

Municipal Stability Board

Wednesday, May 20, 2020 at 11:00 a.m.
Virtual Public Meeting
via Microsoft TEAMS

I. Call to Order

- A. Roll Call
- B. Approval of April 15, 2020 Minutes

II. Public Comment

- A. 2 minute limit

III. Correspondence

- A. Treasury Update
- B. Noncompliance – Failure to Resubmit Corrective Action Plan(s)

IV. Old Business

V. New Business

- A. Open Meetings Act Notices Designation (Resolution 2020-3)
- B. Local Government Assistance
- C. Receipt of Corrective Action Plans
 - i. Dexter Area Fire Department
 - ii. MBS International Airport Commission
 - iii. City of St. Ignace
 - iv. City of Vassar
- D. Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-4)
 - i. Brownstown Charter Township
 - ii. East China Township
 - iii. Genesee County
 - iv. Montmorency County
 - i. Pension
 - ii. OPEB

v. Sanilac County Road Commission

E. Corrective Action Plan Noncompliance (Resolution 2020-5)

VI. Public Comment

A. 2 minute limit

VII. Board Comment

VIII. Adjournment

MUNICIPAL STABILITY BOARD

Wednesday, April 15, 2020
11:00 a.m.

Virtual Public Meeting via Microsoft TEAMS

Meeting Minutes

CALL TO ORDER

Chairman Eric Scorsone called the meeting to order at 11:09 a.m.

ROLL CALL

Members Present: Three

Eric Scorsone

John Lamerato

Barry Howard

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

APPROVAL OF MINUTES

A motion was made to approve the January 15, 2020 board meeting minutes by John Lamerato and supported by Eric Scorsone. The Board unanimously approved the January 15, 2020 meeting minutes. 2 Ayes, 0 Nays, and 1 Abstain. Let it be known that Barry Howard was absent during the January 15, 2020 meeting; therefore, chose to abstain from the vote to approve the minutes.

PUBLIC COMMENT

An email addressed to the Board from the Luce County Road Commission regarding their previously approved corrective action plan was read by Nick Brousseau during public comment (included as Attachment A).

CORRESPONDENCE

Nick Brousseau presented the Board with Treasury updates, which included an updated report on the Department of Treasury's communication and outreach, information regarding the Bureau of Local Government and School Services' [COVID-19 website](#), and a review of the local government corrective action plans administratively received by the Department of Treasury in February and March, when the Board did not meet.

Corrective action plans from the month of February were administratively received for the following local governments:

- Gladwin City Housing Commission
- Gladwin City-County Transit Authority
- City of Grosse Pointe Park
- City of Inkster
- Iron County Road Commission
- Manistee County Medical Care Facility
- Presque Isle County Road Commission

- Van Buren Charter Township
- City of Walled Lake

Corrective action plans from the month of March were administratively received for the following local governments:

- Cheboygan County Road Commission
- Dickinson County Road Commission
- Ishpeming Township

NEW BUSINESS

DISCUSS CORRECTIVE ACTION PLAN MONITORING: POLICIES AND PROCEDURES

Nick Brousseau reviewed the Corrective Action Plan Monitoring: Policies and Procedures agenda item with the Board via a memo and exhibit. The memo and exhibit requested that the Board approve a two-month delay to the implementation of the corrective action plan monitoring certification process for local governments scheduled to begin between the dates of March 20, 2020 and June 30, 2020 (included as Attachment B).

Barry Howard stated that he felt that additional action may be needed to be taken from the Board, and that input from local governments should be considered as well.

A motion was made to approve the two-month delay for the implementation of the CAP monitoring certification process by Barry Howard and supported by John Lamerato and Eric Scorsone.

The Board unanimously approved the two-month delay for the implementation of the CAP monitoring certification process. 3 Ayes and 0 Nays.

CORRECTIVE ACTION PLAN EXTENSION REQUESTS

Nick Brousseau provided the Board with extension requests from the following local governments:

- Genesee County

Nick Brousseau provided the board with an additional corrective action plan extension request not originally included in the meeting packet:

- Dexter Area Fire Department (included as Attachment C)

A motion was made to approve the addition of the Dexter Area Fire Department to the CAP Extension Requests memo by John Lamerato and supported by Barry Howard and Eric Scorsone.

The Board unanimously approved the addition of the Dexter Area Fire Department to the CAP Extension Requests memo. 3 Ayes and 0 Nays.

A motion was made to approve the Corrective Action Plan Extension Requests for Genesee County and Dexter Area Fire Department by Barry Howard and supported by John Lamerato and Eric Scorsone.

The Board unanimously approved the Corrective Action Plan Extension Requests for Genesee County and Dexter Area Fire Department. 3 Ayes and 0 Nays.

RECEIPT OF CORRECTIVE ACTION PLANS FROM 5 LOCAL GOVERNMENTS (6 PLANS)

Nick Brousseau provided the Board with corrective action plans for the following 5 local governments (6 plans):

- Brownstown Charter Township
- East China Township
- Genesee County
- Montmorency County (2 plans)
- Sanilac County Road Commission

A motion was made to receive the corrective action plans by John Lamerato and supported by Barry Howard and Eric Scorsone.

The Board unanimously received the corrective action plan. 3 Ayes and 0 Nays.

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 12 LOCAL GOVERNMENTS (12 PLANS) (RESOLUTION 2020-2)

Nick Brousseau was asked to review the Treasury recommendations for Approval and Disapproval of Corrective Action Plans (Resolution 2020-2) with the Board.

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-2) by Barry Howard and supported by John Lamerato and Eric Scorsone for the following local governments:

- Cheboygan County Road Commission (Approved)
- Dickinson County Road Commission (Approved)
- Gladwin City Housing Commission (Approved)
- Gladwin City-County Transit Authority (Approved)
- City of Grosse Pointe Park (Approved)
- City of Inkster (Approved)
- Iron County Road Commission (Approved)
- Ishpeming Township (Approved)
- Manistee County Medical Care Facility (Approved)
- Presque Isle County Road Commission (Approved)
- Van Buren Charter Township (Approved)
- City of Walled Lake (Approved)

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-2). 3 Ayes and 0 Nays. Resolution 2020-2 was passed.

PUBLIC COMMENT

No public comment.

BOARD COMMENT

The Board members each stated that there would likely need to be additional discussions about retirement issues in the future once the full scope of the current situation is realized.

NEXT MEETING

The next regular meeting will be on May 20, 2020 at 11:00 a.m.

ADJOURNMENT

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

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

There being no further business, the meeting adjourned at 11:40 a.m.

DRAFT

From: [LocalRetirementReporting](#)
To: [Bob Bowler](#)
Cc: [Stuart "Mike" McTiver](#)
Subject: RE: Proposed changes to corrective action plan
Date: Tuesday, April 14, 2020 4:22:35 PM

Good Afternoon Bob,

Thank you for your question regarding the modification of the Luce County Road Commission's approved corrective action plan (CAP) under Public Act 202 of 2017 (the Act). The Municipal Stability Board's (the Board) Best Practices and Strategies document states that "as a local unit implements prospective changes, there is a recognition that specific solutions may need to be adjusted to address its underfunded status." Below are two options to update a local government's approved CAP:

Option 1

At their discretion, a local government may choose to modify an approved corrective action plan and submit it to Treasury for receipt by the Board. The updated plan should continue to follow all [CAP approval criteria](#), including approval by the local governing body. If utilizing this option, the local government should request to replace the prior approved plan with the modified CAP. Your local government may submit an updated CAP form and supporting documentation to the Board for review by sending an email to LocalRetirementReporting@michigan.gov. The subject line of the email should be in the following format: Updated Corrective Action Plan-20XX, Local Government Name, Retirement System Name (e.g. Updated Corrective Action Plan-2019, City of Lansing, Employees' Retirement System OPEB Plan).

Option 2

Alternatively, there is a [CAP monitoring process](#). The monitoring process will occur approximately every two years and will involve the Board reviewing all approved corrective action plans for substantial compliance with the Act. One component of the CAP monitoring process is to document any substantial changes to the approved CAP.

When implementing changes to an approved corrective action plan, a local government may choose either option listed above to report the changes, while continuing to address underfunded status in accordance with the established criteria.

As this email was addressed to the Board, this correspondence will also be presented during the public comment portion of the Wednesday, April 15, 2020 Board meeting. You may go to the Board's website at www.Michigan.gov/MSB for information on how to attend this meeting virtually.

If you have further questions, please feel free to email LocalRetirementReporting@michigan.gov or schedule a phone call appointment using the [Local Retirement Calendar](#). A team member will email you a conference number to call at your scheduled time.

Thank you,

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

Nick Brousseau

Michigan Department of Treasury
Community Engagement and Finance Division
Office: 517-241-4234

From: Bob Bowler <finance@lcrc48.org>
Sent: Tuesday, April 14, 2020 9:04 AM
To: LocalRetirementReporting <LocalRetirementReporting@michigan.gov>
Cc: Stuart "Mike" McTiver <engineer@lcrc48.org>
Subject: Proposed changes to corrective action plan

To the Municipal Stability Board;

Luce County Road Commission supplied a corrective action plan for OPEB (retiree healthcare) to the Municipal Stability Board in the fall of 2018. We received notice that our corrective action plan for OPEB (retiree healthcare) was approved at the January 16, 2019 meeting. Our corrective action plan stated we had set up a 115 trust with Morgan Stanley and intended to make \$20,000 payments each month. We have followed those actions and over the course of time have made deposits totaling \$460,000. During our Board of Commissioners meeting on Monday April 13, 2020, I asked our Board to pass a resolution changing the monthly deposit amount from \$20,000 to \$5,000 per month starting the beginning of June 2020. The reasons I asked for this change are as follows:

1. Due to the uncertainty of MTF revenue due to the COVID-19 pandemic, I feel a tightening of expenses is necessary at a savings of \$105,000 for the remainder of this year. We have and will continue to pay normal costs for retiree expenses since the beginning of our corrective action plan.
2. We are in the process of having a new actuarial completed for 2019 from GRS. Due to the changes in retiree benefits, we should see a significant reduction in OPEB liability.
3. Due to the volatility of the stock market, our 115 trust through Morgan Stanley is underperforming for the entire first quarter of 2020.
4. The payments of \$20,000 per month with an appropriate rate of return assumption showed we should be 100% funded in just over 7 years. By changing our payments to \$5,000 per month we will still reach over the 40% funded status within the time allotted with the thought the stock market will begin to stabilize.

We are asking the Municipal Stability Board to accept these changes to our corrective action plan for OPEB (retiree healthcare) based on the above actions and reasoning. I can supply a copy of the

resolution after the minutes from our April meeting are approved at our May meeting. I can also supply a copy of the new actuarial when I receive it. Our form 5572 should be completed and submitted next month. Please let me know if you need me to submit any further documentation at this time.

Respectfully,

Bob Bowler
Finance Director
Luce County Road Commission



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: April 15, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Corrective Action Plan (CAP) Monitoring Timeline Extension

Suggested Action: The Board motions to delay the implementation of the CAP monitoring certification process for all local governments for two months beginning March 20, 2020 through June 30, 2020.

Background: Per resolution 2019-25, the Board approved Exhibit A, the *CAP Monitoring: Policy and Procedures* document which details the process, criteria, procedures, and timelines of the monitoring process for underfunded local governments as required in Section 10(6) of Public Act 202 of 2017. This document details the CAP monitoring certification process beginning one year and six months after the local government was sent notification of their CAP being approved by the Board.

A state of emergency has been declared across the state of Michigan related to COVID-19 and Governor Whitmer has issued a [Stay Home, Stay Safe Executive Order](#) effective through April 30. As a result, the Michigan Department of Treasury and the Board recognize that many local governments are closed or scaling back operations, and employees are working remotely with varied technological capabilities.

For all local governments scheduled to begin the monitoring certification process between March 20, 2020 and June 30, 2020, an additional two months is being granted for submission. For example, local governments that were set to begin the monitoring process on April 20, 2020 will now be begin on June 20, 2020.

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.”

**MUNICIPAL STABILITY BOARD
RESOLUTION 2019-25**

ADOPTION OF MONITORING PROCEDURES

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

September 18, 2019



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

Resolution 2019-25 Exhibit A

DATE: September 18, 2019
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Public Comments on Municipal Stability Board Corrective Action Plan (CAP) Monitoring Policy and Procedures document

Suggested Action: The Board votes on Resolution 2019-25 Adoption of Corrective Action Plan Monitoring Procedures. The following documents include an updated version of the Corrective Action Plan Monitoring 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 CAP Monitoring Policy and Procedures document. The document was posted on Treasury’s website for 51 days. Emails were also distributed, inviting all stakeholders, and the public to participate in the public comment period. Treasury also attended multiple meetings with stakeholders to solicit additional feedback. A total of five public comments were received related to this topic.

	Name(s)	Local Government/ Assoc.	Summary of Comments	Action
1	Derek Diederich	Waterford Township (personal comment of Derek Deiderich, not necessarily Waterford Township as a whole)	<p>First, when looking at the calculation of Retiree Health Care Expenses as related to overall ‘governmental revenues.’ I can see what is trying to be measured and achieved, but also feel that including Enterprise Fund Revenues or a portion of those would make sense. In our case, and many other communities similarly situated a portion of the unfunded liability and the current pay as you go Retiree Health Care or Pension Obligation was derived and belongs to our Water-Sewer Enterprise Fund and those expenses/liabilities are being combined with all the general gov’t expenses/liabilities and only the general gov’t revenues are being utilized to derive the % of gov’t resources being allocated for the legacy systems. While this is not a complete game changer a tweak here may provide and even more accurate measurement of the problem.</p> <p>My next comment is not something that can be instituted by the Treasury Dept. but maybe a memo or</p>	<p>Changes Recommended</p> <ul style="list-style-type: none"> Added section to allow enterprise funds specifically used to pay retirement benefits to be used in the calculation of projected governmental revenues.

			<p>communication could be sent to the legislative side as a recommendation from Treasury. The idea is like this, if a community does not meet the funded 'stress test' for Pension or Retiree Health Care they would be eligible for some additional state resources as long as they have instituted a checklist of necessary and required reforms. Examples of these reforms may include; closing all Defined Benefit based programs to new hires, having all the available trusts in place, instituting PA 212 'Hard Cap' reforms on current employees health care etc. I think rewarding good behavior or incentivizing mid and long term fixes should be the guiding light of these issues.</p>	
2	Steven Flayer	Shiawassee District Library	<p>1. I believe that there needs to be different levels of CAP monitoring. An entity that is funded at 90% or better is looking after it's obligations far better than an entity funded at 40%. I would suggest that the higher the funded level of an entity the longer between monitoring. As written every entity would be monitored "for substantial compliance with the Act every two years." Perhaps, for entities over a certain level of funding (i.e. 85%, 90%) that could be every three years with the time between monitoring decreasing with the increasing of the unfunded liability (i.e. below 75% every 30 months, below 60% every 24 months, etc.).</p> <p>2. How will this act handle changes in assumptions from the funds themselves? Our retirement is through MERS and a couple of years ago they changed the assumptions on mortality age and rate of return, this year they again changed assumptions on rate of return and wage inflation rate. Both of these changes have affected our payment schedule by increasing the amount our library pays in over and above the employee contributions.</p> <p>Since becoming Director in 2008, I have tried to keep a healthy retirement balance in MERS. We have probably added over \$30,000 to our balance above and beyond employee and MERS mandated employer contributions.</p>	No changes recommended
3	Ted Makowiec	Segal	<p>Questioned CAP changes section to inquire as to whether it should state "must" rather than "may"</p> <p>Edited Underfunded Status Supporting Documentation section for clarity</p>	No changes recommended
4	Leon Hank	MERS	<p>Edited for clarity and grammar</p>	<p>Changes Recommended:</p> <ul style="list-style-type: none"> Adopted a selection of proposed changes to clarify the previous language

5	Chris Veenstra	Watkins Ross	<p>While doing projections for clients, the following two concerns have arisen:</p> <ol style="list-style-type: none"> 1. Supporting documentation, “It is recommended that ... a projection for the duration of the plan ... includes ... assets, liabilities funded rations, normal cost payments” etc. <ol style="list-style-type: none"> a. Given that local governments may utilize an Alternative Method - or, at least a roll-forward for interim periods - for performing actuarial calculations under GASB for reporting purposes, we as an actuarial firm are concerned that we would not be controlling our work product as a client might use these projected values for reporting; When we perform a projection that shows liabilities and normal costs for every year of the CAP projection period we have avoided that thus far by <i>not</i> showing interim values, instead, limiting our exhibit to the latest valuation results and the year in which the CAP is projected to attain the desired funded status) 2. Sustainability, <ol style="list-style-type: none"> a. “It is recommended that supporting documentation include a projection of ... governmental fund revenue for the duration of the plan” <ol style="list-style-type: none"> i. Obtaining the information necessary to project revenue and the associated assumptions – particularly over the duration of the CAP, would be difficult and potentially cost prohibitive for the local government b. “The local government must confirm that the corrective actions listed in the CAP allow for the local government to make, at a minimum, the actuarially determined contribution (ADC) payment ... as well as the normal cost for new hires”; This seems to be <ol style="list-style-type: none"> i. Unnecessary: The ADC taking into account the normal cost for new hires will be determined with each actuarial valuation and will serve as a minimum required contribution regardless of the CAP – if the ADC taking into account normal cost for new hires is less, the CAP would 	<p>Changes Recommended:</p> <ul style="list-style-type: none"> • Provide guidance to local governments related to the intent and use of these projections • A definition of how governmental funds should be calculated was added to recommended supporting documentation for Sustainability criteria. • The timeframe for the Sustainability criteria supporting documentation was modified to the ensuing 5 years, rather than the duration of the plan.
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			<p>(should) be the required amount, but, if there is a point at which the ADC is greater, it will override the CAP and progress towards meeting the funding goals will not be compromised – we recommend that alternative, clarifying language be included in the monitoring process</p> <p>ii. Problematic: The projection of future normal costs for new hires will depend heavily on assumptions regarding the demographics, covered pay, etc. of the new hires which would be highly speculative, at best</p> <p>So, our recommendation is that the nature of the monitoring process be simplified such that every two years the original CAP be measured against the updated liability and assets calculated for PA 202 reporting purposes. And, the recommended assessments such as 5% annual growth as a percentage of revenue, and any other reasonable measurement parameters be determined and reported at that time on a retrospective rather than a projected basis.</p>	
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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, ~~the Board has provided~~ 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~~ ~~has been~~ imprecise. ~~In order to~~ 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~~ ~~its~~ previous submission is no longer substantially in effect, ~~an~~ ~~the local government may file an~~ updated CAP ~~may be filed~~ for review by the ~~Municipal Stability~~ Board.

Corrective Action Plan Monitoring Process¹

Local Government Communication: Monitoring Notifications

- **Step 1: 180-Day Implementation Notification**
 - 180 days after a ~~local government is notified that its~~ CAP is approved, a letter is sent to the local government informing them that ~~they have~~ ~~it has~~ reached the 180-day deadline. ~~They should have begun to begin~~ implementing ~~the~~ 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:
 - Actuarially Determined Contributions (ADC's), retirement benefit payments, assets, liabilities, and discount rate
 - ~~It is recommended that~~ The Board recommends 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

¹ A local government's CAP monitoring timeline for all underfunded systems is established by the notification date of the first CAP to be approved by the Board

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~~consider this criteria when monitoring corrective action plan implementation and ~~determining will determine~~ if the local government has made funding progress ~~has been made~~ as outlined ~~by each underfunded local government in the CAP~~. 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~~compliant with ~~the Act and~~ the Board's requirements.

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~~The Board recommends that supporting documentation show 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, using reasonable calculations
 - **If underfunded status is not being addressed in a timeframe less than or equal to the 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% funded or less. A local government with a severely underfunded retirement health care system (OPEB) is 25% or less

2. Substantial Changes

- A 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-its plan is substantially the same as the approved submission, the local government must provide the following with their-its 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 the CAP criteria from the initial CAP approval to approve or disapprove CAP changes, thereby certifying ~~their~~ compliance with the Act or finding ~~them~~ the local government 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% 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.

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, the Board has provided great flexibility in approval of these CAPs 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 has been imprecise. 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 government 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 its previous submission is no longer substantially in effect, the local government may file an updated CAP for review by the Board.

Corrective Action Plan Monitoring Process¹

Local Government Communication: Monitoring Notifications

- **Step 1: 180-Day Implementation Notification**
 - 180 days after a local government is notified that its CAP is approved, a letter is sent to the local government informing them that it has reached the 180-day deadline to begin implementing the 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:
 - Actuarially Determined Contributions (ADC), retirement benefit payments, assets, liabilities, and discount rate
 - The Board recommends 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 consider this criteria when monitoring corrective

¹ A local government's CAP monitoring timeline for all underfunded systems is established by the notification date of the first CAP to be approved by the Board

action plan implementation and will determine if the local government has made funding progress as outlined in the CAP. 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 compliant with the Act and the Board's requirements.

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**
 - The Board recommends that supporting documentation show a projection for the duration of the CAP that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments (if applicable), actuarial assumptions, and retiree benefit payments, using reasonable calculations
 - **If underfunded status is not being addressed in a timeframe less than or equal to the 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% funded or less. A local government with a severely underfunded retirement health care system (OPEB) is 25% or less

2. Substantial Changes

- A 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 its plan is substantially the same as the approved submission, the local government must provide the following with its 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 the CAP criteria from the initial CAP approval to approve or disapprove CAP changes, thereby certifying compliance with the Act or finding the local government 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% annually as a percentage of governmental fund revenues may be determined to be unsustainable by the Board.
 - The Board recommends that supporting documentation include a projection of all annual retirement payments (Pension ADC(s)+OPEB Benefit Payments(s)+all additional contributions) as a percentage of projected governmental fund revenues for the ensuing 5 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 allocated specifically to pay retirement costs.

- 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 health care 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 its annual payments have significantly increased. Prior to the next monitoring period, the local government must address the change in affordability, or it 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 is in 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:
 - The Board certifies the local government is in compliance with conditions.
 - Affordability concerns must be addressed prior to the subsequent monitoring period, to the Board's satisfaction.
- **Noncompliant:** If a 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.

Brousseau, Nicholas (TREASURY)

From: Karl L. Drake <kdrakecpa@gmail.com>
Sent: Tuesday, April 14, 2020 2:09 PM
To: LocalRetirementReporting; chief
Subject: Dexter Area Fire Department Corrective Action Plan
Attachments: 2019 Dexter Area Fire Dept Corrective Action Plan.pdf

Dexter Area Fire Department is requesting a 45 day extension for completion of its corrective action plan related to its Retiree Health Benefit plan. The plan was determined to be underfunded in 2018.

--
Karl L. Drake, CPA



Virus-free. www.avg.com

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: _____ Six-Digit Muni Code: _____

Retirement Health Benefit System Name: _____

Contact Name (Administrative Officer): _____

Title if not Administrative Officer: _____ Telephone: _____

Email (Communication will be sent here): _____

Fiscal Year System was Determined to be Underfunded: _____

2. GENERAL INFORMATION

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

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

Filing: Per Sec. 10(1) of the Act, this corrective action plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this corrective action plan and attach the documentation as a separate PDF document.** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a disapproval of the corrective action plan.

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

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

The subject line of the email(s) should be in the following format: **Corrective Action Plan-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan-2019, City of Lansing, Employees' Retirement System OPEB Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local government done to improve its underfunded status, and which attachment(s) supports your actions).

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2019**, the local government entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for health care. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2019**.*

<Insert User Entry Box>

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

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

<Insert User Entry Box>

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

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2017**. Attached is an updated actuarial valuation from **2019** that shows our funded ratio has improved to **42%** as indicated on page **13**.*

<Insert User Entry Box>

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local government do to improve its underfunded status, and which attachment(s) supports your actions).

Category of Prospective Actions:

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

Sample Statement: *The local government will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2020** contract negotiations, the local government will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for health care. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system would be **40%** funded by **fiscal year 2030** if these changes were adopted and implemented by **fiscal year 2021**.*

<Insert User Entry Box>

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

Sample Statement: *The local government will create a qualified trust to receive, invest, and accumulate assets for retirement health care by **December 31, 2020**. The local government will adopt a policy to change its funding methodology from Pay-Go to full funding of the ADC by **December 31, 2020**. Additionally, beginning in fiscal year 2021, the local government will contribute **\$500,000** annually in addition to the ADC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2023**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ADC and additional **\$500,000** for the next five years.*

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

Sample Statement: *Beginning in **fiscal year 2020**, the local government will begin amortizing the unfunded portion of the health care liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42%** by **2023** as shown in the attached actuarial analysis on page **13**.*

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
- No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention:

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

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

- Attachment – 6a

Type of Document:

This corrective action plan (required);

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

An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 40% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 12% of governmental fund revenues, as defined by the Act (required);

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

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

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

Other documentation, not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

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

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

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

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

- The <insert Retirement Health Benefit System Name> (insert retirement health system name) will achieve a funded status of at least 40% by fiscal year <insert Fiscal Year> as demonstrated by the required supporting documentation listed in Section 6.

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

- The ADC for all the retirement health benefit systems of the local government will be less than 12% of the local government's annual governmental fund revenues by fiscal year <insert Fiscal Year> as demonstrated by required supporting documentation listed in Section 6.

Signature:

Date:

Dexter Area Fire Department

Corrective Action Plan

Underfunded Status

Based on an actuarial study performed for the year ended December 31, 2018, Dexter Area Fire Department had an unfunded liability related to its retiree health care of \$3,042,193. The Department had \$0 assets set aside to fund this liability.

Legality

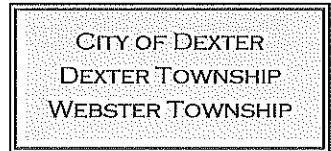
The Board of Directors, during various Board meetings in 2019, approved the establishment of an account with the Municipal Employees Retirement System (MERS), to set-aside amounts to fund future retiree health care.

Affordability

The Board of Directors has determined to set-aside \$75,000 per year, to attempt to achieve a funding status in excess of 40% within 20 years. This will be done by making this amount (\$75,000) part of the budget that will be funded by the participating municipalities that make up Dexter Area Fire Department. The funding level (\$75,000) is within legal limits, and will allow the Department to continue its current funding of retiree health care, and fund the operations of the Department.



**Dexter Area Fire Department
Fire Administration Board
Board Meeting Minutes
November 21, 2019 – 6:00 p.m.
Dexter Township, Fire Station 2
12154 N. Territorial, Dexter, MI**



A. Call to Order:

Chair Rider called the meeting to order at 6:00 p.m.

B. Roll Call: Chair Rider declared a quorum was present.

Members Present: Chair Harley Rider (Dexter Township); Vice-Chair John Westman (Webster Township); Treasurer Libby Brushaber (Dexter Township); Shawn Keough (City of Dexter), Dan Munzel (Webster Township); Jim Seta (Member at Large); Jim Smith (City of Dexter). **Members Absent:** None.

Also, Present: Chief Robert Smith; Janis Miller, Recording Secretary.

C. Approval of Meeting Minutes:

Motion by Smith to approve the October 17, 2019 meeting minutes as presented. Motion second by Westman. **Motion carried 7-0.**

Motion by Smith to approve the October 17, 2019 Closed Session minutes as amended. Motion second by Westman. **Motion carried 7-0.**

D. Audience Participation: None.

E. Approval of the Agenda:

Motion by Smith to approve the agenda as presented. Motion second by Seta. **Motion carried 7-0.**

Recess: 6:04 pm The Board toured the fire station and inspected the new fire trucks.

Back in session: 6:31 pm

Financial report by ~~Tim~~ John Anderson, 7th Rule Accounting.

F. Approval of the Bills and Payroll:

Motion by Smith to approve bills and payroll from October 11, 2019 through November 17, 2019, totaling \$ 177,837.14. Motion second by Munzel.

Roll Call Vote: Yeas – Munzel, Brushaber, Smith, Seta, Westman, Keough, Rider; Nays – None; Abstain – None; Absent – None. Motion carried 7-0.

G. Reports:

1. Chief's Report:

Chief Smith gave a report and answered questions from the board. Chief Smith introduced new concept of specialty reports completed and reported by individual fire personnel.

Cpt. Dettling – Fire Prevention and Inspection report.

Lt. Grissom – Communication (dispatch, local agencies scheduling events) including programming of radios and pagers report.

Lt. Burke – Apparatus and Building Maintenance report.

Firefighter Hilberer – Health and Safety report.

Motion by Smith to receive and file the Chief's report. Motion second by Brushaber.
Motion carried 7-0.

2. Financial Report:

Motion by Munzel to receive and file the financial report. Motion second by Keough.
Motion carried 7-0.

H. Unfinished Business:

1. Final Approval of the 2020 Spending Plan

Motion by Keough to approve the 2020 Spending Plan as presented by Chief Smith.
Motion second by Smith.

Roll Call Vote: Yeas – Munzel, Seta, Smith, Brushaber, Keough, Westman, Rider; Nays – None; Abstain – None; Absent – None. Motion carried 7-0.

I. New Business:

1. MERS Budget Adjustment

Motion by Keough to distribute from the budget surplus, \$25,000 towards MERS Defined Benefit and \$50,000 toward the Other Post Employment Benefit (OPEB) health plan. Motion seconded by Westman.

Roll Call Vote: Yeas – Brushaber, Seta, Smith, Munzel, Westman, Keough, Rider; Nays – None; Abstain – None; Absent – None. Motion carried 7-0.

J. Dexter Fire Fighters' Association Report: Firefighter Tim Andrews – Holiday lights are up at the main fire station.

K. Non-Arranged Audience Participation: None.

L. Future Agenda Items – January 16, 2020

1. Investment Policy
2. Fire Code
3. Cost Recovery
4. Election of Board Officers for December meeting - (completed at November meeting as December meeting cancelled)

Motion by Smith to cancel the December fire board meeting and move the election of 2020 officers to the current meeting. Motion second by Westman. **Motion carried 7-0.**

Motion by Smith to maintain the current slate of Fire Board Officers through 2020. Motion second by Munzel. **Motion carried 7-0.**

M. Concerns of Fire Board Members:

Keough – What to do with the extra trucks? Would like a maintenance report on both to see if it is worth keeping one.

Munzel – Will keep the board informed of progress regarding Webster Fire Substation. Webster Township Board has expressed some level of confidence, from the fire board, that

Webster's substation will be staffed. Fireworks display (approved) in Webster Township at 7 pm December 1st.

Chief Smith – Contract negotiations for firefighters will start in January 2020. Intent is to staff Webster Substation as quickly as possible. Dispatch tour dates for the board?

Rider – Appreciated everyone moving tonight's meeting to Station 2. Appreciate the firefighters sharing the new apparatus with the Board. Appreciate the individual reports from the firefighter personnel. Thanked the Board for the past years work.

N. Adjournment:

Chair Rider declared the meeting adjourned at 8:00 pm

Respectfully submitted,

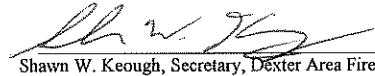


Shawn W. Keough, DAFD Secretary



Janis Miller, Recording Secretary

I, the undersigned, Shawn W. Keough, the duly elected Secretary of the Dexter Area Fire Department Board, DO HEREBY CERTIFY that the forgoing is a true and complete copy of certain proceedings taken by the Dexter Area Fire Department Board at a regular meeting held on the 21st day of November 2019, and that the forgoing minutes have been approved by a majority vote of the Board at a scheduled meeting held on the 16th day of January, 2020.


Shawn W. Keough, Secretary, Dexter Area Fire Department Board

Approved 01/16/2020

6/2/2020

Dexter Area Fire Department
 Corrective Action Plan
 Internal Analysis of Funding Status

	Contribution	Assets	Unfunded Liability	Funding Status
2018		0	3,042,193	0.00%
2019	75,000	75,000	2,967,193	2.47%
2020	75,000	150,000	2,892,193	4.93%
2021	75,000	225,000	2,817,193	7.40%
2022	75,000	300,000	2,742,193	9.86%
2023	75,000	375,000	2,667,193	12.33%
2024	75,000	450,000	2,592,193	14.79%
2025	75,000	525,000	2,517,193	17.26%
2026	75,000	600,000	2,442,193	19.72%
2027	75,000	675,000	2,367,193	22.19%
2028	75,000	750,000	2,292,193	24.65%
2029	75,000	825,000	2,217,193	27.12%
2030	75,000	900,000	2,142,193	29.58%
2031	75,000	975,000	2,067,193	32.05%
2032	75,000	1,050,000	1,992,193	34.51%
2033	75,000	1,125,000	1,917,193	36.98%
2034	75,000	1,200,000	1,842,193	39.45%
2035	75,000	1,275,000	1,767,193	41.91%
2036	75,000	1,350,000	1,692,193	44.38%
2037	75,000	1,425,000	1,617,193	46.84%
2038	75,000	1,500,000	1,542,193	49.31%
2039	75,000	1,575,000	1,467,193	51.77%

Treasury's Public Act 202 of 2017 Update

As of 5/12/2020

Table 1: Upcoming CAP Reviews

Public Act 202 of 2017: Corrective Action Plan Review Schedule						
LOCAL GOVERNMENT TYPE	Tentative Month of Corrective Action Plan Review					
	May	June	July	August	September	October
NON-PRIMARY	1	1	0	1	0	3
PRIMARY	4	2	1	0	2	9
TOTAL	5	3	1	0	2	12

Table 2: Upcoming CAP Monitoring

Public Act 202 of 2017: Corrective Action Plan Monitoring Review Schedule								
	Tentative Month of Corrective Action Plan Monitoring Review							
	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
LOCAL GOVERNMENTS	3	2	27	44	21	12	30	9

Treasury Department Communication and Outreach Report

- **215 one-on-one 30-minute calls scheduled by local governments to discuss the Public Act 202 process**
 - 1 individual call since the April Board meeting
- **Outreach to 7 local governments being referred for noncompliance for failure to submit a corrective action plan**
- **Outreach to 25 local governments with annual retirement reporting form (Form 5572) due**

Local Government COVID-19 Webpage

- www.Michigan.gov/Treasury | **Local Government | COVID-19 Updates for Local Governments and School Districts**
 - Local government resources and Treasury guidance
 - Registration for Treasury webinars and links to previous webinars
 - Next local government webinar June 8, 2020



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: May 20, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Failure to Resubmit Corrective Action Plan(s)

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

- I. City of Belleville
 - a. OPEB – no revised submission received

Corrective Action Plan Noncompliance: No action is required because the Approval or Disapproval of Corrective Action Plans Resolution states, "that Municipalities who fail to resubmit a Corrective Action Plan materially addressing the reasons for disapproval within 60 days of the Disapproval Letter as required by MCL 38.2810(4), shall be deemed in noncompliance with the Act."

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-03**

OPEN MEETINGS ACT NOTICES DESIGNATION

WHEREAS, The Municipal Stability Board (the “Board”) conducts regular and special public meetings pursuant of Public Act 267 of 1976, the Open Meetings Act (the “Open Meetings Act”);

WHEREAS, sections 4 and 5 of the Open Meetings Act requires posting of notices for meetings of a public body; and

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

NOW THEREFORE, BE IT RESOLVED, the Board directs Treasury to post, amend, and remove Municipal Stability Board meeting notices as necessary or as otherwise directed by the Board, pursuant to the Open Meetings Act.

Ayes:

Nays:

Recused:

Lansing, Michigan

May 20, 2020



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: May 20, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Open Meetings Act Notices Designation

Suggested Action: The Board motions to approve Resolution 2020-3, authorizing the Department of Treasury to post, amend, and remove Board meeting notices as necessary or as otherwise directed by the Board, pursuant to the Public Act 267 of 1976, the Open Meetings Act.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: May 20, 2020

TO: The Municipal Stability Board (the Board)

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

SUBJECT: Public Act 202 of 2017: Local Government Corrective Action Plan Assistance

Suggested Action: In response to the Board's prior request, the Board motions to authorize the CEFD to implement the assistance proposals documented within this memo to further assist local governments that have a corrective action plan (CAP) required under Public Act 202 of 2017 (the Act). The proposed actions represent previously scheduled actions with an enhanced focus on assisting local governments to address current economic conditions, as well as newly proposed support actions.

Assistance Proposals:

- Review accelerating the timeline of the Act's statutorily required annual review of the Board's [Best Practices and CAP Criteria Guide](#) to potentially address loss of revenue and increasing annual payments and provide findings to the Board;
 - Distribute for public comment if changes are proposed
- Review [CAP Monitoring Criteria](#) to potentially provide additional flexibility in terms of sustainability as well as the monitoring timeframe and provide findings to the Board;
 - Create a draft CAP monitoring schedule
 - Distribute for public comment if changes are proposed
- Continue outreach activities providing individualized reviews to local governments upon request through the local retirement calendar. Additionally, staff during the monitoring process, will identify local governments with the most significant sustainability concerns and proactively offer an in-depth individualized review to provide further technical assistance.
- Explore training opportunities including offering a webinar in conjunction with association/auditing/actuarial partners to provide guidance specifically related to market projections along with CAP timelines and requirements.

Background: CAP's that are approved by the Board document a local government's plan to address their underfunded status in accordance with benchmarks set forth in the Act. Potential economic downturns may result in substantial losses to retirement system market value, which may result in increased annual payments for local governments. However, many local governments will not see annual payment calculations affected by poor market performance until fiscal year 2021 or fiscal year 2022. This will provide local governments time to evaluate their benefit offerings or opportunities to reduce costs while working to preserve benefits for employees and retirees.

Staff are available to answer any questions regarding these recommendations.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: May 20, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Receipt of Corrective Action Plan(s)

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

Fiscal Year 2018 Plans

- I. Dexter Area Fire Department
 - A. OPEB – Retiree Health Benefit Plan
- II. MBS International Airport Commission
 - A. Pension - MERS
- III. City of St. Ignace
 - A. Pension - MERS

Fiscal Year 2019 Plans

- I. City of Vassar
 - A. Pension - MERS

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

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: Dexter Area Fire Department Six-Digit Muni Code: 817550
Retirement Health Benefit System Name: Retiree Health Benefit Plan
Contact Name (Administrative Officer): Robert Smith
Title if not Administrative Officer: Fire Chief Telephone: (734) 426-4500
Email (Communication will be sent here): chief@dexterareafire.org
Fiscal Year System was Determined to be Underfunded: 2018

2. GENERAL INFORMATION

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

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

Filing: Per Sec. 10(1) of the Act, this corrective action plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this corrective action plan and attach the documentation as a separate PDF document.** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a disapproval of the corrective action plan.

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

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

The subject line of the email(s) should be in the following format: **Corrective Action Plan-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan-2019, City of Lansing, Employees' Retirement System OPEB Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local government done to improve its underfunded status, and which attachment(s) supports your actions).

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2019**, the local government entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for health care. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2019**.*

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

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

Dexter Area Fire Department created an account with Municipal Employees Retirement System (MERS) to receive, invest, and accumulate assets for retiree health care on September 30, 2019. The Department, in its 2019 budget established that \$75,000 per year would be contributed to the account per year, until a funding level in excess of 40% could be established. This is expected to occur within 20 years (2039).

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

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2017**. Attached is an updated actuarial valuation from **2019** that shows our funded ratio has improved to **42%** as indicated on page **13**.*

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local government do to improve its underfunded status, and which attachment(s) supports your actions).

Category of Prospective Actions:

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

Sample Statement: *The local government will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2020** contract negotiations, the local government will seek revised collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** to increase employee co-payments and deductibles for health care. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system would be **40%** funded by **fiscal year 2030** if these changes were adopted and implemented by **fiscal year 2021**.*

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

Sample Statement: *The local government will create a qualified trust to receive, invest, and accumulate assets for retirement health care by **December 31, 2020**. The local government will adopt a policy to change its funding methodology from Pay-Go to full funding of the ADC by **December 31, 2020**. Additionally, beginning in fiscal year 2021, the local government will contribute **\$500,000** annually in addition to the ADC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2023**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ADC and additional **\$500,000** for the next five years.*

Dexter Area Fire Department created an account with Municipal Employees Retirement System (MERS) to receive, invest, and accumulate assets for retiree health care on September 30, 2019. The Department, in its 2019 budget established that \$75,000 per year would be contributed to the account per year, until a funding level in excess of 40% could be established. This is expected to occur within 20 years (2039).

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

Sample Statement: *Beginning in **fiscal year 2020**, the local government will begin amortizing the unfunded portion of the health care liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42%** by **2023** as shown in the attached actuarial analysis on page **13**.*

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention:

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

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

Type of Document:

This corrective action plan (required);

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

An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 40% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 12% of governmental fund revenues, as defined by the Act (required);

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

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

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

Other documentation, not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local government is a city, village, township, or county, how and when the ADC of all retirement health care systems will be less than 12% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe?

Legality

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

Affordability

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

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

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

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

The Retiree Health Benefit Plan **(insert retirement health system name)** will achieve a funded status of at least 40% by fiscal year 2039 as demonstrated by the required supporting documentation listed in Section 6.

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

The ADC for all the retirement health benefit systems of the local government will be less than 12% of the local government's annual governmental fund revenues by fiscal year _____ as demonstrated by required supporting documentation listed in Section 6.

Signature:



Date: 05/05/2020

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: MBS Int'l Airport Commission Six-Digit Muni Code: 737528
Defined Benefit Pension System Name: MBS Airport Defined Benefit
Contact Name (Administrative Officer): Jeff Nagel
Title if not Administrative Officer: Airport Manager
Email: nagel@mbsairport.org Telephone: (989) 695-5555

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**.*

Eliminated the DB and adopted a hybrid pension for new union employees in 2008. (See pages 4&5 of attachment 6)
Eliminated the DB and adopted a hybrid pension for new non-union employees in 2013. (See pages 8&9 of #6)
Discontinued "Longevity" pay for new hires in 2015 which will reduce future FAC. (See page 15 of attachment 6)
Eliminated accrued vacation buy-out upon separation from FAC for all employees. (See page 15 of attachment 6)

- 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**.*

MBS created a "surplus" division to receive additional funding for the MERS DB liability. In 2017 the airport paid an additional \$68,876 into the surplus division. In 2018 the airport paid and additional \$69,754 into the division and in 2019 MBS paid an additional \$65,883 into the surplus. In 2020, the airport budgeted an additional \$65,000 for the surplus division. (see pages 21 of attachment #6)

- 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**.*

MERS now operates on a fixed amortization schedule which will provide MBS with true costs of the pension moving forward. This replaces the former "rolling" amortization schedule which kept pushing off the funding date into the future.

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**.

The commission will eliminate the DB pension and adopt a hybrid pension for the Airport Manager group effective July 1, 2020 after the current airport manager retires. This is the same action the commission has already taken with new union employees (2008) and new non-union employees (2013).

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.

MBS will continue to budget for additional MERS expenses in future 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 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) MBS Int'l Airport 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 (<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 Jeff Nagel, as the government's administrative officer (*enter title*) Airport 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 MBS Int'l Airport Commission (**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 Jeff Nagel Date 4/16/20

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: City of St. Ignace Six-Digit Muni Code: 492020
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Andrea Insley
Title if not Administrative Officer: City Clerk/Treasurer
Email: siclerk@lighthouse.net Telephone: (906) 643-8545

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**.*

The City of St. Ignace has implemented many design changes to their MERS pensions, most notably in 2013, new Divisions with lowered Defined Benefits were adopted to better manage the UAL and control costs moving forward. Implemented a member contribution to cost share with the employee to decrease the amount of the required funding. Benefit Provision History pg 11, Table 2 and pg 33-35 (Attachment 2a), 2018 Annual Actuarial Valuation Report.

- 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 City of St. Ignace made additional voluntary contributions to the Defined Benefit Plan in 2016, 2017 and most recently 2019, with efforts to decrease the City's UAL. Table 5, pg 15 in the 2018 AAV (Attachment 2a) shows contributions prior to 2018. A receipt of the most recent contribution in December 2019 to a Surplus Division is displayed in Attachment in 3a.

- 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 City of St. Ignace's pension plan is administered by MERS, which provides a high level of effective plan administration. The City plans to continue to follow a fixed amortization period with a funding policy that also uses a level-percent-of-payroll amortization method for new divisions. On page 8 of 2018 AAV (Attachment 2a), it shows the City's funded ratio will continue to increase to 60% funded by approximately 2028 and 100% funded by 2039.

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 City of St Ignace is seeking options for decreasing the current OPEB liability to create additional dollars to apply to the pension UAL.

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

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

The City of St Ignace established a Surplus Division in 2019 (Attachmt 6a) to collect additional contributions to a Reserve account to be used toward any or all of the Divisions within the City's pension plan. The City will determine future voluntary contribution amounts periodically through the year, as the budget allows, to achieve a lower UAL.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) City of St. Ignace 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 Michael Stelmaszek, as the government's administrative officer (*enter title*) City Manager (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

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

The MERS (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 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 City of St. Ignace (**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 Michael L. Stelmaszek Date 4/8/20

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Vassar Six-Digit Muni Code: 792010
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Andrew Niedzinski
Title if not Administrative Officer: City Manager Telephone: (989) 823-8517
Email (Communication will be sent here): citymanager@cityofvassar.org
Fiscal Year System was Determined to be Underfunded: 2018

2. GENERAL INFORMATION

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

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

Filing: Per Sec. 10(1) of PA 202 of 2017 (the Act), this corrective action plan must be approved by the local government's administrative officer and its governing body. ***You must provide proof of your governing body approving this corrective action plan and attach the documentation as a separate PDF document.*** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a disapproval of the corrective action plan.

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

The completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. **If you have multiple underfunded retirement systems, you are required to**

complete separate plans and send a separate email for each underfunded system. Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local government done to improve its underfunded status, and which attachment(s) supports your actions).

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

Category of Prior Actions:

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

Sample Statement: *The system's multiplier for current employees was lowered from 2.5X to 2X for the **General Employees' Retirement System** on **January 1, 2019**. On **page 8** of the attached actuarial supplemental valuation, it shows our funded ratio will be **60%** by fiscal year **2022**.*

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

Sample Statement: *The local government provided a lump sum payment of **\$1 million** to the **General Employees' Retirement System** on **January 1, 2019**. This lump sum payment was in addition to the ADC of the system. The additional contribution will increase the retirement system's funded ratio to **61%** by **2027**. Please see **page 10** of the attached enacted budget, which highlights this contribution of **\$1 million**.*

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

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2017**. Attached is an updated actuarial valuation from **2019** that shows our funded ratio has improved to **62%** as indicated on **page 13**.*

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local government do to improve its underfunded status, and which attachment(s) supports your actions).

Category of Prospective Actions:

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

Sample Statement: Beginning with **summer 2019** contract negotiations, the local government will seek to lower the system's multiplier for current employees from 2.5X to 2X for the **General Employees' Retirement System**. On page 8 of the attached actuarial supplemental valuation, it shows our funded ratio would be **60% funded by fiscal year 2021** if these changes were adopted and implemented by **fiscal year 2020**.

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

Sample Statement: Beginning in **fiscal year 2020**, the local government will provide a lump sum payment of **\$1 million** to the **General Employees' Retirement System**. This lump sum payment will be in addition to the ADC of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2026**. Please see page 10 of the attached enacted budget, which highlights this contribution of **\$1 million**. Please see page 12 of the attached supplemental actuarial valuation showing the projected change to the system's funded ratio with this additional contribution.

The City of Vassar will issue pension obligation bonds in the summer of 2020. This will bring our total funding of our MERS Defined benefit plan to 90% in the 2021 fiscal year. More importantly, it will stabilize our payment to this liability over the course of the next ten years. The City will continue to make payments to the plan.

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

Sample Statement: Beginning in **fiscal year 2020**, the local government will begin amortizing the unfunded portion of the pension liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the retirement system to reach a funded status of **62% by 2023** as shown in the attached actuarial analysis on page 13.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for your local government to make, at a minimum, the ADC payment for the defined benefit pension system according to your long-term budget forecast?

- Yes
 No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention:

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

 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 (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 60% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 10% of governmental fund revenues, as defined by the Act (required);

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

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

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

Other documentation not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local government is a city, village, township, or county, how and when the ADC of all pension systems will be less than 10% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe?

Legality

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

Affordability

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

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

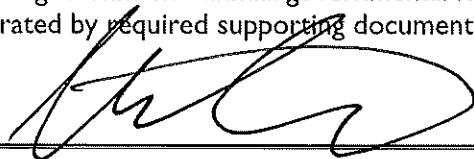
I, Andrew Nledzinski, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** City Manager approve this corrective action plan and will implement the prospective actions contained in this corrective action plan.

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 2020 as demonstrated by required supporting documentation listed in Section 6.

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

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

Signature: 

Date: 4/15/2020

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-4**

APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

May 20, 2020

Municipal Stability Board Appendix A, May 20, 2020

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

CAP Criteria Key	
Underfunded Status	Was there description and adequate supporting documentation of how and when the retirement system will address the Underfunded Status criteria as defined by the Municipal Stability Board?
Legality	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
Affordable	The local government must confirm that corrective actions listed in the CAP allow for the local 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 Government	Municode	Fiscal Year	System Type	Date Received	Underfunded Status	Legality	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	Charter Township of Brownstown	821010	2018	OPEB	4/15/2020	Yes	Yes	Yes	Approve	Charter Township of Brownstown - OPEB
2	Charter Township of East China	741100	2018	Pension	4/15/2020	Yes	Yes	Yes	Approve	Charter Township of East China - Pension
3	Genesee County	250000	2018	OPEB	4/15/2020	Yes	Yes	Yes	Approve	Genesee County - OPEB
4	Montmorency County	600000	2018	Pension	4/15/2020	Yes	Yes	Yes	Approve	Montmorency County - Pension
5	Montmorency County	600000	2018	OPEB	4/15/2020	No	Yes	No	Disapprove	Montmorency County - OPEB
6	Sanilac County Road Commission	760100	2018	OPEB	4/15/2020	Yes	Yes	Yes	Approve	Sanilac County Road Commission - OPEB

Treasury Recommendation
Charter Township of Brownstown OPEB Corrective Action Plan (CAP)
Primary Unit 821010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS Police and Fire	Pension	\$22,562,484	\$29,544,700	76.4%	\$866,604	\$21,269,411	4.1%	NO
OPEB	OPEB	\$2,747,456	\$24,531,543	11.2%	N/A		N/A	YES
Total		\$25,309,940	\$54,076,243		\$866,604	\$21,269,411	4.1%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Charter Township of Brownstown, which was received by the Municipal Stability Board (the Board) on 4/15/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - None listed.
- Other Considerations:
 - The Township provided actuarial data showing that their calculated ADC would not trigger underfunded status if submitted in the 2018 audited financial statements.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - In addition to the assets contained in the Township's OPEB trust, the Township also has \$671,713 of general fund assets assigned for retiree health care insurance. These funds are available for future benefit payments or contributions to the trust. The Township intends to continue making premium payments from the unassigned fund, allowing the assigned funds to remain available into the future.
- Other Considerations:
 - None listed.

System Status for All Divisions: CLOSED

Plan size: members 203

- Inactive employees or beneficiaries currently receiving benefits: 74
- Active employees: 129

Treasury Recommendation
Charter Township of Brownstown OPEB Corrective Action Plan (CAP)
Primary Unit 821010

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

Supplemental Information:

The local government failed to calculate and report an ADC in its 2018 audited financial statements. This omission resulted in the local government's underfunded status being based solely on its funded ratio. In the CAP submission, the local government provided a calculated ADC from its actuary demonstrating that they would not have triggered as underfunded had the ADC been provided. The calculated number results in the ADC/Revenue being 9.8%, below the underfunded status threshold of 12%.

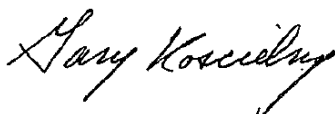
As discussed, I have determined the Actuarially Determined Contribution (ADC) for the Charter Township of Brownstown for 2018 to be as follows:

Normal Cost	\$	567,211
Amortization of UAAL		1,517,231
ADC	\$	2,084,442

If you have any questions, please call.

Sincerely,

Respectfully submitted,



Gary Kosciolny, FSA, EA, MAAA

Treasury Recommendation
Charter Township of Brownstown OPEB Corrective Action Plan (CAP)
Primary Unit 821010

The Community Engagement and Finance Division (CEFD) contact:

- None

Treasury Recommendation
Charter Township of East China Pension Corrective Action Plan (CAP)
Primary Unit 741100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,961,580	\$8,878,819	55.9%	\$279,148	\$2,314,819	12.1%	YES
OPEB	OPEB	\$480,992	\$962,338	50.0%	\$64,096		2.8%	NO
Total		\$5,442,572	\$9,841,157		\$343,244	\$2,314,819	14.8%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Charter Township of East China, which was received by the Municipal Stability Board (the Board) on 4/15/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

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

Prospective Changes:

- Modern Plan Design:
 - The Township will be closing the defined benefit system for all new hires.
 - The Township is bridging the cost of living adjustment benefit for all current employees that are eligible for a DB pension plan. The supplemental valuation shows that this will provide a 0.3% increase to the funded ratio for division 1, and a 2.9% increase to division 10.
 - The Township will be increasing employee contributions for both division's 1 and 10 to 6.2% beginning 7/1/2021.
- Plan Funding:
 - The Township will be making 3 lump sum payments above the calculated ADC. The first payment will be made after ratifying collective bargaining agreements, the second on or before 12/31/2020, and the third on or before 12/31/2021.
- Other Considerations:
 - Most recent valuation shows the local government is at 61% funded when using smoothed assets.

Treasury Recommendation
Charter Township of East China Pension Corrective Action Plan (CAP)
Primary Unit 741100

System Status for All Divisions: OPEN

Plan size: members 39

- Inactive employees or beneficiaries currently receiving benefits: 18
- Inactive employees entitled to but not yet receiving benefits: 7
- Active employees: 14

Corrective Action Plan Criteria:

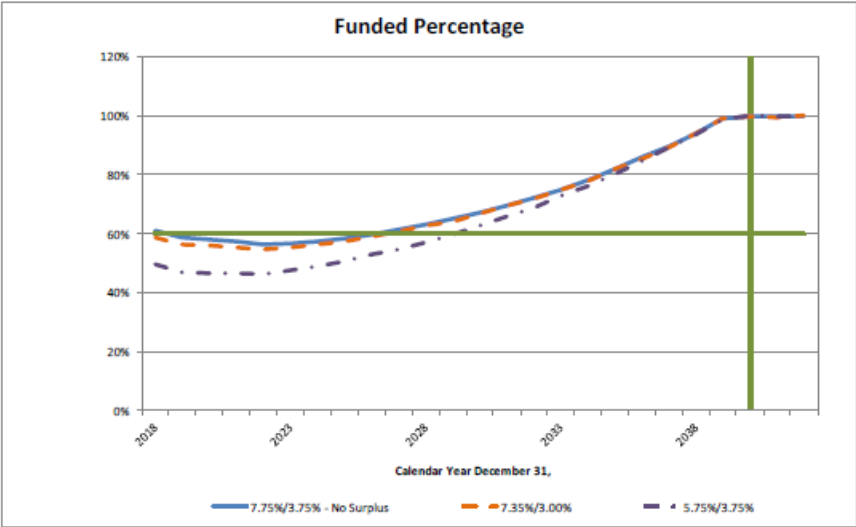
The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan within a reasonable period of time (2020).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

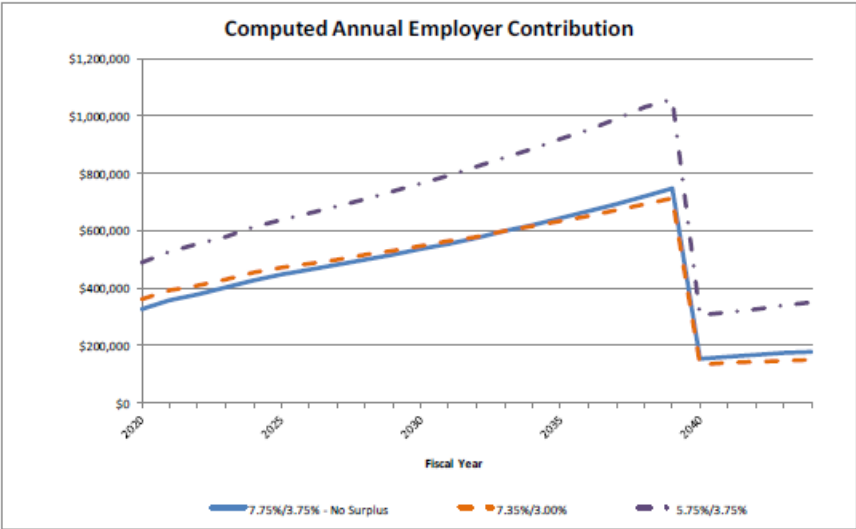
Supplemental Information:

The local government provided the MERS valuation as supporting documentation to demonstrate reaching 60% funded. This chart documents the local government currently at or above 60% funded; however, the funded ratio does decrease below 60% in the subsequent years, before increasing again to above 60% in 2026-2027. The second chart documents the increase in annual employer contribution, increasing by approximately 114% over the next 19-20 years (5.7%/year). Additionally, the local government provided a projection based upon a \$150,000 lump sum payment. The Township is proposing \$225,000 in payments, but this projection can be used for perspective.

Treasury Recommendation
Charter Township of East China Pension Corrective Action Plan (CAP)
Primary Unit 741100



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.

Treasury Recommendation
Charter Township of East China Pension Corrective Action Plan (CAP)
Primary Unit 741100

Municipality Funding Level Calculator

Based on the 12/31/2018 Actuarial Valuation

Municipality # (4 digits)	Municipality Name
7701	East China Chtr Twp

8,887,284	Total 12/31/2018 Actuarial Accrued Liability
5,434,627	12/31/2018 Valuation Assets
3,452,657	Unfunded (Overfunded) Actuarial Accrued Liabilities
61.2%	Funding Percentage as of 12/31/2018
150,000	Proposed Lump Sum Amount
Recalculated Expected 12/31/18 Funded Ratio if Payment Contributed by:	
63.00%	December 31, 2018
63.00%	January 31, 2019
63.00%	February 28, 2019
63.00%	March 31, 2019
63.00%	April 30, 2019
62.90%	May 31, 2019
62.90%	June 30, 2019
62.90%	July 31, 2019
62.90%	August 31, 2019
62.90%	September 30, 2019
62.90%	October 31, 2019
62.90%	November 30, 2019
62.90%	December 31, 2019
62.90%	January 31, 2020
62.80%	February 28, 2020
62.80%	March 31, 2020
62.80%	April 30, 2020
62.80%	May 31, 2020

Important Notes:

The lump sums are based on the data and benefit provisions as found in the December 31, 2018 actuarial valuation. If benefit provisions have changed, actual funded ratios may be materially different.

The Community Engagement and Finance Division (CEFD) contact:

- None

**Treasury Recommendation
Genesee County OPEB Corrective Action Plan (CAP)
Primary Unit 250000**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Genesee County Employees' Retirement System	Pension	\$236,389,602	\$366,332,016	64.5%	\$10,103,058	\$195,422,078	5.2%	NO
Genesee County Retirees' Health Care Plan and Trust	OPEB	\$15,214,870	\$534,937,564	2.8%	\$26,099,994		13.4%	YES
Total		\$251,604,472	\$901,269,580		\$36,203,052	\$195,422,078	18.5%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Genesee County, which was received by the Municipal Stability Board (the Board) on 4/15/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Genesee County closed the retiree health care plan in 2011. Employees hired after 3/23/2011 receive a fixed amount per pay to be used toward IRS approved healthcare expenses in retirement. The new plan has a 15 year vesting period.
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - The County is currently working with a health care consultant for potential system design changes that will aid in transition to the 40% funding status within 30 years. The consultant has provided preliminary data and the County is now in the process of moving forward with the next steps to bid out the benefit package to quantify the potential cost savings. Nyhart was hired to do an actuarial projection based on the information provided by Plante & Moran for possible changes to the plan, 25% of covered payroll in additional contributions going forward, and additional General Fund contributions which arrived at the 40% funded status within the required timeframe.
 - Proposed changes used in the actuarial projection included consolidating the benefit offerings to the pre-65 retiree group and blending this group with active employees for economies of scale. Post-65 retirees would be moved to a single Medicare Advantage

Treasury Recommendation
Genesee County OPEB Corrective Action Plan (CAP)
Primary Unit 250000

Part D design. By making these changes, it was projected that the total liabilities would be reduced by 39.9%.

- By moving post-65 retirees to a single Medicare Advantage Part D plan, the County's actuary indicated that the implicit liability on certain plans could be removed from the liability projection. This change results in a 5.9% decrease to the liability.
- The County's proposed benefit design changes are projected to impact 286 of 319 pre-65 retirees and 477 of 718 post-65 retirees. The changes in aggregate represent an estimated 3-5% increase to the costs incurred by retirees.
- Plan Funding:
 - In the current year, the General Fund budget included an additional \$9 million contribution, of which \$7 million has already been transferred to the trust. In the actuarial projection, additional amounts are included for each fiscal year which will increase the system's funded ratio to 40% by 2050.
 - The County will pay the retiree premium payment from the Trust and will continue to make additional contributions from the governmental, proprietary, and internal service funds were applicable of 25% of covered payroll and additional funding from the General fund.
- Other Considerations:
 - None listed.

System Status for All Divisions: CLOSED

Plan size: members 1672

- Inactive employees or beneficiaries currently receiving benefits: 1200
- Active employees: 472

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan within a reasonable period of time (2050).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Treasury Recommendation
Genesee County OPEB Corrective Action Plan (CAP)
Primary Unit 250000

Supplemental Information:

The County is proposing additional contributions to be deposited to the OPEB trust, equivalent to 25% of payroll, plus an additional annual contribution from the general fund as documented in the table below. The county provided actuarial projections showing that this contribution strategy would allow it to reach 40% funded in fiscal year 2050 as shown in the graph below. The projection is based on a discount rate of 7.00%. The FY 2018 audited financial statements utilized valuation data calculated using a 3.58% discount rate.

Comparing the 2018 audited numbers to the corrective action plan's actuarial projection, the total OPEB liability decreased from nearly \$535 million in 2018 on the County's audited financial statements to \$206 million in 2019 on the CAP's actuarial projection. Additionally, the ADC has decreased from \$26 million in 2018 to \$17 million in 2019. These decreases are attributable to the prospective system design changes listed previously in prospective system design changes, along with corresponding assumption changes.

Finally, the County submitted a draft of the resolution to be approved by the County Board, but the submitted document lacked notarized approval. CEFD confirmed that the submitted resolution was passed.

http://geneseecountymi.iqm2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=2505&MediaPosition=&ID=2292&CssClass=

**Treasury Recommendation
Genesee County OPEB Corrective Action Plan (CAP)
Primary Unit 250000**

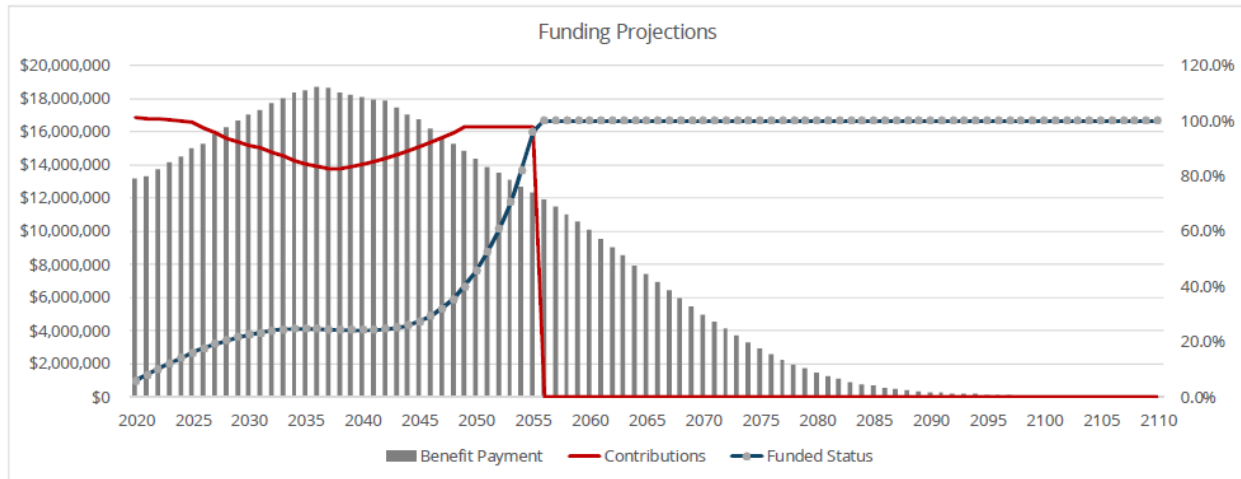
Projected Contributions to the OPEB Trust

ER Cont as a % of payroll 25.00%

Current contribution strategy

As of Date	Payroll for Current Plan Members	Plan Sponsor Contributions for Pay-go Costs	EE Contributions (as a % of payroll)	Additional Plan Sponsor Contributions	Total Contributions for Current Plan Members	Retaining Plan	Actuarially Determined Contribution (ADC)
						Sponsor Contributions (in addition to pay-go) Override	
						If needed, enter amount	
	A	B	C	D	F = B + C - D		
10/1/2019	\$28,834,353	\$7,208,588	\$755,693	\$9,000,000	\$16,964,281	\$9,000,000	\$17,059,014
10/1/2020	\$27,913,796	\$6,978,449	\$728,682	\$9,156,108	\$16,863,239	\$9,156,108	\$17,111,503
10/1/2021	\$27,076,037	\$6,769,009	\$704,588	\$9,339,230	\$16,812,827	\$9,339,230	\$17,173,445
10/1/2022	\$26,339,781	\$6,584,945	\$684,798	\$9,526,014	\$16,795,758	\$9,526,014	\$17,210,648
10/1/2023	\$25,370,703	\$6,342,676	\$665,158	\$9,716,535	\$16,724,369	\$9,716,535	\$17,290,457
10/1/2024	\$24,392,184	\$6,098,046	\$637,353	\$9,910,865	\$16,646,265	\$9,910,865	\$17,397,365
10/1/2025	\$23,342,002	\$5,835,501	\$608,104	\$10,109,083	\$16,552,688	\$10,109,083	\$17,511,400
10/1/2026	\$21,393,851	\$5,348,463	\$577,535	\$10,311,264	\$16,237,262	\$10,311,264	\$17,663,417
10/1/2027	\$19,541,297	\$4,885,324	\$526,302	\$10,517,490	\$15,929,116	\$10,517,490	\$17,823,857
10/1/2028	\$17,631,031	\$4,407,758	\$477,553	\$10,727,840	\$15,613,151	\$10,727,840	\$18,069,054
10/1/2029	\$16,018,917	\$4,004,729	\$429,338	\$10,942,396	\$15,376,464	\$10,942,396	\$18,343,882
10/1/2030	\$14,458,283	\$3,614,571	\$386,910	\$11,161,244	\$15,162,725	\$11,161,244	\$18,687,685
10/1/2031	\$13,058,494	\$3,264,624	\$348,777	\$11,384,469	\$14,997,869	\$11,384,469	\$19,107,383
10/1/2032	\$11,365,948	\$2,841,487	\$314,883	\$11,612,159	\$14,768,528	\$11,612,159	\$19,580,044
10/1/2033	\$9,590,085	\$2,397,521	\$272,417	\$11,844,402	\$14,514,340	\$11,844,402	\$20,172,413
10/1/2034	\$7,899,229	\$1,974,807	\$229,587	\$12,081,290	\$14,285,684	\$12,081,290	\$20,878,625
10/1/2035	\$6,211,656	\$1,552,914	\$192,460	\$12,322,916	\$14,068,290	\$12,322,916	\$21,755,524
10/1/2036	\$4,687,551	\$1,171,888	\$155,130	\$12,569,374	\$13,896,391	\$12,569,374	\$22,804,685
10/1/2037	\$3,422,157	\$855,539	\$117,414	\$12,820,761	\$13,793,715	\$12,820,761	\$22,408,635
10/1/2038	\$2,540,497	\$635,124	\$85,355	\$13,077,177	\$13,797,655	\$13,077,177	\$21,957,243
10/1/2039	\$1,965,068	\$491,267	\$63,472	\$13,338,720	\$13,893,459	\$13,338,720	\$21,455,110
10/1/2040	\$1,476,213	\$369,053	\$49,412	\$13,605,494	\$14,023,960	\$13,605,494	\$20,908,357
10/1/2041	\$980,377	\$245,094	\$37,306	\$13,877,604	\$14,160,005	\$13,877,604	\$20,289,513
10/1/2042	\$752,783	\$188,196	\$25,000	\$14,155,156	\$14,368,352	\$14,155,156	\$19,627,058
10/1/2043	\$529,831	\$132,458	\$19,261	\$14,438,260	\$14,589,978	\$14,438,260	\$18,892,566
10/1/2044	\$383,787	\$95,947	\$13,983	\$14,727,025	\$14,836,954	\$14,727,025	\$18,018,897
10/1/2045	\$180,027	\$45,007	\$10,626	\$15,021,565	\$15,077,198	\$15,021,565	\$17,047,206
10/1/2046	\$111,863	\$27,966	\$5,123	\$15,321,997	\$15,355,086	\$15,321,997	\$16,000,718
10/1/2047	\$63,221	\$15,805	\$3,356	\$15,628,436	\$15,647,598	\$15,628,436	\$14,792,941
10/1/2048	\$9,781	\$2,445	\$1,897	\$15,941,005	\$15,945,347	\$15,941,005	\$13,459,690
10/1/2049	\$0	\$0	\$293	\$16,259,825	\$16,260,119	\$16,259,825	\$12,013,417
10/1/2050	\$0	\$0	\$0	\$16,259,825	\$16,259,825	\$16,259,825	\$10,424,395
10/1/2051	\$0	\$0	\$0	\$16,259,825	\$16,259,825	\$16,259,825	\$8,706,743
10/1/2052	\$0	\$0	\$0	\$16,259,825	\$16,259,825	\$16,259,825	\$6,875,275
10/1/2053	\$0	\$0	\$0	\$16,259,825	\$16,259,825	\$16,259,825	\$4,938,648
10/1/2054	\$0	\$0	\$0	\$16,259,825	\$16,259,825	\$16,259,825	\$2,855,082
10/1/2055	\$0	\$0	\$0	\$16,259,825	\$16,259,825	\$16,259,825	\$636,780

**Treasury Recommendation
Genesee County OPEB Corrective Action Plan (CAP)
Primary Unit 250000**



Amortization method (1 - level % of pay, 2 - level \$)	2
DR for amortization (same as exp LT ROR)	7.00%
Salary scale	N/A
Amortization years left as of 9/30/2019	27

The Community Engagement and Finance Division (CEFD) contact:

- CEFD discussed the submitted OPEB CAP with representatives of the County, Plante Moran, and Nyhart on 5/6/2020. Supplemental documentation was submitted by the County to be included with the previous CAP submission.

**Treasury Recommendation
Montmorency County Pension Corrective Action Plan (CAP)
Primary Unit 600000**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,385,611	\$12,519,572	51.0 %	\$614,736	\$5,758,632	10.7%	YES
OPEB	OPEB	-	\$4,478,094	0.0%	N/A		N/A	YES
Total		\$6,385,611	\$16,997,666		\$614,736	\$5,758,632	10.7%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Montmorency County, which was received by the Municipal Stability Board (the Board) on 4/15/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Effective January 1, 2019 new non-union employees will be eligible for a defined contribution plan with a matching 457.
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The county board of commissioners is researching bonding.
- Other Considerations:
 - None listed.

System Status for All Divisions: OPEN

Plan size: members 146

- Inactive employees or beneficiaries currently receiving benefits: 72
- Inactive employees entitled to but not yet receiving benefits: 27
- Active employees: 47

Treasury Recommendation
Montmorency County Pension Corrective Action Plan (CAP)
Primary Unit 600000

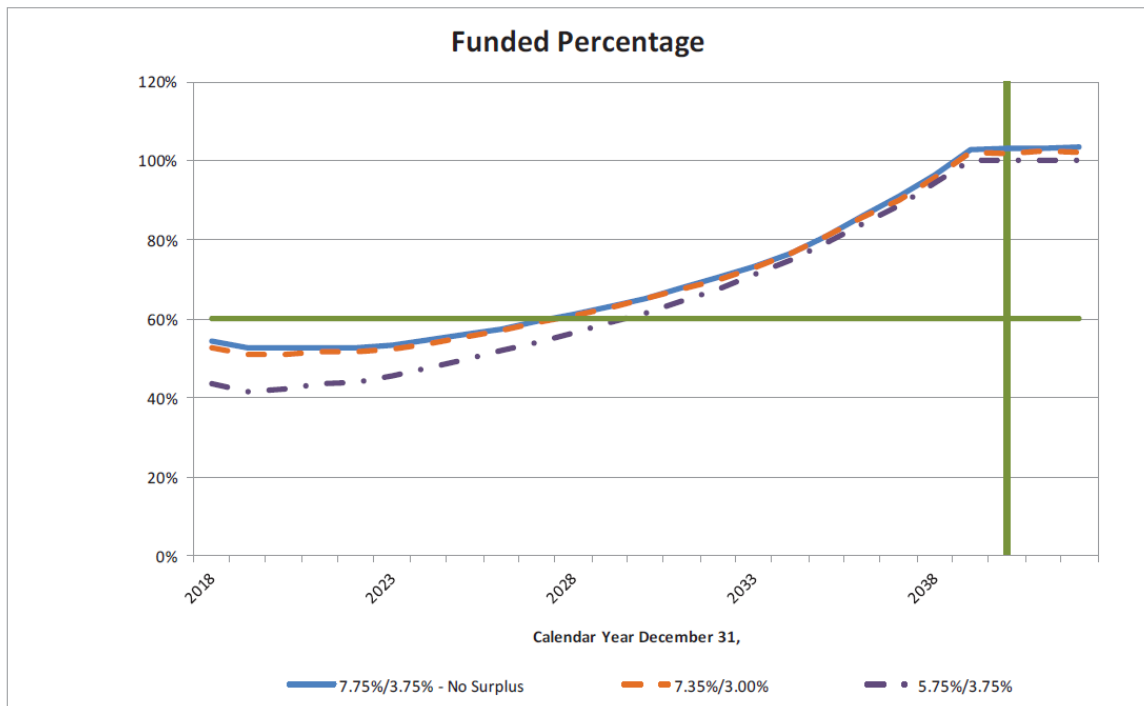
Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

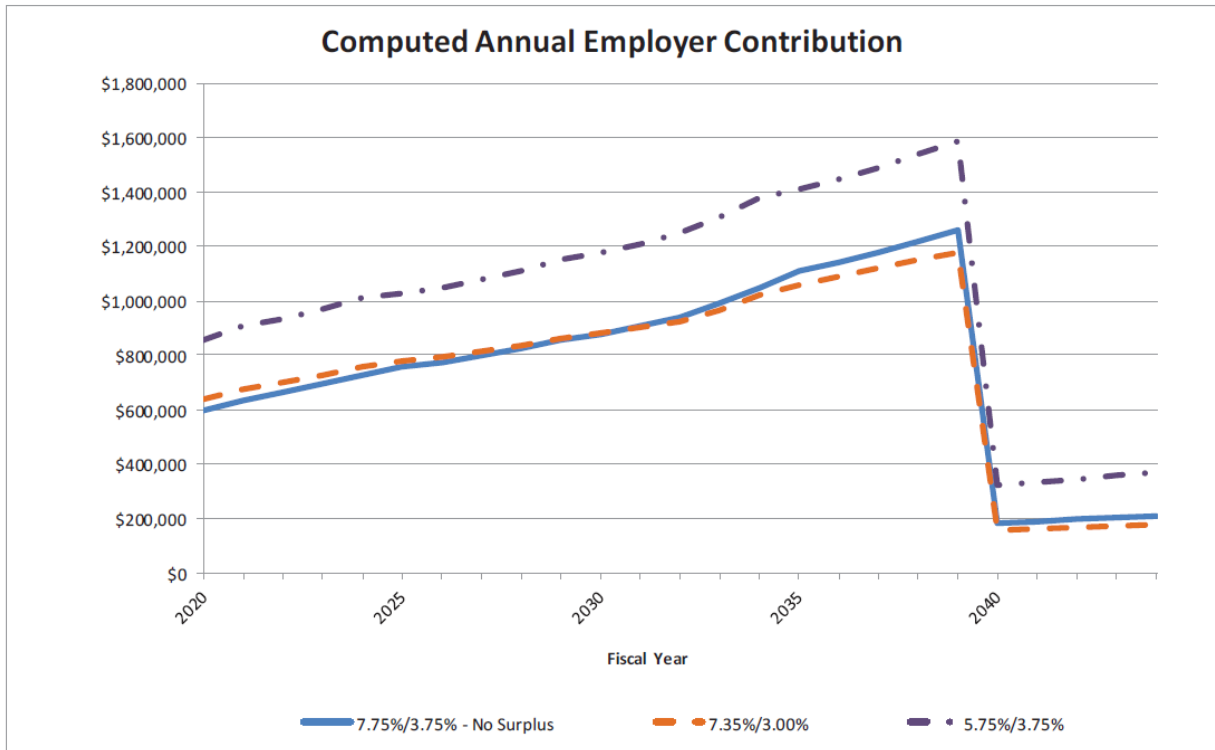
- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan within a reasonable period of time (2028).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

Montmorency County included documentation demonstrating they will reach 60% funded by 2028. However, their annual employer contributions are expected to increase by approximately 100% between 2020 and 2040 (5% annually).



**Treasury Recommendation
Montmorency County Pension Corrective Action Plan (CAP)
Primary Unit 600000**



The Community Engagement and Finance Division (CEFD) contact:

- CEFD discussed the OPEB CAP with the County and requested additional documentation on 5/6/2020.

**Treasury Recommendation
Montmorency County OPEB Corrective Action Plan (CAP)
Primary Unit 600000**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,385,611	\$12,519,572	51.0 %	\$614,736	\$5,758,632	10.7%	YES
OPEB	OPEB	-	\$4,478,094	0.0%	N/A		N/A	YES
Total		\$6,385,611	\$16,997,666		\$614,736	\$5,758,632	10.7%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by Montmorency County, which was received by the Municipal Stability Board (the Board) on 4/15/2020. If disapproved, Montmorency County, will receive a detailed letter from the Board listing the reasons for disapproval. Montmorency County will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- Modern Plan Design:
 - The county board has eliminated supplemental health care for retirees over the age of 65 effective March 1, 2020. With that elimination, the estimated ADC will be \$11,919.42.
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 82

- Inactive employees or beneficiaries currently receiving benefits: 32
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 50

**Treasury Recommendation
Montmorency County OPEB Corrective Action Plan (CAP)
Primary Unit 600000**

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

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.
- Affordable:
 - The local government did not confirm in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

The county submitted an internal calculation of their ADC; however, it does not appear to include the amortized portion of their unfunded liabilities. The county failed to demonstrate their ability to address underfunded status through either achieving a 40% ratio or providing an adequate ADC calculation. Treasury has reached out to the county requesting additional documentation on 4/29/2020. Additionally, the county submitted the pension corrective action plan form rather than the retiree health care form, failing to confirm their ability to make retiree premium payments as well as applicable normal cost payments.

Benefits:	Medical	Drugs	Vision	Monthly Total	20% EE Contribution	ER Contribution	Annual Contribution	2 Retirees
<Age 65	\$ 387.98	\$ 120.61	\$ 7.94	\$ 516.53	\$ 103.31	\$ 413.22 *	\$ 5,959.71	\$ 11,919.42

The Community Engagement and Finance Division (CEFD) contact:

- CEFD discussed the OPEB CAP with the County and requested additional documentation on 5/6/2020.

Treasury Recommendation
Sanilac County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 760100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,305,948	\$8,375,322	87.2%	\$201,270	\$16,374,577	1.2%	NO
Retired Employees Healthcare Plan	OPEB	\$766,941	\$17,634,484	4.3%	\$2,123,726		13.0 %	YES
Total		\$8,072,889	\$26,009,806		\$2,324,996	\$16,374,577	14.2%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Sanilac County Road Commission, which was received by the Municipal Stability Board (the Board) on 4/15/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - Prior to 2009, the Sanilac County Road Commission (SCRC) reimbursed the retiree and their spouse for premiums for a BCBS supplementary plan, and paid out-of-pocket expenses for any prescriptions. This was capped at \$8,000/year per person. With the 2009 system design changes, SCRC now reimburses only for premiums for a Medi-Gap Plan and Prescription Plan, and no longer reimburses any out-of-pocket prescription expenses. The retiree and/or spouse must purchase their own individual plan and SCRC reimburses them for their plan. This resulted in a large savings from the \$8,000/year per person prior cost.
 - Along with those changes, SCRC removed the stipulation that an employee only had to be with the Road Commission for 8 years. They now must have worked for SCRC for 15 or more consecutive years and be age 59 or older to retire with this benefit. There is also language in the Contract stating that if the retiree has medical insurance available through his/her spouse's employment or otherwise, SCRC will be under no obligation to provide health insurance coverage.
- Plan Funding:
 - On November 1, 2017, the SCRC created a qualified trust with MERS called the Retiree Health Funding Vehicle (RHFV) to receive, invest, and accumulate assets for retirement healthcare. In 2018, SCRC committed to and funded the Trust in the amount of \$800,000. In July 2018, the SCRC committed to funding the Trust at the rate of \$100,000 per month starting January 2019. This will continue indefinitely, until at least reaching the 40% funding level.
- Other Considerations:
 - None listed.

Treasury Recommendation
Sanilac County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 760100

Prospective Changes:

- **Modern Plan Design:**
 - SCRC and AFSCME, AFL-CIO Local #1518 – Council #25 have reached an agreement that will be effective 4/1/2020 in which retiree healthcare will no longer be available for new hires after 4/1/20.
- **Plan Funding:**
 - During the 2019 Actuarial process, SCRC requested that an updated Projection Study be completed, as it was noted that the actuary had inadvertently stopped the \$1,200,000 per year funding as of 12/31/21. The intent of SCRC was to continue funding at this level past this date. The additional contributions will increase the retirement system's funded ratio to 48.8% by 12/31/2023.
 - Also, included is the 12/31/19 Quarterly MERS Statements for the RHFV, showing that as of 12/31/19, the balance is \$2,140,514.97 in this trust account.
- **Other Considerations:**
 - None listed.

System Status for All Divisions: CLOSED

Plan size: members 136

- Inactive employees or beneficiaries currently receiving benefits: 85
- Active employees: 51

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- **Underfunded Status:**
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan within a reasonable period of time (2023).
- **Legal and Feasible:**
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- **Affordable:**
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Treasury Recommendation
Sanilac County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 760100

Supplemental Information:

The local government provided their 2020 Funding Projection (based on 12/31/19 actuarial valuation), and supplemental actuarial projection to demonstrate their plan to reach 40% funded by 2023. During this time, the total employer contributions increase by nearly 41% (8.1% per year).

Sanilac County Road Commission
2020 funding projection (based on December 31, 2019 actuarial valuation)

Discount Return
4.23% 7.35%

Year ending	liability	Assets at end of year	Contribution during the year	+Benefit payments during the year	=total contribution	funded percent
12/31/2018		766,941	800,000			
12/31/2019	16,015,820	2,140,515	1,200,000	231,936	1,431,936	13.4%
12/31/2020			1,200,000	741,174	1,941,174	21.5%
12/31/2021			1,200,000	738,651	1,938,651	30.0%
12/31/2022			1,200,000	797,401	1,997,401	39.1%
12/31/2023	16,815,270	8,198,277	1,200,000	815,856	2,015,856	48.8%

The Community Engagement and Finance Division (CEFD) contact:

- None

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-5**

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

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

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

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

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

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

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

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

Ayes:
Nays:
Recused:
Lansing, Michigan
May 20, 2020



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

Resolution 2020-5 Exhibit A

DATE: May 20, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Delinquent Corrective Action Plan(s)

Suggested Action: The Board motions to notify the following local government(s) that they are in noncompliance with Public Act 202 of 2017 (the Act) for failure to submit a corrective action plan(s) to the Board within 180 days after the determination of underfunded status:

1. Village of Dryden
 - a. No Retirement Submission
2. Dickinson County
 - a. OPEB
3. Village of Marion
 - a. No Retirement Submission
4. City of Negaunee
 - a. Pension
5. City of River Rouge
 - a. OPEB
6. Roscommon County Road Commission
 - a. OPEB
7. Thetford Township
 - a. No Retirement Submission

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