

# Protecting MI Pension Grant Corrective Action Plan Monitoring: Application for Certification of Compliance

Issued under the authority of Public Act 166 of 2022, Section 979a.

| LOCAL GOVERNMENT INFORMATION            |                     |
|---|---------------------|
| Local Government Name                   | Six-Digit Muni Code |
| Defined Benefit Pension System Name     |                     |
| Contact Name (Administrative Officer)   |                     |
| Title (if not Administrative Officer)   | Telephone           |
| Email (Communication will be sent here) |                     |

## 1. GENERAL INFORMATION

**Corrective Action Plan Monitoring:** The qualified unit shall be subject to corrective action plan monitoring by the municipal stability board for 5 years following receipt of any grant award.

**Due Date:** The local government has **90 days from the date the CAP Monitoring Form is sent** to return the form to the Board.

**Filing:** Local governments shall submit to the monitoring process under the [Protecting MI Pension Grant Program](#) within 2 years of grant award distribution and will be monitored for substantial compliance with these procedures every two-years until a period of 5-years has passed.

The completed monitoring form must be submitted via email to Treasury at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov) for review by the Board. **If you received grant award funds under the Protecting MI Pension Grant for multiple qualified retirement systems, you are required to complete separate monitoring forms and send a separate email for each approved CAP.** Please attach each form as a separate PDF document in addition to all applicable supporting documentation.

The subject line of each email should be in the following format: **Pension Grant CAP Monitoring, Local Government Name, Retirement System Name** (e.g. Pension Grant CAP Monitoring, City of Lansing, Employee Retirement System). 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 form.

**Municipal Stability Board:** To assist local governments in preparing for the statutorily required monitoring process for their MI Pension Grant Program recipient pension systems, the Board is publishing CAP monitoring approval criteria for awardees of the MI Pension Grant Program. The Board will consider these criteria when monitoring corrective action plan compliance and will determine if the local government's retirement system is sustainable. Local governments are encouraged to review all retirement pension benefit systems, by using one or more of the [best practice principles](#) published by the Board.

**Review Process:** After receiving your submitted pension grant CAP monitoring form, Treasury will provide it to the Board to review and certify the local government for compliance.

**CAP Monitoring Approval Criteria:** A local government may be certified as compliant by meeting the Board approved [Pension Grant CAP monitoring criteria](#). In general, certification of compliance by the Board will occur if a local government is able to demonstrate through distinct supporting documentation that the monitoring submission addresses:

- 1) **Funding Status:** Is the pension system maintaining a funded ratio of greater than 60%
- 2) **Award Compliance:** Did the pension system provide contractual benefit enhancements for awarded system(s) that were not fully prefunded? A local government must calculate and provide for the Board's review: assets, liabilities, and actuarially determined contribution amounts utilizing assumptions outlined in [Public Act 166 of 2022, Section 979a\(2\)\(a\)-\(f\)](#) for each pension system that has received a grant award under the Protecting MI Pension Grant Program.

## 1. GENERAL INFORMATION — CONTINUED

- 3) **Sustainability:** The local government must certify that annual costs for pension systems receiving grant awards are sustainable and that the costs of all required annual payment(s) are affordable now and into the future. The local government must confirm that the local government is able to make, at a minimum, the actuarially determined contribution (ADC) payment for all pension systems and any retiree health care premium payments, as well as the normal cost payment for new hires for retirement health benefits (Sec. 4(1) of the PA 202 of 2017, MCL 38.2804).

**Certification of Compliance:** Following a review of the monitoring process for each pension system awarded a grant, the Board will certify local governments as one of the following:

- **Compliant:** Local governments certified as compliant have met all published criteria from the Board.
- **Complaint with Conditions:** Local governments certified as compliant with conditions have met the published criteria, but the Board has determined that the local government's costs may not be sustainable. With this certification, the local government will have until the next monitoring period to address the stated concerns regarding the sustainability or affordability of the plan(s).
- **Noncompliant:** Local governments certified as noncompliant failed to meet one or more of the Board's published criteria for monitoring certification of compliance or failed to file the monitoring form. If voted noncompliant, the Board shall notify the local government within 15 days, detailing the reasons for the determination for noncompliance.

## 2. UNDERFUNDED STATUS CERTIFICATION

Grant funds were awarded through the Protecting MI Pension Grant program, which provided awards to increase the funding level of qualified retirement systems to a level of sixty percent. The purpose of this section is for the local government to certify that their qualified retirement system is able to maintain a funding level of sixty percent.

Please check the applicable answer:

Referencing supporting documentation, is the local government maintaining a funded level of sixty percent?

- Yes, the most recent funding level of the qualified retirement system is \_\_\_\_\_ as of the most recently submitted audited financial report.
- No, the most recent funding level of the qualified retirement system is \_\_\_\_\_ as of the most recently submitted audited financial report. The following actions are being taken to achieve and maintain a funded level of sixty percent

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### 3. AWARD COMPLIANCE CERTIFICATION

For purposes of complying with the reporting requirements of the Board's corrective action plan monitoring process, a qualified unit has certified and attested via an affidavit that it shall implement the practices listed in [Public Act 166 of 2022, Section 979a\(2\)\(a\)-\(f\)](#) upon the receipt of a grant award. Please confirm the compliance with the listed actions below.

Please check the applicable answer:

Did the local government provide contractual benefit enhancements for qualified retirement system(s) that were not fully prefunded?

Yes (If yes, please explain in the box below and attach supporting documentation.)

No

Did the local government calculate and provide actuarial calculations for: assets, liabilities, and actuarially determined contribution amounts utilizing assumptions outlined in Public Act 166 of 2022, Section 979a(2)(a)-(f) for each pension system that has received a grant award under the Protecting MI Pension Grant Program?

Yes

No

### 4. SUSTAINABILITY CERTIFICATION

The local government must certify that retirement costs are 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.

The Board recommends that supporting documentation include a projection of all annual retirement payments (Pension ADC(s) + OPEB Benefit Payment(s) + all additional contributions) as a percentage of projected governmental fund revenues over the next five years. A local government should project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation. This analysis may include projected enterprise funds specifically allocated to pay retirement costs.

What is the highest combined annual retirement payment as a percentage of your projected governmental revenues over the next five fiscal years? Please include [Treasury's sustainability worksheet](#) or equivalent analysis of the cost projections over the next five years. ([Examples and Worksheet.](#))

|  |   |                               |
|--|---|-------------------------------|
| Fiscal Year                                | Total Pension ADC(s)                    | Total OPEB Benefit Payment(s) |
| Total Additional Contributions for Pension | Total Additional Contributions for OPEB | Total Percentage              |

**4. SUSTAINABILITY CERTIFICATION — CONTINUED**

Do the projected annual payments exceed 22% of revenues in any of the next five years?

- Yes (Explain and list actions implemented or planned to implement to address increased payments.)
- No

Utilizing a projection of all annual retirement payments, is your local government able to continue to make, at a minimum, the ADC payment for the defined benefit pension system(s) and/or the retiree premium payment for the retirement health benefit system, according to your long-term budget forecast?

- Yes
- No (Explain and list actions implemented or planned to implement to address increased payments.)

**5. REQUIRED DOCUMENTATION**

Documentation should be attached as a PDF with this monitoring form. The documentation should detail and confirm the claims made in this document regarding the approved CAP that is being implemented to adequately address the local government's underfunded status. Please check all documents that are included as part of this form and attach in successive order as provided below. When attaching documents, please use the naming convention below:

| <b>Naming Convention</b>                 | <b>Type of Documentation</b>   |
|--|--|
| <input type="checkbox"/> Attachment — 1  | This CAP monitoring form (required);   |
| <input type="checkbox"/> Attachment — 2a | Most recent actuarial valuation for all qualified retirement systems that received a grant award under the Protecting MI Pension Grant program (required);   |
| <input type="checkbox"/> Attachment — 2b | <a href="#">Sustainability Worksheet</a> : Using an actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which projects all annual retirement payments (Pension ADC(s) + OPEB Benefit Payments(s) + all additional contributions) as a percentage of projected governmental fund revenues over the next five years. This information must be entered into the Sustainability Worksheet Form or an equivalent internal analysis. (required); |
| <input type="checkbox"/> Attachment — 3  | Documentation documenting contractual benefit enhancements (required if applicable);   |
| <input type="checkbox"/> Attachment — 4  | An actuarial projection of assets, liabilities, and actuarially determined contributions using assumptions listed in <a href="#">Public Act 166 of 2022, Section 979a(2)(a)-(f)</a> (required);  |
| <input type="checkbox"/> Attachment — 5  | Other documentation not categorized above.   |

**6. CORRECTIVE ACTION PLAN CRITERIA**

Please confirm that each of the following CAP monitoring criteria listed below have been satisfied when submitting this document. Specific detail on CAP criteria can be found in the [Pension Grant Corrective Action Plan Monitoring: Policy and Procedures](#) document.

| CAP Monitoring Criteria                   | Description  |
|---|--|
| <input type="checkbox"/> Funding Status   | The local government certifies that there is adequate supporting documentation showing that the qualified retirement system is maintaining a funded level at or above 60%; |
| <input type="checkbox"/> Award Compliance | The local government certifies it has met the award compliance required as documented in <a href="#">Public Act 166 of 2022, Section 979a(2)(a)-(f)</a> ;                  |
| <input type="checkbox"/> Sustainability   | The local government is able to make the all required annual retirement payments without increasing to a level that is unsustainable.                                      |

**7. LOCAL GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN MONITORING FORM**

As the government's administrative officer (City/Township Manager, Executive director, Chief Executive Officer, etc.), I approve this "Corrective Action Plan Monitoring: Application for Certification of Compliance" and will continue to comply with requirements set forth by the Department of Treasury for all qualified retirement systems awarded a grant under the Protecting MI Pension Grant program.

|                               |       |
|-------------------------------|-------|
| Qualified Officer             | Title |
| Qualified Officer's Signature | Date  |