

Municipal Stability Board

Wednesday, August 19, 2020 at 11:00 a.m.
Virtual Public Meeting
via Microsoft TEAMS

I. Call to Order

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

II. Public Comment

- A. 2-minute limit

III. Correspondence

- A. Treasury Update

IV. New Business

- A. Corrective Action Plan Monitoring Policies and Procedures (Resolution 2020-11)
- B. Receipt of Corrective Action Plans
 - i. Village of Capac
 - ii. Gladwin County Road Commission (2 plans)
 - iii. City of Holland
 - iv. Montmorency County
- C. Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-12)
 - i. City of Luna Pier
 - ii. Menominee City Housing Commission
 - iii. Midland County Road Commission

V. Public Comment

- A. 2-minute limit

VI. Board Comment

VII. Adjournment

MUNICIPAL STABILITY BOARD

**Wednesday, July 15, 2020
11:00 a.m.**

Virtual Public Meeting via Microsoft TEAMS

DRAFT Meeting Minutes

CALL TO ORDER

Chairman Eric Scorsone called the meeting to order at 11:00 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 June 17, 2020 board meeting minutes by Barry Howard and supported by John Lamerato. The Board unanimously approved the June 17, 2020 meeting minutes. 3 Ayes and 0 Nays.

PUBLIC COMMENT

Brad Barrett, a citizen from the City of Flushing emailed Treasury regarding the City of Flushing's Corrective Action Plan. Barry Howard asked if Treasury had asked the city for a response. Nick Brousseau responded that Treasury had not asked for a response, and that the city will go through the monitoring process and any potential changes to their plan will be reviewed at that time. Barry Howard requested that the monitoring process include a response from the city when it's necessary.

CORRESPONDENCE

Nick Brousseau presented the Board with the Treasury update, which included an updated report on the Department of Treasury's communication and outreach. Additionally, Kayla Rosen went over information about Treasury's COVID-19 webinar series. Barry Howard asked if we could cancel the August meeting. Nick Brousseau responded that we are receiving two CAPS today and moving the meeting would be out of compliance for the 45-day requirement to review corrective action plans.

NEW BUSINESS

CORRECTIVE ACTION PLAN BEST PRACTICES AND STRATEGIES GUIDE: UPDATES FOR 2020

Nick Brousseau reviewed the Corrective Action Plan Best Practices and Strategies Guide: Updates for 2020.

A motion was made to begin the public comment period for the revised best practices document by John Lamerato and supported by Barry Howard. The Board unanimously approved the public comment period of 30-days for the revised best practices document. 3 Ayes and 0 Nays.

RECEIPT OF CORRECTIVE ACTION PLANS FROM 2 LOCAL GOVERNMENTS (2 PLANS)

Nick Brousseau provided the Board with corrective action plans for the following 2 local governments (2 plans):

- City of Luna Pier
- Menominee City Housing Commission

Nick Brousseau also provided the Board with the Corrective Action Plan from Midland County Road Commission.

A motion was made to amend the receipt memo to include the Midland County Road Commission Corrective Action Plan by Barry Howard and supported by John Lamerato. The Board unanimously approved amending the receipt of corrective action plans memo. 3 Ayes. 0 Nays.

A motion was made to approve the amended receipt of the corrective action plans by John Lamerato and supported by Barry Howard and Eric Scorsone. The Board unanimously approved the amended receipt of corrective action plans for the City of Luna Pier, Menominee City Housing Commission, and Midland County Road Commission. 3 Ayes and 0 Nays.

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 2 LOCAL GOVERNMENTS (2 PLANS) (RESOLUTION 2020-9)

Nick Brousseau was asked to review the Treasury recommendations for Approval and Disapproval of Corrective Action Plans (Resolution 2020-9) with the Board.

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-9) by Barry Howard and supported by John Lamerato for the following local governments:

- City of Negaunee (Approval)
- Roscommon County Road Commission (Approval)

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-9). 3 Ayes and 0 Nays. Resolution 2020-9 was passed.

CORRECTIVE ACTION PLAN NONCOMPLIANCE (RESOLUTION 2020-10)

Nick Brousseau reviewed with the Board the Corrective Action Plan Noncompliance (Resolution 2020-10). Midland County Road Commission was added to the receipt memo as they had provided their corrective action plan following the initial release of the Board's July packet.

A motion was made to remove Resolution 2020-10 from the agenda by Barry Howard as Midland County Road Commission had now provided their corrective action plan. The motion was supported by John Lamerato.

The Board unanimously approved the removal of Resolution 2020-10 from the agenda. 3 Ayes and 0 Nays. Resolution 2020-10 was removed from the agenda.

PUBLIC COMMENT

No public comment.

BOARD COMMENT

Eric Scorson thanked Treasury staff for their work and all the ways that Treasury is assisting local governments.

NEXT MEETING

The next regular meeting will be on August 19, 2020 at 11:00 a.m.

ADJOURNMENT

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

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

There being no further business, the meeting adjourned at 11:30 a.m.

Treasury's Public Act 202 of 2017 Update

As of Wednesday, August 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						
	August	September	October	November	December	January 21	February 21
NON-PRIMARY	2	0	3	0	0	2	1
PRIMARY	1	3	14	0	1	0	1
TOTAL	3	3	17	0	1	2	2

CAP Monitoring Notifications

- **11 local governments** received a Corrective Action Plan Monitoring: Application for Certification of Compliance form on **August 3**. **A total of 16 monitoring certification requests have been sent to date**
- **25 local governments** are scheduled to receive the monitoring notification at the **end of August**

Treasury Department Communication and Outreach Report

- **230 one-on-one 30-minute calls** scheduled by local governments to discuss the **Public Act 202 process**
 - 7 individual calls since the July Board meeting
- **Outreach to 15 local governments at-risk for noncompliance for failure to submit a corrective action plan**

Corrective Action Plan Development: Best Practices and Strategies - Public Comment

- **Email message sent to 7,837 registered local government officials**, as well as targeted local government associations and actuarial professionals
- **30-day public comment period set to expire on Wednesday, August 19, 2020**
- To date, only one public comment received

Pension and Retiree Health Care (OPEB) Local Retirement Webinar

Tuesday, August 18, 2020

- Over 400 registered attendees
- Presenters from Treasury, University of Michigan, MSU Extension, Citizens Research Council, MERS, and MAPERS
- Topics including: Pension and OPEB System updates, managing retirement costs and liabilities, revenue solutions, PA 202 reporting data, resources, and next steps

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
 - Treasury will continue to provide additional webinars as information becomes available

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-11**

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

August 19, 2020



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

Resolution 2020-11 Exhibit A

DATE: August 19, 2020

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Public Comments on Updated Municipal Stability Board Corrective Action Plan (CAP) Monitoring Policy and Procedures Document

Suggested Action: The Board votes on Resolution 2020-11 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 updated CAP Monitoring: Policies and Procedures document. The document was posted on Treasury’s website for 30 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 one public comment was received related to this topic.

	Name(s)	Local Government/ Assoc.	Summary of Comments	Action
1	Ted Makowiec	Segal	<p>I wanted to let you know that several actuaries that have worked with the State of MI on PA 202 related processes reviewed the 2020 updates you had originally attached. There were really no comments besides the document “looks good” and the one comment bulleted below. I hope this is helpful.</p> <p>Ted</p> <p>The comment:</p> <p>I have reviewed this MSB proposed changes to the CAP Monitoring Process and don’t have any concerns with the changes.</p>	<p>Changes Recommended</p> <ul style="list-style-type: none"> Added section “The Board and the Department of Treasury are available to assist local governments as they evaluate and update their CAPs. To discuss potential assistance please schedule an appointment using the Local Retirement Calendar or email us at LocalRetirementReporting@michigan.gov.”

			<p>However, we might ask the state if they want to mention the pandemic and related issues. I drafted two sentences for your review that could be included on page one at the end of the Monitoring Methodology & Intent section:</p> <p><i>The Board recognizes the approved CAPs were not designed to withstand the unprecedented short-term events related to the COVID-19 pandemic in 2020. In addition to resources offered in prior years, the Board is available to assist localities as they evaluate and update their CAPs.</i></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 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 [approximately](#) 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 [approximately](#) every 2 years²

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

² [The Board may limit the number of reviews to 20 local governments per month to ensure local governments are provided with adequate resources in their review](#)

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 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.
- [The Board and the Department of Treasury are available to assist local governments as they evaluate and update their CAPs. To discuss potential assistance please schedule an appointment using the Local Retirement Calendar or email us at \[LocalRetirementReporting@michigan.gov\]\(mailto:LocalRetirementReporting@michigan.gov\).](#)

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.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: August 19, 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. Montmorency County (Resubmission)
 - A. OPEB – Retiree Health Plan

Fiscal Year 2019 Plans

- I. Village of Capac
 - A. Pension – MERS
- II. Gladwin County Road Commission
 - A. Pension – Municipal Employees Retirement (MERS) of Michigan
 - B. OPEB – OPEB
- III. City of Holland
 - A. OPEB – City of Holland and BPW Medical Plan

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

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: MONTMORENCY COUNTY Six-Digit Muni Code: 600000
Retirement Health Benefit System Name: MONTMORENCY COUNTY RETIREE HEALTH PLAN
Contact Name (Administrative Officer): ALBERT LAFLECHE
Title if not Administrative Officer: BOARD CHAIRMAN Telephone: (989) 785-8002
Email (Communication will be sent here): BERTLAF@HOTMAIL.COM
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**.*

BEGINNING JANUARY 1, 2018 RETIREES OVER AGE 65 PAY 20% OF THEIR HEALTHCARE COSTS. APPROVED IN THE NOVEMBER 22, 2017 BOARD MINUTES. SEE "ATTACHMENT - 6A" PAGE 2.

- 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.*

- 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**.*

THE INFORMATION PROVIDED ON THE FORM 5572 FROM THE AUDIT USED ACTUARIAL DATA FROM 2017. ATTACHED IS AN UPDATED ACTUARIAL VALUATION FROM 2019 THAT WHEN USED TO CREATE THE FORM 5572 FOR 2019 HAS A 1.7% ADC/GOVERNMENTAL FUND REVENUES. SEE ATTACHMENT - 2A PAGE 5. THE ACTUARIAL VALUATION ALSO SHOWS A POSITIVE NET CHANGE OF \$1,093,099 IN THE NET OPEB LIABILITY. SEE ATTACHMENT - 2A PAGE 4.

THE BOARD HAS VOTED TO ELIMINATE RETIREE OVER 65 (MEDICARE ELIGIBLE AGE) SUPPLEMENTAL HEALTH CARE EFFECTIVE MARCH 1, 2020. REFER TO THE BOARD MINUTES IN ATTACHMENT - 6A PAGE 5. WITH THE ELEIMINATION OF THE OVER 65 HEALTH CARE THE ESTIMATED ADC WILL BE \$11,919.42. REFER TO ATTACHMENT - 6A PAGE 7.

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.*

- 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:

Type of Document:

Attachment – 1

This corrective action plan (required);

Attachment – 1a

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

Attachment – 2a

An actuarial projection, an actuarial valuation, or an internally developed analysis (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);

Attachment – 3a

Documentation of additional payments in past years that are 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 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;

Attachment – 6a

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, ALBERT LAFLECHE, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** BOARD CHAIRMAN 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 system name)** will achieve a funded status of at least 40% by 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 2019 as demonstrated by required supporting documentation listed in Section 6.

Signature: X Albert LaFleche

Date: 7-22-20

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:

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).

I. LOCAL GOVERNMENT INFORMATION

Local Government Name: Gladwin county Road Commission Six-Digit Muni Code: 260100
Defined Benefit Pension System Name: Municipal Employees Retirement (MERS) of Michigan
Contact Name (Administrative Officer): Heather Cameron
Title if not Administrative Officer: Clerk Telephone: (989) 426-7441
Email (Communication will be sent here): hcameron@gladwinroads.com
Fiscal Year System was Determined to be Underfunded: 2019

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**.*

July 1, 2012: A new division was opened for all new employees lowering the multiplier from 2.5x to 1.5x. Also employee contributions were increased from 3% of \$4,200 wages, then 5% to a flat 5% contribution. Compensation on this division is also base wage only. No Overtime.

July 1, 2015: We adopted a non-standard compensation definition. Final vacation pay is no longer included in the FAC.

August 1, 2018: the original division that were on the 2.5x multiplier changed to a 2.0x multiplier. See attachment 6a

- 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**.*

Attachment 3a

Extra Payments: See spreadsheet attachment 3a

We have been following the accelerated 10 year contribution plan since 2016.

- 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.*

We are showing an improved funded ratio as follows

2017 51.90%

2018 57.90%

2019 59.10%

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**.

The previous plan changes we have made shows our funded ration to be 60% by 2020 Fiscal Year.

- 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.

Additional funding is shown in attachment 3a

- 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.

We have budgeted a \$100,000 payment a month. According to the MERS Annual Actuarial Valuation Report for December 31, 2019 the funded percentage is 66% See attachment 6b

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

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

The Municipal Employees Retirement of MI (**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: Heather Cameron

Date: 7-22-2020

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).

I. LOCAL GOVERNMENT INFORMATION

Local Government Name: Gladwin County Road Commission Six-Digit Muni Code: 260100
Retirement Health Benefit System Name: OPEB
Contact Name (Administrative Officer): Heather Cameron
Title if not Administrative Officer: Clerk Telephone: (989) 426-7441
Email (Communication will be sent here): hcameron@gladwinroads.com
Fiscal Year System was Determined to be Underfunded: 2019

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**.*

All Employees hired after August 19, 2009 will not be eligible for Retiree Health Insurance.
See excerpt from union contract in attachment 6a

- 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.*

We have made the following contributions:
2012 - 2018 \$25,000 per year (7years x \$25,000= \$175,000)
2019 \$100,000
Total \$ 275,000
See Attachment 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 **2017**. Attached is an updated actuarial valuation from **2019** that shows our funded ratio has improved to **42%** as indicated on **page 13**.*

We pay as you go. We had an updated OPEB Accounting report done for 2019 which is attachment 2a
We went from 2.4% to 6.1% funded so we are showing an improvement.

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**.*

All employees hired after August 19, 2009 will not be eligible for Retiree Health Insurance.

- 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.*

We have contributed a total of \$275,000 in additional funding since 2012 and are committed to making additional payments of \$100,000 per year until we are funded efficiently.

- 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.*

We have been able to decrease our unfunded liability. Last year our estimated years to become 40% funded was 27 years. This year it is 22 years.

See 6b

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:

Yes, we have been able to pay as we go and increasing our additional payments to \$100,000 is feasible for us.

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:

Type of Document:

Attachment – I

This corrective action plan (required);

Attachment – 1a

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

Attachment – 2a

An actuarial projection, an actuarial valuation, or an internally developed analysis (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);

Attachment – 3a

Documentation of additional payments in past years that are 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 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;

Attachment – 6a

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

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

The Municipal Employees Retirement of MI (**insert retirement health system name**) will achieve a funded status of at least 40% by fiscal year 2042 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: Heather Cameron

Date: 7-22-2020

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: City of Holland Six-Digit Muni Code: 702040
Retirement Health Benefit System Name: City of Holland and BPW Medical Plan
Contact Name (Administrative Officer): Tim Vagle
Title if not Administrative Officer: Director of Finance Telephone: (616) 355-1370
Email (Communication will be sent here): t.vagle@cityofholland.com
Fiscal Year System was Determined to be Underfunded: 2019

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**.*

The City of Holland retirement health care system includes two (2) divisions: General City and Holland Board of Public Works (HBPW). Each division has a governing body authorizing employee fringe benefits, with City Council approving actions taken by the HBPW board. City Council authorized a Health Care Savings Program for all General City employees hired after July 1, 2018, closing the retirement health plan to all new hires. The retirement health care plan remained open to the HBPW employees.

The information provided on Form 5572 has been revised to report by division. This change shows the General City is not "underfunded" with the implementation of the Health Care Savings Plan. This corrective action plan (CAP) is for the HBPW division only. As such, the term "local government" in the remainder of this form refers specifically and solely to the HBPW.

- 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.*

In May, 2020, the HBPW division established a trust account through the MERS Retiree Health Funding Vehicle. It has also adopted a change in funding methodology from Pay-Go to full funding of Actuarially Determined Contribution (ADC), beginning with its 2020 ADC of \$93,418.

In addition to funding the annual ADC, the HBPW continues to pay current retiree health insurance subsidies to qualifying retirees. These current (Pay-Go) subsidies totaled less than \$39,000 for all eligible retirees during FY 2020 (July 1, 2019 - June 30, 2020).

(NOTE: To put these amounts into perspective, the HBPW had \$130 million of operating revenue in Fiscal Year 2019.)

- 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.*

In addition to full funding of the ADC, the HBPW division intends to annually deposit into the trust additional funds (estimated at \$70,000/year) to achieve a funded status of at least 40% by June 30, 2025.

- 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, Keith Van Beek, 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 _____ **(insert retirement health system name)** will achieve a funded status of at least 40% by 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 2019 as demonstrated by required supporting documentation listed in Section 6.

Signature:



Date:

7-26-2020

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-12**

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

August 19, 2020

Municipal Stability Board Appendix A, August 19, 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 government 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	City of Luna Pier	582010	2019	OPEB	7/15/2020	No	Yes	Yes	Disapprove	City of Luna Pier - OPEB
2	Menominee City Housing Commission	557512	2019	Pension	7/15/2020	Partial	Yes	Yes	Approve	Menominee City Housing Commission - Pension
3	Midland County Road Commission	560100	2018	OPEB	7/15/2020	Partial	Yes	Yes	Approve	Midland County Road Commission - OPEB

**Treasury Recommendation
CITY OF LUNA PIER OPEB Corrective Action Plan (CAP)
Primary Unit 582010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,069,728	\$4,960,690	41.7%	\$184,521	\$1,443,621	12.8%	YES
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM RHFV	OPEB	-	\$284,520	0.0%	Not provided		Not provided	YES
Total		\$2,069,728	\$5,245,210		\$184,521	\$1,443,621	12.8%	

Source: Retirement Report 2019, Audited Financial Statements

Staff Recommendation: Disapproval of the OPEB corrective action plan submitted by CITY OF LUNA PIER, which was received by the Municipal Stability Board (the Board) on 7/15/2020. If disapproved, CITY OF LUNA PIER, will receive a detailed letter from the Board listing the reasons for disapproval. CITY OF LUNA PIER will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - Local government directed the Board to a statement in the audit indicating that they have no required contribution above the benefit payment. Additionally, the local government indicated that they are 100% funded, but the supporting documentation does not confirm that.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - Local government directed the Board to a statement in the audit indicating that they have no required contribution above the benefit payment. Additionally, the local government indicated that they are 100% funded, but the supporting documentation does not confirm that.

Treasury Recommendation
CITY OF LUNA PIER OPEB Corrective Action Plan (CAP)
Primary Unit 582010

System Status for All Divisions: CLOSED

Plan size: members 12

- Inactive employees or beneficiaries currently receiving benefits: 8
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 4

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.
- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

The following corrective action plan approval criteria were not met:

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

Supplemental Information:

The local government triggered as underfunded in part because there was not an actuarially determined contribution (ADC) included in the audited financial statement. The corrective action plan did not provide the missing ADC and did not otherwise provide a plan to address underfunded status.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury staff attempted to reach out to the City via phone and email to clarify components of the plan and request additional documentation on August 4, 2020 and August 11, 2020, but the City contact was on vacation. Treasury staff then reached out to additional City staff, who said we needed to wait to speak with the staff on vacation.

Treasury Recommendation
Menominee Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 557512

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$721,485	\$1,218,061	59.2%	\$156,708	\$1,179,325	13.3%	YES

Source: Retirement Report 2019, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Menominee Housing Commission, which was received by the Municipal Stability Board (the Board) on 7/15/2020. 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:
 - Menominee Housing Commission (MHC) is currently joined with the City of Menominee for its defined benefit retirement plan. At the City's Finance Committee Meeting on May 8, 2020, the committee agreed to allow MHC to be its own division in the plan.
 - This was MHC's third attempt to become a separate division. This separation will allow any additional funds paid by MHC to fund MHC's employees and retirees benefits. MHC will be separated as of September 1, 2020.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - MCH pays the City what they owe each month. Once they are separated, they plan on determining their actual funded amount and contributing additional funds with a goal of getting to 80% funded.

Prospective Changes:

- Modern Plan Design:
 - Once the MHC plan is a separate division, the Board of Commissioners will evaluate opening a new division for new hires that requires the employee to contribute a portion.
- Plan Funding:
 - MHC Board of Commissioners has committed to making additional contributions as funding allows to reach a goal of 80% funded in the next 5 years.
- Other Considerations:
 - None Listed.

Treasury Recommendation
Menominee Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 557512

System Status for All Divisions: OPEN

Plan size: members 98

- Inactive employees or beneficiaries currently receiving benefits: 11
- Inactive employees entitled to but not yet receiving benefits: 53
- Active employees: 34

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

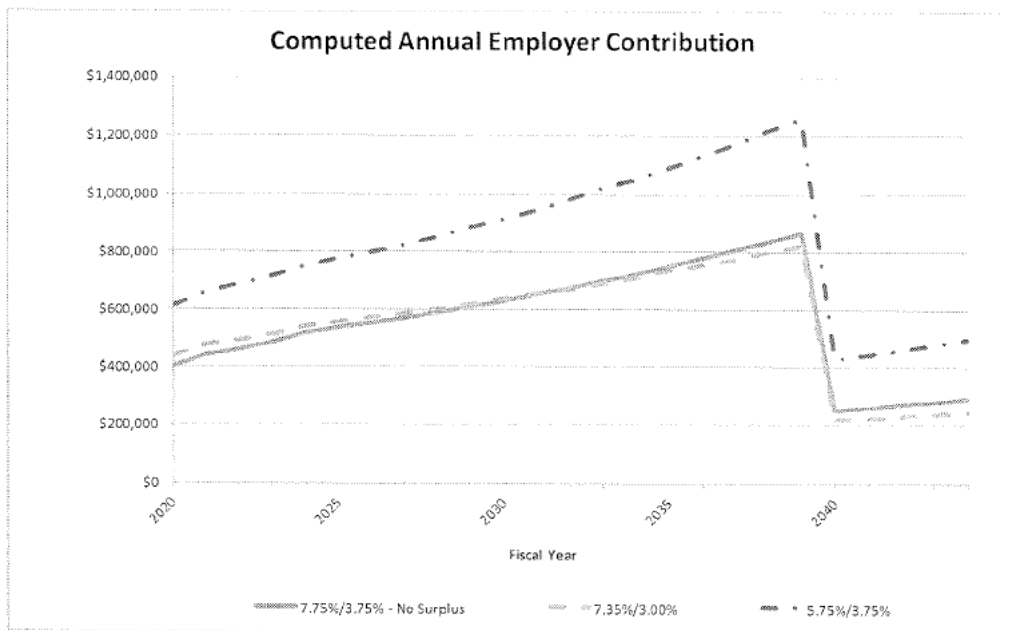
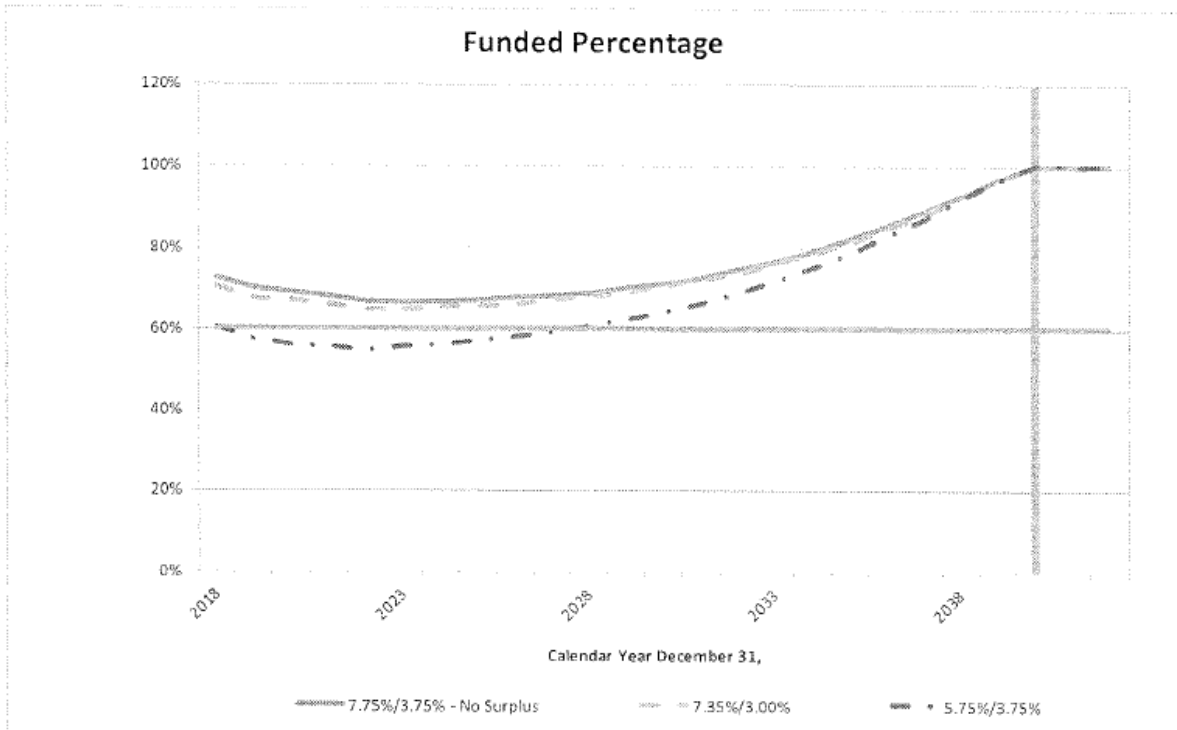
The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 60% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 60% if the plan's assumptions remain accurate (2025).

Supplemental Information:

MHC's plan includes separating into their own division in the City's pension. They included the draft minutes of their governing body approval with the commitment to make additional contributions as funding allows to get to 80% funded in 5 years. However, since MHC will not be separated until September 1, 2020, they did not include documentation about the size of each contribution or any charts or graphs showing when they will reach 60% funded outside of the City's plan. MHC did include the funding ratio and employer costs for MHC and City combined if they stayed attached, demonstrating that combined they are currently above 60%. However, their annual employer contributions are scheduled to increase over 100% from the present to 2040, which is over 5% per year.

**Treasury Recommendation
Menominee Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 557512**



Notes:
All projected contributions are shown with no phase-in.

The Community Engagement and Finance Division (CEFD) contact:

- None

Treasury Recommendation
Midland County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 560100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$12,732,452	\$21,972,659	57.9%	\$1,146,057	\$18,731,235	6.1%	NO
OPEB Plan	OPEB	\$3,376,191	\$16,603,306	20.3%	\$346,488		1.8%	YES
Total		\$16,108,643	\$38,575,965		\$1,492,545	\$18,731,235	8.0 %	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Midland County Road Commission, which was received by the Municipal Stability Board (the Board) on 7/15/2020. 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:
 - In December 2014, the Road Commission entered into a new collective bargaining agreement that increased deductibles and co-pays for healthcare and also eliminated retiree healthcare for new hires.
- Plan Funding:
 - The Midland County Road Commission adopted a MERS OPEB Qualified Trust in 2009. They committed to contribute an additional \$300,000 annually in addition to normal costs/pay-go. Their investment portfolio returned -3.58% and did not have the positive impact they were expecting.
- Other Considerations:
 - With the changes and the new laws, a new actuary was hired. Assumption changes were made from prior year valuation. The results from the new actuary resulted in a significant increase to the Road Commission's OPEB liability from the previous year.

Prospective Changes:

- Modern Plan Design:
 - The Midland County Road Commission currently has three retiree groups. They are seeking to combine them into one group, increasing deductibles and co-pays by year 2020. The current actuarial shows an updated funding level of 38%.
- Plan Funding:
 - The Midland County Road Commission will continue to contribute \$300,000 annually in addition to the ARC (in Treasury's review, it appeared this payment was in addition to the pay-go/normal costs) and it will increase the funded ratio to 40% by 2021.
- Other Considerations:
 - None Listed.

Treasury Recommendation
Midland County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 560100

System Status for All Divisions: CLOSED

Plan size: members 55

- Inactive employees or beneficiaries currently receiving benefits: 34
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 21

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% within a reasonable period of time if the plan's assumptions remain accurate (2021).

Supplemental Information:

Due to changes in actuarial assumptions, the Road Commission's funded ratio dropped below 40% in fiscal year (FY) 2018. Their FY 2019 valuation shows them having increased to 38%. While they did not provide supporting documentation showing the funding status progression, with their commitment to submitting an additional \$300K, it is reasonable to expect that this would increase their funded ratio to above 40%. Assuming that liabilities remain static, their funded ratio would be 40.7% in FY 20, or shortly thereafter assuming assumptions remain accurate. The lower liability in FY 2019 was due to a discount rate of 7.35%, up from 3.5% in 2018. The audit states that with the \$300K annual payment to the trust, there would be no depletion date.

**Treasury Recommendation
Midland County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Unit 560100**

Attachment D

**Midland County Road Commission
Required Supplementary Information
Schedule of Employer's Net OPEB Liability
Last 10 Fiscal Years Ended December 31,**

	2019	2018	2017*
Total OPEB liability	\$ 10,858,152	\$ 16,603,306	\$ 6,526,340
Plan net position	4,125,701	3,376,191	3,198,561
Net OPEB liability	6,732,451	13,227,115	3,327,779
Plan net position as a percent of total OPEB liability	38.00%	20.33%	49.01%
Covered payroll	\$ 1,220,193	\$ 1,255,010	\$ 1,240,149
Net OPEB liability as a percent of covered payroll	551.75%	1053.94%	268.34%

* GASB Statement No. 74 was implemented as of December 31, 2017. Information from 2010 through 2016 is not available. Additional years will be presented on this schedule on a prospective basis.

Discount Rate

The discount rate used to measure the contribution was 7.35% for determining the total OPEB liability. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make contributions of \$300,000 annually to the OPEB Trust in addition to paying benefits on a pay-as-you-go basis. Based on this assumption, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members.

The Community Engagement and Finance Division (CEFD) contact:

- None