioners at a special meeting held on 9/5/18 changed the retiree health care plan to exclude new hires after 9/1/18. There has not been a new full time hire since 9/4/13.
- Plan Funding:
 - In the past, the Board has provided retiree health insurance for it's retirees for 3 years after retirement. This policy was changed on 9/5/18.
 - The Board plans to continue to fund on a pay as you go basis, however a MERS Retiree Health Funding Vehicle was established on 6/1/18 and the Board adopted a resolution to contribute \$39,000 per year per projections by Watkins Ross to achieve a funded ratio of 59.8% within 9 years.
 - Contributions to this Vehicle totaled \$49,000 in 2018.
 - Contributions to this Vehicle totaled \$49,000 in 2018.
- Other Considerations:
 - The Watkins Ross roll forward report as of 12/31/18 (page 7) indicates a fiduciary net position as a percentage of total OPEB liability of 11.3% as of 12/31/18 which is substantially higher than projected.

Prospective Changes:

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

Treasury Recommendation
Keweenaw County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 420100

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

System Status for All Divisions:

Plan size: members 27

- Inactive employees or beneficiaries currently receiving benefits: 12
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 15

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 (2025).
- 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:

Reach 48.2% funding by 2024 through \$39,000 contributions, but growth of benefits payments is 893% from 2017 to 2024 (2017 = \$8,838 to 2023 = \$87,816). Begins to reduce after 2023.

Treasury Recommendation
Keweenaw County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 420100



Keweenaw County Road Commission

60% funding

8 year

			<u>Operating funds</u>			Funded
	Liability	Assets	Contributions	+ Benefits	=Total	percentage
2017	478,464	0	10,000	8,838	18,838	0.0%
2018	525,629	10,174	39,000	6,300	45,300	1.9%
2019	578,018	50,565	39,000	24,417	63,417	8.7%
2020	611,387	93,783	39,000	19,686	58,686	15.3%
2021	651,734	140,026	39,000	40,617	79,617	21.5%
2022	668,638	189,507	39,000	62,763	101,763	28.3%
2023	658,274	242,451	39,000	87,816	126,816	36.8%
2024	620,209	299,101	39,000	68,926	107,926	48.2%
2025	601,071	359,716		24,177	24,177	59.8%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
MID-MICHIGAN DISTRICT HEALTH DEPARTMENT OPEB Corrective Action Plan (CAP)
Non-Primary Unit 597511

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,425,497	\$11,023,442	76.4%	\$266,008	\$6,149,006	4.3%	NO
OPEB for non-union employees	OPEB	\$0	\$175,379	0.0%	\$25,398		0.4%	YES
Total		\$8,425,497	\$11,198,821		\$291,406		4.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by MID-MICHIGAN DISTRICT HEALTH DEPARTMENT, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - The Board approved committing \$50,000 from fund balance for the OPEB liability.
 - The Board also approved \$5,000 more annually to meet the \$175,000 obligation.
 - The authority will reach 40% funded within 5 years. Additionally, the plan is self-funded, therefore, contributions to the fund balance would be as needed in the future.
 - The authority will reach 40% funded within 5 years. Additionally, the plan is self-funded, therefore, contributions to the fund balance would be as needed in the future.
- Other Considerations:
 - The plan has been closed and there are only approx. 10 employees that may be eligible for OPEB benefits, if they meet the requirements.

Prospective Changes:

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

System Status for All Divisions: Closed

Treasury Recommendation
MID-MICHIGAN DISTRICT HEALTH DEPARTMENT OPEB Corrective Action Plan (CAP)
Non-Primary Unit 597511

Plan size: members 11

- Inactive employees or beneficiaries currently receiving benefits: 1
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 10

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
 - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2021; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

Supplemental Information:

Treasury Recommendation
MID-MICHIGAN DISTRICT HEALTH DEPARTMENT OPEB Corrective Action Plan (CAP)
Non-Primary Unit 597511

Liability	173,530				
	Per Year	Total Funded	Balance	Percent Funded	
2019	55,000	55,000	118,530	32%	
2020	10,000	65,000	108,530	37%	
2021	10,000	75,000	98,530	43%	
2022	10,000	85,000	88,530	49%	
2023	10,000	95,000	78,530	55%	
2024	10,000	105,000	68,530	61%	
2025	10,000	115,000	58,530	66%	
2026	10,000	125,000	48,530	72%	
2027	10,000	135,000	38,530	78%	
2028	10,000	145,000	28,530	84%	
2029	10,000	155,000	18,530	89%	
2030	10,000	165,000	8,530	95%	
2031	10,000	175,000	(1,470)	101%	

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Village of Newberry Pension Corrective Action Plan (CAP)
Primary Unit 483010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,014,078	\$4,646,070	64.9%	\$153,379	\$1,327,858	11.6%	YES
Healthcare	OPEB	\$0	\$1,177,202	0.0%	\$73,503		5.5%	YES
Total		\$3,014,078	\$5,823,272		\$226,882	\$1,327,858	17.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Village of Newberry, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - Beginning in 2018, the Village of Newberry began contributing additional funding to their MERS pension to maintain and improve their funding ratio by 2018.
- Other Considerations:
 - The Village of Newberry noted that their audit was late, so they were unable to file their 5572 on time. The village included their actuarial valuation from 2017, showing that they are 65% funded.

Prospective Changes:

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

System Status for All Divisions:

Plan size: members 49

- Inactive employees or beneficiaries currently receiving benefits: 5
- Inactive employees entitled to but not yet receiving benefits: 27
- Active employees: 17

Treasury Recommendation
Village of Newberry Pension Corrective Action Plan (CAP)
Primary Unit 483010

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 60% funded.
- Reasonable Timeframe:
 - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 60%.
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

NEWBERRY, VLG OF (4802)

Funded Ratio and Required Employer Contributions

The MERS Defined Benefit Plan is an agent multiple-employer plan, meaning that assets are pooled for investment purposes but separate accounts are maintained for each individual employer. Each municipality is responsible for their own plan liabilities; MERS does not borrow from one municipality's account to pay for another.

The funded ratio of a plan is the percentage of the dollar value of the accrued benefits that is covered by the actuarial value of assets.

Your Funded Ratio:

	12/31/2016	12/31/2015
Funded Ratio	65%	64%

Michigan Law requires that pension plans be pre-funded, meaning money is set aside now to pay for future benefits. Pension plans are usually funded by employer and employee contributions, and investment income.

How quickly a plan attains the 100% funding goal depends on many factors such as:

- The current funded ratio
- The future experience of the plan
- The amortization period

It is more important to look at the trend in the funded ratio over a period of time than at a particular point in time.

Treasury Recommendation
Village of Newberry Pension Corrective Action Plan (CAP)
Primary Unit 483010

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Village of Newberry OPEB Corrective Action Plan (CAP)
Primary Unit 483010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS		\$3,014,078	\$4,646,070	64.9%	\$153,379	\$1,327,858	11.6%	YES
Healthcare	OPEB	\$0	\$1,177,202	0.0%	\$73,503		5.5%	YES
Total		\$3,014,078	\$5,823,272		\$226,882	\$1,327,858	17.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Village of Newberry, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - The Village of Newberry missed the 5572 deadline because their audit was not completed on time. They note that they do not meet the underfunded status criteria.
 - The Village of Newberry included an internal analysis for 2019, 2020, and 2021, showing that if they submitted on time, they would not have triggered as underfunded.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members N/A

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

Treasury Recommendation
Village of Newberry OPEB Corrective Action Plan (CAP)
Primary Unit 483010

Corrective Action Plan Criteria: 2017

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The local government has demonstrated through supporting documentation that it has already reached PA 202 funded status because the annual required contribution is less than 12% of general fund operating revenues.
- Reasonable Timeframe:
 - The corrective action plan demonstrates the annual required contribution will be less than 12% of general fund operating revenues by 2017.
- 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 Village of Newberry projects that their liabilities will begin to decrease in 2022, using an internal analysis.

Treasury Recommendation
Village of Newberry OPEB Corrective Action Plan (CAP)
Primary Unit 483010

2019-2039 Estimated Liability for Retiree Medical Benefits, Optout and Buyout Amounts

2020	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	2020
2020 Annual Liability Total	158,692	Kitzman(D),McBride(D),K.Nantell(D),D.Nantell(D),Optout - Perry,Lively, Brown, Magnuson Buyout only -Bouchard,Fair,King,Sharp,Labadie,Neff, K. Nantell Off											2020 Annual Liability Total
Current Retirees		Brown & Mag On											
Medical, Dental	6,766	6,766	6,766	6,766	6,766	6,766	5,770	5,770	5,770	5,770	5,770	5,770	75,216 Medical, Dental, Vision
6% increase	406	406	406	406	406	406	346	346	346	346	346	346	4,513 6% increase
Med. Coverage Total	7,172	7,172	7,172	7,172	7,172	7,172	6,116	6,116	6,116	6,116	6,116	6,116	79,729 Med. Coverage Total
H.S.A.	3,000			3,000			3,000			3,000			12,000 H.S.A.
Opt Out	1,025	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	26,325 Opt Out
Buyout (includes 0.5% increase)	40,638	0	0	0	0	0	0	0	0	0	0	0	40,638 Buyout (includes .5% increase)
MONTHLY TOTAL	51,835	9,472	9,472	12,472	9,472	9,472	11,416	8,416	8,416	11,416	8,416	8,416	158,692 YEARLY TOTAL

2021	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	2021
2021 Annual Liability Total	158,239	Kitzman(D),McBride(D),D.Nantell(D) Optout- Perry, Lively, Brown, Magnuson Buyout only -Bouchard,Fair,King,Sharp,Labadie,Neff,											2021 Annual Liability Total
Current Retirees													
Medical, Dental	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	73,394 Medical, Dental, Vision
6% Increase	367	367	367	367	367	367	367	367	367	367	367	367	4,404 6% Increase
Med. Coverage Total	6,483	6,483	6,483	6,483	6,483	6,483	6,483	6,483	6,483	6,483	6,483	6,483	77,798 Med. Coverage Total
H.S.A.	3,000	0	0	3,000	0	0	3,000	0	0	3,000	0	0	12,000 H.S.A.
Opt Out	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	27,600 Opt Out
Buyout (includes 0.5% increase)	40,841	0	0	0	0	0	0	0	0	0	0	0	40,841 Buyout (includes .5% increase)
MONTHLY TOTAL	52,624	8,783	8,783	11,783	8,783	8,783	11,783	8,783	8,783	11,783	8,783	8,783	158,239 YEARLY TOTAL

Treasury Recommendation
Village of Newberry OPEB Corrective Action Plan (CAP)
Primary Unit 483010

Estimated Minimum Liability for Retiree Medical Benefits, Optouts and Buyouts 2019-2039	
YEAR	Current Projected Liability as of 5.03.2019
2019	\$147,624
2020	\$158,692
2021	\$158,239
2022	\$129,935
2023	\$80,112
2024	\$48,122
2025	\$30,701
2026	\$30,453
2027	\$30,605
2028	\$30,758
2029	\$30,912
2030	\$23,300
2031	\$15,611
2032	\$15,689
2033	\$15,767
2034	\$15,846
2035	\$15,925
2036	\$8,003
2037	\$8,043
2038	\$8,083
2039	\$8,123
TOTAL:	\$1,010,545

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

**Treasury Recommendation
City of Riverview OPEB Corrective Action Plan (CAP)
Primary Unit 822240**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$30,143,435	\$36,270,078	83.1%	\$1,092,653	\$9,970,825	11.0%	NO
City of Riverview Retiree Health Care Benefits	OPEB	\$0	\$42,226,967	0.0%	\$4,139,949		41.5%	YES
Total		\$30,143,435	\$78,497,045		\$5,232,602		52.5%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by City of Riverview, which was received by the Municipal Stability Board (the Board) on . If disapproved, City of Riverview, will receive a detailed letter from the Board listing the reasons for disapproval. City of Riverview 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:
 - City of Riverview retirees get take off City Blue Cross Blue Shield plans, once they turn 65 years old, and are moved to a Medicare plan with a Humana supplement.
 - As of December of 2016 the retiree health care system has been closed to all new City employees. Retiree Health Savings Plans have been created and are utilized for all employees not eligible for retiree health benefits, across all government units.
- Plan Funding:
 - The City of Riverview has established an Other Post-Employment Benefits Trust Agreement to receive, invest, and accumulate assets for retirement healthcare.
 - City Administration, along with the two most recently negotiated union contracts, require eligible employees to contribute a portion of wages for the other post employment benefit expenses.
- Other Considerations:
 - The City of Riverview has kept current on a "pay as you go" method.

Prospective Changes:

- Modern Plan Design:
 - The City of Riverview plans to continue negotiating language that changes the age at which an employee can start receiving retiree medical benefits, from 55 to 60, into all collectively bargained contracts.
- Plan Funding:
 - The City of Riverview plans to continue negotiating language that requires all eligible employees to contribute a portion of their wages for the post employment benefits expenses, into all collectively bargained contracts.

**Treasury Recommendation
City of Riverview OPEB Corrective Action Plan (CAP)
Primary Unit 822240**

- The City of Riverview will make annual deposits of \$200,000.00 into the Other Post-Employment Benefits Trust starting in fiscal year 2018/19 and will continue to budget a \$200,000.00 contribution per year for the next 30 years.
- Other Considerations:
 - None Listed.

System Status for All Divisions: Closed

Plan size: members 140

- Inactive employees or beneficiaries currently receiving benefits: 84
- Inactive employees entitled to but not yet receiving benefits: 8
- Active employees: 48

Corrective Action Plan Criteria: 0

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- 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).

The following corrective action plan approval criteria were not met:

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

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

Supplemental Information:

The local government provided an analysis that shows the growth of assets for the next 30 years with the \$200,000 annual contribution in addition to the pay-go payment. At the 30 year mark, the assets are

Treasury Recommendation
City of Riverview OPEB Corrective Action Plan (CAP)
Primary Unit 822240

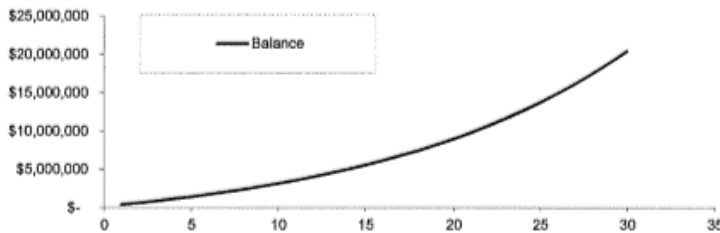
at 43.25% of the current liabilities. The analysis does not demonstrate the projection of liabilities or other required payments to determine if this plan is feasible, or if the plan would reach 40%.

Attachment 7a

City of Riverview OPEB Trust Valuation Estimate

Investment Plan Details		Summary of Results	
Years to Invest	30	Estimated Future Value	
Initial Investment	\$ 200,000	Value After 30 Years	\$20,414,608.27
Expected Annual Interest Rate	7.00%		
Scheduled Deposits		Gain / Loss Summary	
Deposit Amount	\$ 200,000.00	Total Invested	\$ 6,200,000.00
Deposit Frequency	Annually	Interest Earned	\$14,214,608.27
Additional Annual Investments	\$ -		

This spreadsheet is for illustrative purposes only.
 Results are just estimates.
 Interest rate used is long-term expected rate
 of return under Public Act 202: Selection of the Uniform
 Assumptions



OPEB Liability	\$47,199,141
Estimated Trust Funding after 30 yrs.	\$20,414,608
% Funded after 30 yrs.	43.25%

0 0

Year	Rate	Interest	Scheduled Deposits	Extra Annual Deposits	Balance	Cumulative Contribution	Cumulative Interest
			\$200,000.00		\$200,000.00		
1	7.00%	14,000.00	200,000.00		414,000.00	400,000.00	14,000.00
2	7.00%	28,980.00	200,000.00		642,980.00	600,000.00	42,980.00
3	7.00%	45,008.60	200,000.00		887,988.60	800,000.00	87,988.60
4	7.00%	62,159.20	200,000.00		1,150,147.80	1,000,000.00	150,147.80
5	7.00%	80,510.35	200,000.00		1,430,658.15	1,200,000.00	230,658.15
6	7.00%	100,146.07	200,000.00		1,730,804.22	1,400,000.00	330,804.22
7	7.00%	121,156.30	200,000.00		2,051,960.51	1,600,000.00	451,960.51
8	7.00%	143,637.24	200,000.00		2,395,597.75	1,800,000.00	595,597.75
9	7.00%	167,691.84	200,000.00		2,763,289.59	2,000,000.00	763,289.59
10	7.00%	193,430.27	200,000.00		3,156,719.86	2,200,000.00	956,719.86
11	7.00%	220,970.39	200,000.00		3,577,690.25	2,400,000.00	1,177,690.25
12	7.00%	250,438.32	200,000.00		4,028,128.57	2,600,000.00	1,428,128.57
13	7.00%	281,969.00	200,000.00		4,510,097.57	2,800,000.00	1,710,097.57
14	7.00%	315,706.83	200,000.00		5,025,804.40	3,000,000.00	2,025,804.40
15	7.00%	351,806.31	200,000.00		5,577,610.71	3,200,000.00	2,377,610.71
16	7.00%	390,432.75	200,000.00		6,168,043.46	3,400,000.00	2,768,043.46
17	7.00%	431,763.04	200,000.00		6,799,806.50	3,600,000.00	3,199,806.50
18	7.00%	475,986.46	200,000.00		7,475,792.96	3,800,000.00	3,675,792.96
19	7.00%	523,305.51	200,000.00		8,199,098.46	4,000,000.00	4,199,098.46
20	7.00%	573,936.89	200,000.00		8,973,035.36	4,200,000.00	4,773,035.36
21	7.00%	628,112.47	200,000.00		9,801,147.83	4,400,000.00	5,401,147.83
22	7.00%	686,080.35	200,000.00		10,687,228.18	4,600,000.00	6,087,228.18
23	7.00%	748,105.97	200,000.00		11,635,334.15	4,800,000.00	6,835,334.15
24	7.00%	814,473.39	200,000.00		12,649,807.54	5,000,000.00	7,649,807.54
25	7.00%	885,486.53	200,000.00		13,735,294.07	5,200,000.00	8,535,294.07
26	7.00%	961,470.58	200,000.00		14,896,764.66	5,400,000.00	9,496,764.66
27	7.00%	1,042,773.53	200,000.00		16,139,538.18	5,600,000.00	10,539,538.18
28	7.00%	1,129,767.67	200,000.00		17,469,305.85	5,800,000.00	11,669,305.85
29	7.00%	1,222,851.41	200,000.00		18,892,157.26	6,000,000.00	12,892,157.26
30	7.00%	1,322,451.01	200,000.00		20,414,608.27	6,200,000.00	14,214,608.27

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD called the City of Riverview to discuss the corrective action plan approval criteria and answer questions about the corrective action plan process.

Treasury Recommendation
Saline Area Fire Department OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817542

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Fire	OPEB	\$0	\$732,984	0.0%	\$65,644	\$1,140,811	5.8%	YES

Source: Retirement Report 2017, Audited Financial Statements

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

Changes Made:

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

Prospective Changes:

- Modern Plan Design:
 - Authority is in the first year of a Collective Bargaining Agreement, in 2020 they have plans to negotiate a number of items such as increased employee co-payments and deductibles for healthcare.
 - The Authority will also discuss providing healthcare to the retiree only and not the spouse.
- Plan Funding:
 - Our local unit has started a qualified trust to receive, invest, and accumulate assets for retirement healthcare. Our objective is to reach 40% in 30 years.
- Other Considerations:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members

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

Treasury Recommendation
Saline Area Fire Department OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817542

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 (2048).
- 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 Authority provided an actuarial projection showing the funding status of the proposed funding scenario. Scenario 3 increases the contribution by 11.18% per year until 2029, at which time they will pay \$198,250 until 40% funded status is reached. The actuarial projection only provided the future contributions and funded ratio, not projected assets and liabilities, although the projection utilizes these numbers for its analysis.

Treasury Recommendation
Saline Area Fire Department OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817542

Year Ending June 30,	Scenario #1 - Increase annually by 11.18%		Scenario #2 - Level Dollar		Scenario #3 - Mixture of #1 and #2	
	Contribution	Expected Funding %	Contribution	Expected Funding %	Contribution	Expected Funding %
2019	\$ 25,000	5.98%	\$ 95,900	5.98%	\$ 25,000	5.98%
2020	27,795	5.67%	95,900	7.78%	27,795	5.67%
2021	30,904	5.37%	95,900	9.25%	30,904	5.37%
2022	34,359	4.72%	95,900	10.14%	34,359	4.72%
2023	38,201	4.29%	95,900	11.09%	38,201	4.29%
2024	42,473	3.93%	95,900	11.94%	42,473	3.93%
2025	47,222	3.73%	95,900	12.80%	47,222	3.73%
2026	52,502	3.81%	95,900	13.79%	52,502	3.81%
2027	58,373	3.95%	95,900	14.74%	58,373	3.95%
2028	64,900	4.17%	95,900	15.63%	64,900	4.17%
2029	72,157	4.39%	95,900	16.43%	72,157	4.39%
2030	80,225	4.56%	95,900	17.08%	80,225	4.56%
2031	89,196	4.70%	95,900	17.66%	198,250	4.70%
2032	99,170	5.19%	95,900	18.54%	198,250	6.58%
2033	110,259	5.72%	95,900	19.49%	198,250	8.38%
2034	122,588	6.29%	95,900	20.43%	198,250	10.10%
2035	136,296	6.93%	95,900	21.38%	198,250	11.78%
2036	151,536	7.67%	95,900	22.36%	198,250	13.45%
2037	168,480	8.54%	95,900	23.36%	198,250	15.12%
2038	187,320	9.59%	95,900	24.42%	198,250	16.85%
2039	208,265	11.05%	95,900	25.76%	198,250	18.84%
2040	231,553	12.76%	95,900	27.13%	198,250	20.89%
2041	257,445	14.78%	95,900	28.58%	198,250	23.03%
2042	286,232	17.12%	95,900	30.09%	198,250	25.24%
2043	318,238	19.79%	95,900	31.58%	198,250	27.48%
2044	353,823	22.83%	95,900	33.13%	198,250	29.79%
2045	393,387	26.29%	95,900	34.71%	198,250	32.16%
2046	437,375	30.26%	95,900	36.40%	198,250	34.65%
2047	486,281	34.79%	95,900	38.16%	198,250	37.24%
2048	\$ 540,657	40.00%	\$ 95,900	40.05%	\$ 198,250	40.01%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
City of St. Clair Pension Corrective Action Plan (CAP)
Primary Unit 742070

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$12,040,034	\$21,957,226	54.8%	\$624,846	\$5,953,798	10.5%	YES
Healthcare	OPEB	\$0	\$3,642,565	0.0%	\$306,129		5.1%	NO
Total		\$12,040,034	\$25,599,791		\$930,975	\$5,953,798	15.6%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of St. Clair, which was received by the Municipal Stability Board (the Board) on . 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:
 - Divisions 01, 02, and 10 were closed and linked with new divisions (14, 20, and 15). All 3 of the new divisions had the multiplier reduced to 1.3. Additionally, the annual COLA increase was excluded for two of these new divisions (14, and 15).
 - Employee contribution rates were increased for division 02 to 7% in 2017, and for division 10 to 7% in 2013.
- Plan Funding:
 - In 2017, the City made a lump sum payment of \$15,000 as part of a bargaining agreement with the POLC. Another lump sum payment was made in the amount of \$250,000 in May, 2019.
 - In 2019, surplus division was created to track additional funding payments.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - During contract negotiations with the POLC, the City is seeking to eliminate COLA for future employees, as well as to cap overtime at \$5,000 annually (currently it is uncapped).
- Plan Funding:
 - Pension funding levels will be reviewed each year and following the annual audit, additional funding will be contributed in excess of the ADC if the City is below 60% funded. During 2019, this amount was \$250K.
 - The City will maintain a reserve in the general fund to account for any shortage between current funding levels and the required 60% funded ratio. On 9/30/2018, the reserve was \$681,693.

**Treasury Recommendation
City of St. Clair Pension Corrective Action Plan (CAP)
Primary Unit 742070**

- Other Considerations:
 - None Listed.

System Status for All Divisions:

Plan size: members 73

- Inactive employees or beneficiaries currently receiving benefits: 45
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 23

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

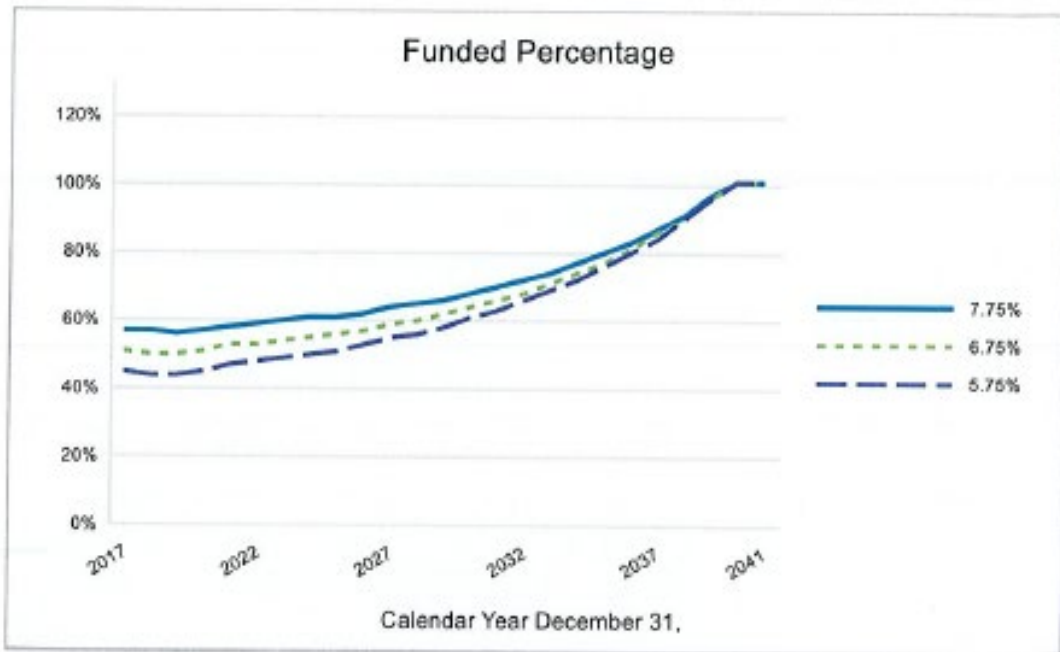
- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/ actuarial valuation found in the corrective action plan.
- Reasonable Timeframe:
 - The corrective action plan 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 City provided their MERS valuation, showing that based on their current assumptions, they will reach 60% funded around 2025. The City certified that they would reach 60% by 2027, which they contend is conservative considering the proposed system design changes and additional funding above ARC that they will consider each year. The included MERS charts also show the projected annual employer contribution increasing from approximately \$800K to 1.7 million at its peak in 2039, or an increase of 5.6% per year on average.

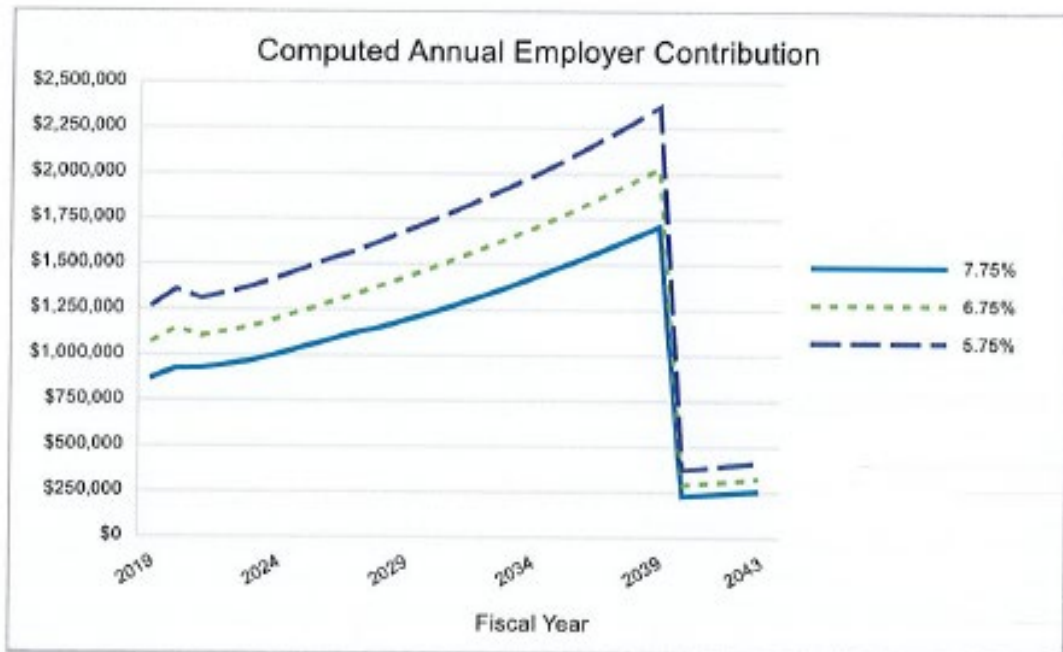
**Treasury Recommendation
City of St. Clair Pension Corrective Action Plan (CAP)
Primary Unit 742070**

ST CLAIR, CITY OF (7703) - 2017



Notes:

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



Notes:

All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
St. Joseph County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 750100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Healthcare Plan	OPEB	\$0	\$493,323	0.0%	\$36,709	\$11,593,655	0.3%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by St. Joseph County Road Commission, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None Listed
- Plan Funding:
 - April, 17, 2019 the St. Joseph County Road Commission (SJCRC) Board of Commissions passed a Resolution 1A) for implementing the SJCRC Sec. 115 OPEB Trust Vehicle
 - And to establish a funding method to meet 40% minimum funding levels of our underfunded OPEB Liability by 2029 and fully funded by 2043 with an annual contribution of \$5,000.
- Other Considerations:
 - SJCRC currently has six employees that could retire within the next year, and four that could retire within the next few years that could opt to receive our insurance.
 - There are two retirees that will remain on the insurance until age 65 without any personal contributions due to special contract signed by a previous manager.

Prospective Changes:

- Modern Plan Design:
 - SJCRC, the SEIU 517 Bargaining Unit & SJCRC labor attorney will begin contract negotiations in the fall of 2019.
 - This could change the current agreement of retiree health insurance coverage offered (1C). The coverage changes could result in an improvement to retirement systems funded ratio.
- Plan Funding:
 - SJCRC's Annual Actuarial Valuation will be updated December 31, 2019 and yearly thereafter (2A).
- Other Considerations:
 - None Listed.

System Status for All Divisions: OPEN

Treasury Recommendation
St. Joseph County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 750100

Plan size: members 35

- Inactive employees or beneficiaries currently receiving benefits: 3
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 32

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
 - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2029; however, the local unit did not provide clear documentation that demonstrates this. Based on other information presented in the corrective action plan, we have determined the local government may be able to achieve the 40% funded ratio within this timeframe.

Supplemental Information:

The local government provided an internal analysis showing that 40% funded would be reached by 2029. However, this analysis does not project liabilities into the future.

Treasury Recommendation
St. Joseph County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 750100

Schedule of Future Funded Status

Total OPEB Liability \$ 342,398

Fiduciary Net Position

	Beginning Balance	Interest	Contributions	Ending Balance	Percent Funded
12/31/2018	-	-	-	-	0%
12/31/2019	-	-	50,000	50,000	15%
12/31/2020	50,000	2,500	5,000	57,500	17%
12/31/2021	57,500	2,875	5,000	65,375	19%
12/31/2022	65,375	3,269	5,000	73,644	22%
12/31/2023	73,644	3,682	5,000	82,326	24%
12/31/2024	82,326	4,116	5,000	91,442	27%
12/31/2025	91,442	4,572	5,000	101,014	30%
12/31/2026	101,014	5,051	5,000	111,065	32%
12/31/2027	111,065	5,553	5,000	121,618	36%
12/31/2028	121,618	6,081	5,000	132,699	39%
12/31/2029	132,699	6,635	5,000	144,334	42%
12/31/2030	144,334	7,217	5,000	156,551	46%
12/31/2031	156,551	7,828	5,000	169,378	49%
12/31/2032	169,378	8,469	5,000	182,847	53%
12/31/2033	182,847	9,142	5,000	196,990	58%
12/31/2034	196,990	9,849	5,000	211,839	62%
12/31/2035	211,839	10,592	5,000	227,431	66%
12/31/2036	227,431	11,372	5,000	243,803	71%
12/31/2037	243,803	12,190	5,000	260,993	76%
12/31/2038	260,993	13,050	5,000	279,043	81%
12/31/2039	279,043	13,952	5,000	297,995	87%
12/31/2040	297,995	14,900	5,000	317,894	93%
12/31/2041	317,894	15,895	5,000	338,789	99%
12/31/2042	338,789	16,939	5,000	360,729	105%
12/31/2043	360,729	18,036	5,000	383,765	112%

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Ypsilanti Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 817551

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$802,013	\$920,813	87.1%	N/A	\$ 2,361,884	N/A	YES
Healthcare	OPEB	N/A	N/A	N/A	N/A		N/A	YES
Total		\$802,013	\$920,813					

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Ypsilanti Housing Commission, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

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

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - The Housing Commission authorized a surplus contribution of 100% funding of the current MERS retirement liability.
- Other Considerations:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members 8

- Inactive employees or beneficiaries currently receiving benefits: 4
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 2

Treasury Recommendation
Ypsilanti Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 817551

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 60% funded.
- Reasonable Timeframe:
 - The corrective action plan demonstrates through supporting documentation that it has already reached the PA 202 established funding level of 60%.
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

Ypsilanti Housing Commission submitted a document from MERS providing their current assets and liabilities along with the proposed additional funding necessary to bring the authority to 100% funded. Currently, the authority is over 87% funded, above the 60% threshold defined by the Act.

Treasury Recommendation
Ypsilanti Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 817551

Municipality Funding Level Calculator

Based on the 12/31/2017 Actuarial Valuation

Municipality # (4 digits)	Municipality Name
8115	Ypsilanti HC

920,813	Total 12/31/2017 Actuarial Accrued Liability
802,013	12/31/2017 Baseline Valuation Assets
118,800	Unfunded (Overfunded) Actuarial Accrued Liabilities
87.1%	Funding Percentage as of 12/31/2017
100.0%	Proposed Funding Percentage as of 12/31/2017
920,813	12/31/2017 Proposed Valuation Assets
Payment needed to Bring Division to 100% Funding by:	
128,958	March 31, 2019
129,763	April 30, 2019
130,573	May 31, 2019

Important Notes:

The lump sums are based on the data and benefit provisions as found in the December 31, 2017 actuarial valuation. If benefit provisions have changed, the actual lump sum may be materially different.

The assumed investment return in 2018 is 7.75%. If the actual investment return is lower, the required lump sum will be higher.

The proposed funding percentage is based on actuarial value of assets which are currently greater than market value assets. Therefore, the lump sum required to be funded at the level above based on market value of assets would be higher.

The MERS Plan Document requires that the requesting division and participating municipality or court be not less than 100% funded at the time a supplemental actuarial valuation is requested; and the MERS Plan Document requires that the funded level be not less than 100% after adoption of the proposed benefit. The above calculations reflect the assets required to achieve 100% funding by the date specified. The governing body may make a cash contribution, or transfer employer assets from a different division, or both, to meet the 100% requirement. The calculations are estimates only, based on the most recent December 31 Annual Actuarial Valuation, and are provided only for purposes of Plan Document compliance. The actual funded percentage may be different than 100%. No estimates will be provided after Dec 31 until the next Annual Actuarial Valuation has been issued by the Actuary.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.

Treasury Recommendation
Ypsilanti Housing Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817551

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$802,013	\$920,813	87.1%	N/A	\$ 2,361,884	N/A	YES
Healthcare	OPEB	N/A	N/A	N/A	N/A		N/A	YES
Total		\$802,013	\$920,813					

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by Ypsilanti Housing Commission, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If disapproved, Ypsilanti Housing Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Ypsilanti Housing 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:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - Ypsilanti Housing Commission authorized the investment in a \$220,000 Certificate of Deposit designated to cover 100% funding of the current OPES liability.
- Other Considerations:
 - None Listed.

System Status for All Divisions:

Plan size: members 2

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

Treasury Recommendation
Ypsilanti Housing Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 817551

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria were not met:

- Underfunded Status:
 - The corrective action plan failed to demonstrate the retirement system will reach 40% funded.
- Reasonable Timeframe:
 - The corrective action plan does not demonstrate when the retirement system will reach 40% funded.

Supplemental Information:

The Housing Commission provided an internal analysis demonstrating the future liabilities. The 2017 audit lists their total liabilities as \$50,111, but the provided analysis indicates the number is approximately \$200K. Additionally, the CAP indicates that the funds authorized to be deposited for funding this liability were to be deposited to a certificate of deposit, which does not meet GASB standards for a qualified trust.

The Community Engagement and Finance Division (CEFD) contact:

- None noted.