

Municipal Stability Board

REGULAR MEETING

Wednesday, July 17, 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 June 13, 2019 Minutes

II. Public Comment

- A. 2-minute limit

III. Correspondence

- A. Treasury Update

IV. Old Business

- A. Amended and Restated Bylaws (Resolution 2019-17)
- B. Best Practices Public Comment (Resolution 2019-18)

V. New Business

- A. Corrective Action Plan Monitoring
- B. Receipt of Corrective Action Plans
- C. Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-19)
 - i. Village of Chesaning
 - ii. Chippewa County Road Commission (2 systems)
 - iii. City of Gaylord
 - iv. City of Harper Woods
 - v. Village of Homer
 - vi. Village of Lexington
 - vii. City of Melvindale (2 systems)

viii. Oscoda County Road Commission

VI. **Public Comment**

A. 2-minute limit

VII. **Board Comment**

VIII. **Adjournment**

Municipal Stability Board Minutes

Thursday, June 13, 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 10:08 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 May 20, 2019 workshop and the May 20, 2019 board meeting.

Motion moved to approve the May 20, 2019 workshop and the May 20, 2019 board meeting minutes by Barry Howard and supported by Eric Scorsone. The Board unanimously approved the May 20, 2019 workshop and meeting minutes. 2 ayes, 0 nays.

PUBLIC COMMENT

No public comment.

CORRESPONDENCE

Dan Horn presented the Board with Treasury updates and reviewed a Failure to Resubmit a Corrective Action Plan memo of local governments that had a corrective action plan denied but failed to file a revised plan within 60 days. The City of Harper Woods OPEB plan was missing documentation and therefore Treasury could not provide a recommendation and suggested a delay. Once the additional documentation is submitted and Treasury can provide a recommendation it will be brought back to a subsequent meeting.

NEW BUSINESS

BEST PRACTICES UPDATE

Dan Horn provided the Board with a review of the Best Practices Update. Eric Scorsone and Barry Howard both have concerns about allowing local governments to include enterprise funds in their total governmental fund revenue calculations. Both Board members are concerned that the language as written allows for too much wiggle room and would be difficult for local governments to have viable and defensible supporting arguments. The Board agrees that enterprise funds shall not be considered unless there is a viable reason upon a compelling argument, as determined by the Board.

Eric Scorsone and Barry Howard would like to amend the enterprise section of the Best Practices Update and allow them to be shared with the public for a comment period until the next scheduled board meeting. A motion was moved by Barry Howard to amend and adopt and supported by Eric Scorsone. 2 ayes. 0 nays.

APPROVAL OF 1 LOCAL GOVERNMENT CORRECTIVE ACTION PLAN EXTENSION REQUEST (3 SYSTEMS)

Dan Horn provided the Board with a review of 1 local government Corrective Action Plan Extension Request (3 systems).

- Harrison Charter Township

Motion was made to approve the Corrective Action Plan Extension Request from Harrison Charter Township. Motion was made by Barry Howard and supported by Eric Scorsone. The Board unanimously approved the Corrective Action Plan Extension Request. 2 ayes and 0 nays.

RECEIPT OF 7 LOCAL GOVERNMENTS' CORRECTIVE ACTION PLANS (9 SYSTEMS)

Dan Horn provided the Board with the following 7 local governments' Corrective Action Plans (9 systems):

- Village of Chesaning
- Chippewa County Road Commission (2 systems)
- City of Gaylord
- Village of Homer
- Village of Lexington
- City of Melvindale (2 systems)
- Oscoda County Road Commission

A motion was made to receive the 9 Corrective Action Plans from 7 local governments.

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

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 17 LOCAL GOVERNMENTS (21 SYSTEMS) (RESOLUTION 2019-16)

Dan Horn was asked to review the Treasury recommendations for approval or disapproval of the Corrective Action Plans (Resolution 2019-16) with the Board. Mr. Horn highlighted the local governments that Treasury felt did not meet the Board's criteria. Mr. Horn addressed questions from the Board.

- Ann Arbor Area Transportation Authority (approval)
- Bay County (2 systems) (approval)
- Blackman Charter Township (disapproval)
- Capital Area Transportation Authority (disapproval)
- Copper Country Mental Health Authority (disapproval)
- Charter Township of Hampton (approval)
- City of Harper Woods (pension plan) (approval)
- Henika District Library (disapproval)
- Iron County Medical Care Facility (approval)
- Keweenaw County Road Commission (2 systems) (approval)
- Mid-Michigan District Health Department (approval)
- Village of Newberry (2 systems) (approval)
- City of Riverview (disapproval)
- Saline Area Fire Department (approval)
- City of St. Clair (approval)
- St. Joseph County Road Commission (approval)
- Ypsilanti Housing Commission (2 systems) (disapproval)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-16).

Motion made by Barry Howard and supported by Eric Scorsone. The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2019-16). A voice vote was made with 2 ayes and 0 nays.

PUBLIC COMMENT

No public comment.

BOARD COMMENT

Barry Howard received a mailing from Navitus Health Solutions regarding his retirement benefits and wanted to share it with the Board and public. The mailing was about how

to limit out-of-pocket costs at the pharmacy and included a tablet splitter. Navitus Health Solutions suggested asking your medical care provider to prescribe a higher dose of any medication you may be taking and using the tablet splitter to cut the dose in half so they will last twice as long and therefore, help cut costs at the pharmacy. Mr. Howard was very impressed by Oakland County and the Navitus Health Solutions for sending out this information to their members to help save money (See attached flyer, approved by Board to include in minutes).

Barry Howard took time to thank Nick Brousseau for his assistance in helping him prepare for his Public Act 202 presentation at the Police Officers Association of Michigan (POAM) Conference in May. The Board noted the importance of these outreach efforts and that more engagements should take place.

NEXT MEETING

The next regular meeting will be on July 17, 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 10:47 a.m.



PO Box 999
Appleton, Wisconsin 54912-0999

DRUG UTILIZATION REVIEW

Why use the Navitus RxCents Tablet Splitting Program?

The Tablet Splitting Program can save you up to 50% on out-of-pocket prescription costs.

Read below to find out how to start.

May 28, 2019

Dear Navitus Health Solutions Member,

With rising prescription drug costs, we understand that it is important to provide you with information to lower your out-of-pocket costs at the pharmacy. Navitus has a Tablet Splitting Program that can help you do just that.

What is the RxCents Tablet Splitting Program?

- Tablet splitting is breaking an appropriate higher-strength medication tablet in half to deliver the same prescribed dose.
- This allows you to receive the same medication and dosage, while purchasing fewer tablets and saving money.
- An easy-to-use tablet splitter and step-by-step instructions are included with this letter.

What Medications Can Be Safely Split?

- The medication list below has been identified as safe-to-split by the Pharmacy and Therapeutics (P&T) Committee, which includes independent doctors and pharmacists.

Safe-To-Split Medications*		
BYSTOLIC	eplerenone	JANUVIA
OCALIVA	TEKTURNA	ULORIC

*This list is not complete and may be subject to change.

- Visit Navi-Gate for Members® on www.navitus.com or call Navitus Customer Care for the most current list of safe-to-split medications listed on your formulary. The medications are easy to identify as they will have a ϕ symbol in the Special Code column.
- Not all drugs are suitable for tablet splitting. Always check with your prescriber to see if tablet splitting is right for you.
- For information on how to begin tablet splitting, please read the enclosed instruction guide.

How Do I Save Money with Tablet Splitting?

- The chart below shows how tablet splitting lowers out-of-pocket costs.

Drug	Directions	Quantity	Out-of-Pocket Expenses per Prescription	Annual Out-of-Pocket Expenses
Drug "A" 10 mg	1 tablet per day	30	\$30.00	\$360.00
Drug "A" 20 mg	1/2 tablet per day	15	\$15.00	\$180.00

- Tablet splitting your medication requires a new prescription from your prescriber.

Navitus offers Tablet Splitting as a way to help you control your out-of-pocket costs. Navitus does not require that you change your medicine(s).

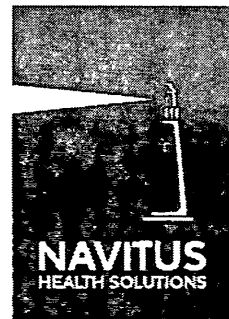




For more information about your pharmacy benefit, you may visit the Navitus website at www.navitus.com. You may also call Navitus Customer Care. You can reach us toll-free at 1-866-333-2757. For the hearing impaired, please call TTY at 711. We are available 24 hours a day, seven days a week.

Sincerely,

Navitus Health Solutions

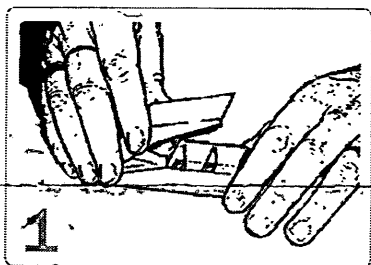


TABLET SPLITTING INSTRUCTIONS

RxCents Tablet Splitting

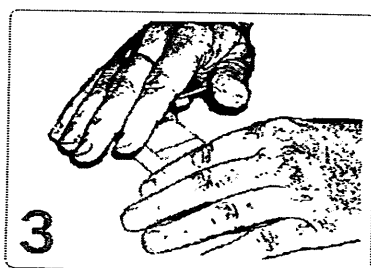
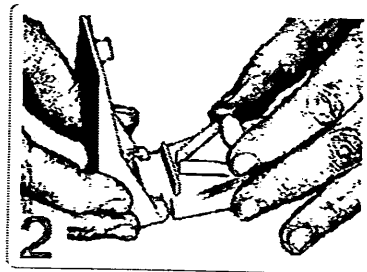
IMPORTANT NOTES:

- Check with your pharmacist or physician to see if tablet splitting is right for you.
- Not all medications are appropriate for splitting.
- Clean your tablet splitter after each use to ensure that medicines do not mix.
- Only split one tablet at a time and take the second half as the next dose, rather than splitting the entire supply at once.



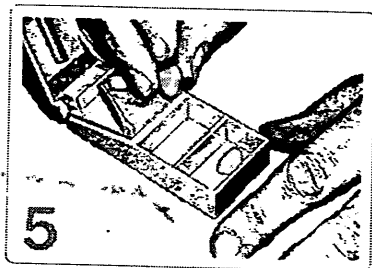
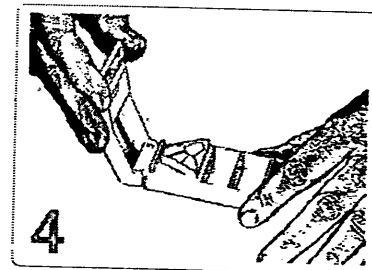
Rest unit on a flat, stable surface, such as a table or countertop. Grasp unit at base and lift the top of the unit to open.

Place the pill within the V-shaped holder. To ensure an equal split, slide the pill up until it evenly touches both sides of the V.



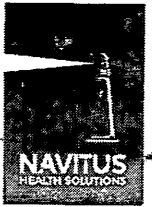
Press the top down, applying even pressure to cut the pill.

Open the top carefully. Remove pills while avoiding direct contact with the blade. *Caution: Blade is very sharp.*



Store second half of pill in unit for next dose.

Share a Clear View



Navitus RxCents Tablet Splitting Program

The RxCents Tablet Splitting drug list is subject to change. Visit Navi-Gate for Members® on www.navitus.com or call Navitus Customer Care for the most current list of safe-to-split medications listed on your formulary.

TO BEGIN SAVING MONEY WITH THE RxCENTS TABLET SPLITTING PROGRAM:

1. Share the eligible medication list with your pharmacist or physician. Most health care professionals should be familiar with tablet splitting.
2. Ask if tablet splitting is right for you.
3. If it is, ask your prescriber or pharmacist to help update your prescription to one that can be safely split.
4. Review the step-by-step instructions explaining how to safely split a medication.
5. ~~If you have questions on how to use the tablet splitter, ask your pharmacist or prescriber.~~

P.A. 202 of 2017 Status Update from Treasury

As of 7/11/2019

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	86 (80%)	81 (94%)	69 (85%)	9 (11%)	3 (4%)	28 (26%)
PRIMARY	106	96 (91%)	92 (95%)	85 (92%)	6 (7%)	1 (1%)	15 (14%)
TOTAL	213	182 (85%)	173 (95%)	154 (89%)	15 (8%)	4 (1%)	43 (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						
	July	August	September	October	November	December	January
NON-PRIMARY	2	6	0	2	0	0	3
PRIMARY	6	2	0	4	2	4	3
TOTAL	8	8	0	6	2	4	0

¹ This schedule excludes local governments that are noncompliant.

Table 3: Retirement Report Submission and Review Analysis

Retirement Review Analysis (Form 5572) FY 2018					
Status Option	Primary Units		Non-Primary Units		Total
Underfunded	100	23%	85	32%	185 26%
Funded	336	76%	178	67%	514 73%
Need to Resubmit	6	1%	4	1%	10 1%
Total-Reviewed	442	83%	267	80%	709 82%
Pending Treasury Review	87	17%	66	20%	153 18%
Total-Submission¹	529	61%	333	39%	862

¹ 22 Local governments are currently required to file a corrective action plan in 2018 for failure to file the retirement system annual report (Form 5572). This is comprised of 9 Primary governments and 13 Non-Primary governments.

Treasury Department Communication and Outreach Report

- **162 one-on-one 30-minute calls scheduled by local governments to discuss the P.A. 202 process**
- **28 calls by Treasury to local governments in response to questions or errors found in submissions since the June Board meeting**

Topics Include:

- 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

P.A. 202 of 2017 Status Update from Treasury

As of 7/11/2019

- Discussing best practices
 - Understanding the Board's determinations
 - Implementing corrective action plans
 - Monitoring corrective action plans
- **Conducted Public Act 202 and Municipal Stability Board orientation for Mr. Lamerato, the new Board member representing local officials.**

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-17**

APPROVAL AND ADOPTION OF AMENDED AND RESTATED BYLAWS

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;

WHEREAS, Section 7 of the Act requires the Board to adopt Bylaws governing the procedures for conducting meetings, including voting procedures, and the requirements of its members to attend meetings (the “Bylaws”);

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

WHEREAS, the Board wishes to amend the Bylaws to accommodate certain procedures as set forth on Exhibit A attached hereto;

NOW, THEREFORE, BE IT RESOLVED, the Board approves and adopts Amended and Restated Bylaws attached hereto as Exhibit A; and

Ayes:

Nays:

Recused:

Lansing, Michigan

July 17, 2019

**MUNICIPAL STABILITY BOARD
FOR
THE STATE OF MICHIGAN**

Amended and Restated Bylaws

ARTICLE I

Adoption of Bylaws

The Municipal Stability Board for the State of Michigan (the "Board") adopts these Bylaws to govern its organization and operations pursuant to the Protecting Local Government Retirement and Benefits Act, Act No. 202, Michigan Public Acts of 2017 (the "Act").

ARTICLE II

Members - Term of Office

The members of the Board, their terms of office, and the method of selecting the members shall be as set forth in Sections 7(2) and (4) of the Act. Appointed members of the Board shall serve their term unless removed for cause or a member submits their resignation. A vacancy on the Board occurring other than by expiration of a term shall be filled by the Governor of the State of Michigan in the same manner as the original appointment for the balance of the unexpired term. Each member of the Board shall take and subscribe to the constitutional oath of office under Section 1 of Article XI of the Constitution of Michigan of 1963. The oath shall be filed with the Secretary of State of the State of Michigan.

ARTICLE III

Officers and Employees

Section 1. Officers. The officers of the Board shall be the Chairperson and other officers as may be designated by Board resolution.

Section 2. Chairperson. The member of the Board appointed under subsection (2)(a) of the Act shall be the Chairperson of the Board. The Chairperson shall preside at all meetings of the Board.

Section 3. Vice-Chairperson. The Chairperson may select a Vice-Chairperson who shall serve at the pleasure of the Chairperson. The Vice-Chairperson shall preside at all meetings of the Board upon request of the Chairperson, including in the absence of the Chairperson. The Vice-Chairperson shall have the other duties and responsibilities as delegated by the Chairperson and as permitted by law.

Section 4. Board Officer Vacancies. Should the office of Vice-Chairperson become vacant and the Board desires to appoint a replacement, the Board shall select a successor from its membership.

Section 5. Retention of Professionals. The Board may contract for professional services, as it requires, and shall determine the qualifications it considers necessary. "Professional services" means services that require a high degree of intellectual skill, an advanced degree, or professional licensing or certification. Those providing the professional services are distinguished based on their specialized knowledge, experience, and expertise. Professional services include, but are not limited to, accounting, actuarial, appraisal, auditing, investment advisor, and legal services. Any use of or contract for legal services requires prior approval by the Department of Attorney General.

Section 6. Budgeting, Procurement, Personnel, and Related Management Functions. Except as otherwise provided in the Act, the Board shall exercise its powers, duties, functions, and responsibilities under the Act independently of the State Treasurer. The budgeting, procurement, personnel, and related management functions of the Board shall be performed under the direction and supervision of the State Treasurer.

Section 7. Compensation. Members of the Board shall serve without compensation for their service on the Board, but may receive reasonable reimbursement for necessary travel and expenses incurred in the discharge of their official duties.

ARTICLE IV

Meetings

Section 1. Regular and Special Meetings. Regular Meetings of the Board shall be held no less than quarterly at the times and places determined by the Chairperson. Special Meetings of the Board shall be held at such times and such places as may be determined by the Board at any Regular or Special Meeting, or at any other times and places as determined by the Chairperson. The call for a Regular Meeting, specifying the time and place of the meeting and the suggested agenda shall be delivered in person, mailed, faxed, or emailed to each member of the Board prior to the date of such meeting. The call for a Special Meeting specifying the time and place for such meeting may be emailed (confirmation required) or given by telephone to the business or home address or cell phone of each member of the Board not less than 18 hours before the time of the meeting. Notice, posting and other procedures for the call of Regular or Special Meetings shall always be performed in accordance with the Open Meetings Act, Act No. 267, Michigan Public Acts of 1976 (the "Open Meetings Act").

Section 2. Quorum. A majority of the members of the Board shall constitute a quorum of the Board for the transaction of business at a meeting, or the exercise of a power or function of the Board.

Section 3. Action by the Board. The Board shall only take the actions approved by a resolution or motion of the Board which had a concurring vote of a majority of the members of the Board.

Section 4. Policies and Procedures. The Board may establish rules and procedures by resolution which govern the meetings and the members of the Board, provided such rules and procedures comply with the Act and the Open Meetings Act.

Section 5. Resolutions Involving Multiple Municipalities. Any member of the Board may remove any municipality from resolutions involving multiple municipalities prior to voting on such resolution. This removal does not require a second or a vote by the Board. All removed municipalities shall be considered by separate individual resolutions at the same meeting.

Section 6. Manner of Voting. The voting on a resolution shall be by a roll call vote. The voting on all other questions at a meeting of the Board shall be by a voice vote, unless a member requests a roll call. In the case of either a roll call vote or a voice vote, the individual yeas and nays shall be entered in the minutes of that meeting.

[Section 7. Prohibition of Texting During Open Meetings. Each member of the Board shall refrain from texting or using personal electronic communication devices during open meetings in violation of the Open Meetings Act.](#)

~~Section 7.~~Section 8. Public Meetings. All meetings of the Board shall be held in compliance with the Open Meetings Act.

~~Section 8.~~Section 9. Minutes. Minutes of all the Board meetings, including all votes, shall be kept on file in the Department of Treasury. Proposed minutes for a Board meeting shall be prepared within eight business days of the meeting. The minutes shall be corrected and approved at the succeeding meeting. If corrected, the minutes shall show both the original entry and the correction. The minutes for each meeting of the Board shall be open and available to the public in compliance with the Open Meetings Act and the Freedom of Information Act, Act No. 442, Michigan Public Acts of 1976.

~~Section 9.~~Section 10. Resolutions and Effective Date. All resolutions shall be in writing and shall be kept on file in the Department of Treasury. Resolutions shall become effective on the day of passage, upon adjournment of the meeting, unless otherwise stated in the resolution.

ARTICLE V

Liability of Members, Officers, and Employees

To the greatest extent authorized by law, no provision of these bylaws or any agreement or policy approved by the Board, shall be construed to waive the governmental immunity afforded to the Board under law. The Board, its agents and representatives, retain all governmental and official immunities conferred by law.

ARTICLE VI

Miscellaneous Provisions

Section 1. Fiscal Year. The fiscal year of the Board shall extend from October 1 of each calendar year to the ensuing September 30 of the following calendar year, unless the State's fiscal year changes, and then in that case, the Board's fiscal year shall be the same as the State's fiscal year.

Section 2. Execution of Documents. The Board may authorize by resolution the execution of documents or certificates on behalf of the Board by the members of the Board and other authorized officers of the Board as it considers appropriate.

Section 3. Conflict of Interest. Members of the Board and contractors or agents of the Board shall be subject to the provisions of Act No. 317, Michigan Public Acts of 1968 and Act No. 318, Michigan Public Acts of 1968.

Section 4. Conflict with the Act. To the extent that there is any conflict between these Bylaws and the Act or the underlying statutes, the Act and the underlying statutes shall control.

Section 5. Ethical Duties. Members of the Board and contractors or agents of the Board shall be subject to the provisions of the State Ethics Act, Act No. 196, Michigan Public Acts of 1973.

ARTICLE VII

Amendment and Suspension of Bylaws

Section 1. Amendment. These Bylaws may be amended by resolution adopted by the affirmative vote of a majority of the members. Advance notice of motions to amend the Bylaws need not be given.

Section 2. Suspension. Any and all of the provisions of the Bylaws, except those required by state law, may be suspended by the affirmative vote of a majority of the members.

Adopted: __/__/19

DRAFT

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-18**

**APPROVAL AND ADOPTION OF BEST PRACTICES
AND CORRECTIVE ACTION PLAN APPROVAL CRITERIA**

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;

WHEREAS, the Act requires the Board to 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;

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

WHEREAS, Treasury staff has developed the Best Practices and Corrective Action Plan Approval Criteria for the Board's consideration, as detailed in memorandum attached to this Resolution (the "Best Practices");

WHEREAS, municipalities and their representatives have provided feedback on the form and substance of the Best Practices;

WHEREAS, Treasury staff recommends the approval and adoption of the Best Practices; and

WHEREAS, the Board concurs in that recommendation and wishes to approve and adopt the Best Practices.

NOW, THEREFORE, BE IT RESOLVED, the Board approves and adopts the Best Practices attached to this Resolution; and

BE IT FURTHER RESOLVED, any and all previous versions of the Best Practices are rescinded and replaced with the Best Practices attached to this Resolution.

Ayes:
Nays:
Recused:
Lansing, Michigan
July 17, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: July 17, 2019

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Public Comments on Municipal Stability Board Best Practices and Strategies, and Public Act 202

Suggested Action: The Board votes on Resolution 2019-18 Approval and Adoption of Best Practices and Corrective Action Plan (CAP) Approval Criteria. The following documents include an updated version of the Best Practices and Corrective Action Plan Approval Criteria based on the feedback the Municipal Stability Board received during the public comment period.

The Community Engagement and Finance Division solicited comments on the proposed Best Practices and CAP Criteria. The document was posted on Treasury's website for 18 days. Emails were also distributed, inviting all stakeholders, and the public to participate in the public comment period. A total of four public comments were received.

	Name(s)	Local Government/ Assoc.	Summary of Comments	Action
1	Brad Biladeau	Michigan Employees Retirement System (MERS)	<p>"Great job on updating the best practice document. I shared the information with our team and we have a couple of things you may want to consider under potential funding solutions.</p> <ul style="list-style-type: none"> Bonding is not listed Establish a surplus fund within the pension system to segregate excess contributions, without reducing the minimum required contribution. <p>Please let me know if you have any questions. Thanks again for soliciting our feedback."</p>	<p>Changes Recommended:</p> <ul style="list-style-type: none"> Added best practice regarding bonding if appropriate and meeting Municipal Finance Act Edited existing additional funding best practice to include surplus division language
2	Ted Makowiec	Segal	<p>Provided a tracked change document summarized below:</p> <ul style="list-style-type: none"> To remove references to earned interest Multiple grammatical and technical changes. Addition of best practice to health care modern plan design section to "Consider alternative methods of coordinating or delivering benefits for those eligible for Medicare" Qualified the health care modern plan design best practice for requirement of an annual audit review to determine if retirees and dependents still qualify to 	<p>Changes Recommended:</p> <ul style="list-style-type: none"> Removed references to earned interest Made requested technical and grammatical edits Added to existing best practice regard use of Medicare for over 65 population in health care

			apply only to those systems with greater than 50 members	modern plan design section to include “Consider alternative methods of coordinating or delivering benefits for those eligible for Medicare”
3	Christian Veenstra, ASA Troy Schnabel, ASA Leah Dudley, ASA	Watkins Ross	<p>“Thank you for inviting us to comment on the Updated Best Practices and Strategies under PA 202. We appreciate both the intent of the Act and the engagement with the service provider community that you’ve demonstrated.</p> <p>Our comments and questions are pretty limited as your Update is very thorough. What input we have concerns:</p> <ol style="list-style-type: none"> 1. CAP Approval Criteria – clarify that the 10%/12% of general operating funds affordability criteria would be retained in the event that only a pension or health plan (and not both) are provided (or, consider retaining the 10%/12% in the event that both are provided but one is closed to new hires) 2. Plan funding – the first bullet point could use some clarification with respect to funding the unfunded actuarial accrued liability by way of referencing an amortization (and potentially a limited timeline) for such” 	<p>No changes recommended</p> <ul style="list-style-type: none"> • Primary local governments that are required to submit corrective action plans triggered underfunded status from that system being under 10%/12% • The amortization schedule is a separate best practice under plan funding
4	Brad Lee Armstrong on behalf of David Kausch	GRS Consulting	<p>“Our comments on the June 2019 update to CAPD: Best Practices and Strategies are as follows (listed somewhat in order of importance):</p> <p>Overall, we think the revisions strengthen the document and provide valuable guidance.</p> <p>Under 3. Effective Plan Administration, second bullet, 11th sub-bullet, we are unclear on why the Board would be compelled to determine the use of enterprise funds. This seems to be an area where both management and the plan sponsor should be primary in making this type of decision.</p> <p>We think that a definition of “bridged COLA” should be added to the Glossary of Terms. A bridged COLA could impact both active and retired members.</p> <p>Under CAP Approval Criteria:, I. Underfunded Status, the arrowed sub-bullet refers to “plan”. We believe it should be CAP to avoid potential confusion with the local benefit plan. We also note that “corrective action plan” is lower case and appears in both the Primary and Non-Primary Governments: third sub-bullet and the Primary Governments: second sub-bullet. We suggest replacing with “CAP”.</p> <p>Under Goal:, the word “care” was added to “retirement health care systems”. We suggest that the remainder of the document should use this reference consistently or abbreviate it consistently.</p> <p>“Below are” was removed from several places, but it still appears at the beginning of the second bullet of 3. Effective Plan Administration.</p> <p>Thank you for allowing us the opportunity to comment on the draft.”</p>	<p>Changes Recommended:</p> <ul style="list-style-type: none"> • Added a definition of “bridged COLA” to Glossary of Terms • Replaced use of “plan” to “CAP” throughout the document • Updated all instances of retirement health care to be referred to “retirement health care system” • Removed “Below are” from Effective Plan Administration Section

5	Chris Hackbarth	Michigan Municipal League (MML)	<p>Check out some of the risk mitigation concepts used by the best performing states in this Pew Study (WI, TN, SD) - https://www.pewtrusts.org/-/media/assets/2019/06/statepensionfundinggap.pdf. Anything from these we should try and emulate or insert into the PA 202 list of best practices.</p>	<p>Changes Recommended:</p> <ul style="list-style-type: none"> • Added to Effective Plan Administration a best practice to explore policies to automatically lower benefits or increase contributions in response to market downturns
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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

Julyne 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 [care](#) system¹:

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

Best Practice Options:

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

I. Plan Funding

- Funding options to sustain legacy costs and future retirement benefits:
 - Fund the actuarially determined contribution (ADC), which pays the expected cost of all promised benefits for both pension and retirement health [care](#) systems (i.e. fund the annual service cost of active employee benefits plus any unfunded actuarial accrued liabilities (UAAL))
 - Add funding to the annual budget in addition to the ADC, [e.g. placing additional contributions into a surplus fund](#). This practice will reduce the unfunded liabilities and allow for potential increased ~~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 [care](#) system funding
 - Add or increase employee contributions for pension systems and health care systems
 - Add or increase retiree contributions for health care systems
 - Implement a closed amortization period of no more than twenty years
 - [Calculate amortization payments based on a "level-dollar" amortization schedule](#)
 - [Issuance of retirement bonds that qualify under the revised Municipal Finance Act, if appropriate for the local government](#)

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

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).

solutions that can adapt alongside a changing work environment.

- Modern plan design options for defined benefit pension systems:
 - Implement a “bridged multiplier” for active employees
 - Implement a bridged cost of living adjustment (COLA)
 - Implement final average compensation (FAC) standards
 - Evaluate 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 [care](#) systems:
 - Require cost sharing of premiums and reasonable copays
 - Implement a cap on [the employer portion of](#) retiree health care costs
 - Require mirroring of retiree health care plans with active employee health care plans within the same local government
 - Require retirees to use their current employer's health benefits or their spouse's health benefits, if available
 - Require use of Medicare as primary insurance for retirees 65 and older [and/or consider alternative methods of coordinating or delivering benefits for those eligible for Medicare](#)
 - Enroll new hires in a defined contribution retiree health care plan
 - Evaluate the financial implications of any early retirement incentive buyouts
 - Raise the eligibility age [and/or service requirements](#) for retiree health care [benefits](#)
 - Implement vesting rules that provide levels of benefits based on years of service
 - Use a market driven approach to evaluate benefit offerings and carriers

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 a](#)Administration options to maintain fiscally stable retirement systems:
 - Work with system providers to determine appropriate solutions
 - Require all retirement systems to be 100 percent funded before any benefit increases can take effect
 - [Obtain an annual actuarial valuation for both pension and retirement health care systems with greater than 50 members](#)
 - [Ensure proper assumptions are utilized according to Actuarial Standards of Practice](#)
 - Require an experience study by the plan's actuary at least every five years
 - Require a peer actuarial audit to be conducted by an actuary that is not the plan actuary or change actuaries at least every eight years
 - [Provide projections within the annual valuations for ADCs, retirement benefit payments, assets, and liabilities until the system is at least 100% funded](#)
 - [Calculate ADCs in accordance with Treasury's Numbered Letter 2018-3, the sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability](#)

- [Apply a blended discount rate that reflects a 20-year, tax-exempt general obligation municipal bond index rate, to the extent that system assets are not sufficient to make projected benefit payments](#)
- Use asset smoothing in the valuation to reduce the impact of significant investment losses on ADC amounts
- Consult with the system provider about diversifying the investment portfolio
- Ensure management and oversight boards have proper experience, skills, and training to administer retirement systems
- Create a retirement benefits committee consisting of all stakeholders (employees, retirees, and employer representation) to evaluate benefit options
- If sustainable, and a compelling reason is provided as determined by the Board, enterprise funds may be utilized to support applicable retirement costs to offset pressure on the governmental fund
- Conduct an annual review of all retiree health care systems to ensure retirees and their dependents still qualify for retiree health care. This would include an audit for those plans that are different for people that are on Medicare.
- Evaluate retirement benefit eligibility for part-time elected officials
- [Explore policies to automatically lower benefits or increase contributions in response to market downturns.](#)

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 and address](#) the following:

I. Underfunded Status

- **A local government must address its underfunded status in a reasonable timeframe.**
- **Primary and Non-Primary Governments:** The CAP must demonstrate, through detailed supporting documentation, how and when the retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health [care](#) systems. These minimum funding ratio percentages are determined by Sec. 5(4)(a) and Sec. 5(4)(b) of the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis which illustrates how and when the local government will reach the minimum funding ratio percentages.
 - It is recommended that the supporting documentation shows a projection for the duration of the [plan-CAP](#) that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments (if applicable), actuarial assumptions, and retiree benefit payments.
 - As general guidance, a local government with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local government with a severely underfunded retirement health [care](#) system (25% or less) should reach a funded ratio of forty percent within thirty years.
 - If the [corrective action plan-CAP](#) 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 care systems. The Board may consider this as means to address underfunded status in accordance with the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis for ADC. The local government must project general fund operating revenues using a reasonable forecast based on historical trends and projected rates of inflation.
 - For local governments who are addressing underfunded status through the ADC/Revenue trigger in their corrective action plan CAP, the local government must show how it will get below the PA 202 established ADC/Revenue trigger within 5 years.

2. Legality

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

3. Affordability

- The local government must confirm that corrective actions listed in the CAP allow for the local government to make, at a minimum, the actuarially determined contribution (ADC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits (*Sec. 4(1) of the Act, MCL 38.2804*). This section confirms that a local government has linked long-term future payment expectations with revenue expectations and has concluded that those payments are affordable now and into the future without additional changes to their CAP.
- The practice of affordability means the ability to meet a local government's current and future obligations, without using a significant percentage of the annual budget. Affordability is defined as follows:
 - In accordance with the Act, the ADC for all retirement systems should not be greater than 22 percent of general fund operating revenues.
 - The ability of a local government to offer residents critical public services while paying for legacy obligations.
 - The ability of a local government to prefund retirement benefits, earn 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 CAPs will be monitored by the Board for compliance not less than every two years. As a local government implements prospective changes, there is a recognition that specific solutions may need to be adjusted to address its underfunded status. If a local government feels that their approved CAP is no longer materially in effect, they may submit a revised CAP for review by the Board.

Glossary of Terms

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

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

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

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

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

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

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

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

Defined Contribution Systems: A retirement savings plan where the employer and employee contributions are defined and known in advance, but the benefit to be paid out is not known in advance. In these types of plans, investment and longevity risk are generally ~~borne~~ ~~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~~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~~ at least 60% funded for pension systems, and at least ~~less than~~ 40% funded for retirement health care systems.

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

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

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

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

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

DRAFT

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: July 17, 2019
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division (CEFD), Department of Treasury
SUBJECT: Proposed Corrective Action Plan (CAP) Monitoring Process

Suggested Action: The Board motions to begin the public comment period for the proposed draft of the CAP monitoring process. Treasury will report public comment submissions and a revised draft of the CAP monitoring process for approval at the next regularly scheduled Board meeting.

Background: Based on the Board's guidance and feedback provided during the May 20, 2019 workshop, the CEFD has provided a proposed draft of the CAP monitoring process for underfunded local governments.

Per Section 10(6) of Public Act 202 of 2017: The Board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with this act. If the Board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance.

Corrective Action Plan Monitoring: Policy and Procedures

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

Monitoring Methodology and Intent: Corrective action plans (CAP) thus far have been approved under a broad scope in support of locally developed plans. As such, great flexibility in approval of these CAPs has been given to allow local governments to determine the components of their plan. CAPs were approved based on the CAP Approval Criteria, but much of the supporting documentation provided to support the approval criteria was imprecise. In order to ensure that the local governments are reaching the goals outlined in their CAPs, the CAP monitoring process is intended to provide greater scrutiny and validation of the components and details of local governments plans. This process will ensure that local governments are taking the necessary steps to address their underfunded status.

Timeline: Local governments must begin implementation within 180 days of CAP approval and will be monitored for substantial compliance with the Act every two years.

CAP Changes: If at any time after a CAP has been approved, a local government determines their previous submission is no longer substantially in effect, an updated CAP may be filed for review by the Municipal Stability Board.

Corrective Action Plan Monitoring Process

Local Government Communication: Monitoring Notifications

- **Step 1: 180-Day Implementation Notification**
 - 180 days after a CAP is approved, a letter is sent to the local government informing them that they have reached the 180-day deadline. They should have begun implementing actions listed in their CAP as required by the Act.
 - Treasury will provide guidance in this notification that local governments should be receiving projections within their annual valuations in accordance with the Board's best practices document as follows:
 - ADC's, retirement benefit payments, assets, liabilities, and discount rate
 - It is recommended that local governments utilize these projections as part of their monitoring certification
- **Step 2: CAP Monitoring Form – Sent 1.5 years after initial CAP approval**
 - In the CAP monitoring notification, local governments will be reminded that the Retirement System Annual Report (Form 5572) is due annually six months after their fiscal year end
 - Failure to submit the Form 5572 could result in a determination of noncompliance
 - **Local governments will be required to submit the proposed "CAP Monitoring Form" to be used by the Board when evaluating CAP compliance and implementation**
 - The completed CAP monitoring form is due 3 months after receipt
 - Treasury will provide administrative support by preparing a detailed review and recommendation for the Board's compliance certification
 - The Board will review and certify the local government for compliance with the Act every 2 years

Proposed Municipal Stability Board Corrective Action Plan Monitoring Criteria

To assist local governments in preparing for the statutorily required monitoring process for their approved CAP(s), the Board is publishing CAP monitoring approval criteria. The Board will be considering these criteria when monitoring corrective action plan implementation and determining if funding progress has been made as outlined by each underfunded local government. Local governments are encouraged to continue to use a balanced approach to address their underfunded status by using one or more of the [best practice principles](#) published by the Board. Additionally, local

governments may use CAP monitoring approval criteria to ensure their approved corrective actions are in compliance with the Board.

CAP Monitoring Criteria:

1. Underfunded Status

- Using detailed supporting documentation, is the local government addressing their underfunded status in the same timeframe or less, as the approved CAP?
 - **Supporting documentation**
 - It is recommended that supporting documentation show 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, using reasonable calculations
 - **If underfunded status is not being addressed in a timeframe less than or equal to approved CAP timeframe:**
 - If a corrective action plan by a local government is not addressing its underfunded status within the original approval criteria timeframe (20 years for pension or 30 years for OPEB, for severely underfunded systems), the local government may be found noncompliant with the Board's CAP monitoring criteria
 - As general guidance, a local government with a severely underfunded pension system is 45 percent funded or less. A local government with a severely underfunded retirement health care system (OPEB) is 25 percent or less

2. Substantial Changes

- The local government must certify that the corrective action plan remains substantially the same as the original approved submission.
 - **If a local government cannot certify that their plan is substantially the same as the approved submission, the local government must provide the following with their CAP Monitoring Form:**
 - All proposed actions the local government was *able* to implement
 - All proposed actions the local government was *unable* to implement
 - Any actions in addition to the original CAP
 - Governing body approval is required for additional actions
- The Board will use CAP criteria to approve or disapprove CAP changes, thereby certifying their compliance with the Act or finding them in noncompliance

3. Sustainability

- **Local governments must certify sustainability**
 - The local government must certify the plan is still affordable, through detailed supporting documentation. This includes documentation that the local government's retirement costs are not increasing at a rate greater than what can be afforded through reasonable revenue growth. Retirement costs also must not have substantially increased above the original projection in their approved CAP.
 - Local governments with a combined payment that increases by greater than 5 percent annually as a percentage of governmental fund revenues, which is also greater than the rate documented in the approved CAP, may be determined to be unsustainable by the Board.
 - It is recommended that supporting documentation include a projection of all annual retirement payments (Pension ADC(s)+OPEB Insurance Premium Payments(s)+all additional contributions) as a percentage of projected governmental fund revenues for the duration of the plan.
 - 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 confirms that local governments have linked long-term future payment expectations with revenue expectations and have concluded that those payments are sustainable now and into the future, without additional changes to their CAP.

- **If the local government cannot document that the CAP will continue to be sustainable or the Board determines that the plan may no longer be sustainable:**
 - The Board may certify compliance; however, the Board will note that the local government is not on track, as their annual payments have significantly increased. Prior to the local government's next monitoring period, they must address the change in affordability, or they may be determined noncompliant.

Step 3: Certification of Compliance

- **Compliant:** If a local government has met all published CAP monitoring criteria and satisfied all reporting requirements:
 - The Board certifies the local government's compliance with the Act.
- **Compliant with Conditions:** If a local government is unable to certify sustainability or determined to be unsustainable, but all other criteria and reporting requirements are met:
 - Board certifies the local government's compliance with conditions.
 - Affordability concerns must be addressed prior to the subsequent monitoring period, to the Board's satisfaction.
- **Noncompliant:** If local government does not meet CAP monitoring criteria or did not satisfy annual reporting requirements:
 - The Board may determine the local government noncompliant.
 - The local government will have 60 days to address the reasons for noncompliance.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: July 17, 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:

Fiscal Year 2017 Plans

- I. 35th District Court
 - A. Pension: Municipal Employee's Retirement System of MI (8234)
 - B. OPEB: 35th District Court Post-Retrment Medical
- II. Cadillac Housing Commission
 - A. OPEB: MERS Retiree Health Care Vehicle
- III. City of Gladstone
 - A. Pension: Municipal Employees' Retirement System of Michigan
- IV. Harrison Charter Township
 - A. Pension: Firemen's Pension System
 - B. OPEB: General Employees
 - C. OPEB: Fire Employees
- V. Henika District Library
 - A. Pension: MERS
- VI. Kalkaska County Road Commission
 - A. OPEB: KCRC OPEB benefits (medical plan)
- VII. Monroe Housing Commission
 - A. Pension: Municipal Employee's Retirement System
- VIII. Negaunee Housing Commission
 - A. Pension: MERS

- IX.** South Haven Area Emergency Services Authority (SHAES)
 - A. OPEB: Retiree Health Plan

Fiscal Year 2018 Plans

- I.** Kingsford City Housing Commission
 - A. Pension: MERS

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

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: 35th District Court Six-Digit Muni Code: 827612
Defined Benefit Pension System Name: Municipal Employee's Retirement System of MI (8234)
Contact Name (Administrative Officer): Pam Avdoulos
Title if not Administrative Officer: Court Administrator
Email: pavdoulos@35thdistrictcourt.org Telephone: (734) 781-0112

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**.*

Benefits levels are the same for union member of the collective bargaining union and for non-union members. The system's multiplier for current and new hires employees was reduced from 2.5% to 1.75% effective January 1, 2015, see page 26 of 27 of Attachment 2A; The employer has adopted the "no Phase-in" employee contribution rate effective January 1, 2018, see page 7 of 27 of Attachment 2A.

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 five funding units (the Cities of Plymouth, Northville and Townships of Plymouth, Northville and Canton) approved a budget to make additional \$300,000 annual contributions as show on the projected budget thru yr 2022. See attachment 4A
The additional contributions will increase the retirement system funded ratio to 60% by 2027. See attachment page 14 of 27 of Attachment 2A.

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

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

The unit has removed the employer cap for annual contributions which was adopted January , 2019. See attachment 6A

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

The five funding unites (the Cities of Plymouth, Northville an Townships of Plymouth, Northville and Canton) have adopted a resolution to make additional contributiuns of all annual excess revenues to legacy costs. Amount to be determined annual. See attachment 4A

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) 35th District Court to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan Form (Required)

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment –6a

Other documentation not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

I Pam Avdoulos, as the government's administrative officer (*enter title*) 35th District Court (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 of M (**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 03/28/2019

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: 35th District Court Six-Digit Muni Code: 827612
Retirement Health Benefit System Name: 35th District Court Post-Retrment Medical
Contact Name (Administrative Officer): Pam Avdoulos
Title if not Administrative Officer: Court Administrator
Email: pavdoulos@35thdistrictcourt.org Telephone: (734) 781-0112

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.***

Benefit levels are the same for union members of the collective bargaining unit and non-union employees. Union retirees contribute 6% of their premiums and non-union contribute 10% of their premiums. Employees hired after 1/1/2014 are enrolled in a Health Care Savings Plan funded by the employer's contribution of 5% of employee's salary; employees hired prior to 1/1/2014 will have Medicare as their primary insurance and Court's retiree health insurance
See attachment 6A

- 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 five funding units (the Cities of Plymouth, Northville and Townships of Plymouth, Northville and Canton) approved a budget to make additional \$200,000 contributions annual thru year 2022. The funding units have adopted a Resolution to make additional contributions of all annual excess revenue fund.

See attachment 4A Budget See attachment 4A Board minutes pag 7

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

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

The information proved on form 5572 used actuarial data for 2017. Attached is an updated rollforward valuation for 2018 that shows the funded ratio has improved to 11.22% from 7% by implementing the above system changes.

Attachment 2A page 4

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.*

If additional payments of \$200,000 continue per annual budget the retirement system funded ratio to 40% by **2024**

see attachment 2A

- 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**.*

Beginning in May 2019 the Court will be replacing the deposit of OPEB funds from the money market at Comerica bank and will invest in MERS Retiree Health Funding Vehicle (115 Trust) which invests in the market with a prospective return of 5%-7%. See attached RHFV Investment Services program.

See attachment 6A

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) 35th District Court 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 (see CAP criteria issued by the Board)?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan?

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

I, Pam Avdoulos, as the government's administrative officer (insert title)
Court 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 35th District Court Post-Retirement Medical (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2024 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 03/27/2019

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: Cadillac Housing Commission Six-Digit Muni Code: 837511

Retirement Health Benefit System Name: MERS Retiree Health Care Vehicle

Contact Name (Administrative Officer): Owen Roberts

Title if not Administrative Officer: Director of Finance, City of Cadillac

Email: oroberts@cadillac-mi.net Telephone: (231) 775-0181

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**.*

As of December 2008, the policy changed and does NOT cover retiree health care insurance benefits. There is only one employee remaining who is eligible for this benefit.

- 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**.*

We created a new Health Care Vehicle with MERS in February of 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.*

We deposited \$18,000 into the Health Care Vehicle in February of 2019. We will deposit another \$18,000 in October of 2019 to get it fully funded.

- 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**.*

Although we did nothing in 2018, we started a Health Care Vehicle in February of 2019 and then deposited \$18,000 into it. We will deposit another check for \$18,000 in October. This will fully fund our health care benefits.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

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

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

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

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

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

Signature

Carrie Ferguson

Date

6-17-19



CITY OF GLADSTONE, MICHIGAN

CITY HALL, 1100 DELTA AVENUE

P.O. BOX 32

GLADSTONE, MI 49837

PHONE: 906-428-2311

FAX: 906-428-3122

www.gladstonemi.org

July 1, 2019

TO: Gladstone City Commission and Michigan Department of Treasury

FROM: Darcy D. Long, MPA, CPM City Manager
Vicki Schroeder, MICPT, City Treasurer

RE: Corrective Action Plan Public Act 202 of 2017-Request for Amendment

On November 7, 2018, the City of Gladstone submitted a corrective action plan to the Michigan Department of Treasury as required by Public Act 202. The City of Gladstone's CAP was accepted by the Michigan Stability Board on December 28, 2018, and the City began the implementation of the approved CAP as required under PA 202.

Since submittal and acceptance of the CAP by the Board the City's Management and City Commission has reviewed the CAP and has decided to request an amendment to the CAP. This letter will serve as a request to the Board for an amendment to the City of Gladstone's CAP at their next meeting on July 17, 2019.

In this letter, I will outline what portions of the approved CAP the City wishes to request an amendment from the Board at their next meeting in July. I will be resubmitting the original CAP as background information for the Board in considering this amendment. Along with minutes of the Gladstone City Commission approving the submittal of an amendment to the CAP.

Details of Requested CAP Amendment and Overview of Amendment

The City's approved CAP utilizes savings from OPEB reforms to meet more than 60% of the pension funding in five years. Gladstone's CAP OPEB reforms moved retirees as specified in the approved CAP to a stipend and ended lifetime benefits payments for Medicare-age retirees. Additional pension payments on an annual basis were also being used to help with compliance with the City's 60% pension funding status. More in-depth information is outlined in the City's approved CAP.

Details of Amendment Request

1. The City would like to offer retirees the option a buyout of their OPEB benefit as outlined below. This buyout option provides retirees three options with one of them staying as



A WPPI Energy community

 The City of Gladstone is an equal opportunity employer and provider.

status quo. This buyout option if selected by retirees, will reduce the City's OPEB liability further and will provide additional funding for meeting the City's pension liabilities. Funding to cover the buyouts will come from the City's Fund Balances.

- a. Buyout Option 1: Paid at 90% into a MERS Post Retiree Medical Savings Account
 - b. Buyout Option 2: Paid at 70% as a cash payment
 - c. Status Quo no change in the monthly stipend amount.
2. Request the Board allow the City to continue to fund the life benefit Retirees who received the Medicare Gap Coverage from the City for three more years. In reviewing this portion of the approved CAP, the City found this to be difficult for these retirees. Over the three years for these two retirees, the City will provide an approved Medicare Supplement plan for them. The estimated cost is provided in the spreadsheet outlining the savings and financial changes the City's CAP as requested by the amendment. It is expected the savings from buyouts should cover this additional cost to the City, but to ensure there is not a shortfall, the City would like to reduce our additional annual payment by the same amount. The City will still meet its 60% funding goal with this change.

City of Gladstone Retiree Buyouts
MSA (\$.90/\$) vs Cash (\$.70/\$)
Amounts as of 8/1/2019

Retiree	Expiration Date	Months Left to Expiration	Option 1 Stay the Same	Option 2 MSA Buyout	Option 3 Cash Buyout
Steve Bratonia	4/30/2020	9	\$ 5,418.09	\$ 4,876.28	\$ 3,792.66
John Blair	9/30/2019	2	\$ 1,204.02	\$ 1,083.62	\$ 842.81
Eric Buckman	12/31/2025	65	\$ 65,000.00	\$ 58,500.00	\$ 45,500.00
Dennis Dufek	5/31/2021	22	\$ 13,244.22	\$ 11,919.80	\$ 9,270.95
Linda Gray	6/30/2021	22	\$ 13,244.22	\$ 11,919.80	\$ 9,270.95
Paul Geyer	5/31/2027	94	\$ 56,588.94	\$ 50,930.05	\$ 39,612.26
Mark Hager	1/31/2022	34	\$ 20,468.34	\$ 18,421.51	\$ 14,327.84
John Harris	12/31/2022	41	\$ 24,682.41	\$ 22,214.17	\$ 17,277.69
David Hanson	8/31/2024	61	\$ 36,722.61	\$ 33,050.35	\$ 25,705.83
Howard Keeton-Medicare Coverage	6/30/2022	36	\$ 3,600.00	\$ 3,240.00	\$ 2,520.00
Terry Larson	3/31/2023	44	\$ 26,488.44	\$ 23,839.60	\$ 18,541.91
Pete McIntyre	11/30/2020	16	\$ 9,632.16	\$ 8,668.94	\$ 6,742.51
Dawn Sailer	3/31/2023	44	\$ 26,488.44	\$ 23,839.60	\$ 18,541.91
Bob Tardiff-Medicare Coverage	6/30/2022	36	\$ 3,600.00	\$ 3,240.00	\$ 2,520.00
Total			\$ 306,381.89	\$ 275,743.70	\$ 214,467.32

This letter from the City of Gladstone is our request for an amendment to the City's approved CAP. If the Board or Michigan Department of Treasury has any questions related to this letter, please contact me at your convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Long', with a large, stylized initial 'D' and a long horizontal flourish extending to the right.

Darcy D. Long, MPA, CPM
City Manager
City of Gladstone

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: Harrison Charter Township Six-Digit Muni Code: 501050
Defined Benefit Pension System Name: Firemen's Pension System
Contact Name (Administrative Officer): Ken Verkest
Title if not Administrative Officer: Supervisor
Email: kverkest@harrison-township.org Telephone: (586) 466-1445

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 Attachment 6a

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

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

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

The Municipal Stability Board Best Practices indicates that a reasonable timeframe to achieve 60% funded status is 20 years. Our projection (attached) shows that we will reach 60% funded status in only six years (see attachment 2a, page A-12).

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Harrison Charter Township 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

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

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

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

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

- The Firemen's Pension System (Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2025 as demonstrated by required supporting documentation listed in section 6.

OR, if the local 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 Kenneth J. Verkest

Date 07/05/2019

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: Harrison Charter Township Six-Digit Muni Code: 501050
Retirement Health Benefit System Name: General Employees
Contact Name (Administrative Officer): Kenneth Verkest
Title if not Administrative Officer: Supervisor
Email: kverkest@harrison-township.org Telephone: (586) 466-1445

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**.*

1/1/2010 & 1/1/2012: Retiree Health Care eliminated for all new employees. (see Attachment 6a, Art. 33, Sect. B and Attachment 6b, Art. 39, Sect. 5b). 10/13/2015: Township Board switched all pre-65 retirees to BCBS High Ded. HSA plan & all post-65 retirees to BCBS Medicare Advantage, effective 1/1/2016. Savings: \$521,182 annually (blended for Fire & Gen. Employees). (see Attachment 6c, presentation from Cambridge Cons., pg 18).

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

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

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

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

The plan is closed for Retiree Health Care to any new hires and has been since 1/1/2012.

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**.*

The Municipal Stability Board Best Practices indicates that a reasonable timeframe to achieve 40% funded status is 30 years. Our projection (attached) shows that we will reach 40% funded status in 23 years (see attachment 2a, page 3).

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan (Required)

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria

Description

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

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

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

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

- The General Employees OPEB Fund (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2041 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 Kenneth J. Verkest

Date 07/05/2019

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: Harrison Charter Township Six-Digit Muni Code: 501050
Retirement Health Benefit System Name: Fire Employees
Contact Name (Administrative Officer): Kenneth Verkest
Title if not Administrative Officer: Supervisor
Email: kverkest@harrison-township.org Telephone: (586) 466-1445

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**.*

12/19/2014: Retiree Health Care eliminated for all new employees. (see Attachment 6a, Article 34, Section 6. a).
10/13/2015: Township Board switched all pre-65 retirees to BCBS High Deductible HSA plan & all post-65 retirees to BCBS Medicare Advantage, effective 1/1/2016. Savings: \$521,182 annually (blended savings for Fire & General Employees). (see Attachment 6b, presentation from Cambridge Consulting, page 18).

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

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

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

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

The plan is closed for Retiree Health Care to any new hires and has been since 1/1/2013.

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**.*

The Municipal Stability Board Best Practices indicates that a reasonable timeframe to achieve 40% funded status is 30 years. Our projection (attached) shows that we will reach 40% funded status in 23 years (see attachment 2a, page 3).

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan (Required)

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

- The Fire Employees OPEB Fund (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2041 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 Kenneth J. Verkest

Date 07/05/2019

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: Henika District Library Six-Digit Muni Code: 038002

Defined Benefit Pension System Name: MERS

Contact Name (Administrative Officer): Nicole Gray

Title if not Administrative Officer: Director

Email: wayng@lcoop.org Telephone: (269) 792-2891

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.*

We did not receive the information about Form 5572 because it went to the email of an employee that no longer worked at Henika District Library. The Interim Director did not know to submit Form 5572, and the new director arrived after it should have been submitted. 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

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) Henika District Library to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan Form (Required)

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

I Nicole Gray, as the government's administrative officer (*enter title*)
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.

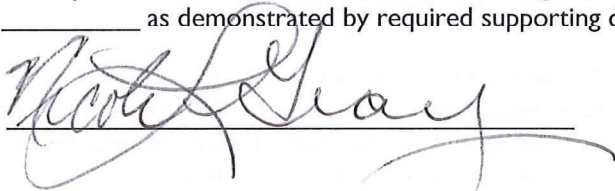
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The Henika District Library (**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 _____ (**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 06/29/2019

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: Kalkaska County Road Commission Six-Digit Muni Code: 400100

Retirement Health Benefit System Name: KCRC OPEB benefits (medical plan)

Contact Name (Administrative Officer): John Rogers

Title if not Administrative Officer: Manager

Email: jrogers@kalkaskaroad.org Telephone: (231) 258-2242

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.***

Retiree health care was eliminated for administrative employees September 1, 2014.
Retiree health care was eliminated for road worker employees July 1, 2016.
These actions were documented on Form 5584, Application for Waiver and Plan.
This Plan will never include more than the current 20 retirees eligible for retiree health care.

- 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**.*

See attachment 6a.

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**.*

No additional design changes are proposed.

- 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.*

No additional funding is proposed (continue with pay as you go).

- 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.*

The Municipal Stability Board's Best Practices and Strategies requires 40% funding within 30 years. It is reasonable to believe this Plan will terminate within 30 years. See attachment 2a.

The Road Commission is investigating the use of Mercer Marketplace and/or MERS Health Care Savings Program (HCSP) to reduce retiree health care cost.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

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

I, John Rogers, 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.

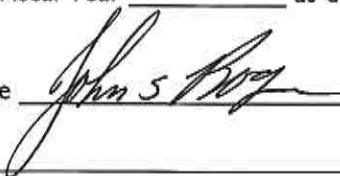
I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

- The KCRC OPEB benefits (medical plan) (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2048 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the 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

7/10/19

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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: Kingsford Housing Commission Six-Digit Muni Code: 227510
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Jeanne Allard-Shaltz
Title if not Administrative Officer: Executive Director
Email: imhc@imhc.us Telephone: (906) 774-2771

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**.*

As per the attached 2017 Form 5572 (attachment 7a), Kingsford Housing Commission is not in an underfunded status. This Form was submitted to the Treasury on March 6, 2018 as per the attached email (attachment 7b). No further action deemed necessary.

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) Kingsford Housing Commission to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan Form (Required)

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

The MERS (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2018 as demonstrated by required supporting documentation listed in section 6.

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

Jeanne Allard Shultz

Date

6/19/19

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: Monroe Housing Commission Six-Digit Muni Code: 587512
Defined Benefit Pension System Name: Municipal Employee's Retirement System
Contact Name (Administrative Officer): Nancy Wain
Title if not Administrative Officer: Executive Director
Email: nwain@monroehousing.org Telephone: (734) 735-4711

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**.*

N/A

- 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**.*

N/A

- 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**.*

N/A

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**.

Beginning October 1, 2019, the Monroe Housing Commission will lower the multiplier for new hires from 2.00% to 1.5% and change the the Final Average Compensation from three (3) years to five (5) years. Additional changes include revising the vesting period from six (6) years to ten (10) years for all new employees and removal of the COLA. Page 13 of the attached actuarial supplemental valuation reflects the funded ratio will be 60% by FY 2027.

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.

N/A

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.

N/A

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

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

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

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

The Municipal Employees Retirement System (**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 04/29/2019

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: Negaunee Housing Commission Six-Digit Muni Code: 527519
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Marcia M. Waters
Title if not Administrative Officer: Executive Director
Email: mmwaters@negauneehousing.org Telephone: (906) 475-9107

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.*

Negaunee Housing Commission is part of the City of Negaunee Pension Plan. The Executive Director is in the General and the Maintenance is in the Public Works Divisions. The City invoices the Housing Commission monthly for their portion of MERS, and the Housing Commission pays the City. The City of Negaunee determines the benefits. From the MERS Actuarial dated 12/31/2016, the attached chart projects we should be 60% funded by 2028.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

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

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

The Negaunee Housing Commission (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 Marcia M Waters Date 06/14/2019



200 OTTAWA AVENUE, N.W., SUITE 1000
GRAND RAPIDS, MI 49503-2427
TELEPHONE: (616) 458-1300
FACSIMILE: (844) 670-6009
[http //www.dickinsonwright.com](http://www.dickinsonwright.com)

RONALD A. BULTJE
RBultje@dickinsonwright.com
(616) 336-1007

To: Michigan Department of Treasury
Local Retirement Reporting Team

VIA EMAIL ONLY

From: Ronald A. Bultje

Date: June 26, 2019

Re: Corrective Action Plan Supplement
Local Unit Name: South Haven Area Emergency Services
Six-Digit Muni Code: 807515
Retirement Health Benefit System Name: Retiree Health Plan
Contact Name: Ron Wise
Title: Executive Director
Email: rwise@shaes.org
Telephone: 269-637-5151

On behalf of the South Haven Area Emergency Services Authority (“SHAES”), I submitted a Corrective Action Plan (“CAP”) on March 15, 2019. That CAP is now supplemented by the following and the attached.

Attached as Attachment 1 is a 30-year projection prepared by Watkins Ross for SHAES. The projection provides a path for SHAES to obtain 41 percent funding in 30 years for its retiree health plan.

Attachment 6b to the March 15, 2019 CAP is the SHAES Authority Joint Emergency Services Restated Agreement. Section 2.2(a) of that Agreement calls for the SHAES Board to prepare an annual budget, divided into the Fire Service and the Ambulance Service. Attached as Attachment 2 is the SHAES line item budget for the period ending June 30, 2019, adding half of the required annual contribution to the Fire budget and the other half of the required annual contribution to the Ambulance budget. By means of those combined annual contributions, SHAES will achieve 41 percent funding for its retiree health plan in 30 years.

Finally, attached as Attachment 3 is the new account information received by SHAES from Chemical Bank for the establishment of a new account to receive required annual contributions that will enable SHAES to obtain 41 percent funding in 30 years for its retiree health plan. The new account information will be signed when Mr. Charles Ross Stein, Jr. returns to town.

Michigan Department of Treasury
Local Retirement Reporting Team
June 26, 2019
Page 2

Please advise if there are questions.

Very truly yours,

DICKINSON WRIGHT PLLC



Ronald A. Bultje

RAB:jl

Enclosures

cc(w/enc.):

Brian Dissette, South Haven City Manager

Ron Wise, SHAES Chief

Ross Stein, South Haven Charter Township Supervisor

Allan Overhuser, Casco Township Supervisor

Nancy Whaley, Geneva Township Supervisor

GRAPIDS 57671-1 564224v1

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-19**

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

July 17, 2019

Municipal Stability Board Appendix A, July 17, 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	Underfunded				Treasury		Corrective Action Plan Link
					Status	Timeframe	Legal/Feasible	Affordable	Recommendation		
1	Village of Chesaning	733020	Pension	6/13/2019	Yes	Yes	Yes	Yes	Approve	Village of Chesaning-Pension	
2	Chippewa County Road Commission	170100	Pension	6/13/2019	Yes	Yes	Yes	Yes	Approve	Chippewa County Road Commission-Pension	
3	Chippewa County Road Commission	170100	OPEB	6/13/2019	No	No	Yes	Yes	Disapprove	Chippewa County Road Commission-OPEB	
4	City of Gaylord	692010	OPEB	6/13/2019	Partial	Partial	Yes	Yes	Approve	City of Gaylord-OPEB	
5	City of Harper Woods	822150	OPEB	6/13/2019	No	No	Yes	Partial	Disapprove	City of Harper Woods-OPEB	
6	Village of Homer	133030	Pension	6/13/2019	Yes	Yes	Yes	Yes	Approve	Village of Homer-Pension	
7	Village of Lexington	763050	OPEB	6/13/2019	Partial	Partial	Yes	Partial	Approve	Village of Lexington-OPEB	
8	City of Melvindale	822200	Pension	6/13/2019	Yes	Yes	Yes	Partial	Approve	City of Melvindale-Pension	
9	City of Melvindale	822200	OPEB	6/13/2019	No	No	No	No	Disapprove	City of Melvindale-OPEB	
10	Oscoda County Road Commission	680100	OPEB	6/13/2019	Partial	Partial	Yes	Yes	Approve	Oscoda County Road Commission-OPEB	

Treasury Recommendation
Village of Chesaning Pension Corrective Action Plan (CAP)
Primary Unit 733020

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$747,371	\$3,343,118	22.4%	\$242,993	\$2,222,540	10.9%	YES
OPEB	OPEB	\$0	\$212,380	0.0%	\$23,145		1.1%	NO
Total		\$747,371	\$3,555,498		\$266,138	\$2,222,540	12.0%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Village of Chesaning, which was received by the Municipal Stability Board (the Board) on 6/13/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Effective 3-1-2012, village indicates that all new hires are in the MERS defined contribution plan outlined here: C-1 New, FAC 5, 10-year vesting and retirement age of 60. In review, Treasury noted that there was a division listed as open in their audit.
- Plan Funding:
 - The Village has negotiated an increase in employee contributions from 4% to 11% by year 2020.
 - The Village continues to contribute at a higher rate than recommended by our annual MERS valuation.
 - 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:
 - While not recognized as revenue in reporting, the Village would note that a 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.

Prospective Changes:

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

System Status for All Divisions: OPEN

Treasury Recommendation
Village of Chesaning Pension Corrective Action Plan (CAP)
Primary Unit 733020

Plan size: members 28

- Inactive employees or beneficiaries currently receiving benefits: 14
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 9

Corrective Action Plan Criteria:

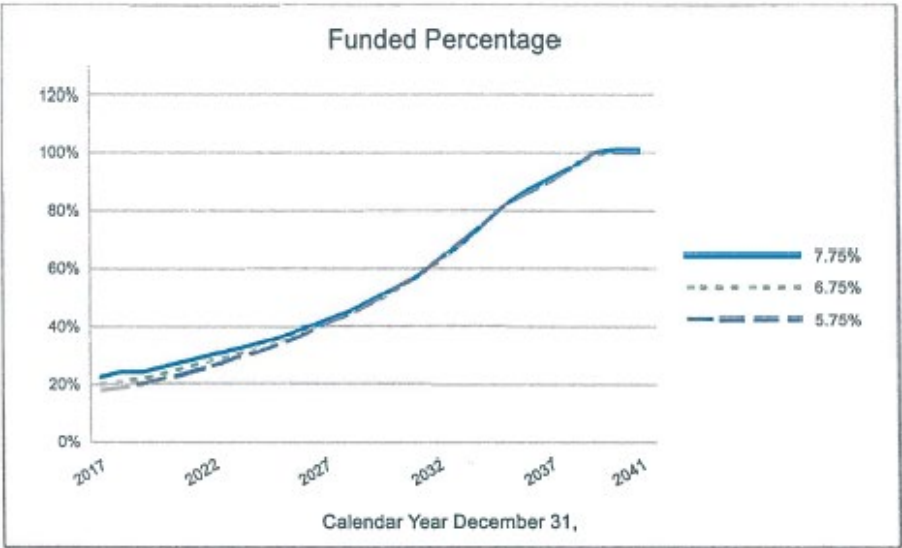
The following corrective action plan approval criteria are met:

- 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:
 - 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 annual required contribution payment according to the long-term budget forecast.

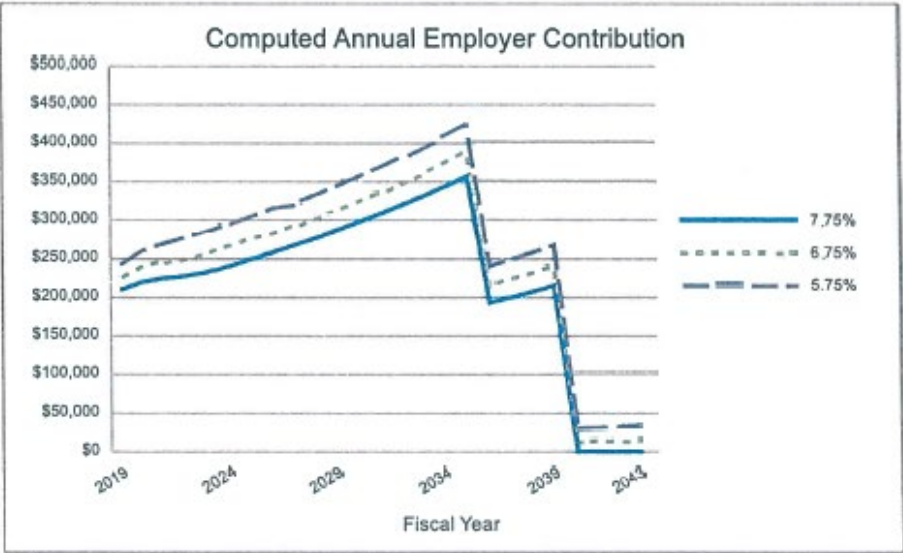
Supplemental Information:

The local government provided charts from MERS indicating that the system is projected to reach 60% funded by 2032, which is greater than the date of 2028 that the local government listed, but within the acceptable timeframe outlined by the Board. Additionally, they are projected to have their annual employer contributions increase by 57% over this timeframe (2.5% per year).

Treasury Recommendation
Village of Chesaning Pension Corrective Action Plan (CAP)
Primary Unit 733020



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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$10,192,701	\$19,743,836	51.6%	\$842,918	\$12,660,984	6.7%	YES
Chippewa CRC Retiree Health Care Plan	OPEB	\$0	\$27,396,310	0.0%	\$1,542,729		12.2%	YES
Total		\$10,192,701	\$47,140,146		\$2,385,647	\$12,660,984	18.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Chippewa County Road Commission, which was received by the Municipal Stability Board (the Board) on 6/13/2019. 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:
 - Beginning February 1, 2004 any employees hired after that date are subject to a 2% cost share which effectively created a new division which is 83 percent funded as of December 31, 2017. This is the division all new employees are enrolled in. The original division has 21 active employees remaining and 85 retirees as opposed to 39 active employees and 2 retirees in the new division. Division 1 is 47% funded with a combined rate of 50.7% for the 2 divisions. Over time division 1 will be eliminated and the funding status will improve.
- Plan Funding:
 - Starting in January 2018, the road commission elected to pay the "no phase-in" amount to start addressing the low funding percentage. This resulted in an additional \$58,500.00 being paid annually to help offset the \$916,942.00 increase to our unfunded liability due to actuarial changes in 2015. This change was the driving factor in reducing our funding level from 58% to 50.7% even though all payments were made in accordance with our MERS Actuarial reports from prior years in the amounts required.
- Other Considerations:
 - The Road Commission will allocate additional funds as available but due to expenditure restrictions and requirements under Act 51 of 1951 as amended this is all we can legally contribute at this time.

Prospective Changes:

- Modern Plan Design:
 - None Listed.

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

- Plan Funding:
 - None Listed.
- Other Considerations:
 - More over-sight of the Michigan Employee Retirement System (MERS) by the Michigan Department of Treasury or Attorney General's office. MERS is one the largest recipients of tax dollars in the State of Michigan. They have consistently shown they are incapable of investing those tax dollars to meet their actuarial assumptions resulting in a continuous decline in funding levels by every entity enrolled in their system. When MERS fails to perform up to their assumptions that cost is passed on to member entities. Additional oversight would help to alleviate this.

System Status for All Divisions: OPEN

Plan size: members 151

- Inactive employees or beneficiaries currently receiving benefits: 87
- Inactive employees entitled to but not yet receiving benefits: 4
- Active employees: 60

Corrective Action Plan Criteria:

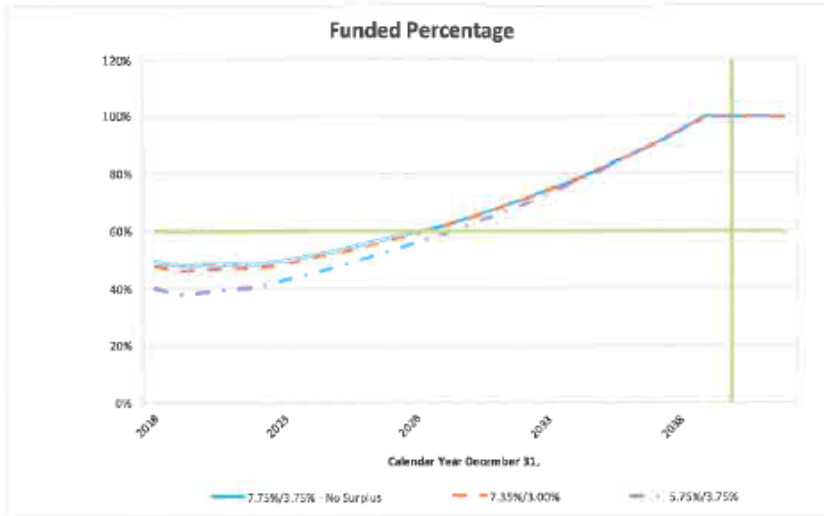
The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 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 (2038).
- 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 government certified that they would reach 60% funded in 2038, but the provided MERS chart shows that they are actually projected to reach 60% in approximately 2028. Additionally, the provided MERS chart shows that the annual employer contribution increases from approximately \$1 million to around 2.3 million in 2040, an increase of 130% (6.5% per year).

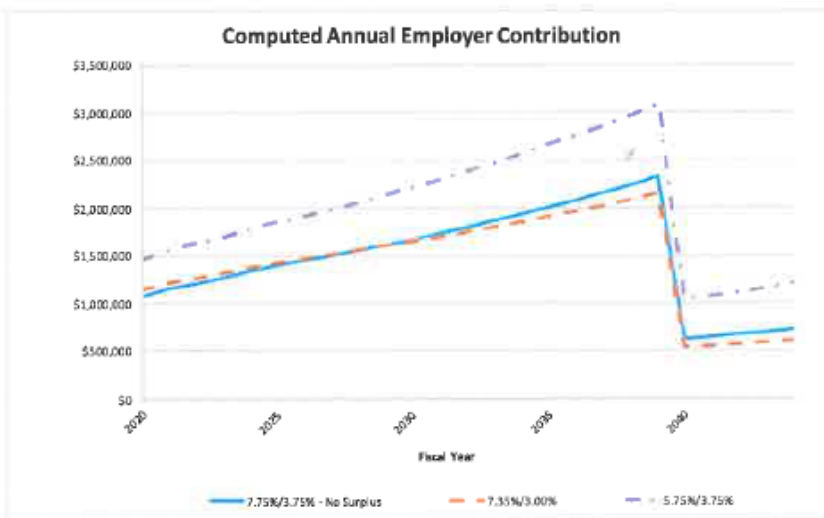
**Treasury Recommendation
Chippewa County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 170100**



Notes:

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

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



Notes:

All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- Reached out to the Road Commission on 7/8/2019 to request MERS valuation to validate the certified year the RC would reach 60%. Road Commission provided the requested information.

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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$10,192,701	\$19,743,836	51.6%	\$842,918	\$12,660,984	6.7%	YES
Chippewa CRC Retiree Health Care Plan	OPEB	\$0	\$27,396,310	0.0%	\$1,542,729		12.2%	YES
Total		\$10,192,701	\$47,140,146		\$2,385,647	\$12,660,984	18.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by Chippewa County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/17/2019. If disapproved, Chippewa County Road Commission, will receive a detailed letter from the Board listing the reasons for disapproval. Chippewa County Road Commission will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - 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. The road commission will continue to deposit funds into the trust as funding allows.
- Other Considerations:
 - At December 31, 2018, the percentage of annual costs vs. annual revenue is 12.2%.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 183

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

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

Corrective Action Plan Criteria: 2038

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 local unit states that it will be funded, but shows no clear documentation that they will be funded in a reasonable timeframe.

The Community Engagement and Finance Division (CEFD) contact:

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

**Treasury Recommendation
City of Gaylord OPEB Corrective Action Plan (CAP)
Primary Unit 692010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$8,774,278	\$14,261,745	61.5%	\$524,892	\$5,219,758	10.1%	NO
OPEB	OPEB	\$0	\$205,762	0.0%	Not Provided		Not Provided	YES
Total		\$8,774,278	\$14,467,507		\$524,892	\$5,219,758	10.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Gaylord, which was received by the Municipal Stability Board (the Board) on 6/13/2019. 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:
 - Prior to 1996, the city offered retiree healthcare, retirees had to pay 50% of the cost.
 - After 1996, the city offered a \$205 monthly stipend towards the cost of healthcare.
 - The city closed retiree healthcare with its POLC and AFSCME labor unions.
- Plan Funding:
 - The city approved a budget amendment to move \$55,000 from its general fund insurance premium line item into a new OPEB trust.
- Other Considerations:
 - The city states that it has 30 retirees eligible to receive retiree, but only 4 use the benefit.

Prospective Changes:

- Modern Plan Design:
 - The city would like to close its plan to nonunion employees in the future.
- Plan Funding:
 - The city will continue to make yearly contributions to its OPEB trust, using its general fund insurance premiums line item to ensure they remain above 40% funded.
- Other Considerations:
 - The city notes that with the passage of PA 202 of 2017, it will need to change the way it funds healthcare. Currently, the city use its general fund, which cannot be included as assets according to GASB standards.

System Status for All Divisions: OPEN

Plan size: members 39

- Inactive employees or beneficiaries currently receiving benefits: 4
- Inactive employees entitled to but not yet receiving benefits: 5
- Active employees: 30

Treasury Recommendation
City of Gaylord OPEB Corrective Action Plan (CAP)
Primary Unit 692010

Corrective Action Plan Criteria: 2019

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 did not include an ADC; however, this plan appears to be affordable.

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 city submitted an internal analysis, calculating that with its updated POLC and AFSCME labor union contracts, its liability has decreased. As part of their resolution, the city noted that it plans on making similar changes to the nonunion employee contracts. The city also approved the budget amendment to open and fund its trust.

**Treasury Recommendation
City of Gaylord OPEB Corrective Action Plan (CAP)
Primary Unit 692010**

**INTERNAL ANALYSIS OF OPEB LIABILITY
ATTACHMENT - 2a**

Total OPEB Liability per 6/30/18 Audit:		\$205,762
Per Rehmann Workpapers: % of amount allocated to each retiree group (50% paid vs \$205 paid)	50% \$205	\$50,195 \$155,567
 Amount of liability contributed to current retirees: - Per Rehmann Workpapers		
50% group - 100% of amount to retirees		\$50,195
\$205 group - 42% to retirees		<u>\$65,338</u>
Total of liability that pertains to current retirees		<u>\$115,533</u>
 Estimated Changes for 2018/19 Fiscal Year Assumes 56% of total liability plus 4% rate increase		
		\$8,392
Total OPEB Liability for Current Retirees		<u><u>\$123,925</u></u>
40% Funding Requirement		\$49,570

WHEREAS, the City of Gaylord as reach agreement with the POLC and AFSCME unions to completely eliminate the stipend for all current and future union employees, and

WHEREAS, it is necessary to make similar changes to the benefit offered to nonunion city employees.

IT IS HEREBY RESOLVED, that Section J, Health Care for Retirees, under Section 2, Employment Status and Records of the Human Resources Policy Manual shall be completely removed.

IT IS FURTHER RESOLVED, to approve a budget amendment for account 101-951-719.00 in the amount of \$ 55,000, for a total budgeted amount of \$79,000, to allow the establishment and adequate funding of a Retiree Healthcare Fund for the current retirees of the City of Gaylord.

I HEREBY CERTIFY, that the foregoing is a Resolution duly made and passed by City Council of Gaylord, Michigan at their regular meeting held on May 13, 2019, at 7:00p.m. in Gaylord, Michigan, with a quorum present.

The Community Engagement and Finance Division (CEFD) contact:

None Listed.

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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$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: Disapproval of the OPEB corrective action plan submitted by City of Harper Woods, which was received by the Municipal Stability Board (the Board) on 5/20/2019. If disapproved, City of Harper Woods, will receive a detailed letter from the Board listing the reasons for disapproval. City of Harper Woods 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:
 - 1/1/2015: Closed system to all new hires and established a health savings account for all new hires with \$125/month contribution.
 - 1/1/2019: Changes to Patrol union contract for hires prior to 2015 that have not reached age 65, including: retirees who are pre-65 will receive monthly stipends of \$300/\$720/\$900 and post-65 will receive \$225/mo along with \$225 for qualifying spouse.
 - 1/1/2019: Made a number of additional changes to benefits offered to current employees.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - None Listed.

Prospective Changes:

- Modern Plan Design:
 - City intends to use newly ratified Patrol Officers contract as a model for changes to be made to other bargaining units.
 - City intends to re-open "Retiree Association Lawsuit" to try to substitute a less costly Medicare Advantage plan to those currently over 65. City projects this could save \$114K-\$248K per year.
 - City intends to adopt Humana 2019 alternative prescription drug "Clinical Edits" for Retiree Medicare prescription drug plans, saving approximately \$133K per year.
 - Eliminate employer sponsored healthcare for "Non-duty" disability requirements.

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

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

System Status for All Divisions: CLOSED

Plan size: members 168

- Inactive employees or beneficiaries currently receiving benefits: 105
- Inactive employees entitled to but not yet receiving benefits: 7
- Active employees: 56

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- 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's ARC/Rev will be less than 12% of general fund operating revenues.
- Reasonable Timeframe:
 - The certifying official of the local unit indicates the retirement system's annual required contribution will be less than 12% of general fund operating revenues by fiscal year 2018; however, the supporting documentation to support this claim was inadequate.

Supplemental Information:

The City provided their OPEB actuarial valuation from Cbiz demonstrating that their ADC for 2018 decreased from around \$2.8 million to approx. \$1.4 million. This ADC as a percentage of the projected governmental revenues would be only 8.8%. Upon further review though, it was determined that the provided ADC was calculated prior to Treasury's Numbered Letter 2018-3. This numbered letter indicated that an ADC shall be calculated as the normal cost plus an amortized portion of the unfunded

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

liability. The ADC contained in their most recent valuation was equivalent to the “pay-go” payment, and therefore not able to be used for the purposes of addressing underfunded status.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury had multiple contacts with the City. Treasury explained that we did not believe that the provided ADC was in compliance with Numbered Letter 2018-3. The City indicated that they would go back to their actuary to obtain a number in compliance. The City indicated that the revised number was significantly higher than the previous calculation, and that they would be sending the updated information.

**Treasury Recommendation
Village of Homer Pension Corrective Action Plan (CAP)
Primary Unit 133030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$1,421,229	\$1,580,154	89.9%	\$44,449	\$1,167,548	3.8%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Village of Homer, which was received by the Municipal Stability Board (the Board) on June 13, 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 Noted.
- Plan Funding:
 - None Noted.
- Other Considerations:
 - 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.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 33

- Inactive employees or beneficiaries currently receiving benefits: 9
- Inactive employees entitled to but not yet receiving benefits: 15
- Active employees: 9

Treasury Recommendation
Village of Homer Pension Corrective Action Plan (CAP)
Primary Unit 133030

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).
- 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 CAP for the Village was required due to their failure to file the retirement system annual report. The village's fiscal year 2017 audited financial statement shows a 90% funding ratio.

The Community Engagement and Finance Division (CEFD) contact:

None noted.

Treasury Recommendation
Village of Lexington OPEB Corrective Action Plan (CAP)
Primary Unit 763050

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$1,638,881	\$2,671,596	61.3%	\$67,032	\$1,278,677	5.2%	NO
Retiree Healthcare Plan	OPEB	\$0	\$2,319,909	0.0%	\$241,155		18.9%	YES
Total		\$1,638,881	\$4,991,505		\$308,187	\$1,278,677	24.1%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by the Village of Lexington, which was received by the Municipal Stability Board (the Board) on 6/13/2019. 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:
 - During the most recent collective bargaining agreement with union employees the village came to an agreement that beginning in 7/2019 employees would begin an 80/20 cost sharing program for any increases to the health insurance.
 - This agreement is a 4 year contract and begins the shift to allow employees to share in the rising Village health care costs.
- Plan Funding:
 - The Village of Lexington has created a trust account to invest into for the purpose of retiree healthcare liabilities. \$98,206 was deposited to create the account.
 - Additional annual funding amounts 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:
 - None Listed.

System Status for All Divisions: OPEN

Plan size: members 21

- Inactive employees or beneficiaries currently receiving benefits: 8
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 13

Treasury Recommendation
Village of Lexington OPEB Corrective Action Plan (CAP)
Primary Unit 763050

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate.
- Reasonable Timeframe:
 - The administrative officer indicates the plan will achieve a funded ratio of 40% by 2046; 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.
- Affordable:

The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the local government's annual required contribution as a percentage of general fund operating revenues is 24.1%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The local government provided an analysis showing that their assets would reach 40% of their current liabilities (from the 2018 audit) in 2046. This analysis however does not project liabilities throughout the life of the plan. With the analysis failing to provide a projection of liabilities and the CAP taking 28 years to reach 40% funded, it is unclear as to whether the assumptions will remain accurate.

The village subsequently provided additional documentation clarifying the projection of future costs. Based on this additional documentation, treasury can reasonably expect that the village's plan will allow it to reach 40% funded; however, that may change if additional changes are not made, or the assumptions do not remain consistent.

**Treasury Recommendation
Village of Lexington OPEB Corrective Action Plan (CAP)
Primary Unit 763050**

Current-age Total Benefits to Be Paid	<u>66,195</u>	<u>69,439</u>	<u>69,713</u>	<u>67,884</u>	<u>63,141</u>	<u>62,850</u>	<u>77,040</u>
Current-age Interest-discounted Present Value of Total Benefits to Be Paid	<u>62,448</u>	<u>61,800</u>	<u>58,532</u>	<u>53,770</u>	<u>47,183</u>	<u>44,307</u>	<u>51,236</u>

Economic Assumptions	For FYE 5/30	Rate	Insurance Premiums - Employer Portion	Annual
Premium Increases	2019	0.00%	Pre-Age 65 (Not Medicare Eligible)	
	2020	4.90%	Single	6,594
	2021	4.60%	Married (Employee and Spouse under 65)	10,872
	2022	4.40%		
	2023	4.90%	Ages 65 and Older (Medicare Eligible)	
	2024	4.90%	Single	3,912
	2025	4.70%	Married (Employee and Spouse age 65 or older)	5,682
			Married (Employee or Spouse age 65 or older)	8,289
Discount Rate		6.00%	Normal Retirement Age under the Plan	0
Investment Rate of Return		6.00%	Life Expectancy of Members & spouses	M See Table 3
Average Salary Increase		2.00%		F See Table 3
			Number of years of service to receive retirement	25

<u>2075</u>	Current-Age Total Benefits to Be Paid	Current Age Interest-Discounted Present Value of Total Benefits to Be Paid
0	220,384	78,847
0	602,912	156,816
0	878,487	141,951
0	190,158	31,786
0	580,250	172,848
0	1,268,333	151,665
0	387,473	135,088
0	78,025	16,365
0	873,704	110,494
0	1,084,594	127,182
0	615,702	80,655
0	192,002	39,473
0	465,616	195,480
0	276,285	133,269
0	17,293	14,931
0	201,988	107,726
0	246,335	120,325
0	261,686	126,522
0	296,218	136,700
0	77,454	49,239
<u>0</u>	<u>8,814,899</u>	<u>2,128,362</u>
<u>0</u>		

The Community Engagement and Finance Division (CEFD) contact:

- An email was sent to the village requesting additional documentation regarding projected liabilities on 7/8/2019.

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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$16,098,157	\$41,012,348	39.3%	\$1,716,437	\$13,532,738	15.7%	YES
Policemen and Fire Retirement System	Pension	\$5,891,960	\$5,663,708	104.0%	\$408,648			NO
City of Melvindale Self Insured	OPEB	\$0	\$45,097,236	0.0%	\$1,919,050		14.2%	YES
Police and Fire System	OPEB	\$2,644,417	\$2,487,319	106.3%	\$0			NO
Total		\$24,634,534	\$94,260,611		\$4,044,135	\$13,532,738	29.9%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Melvindale, which was received by the Municipal Stability Board (the Board) on 6/13/2019. 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:**
 - All Divisions except 1 and 2 closed to new hires since 2010. CAP application says there are currently only 12 actives (MERS valuation shows 17 as of 12/31/2017). CAP indicates since the waiver was denied, all Divisions have since been closed to new hires.
 - Contracted Fire Services have reduced legacy costs and improved cash flow.
- **Plan Funding:**
 - City worked with MERS regarding ARC and has a 21 year amortization.
 - City is expected to be 60% funded in 2027.
 - City has never defaulted on any payments and states it has funds to continue the required funding.
- **Other Considerations:**
 - May 15, 2019 City Council Minutes show approval to submit CAP. City Administrator/Finance Director signed the CAP.
 - Return Assumption is 7.75%. MERS Valuation Report as of 12/31/2017 shows funded percent projections at 6.75% and 5.75% that indicate 60% funding will be achieved within a few years after 2027.

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

Prospective Changes:

- Modern Plan Design:
 - None noted.
- Plan Funding:
 - None noted.
- Other Considerations:
 - Funded Projections provided in MERS Actuarial Valuation for City, shown on page 13. These projections are based on contributions that would likely exceed 20% of operating revenue, unless significant revenue growth occurs.

System Status for All Divisions: CLOSED

Plan size: members 115

- Inactive employees or beneficiaries currently receiving benefits: 95
- Inactive employees entitled to but not yet receiving benefits: 3
- Active employees: 17

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:
 - 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.

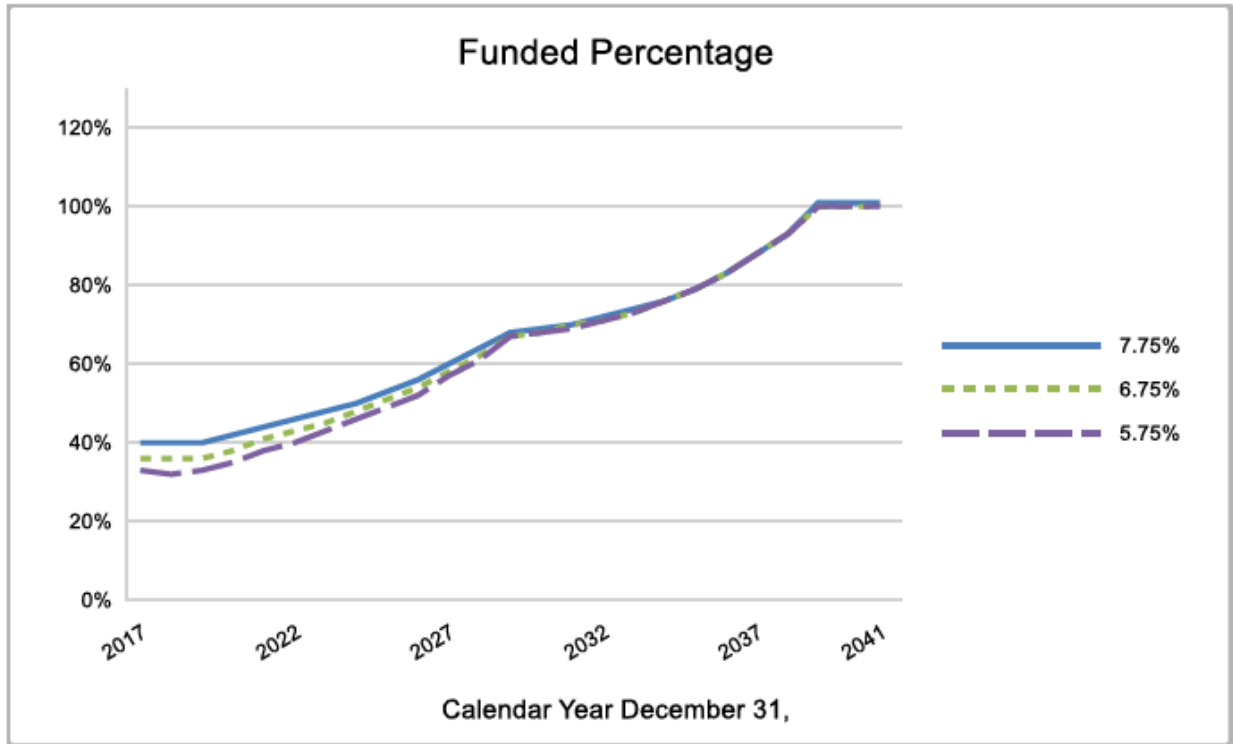
The following corrective action plan approval criteria are partially met:

- Affordable:
 - The local unit 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 X%. This reflects a significant portion of the local government's budget.

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

Supplemental Information:

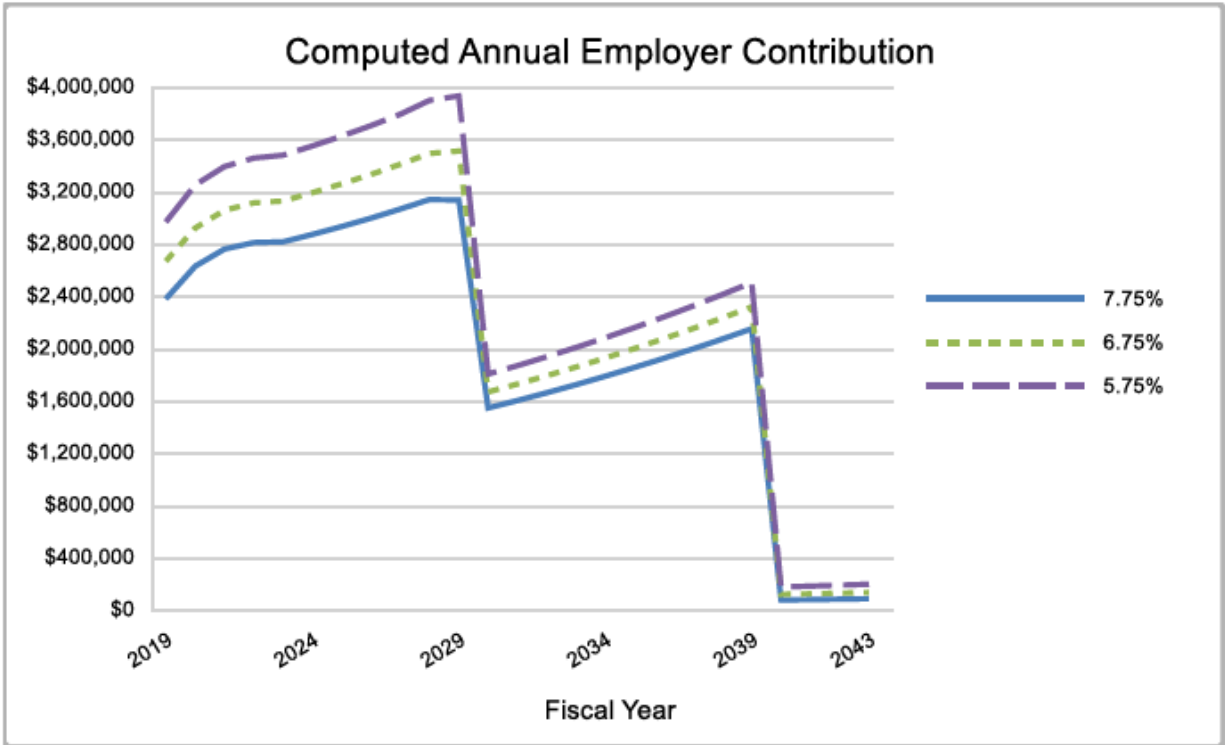
The City indicates that it will be considering additional service consolidations and sale of assets to reduce costs and improve cash flow. This action could impair the ability of the City to offer residents critical public services. Additional detail around this item would be helpful in assessing the CAP.



Notes:

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

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



The Community Engagement and Finance Division (CEFD) contact:

None Noted.

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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$16,098,157	\$41,012,348	39.3%	\$1,716,437	\$13,532,738	15.7%	YES
Policemen and Fire Retirement System	Pension	\$5,891,960	\$5,663,708	104.0%	\$408,648			NO
City of Melvindale Self Insured	OPEB	\$0	\$45,097,236	0.0%	\$1,919,050		14.2%	YES
Police and Fire System	OPEB	\$2,644,417	\$2,487,319	106.3%	\$0			NO
Total		\$24,634,534	\$94,260,611		\$4,044,135	\$13,532,738	29.9%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by City of Melvindale, which was received by the Municipal Stability Board (the Board) on 6/13/2019. If disapproved, City of Melvindale, will receive a detailed letter from the Board listing the reasons for disapproval. City of Melvindale 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:**
 - On 1/1/15, the City consolidated numerous plans into 3 classes: actives, pre-65 retirees, and post-65 retirees. Actives have a high deductible plan, Pre-65 retirees have a deductible plan, and changes were made to co-pays. Post-65 retirees are required to participate in Medicare Part B, and their reimbursement was eliminated. Since inception, approx. \$600,000 in savings.
 - Retiree healthcare has been closed to new hires since 9/14/11.
- **Plan Funding:**
 - None Listed.
- **Other Considerations:**
 - None Listed.

Prospective Changes:

- **Modern Plan Design:**
 - Between June and the fall, the City will review plan options, with changes to be implemented on 1/1/20.

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

- Plan Funding:
 - The City will consider service consolidations and sales of assets to reduce costs and improve cash flow for future funding.
- Other Considerations:
 - None Listed.

System Status for All Divisions: CLOSED

Plan size: members 113

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

Corrective Action Plan Criteria:

The following corrective action plan approval criteria was 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 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.
- Affordable:
 - The local unit did not confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the 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:

Since the "12/31/18 valuation report in connection with GASB 75" that was attached to the submission "complements the actuarial valuation report prepared as of December 31, 2016", it does not include any description of the assumptions or plan.

The Community Engagement and Finance Division (CEFD) contact:

None Listed.

**Treasury Recommendation
Oscoda County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 680100**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Defined Benefit Healthcare Plan	OPEB	\$0	\$2,211,576	0.0%	\$190,081	\$4,815,947	3.9%	YES

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Oscoda County Road Commission, which was received by the Municipal Stability Board (the Board) on 6/13/2019. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Employees hired after 10/1/2005 are eligible for retiree insurance until age 65 if they have worked for 20 years and are at least 55. Insurance ends once the retiree reaches age 65.
- Plan Funding:
 - The Road Commission established an OPEB Trust in 2018-2019 and plan to contribute an annual amount of \$24,000 above the pay-go amount. The Road Commission projects this will allow them to reach 40% by 2036.
- Other Considerations:
 - On 12/31/2019, the road commission hired Watkins-Ross to perform an actuarial valuation. The valuation shows a reduction to the liability over the fiscal year.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 67

- Inactive employees or beneficiaries currently receiving benefits: 29
- Inactive employees entitled to but not yet receiving benefits: 17
- Active employees: 21

Treasury Recommendation
Oscoda County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 680100

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 2036; 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 Oscoda County Road Commission certified that they would reach the required 40% funded in 2036, and provided an internal analysis showing this. The analysis only projects the assets and liabilities for the plan in the first year and the year in which the plan reaches 40%. The projection uses a discount rate of 3% for the liabilities and an investment rate of return of 3% for the assets. The projection is fairly conservative, and shows the local government reaching 40% in 2036, more than 10 years prior to the 30 year limit.

The Community Engagement and Finance Division (CEFD) contact:

None Listed.