

Municipal Stability Board

Wednesday, September 16, 2020 at 11:00 a.m.
Virtual Public Meeting
via Microsoft TEAMS
<https://bit.ly/msb091620>

I. Call to Order

- A. Roll Call
- B. Approval of August 19, 2020 Minutes

II. Public Comment

- A. 2-minute limit

III. Correspondence

- A. Treasury Update
- B. Department of Treasury Retirement Assistance
- C. Retirement Payment Deficiency Updates

IV. Old Business

- A. Public Comments on Municipal Stability Board Best Practices and Strategies
(Resolution 2020-13)
- B. Disapproval of City of Luna Pier Corrective Action Plan Review (Resolution 2020-14)

V. New Business

- A. Corrective Action Plan Extensions
 - i. City of Bangor
 - ii. City of Flat Rock
 - iii. City of Iron Mountain
 - iv. City of Lincoln Park
 - v. White Cloud Sherman Utilities Authority
- B. Receipt of Corrective Action Plans
 - i. Village of Kalkaska
 - ii. Village of Ontonagon (2 plans)
 - iii. Ontonagon County Road Commission (2 plans)

- iv. Redford Charter Township
- v. City of River Rouge
- vi. City of Walled Lake

C. Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-15)

- i. Village of Capac
- ii. City of Holland
- iii. Montmorency County

VI. Public Comment

- A. 2-minute limit

VII. Board Comment

VIII. Adjournment

MUNICIPAL STABILITY BOARD

**Wednesday, August 19, 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 11:07 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 July 15, 2020 board meeting minutes by Barry Howard and supported by John Lamerato. The Board unanimously approved the July 15, 2020 meeting minutes. 3 Ayes and 0 Nays.

PUBLIC COMMENT

No Public Comment.

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, Veronica Miller provided a recap of Treasury's COVID-19 webinar series and Treasury's Pension and Retiree Health Care (OPEB) Local Retirement Webinar.

NEW BUSINESS

CORRECTIVE ACTION PLAN MONITORING POLICIES AND PROCEDURES (RESOLUTION 2020-11)

Nick Brousseau reviewed the Corrective Action Plan Monitoring Policies and Procedures (Resolution 2020-11) and reported that public comments were solicited by Treasury for 30 days. A total of one public comment was received. Based off the public comment Treasury recommended adding a section stating: "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."

A motion was made to approve the Corrective Action Plan Monitoring Policies and Procedures (Resolution 2020-11) by John Lamerato and supported by Barry Howard. The Board unanimously approved the Corrective Action Plan Monitoring Policies and Procedures (Resolution 2020-11). 3 Ayes and 0 Nays. Resolution 2020-11 was passed.

RECEIPT OF CORRECTIVE ACTION PLANS FROM 4 LOCAL GOVERNMENTS (5 PLANS)

Nick Brousseau provided the Board with corrective action plans for the following 4 local governments (5 plans):

- Montmorency County (Resubmission) Fiscal Year 2018 Plan
- Village of Capac
- Gladwin County Road Commission (2 plans)
- City of Holland

Nick Brousseau discussed that Gladwin County Road Commission resubmitted plans and upon Treasury reaching out to them, Gladwin County Road Commission indicated that they misunderstood their letter. Gladwin County Road Commission requested to have their corrective action plans removed from the receipt schedule.

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

A motion was made to approve the amended receipt of the corrective action plans by John Lamerato and supported by Barry Howard. The Board unanimously approved the amended receipt of corrective action plans for the Village of Capac, City of Holland, and Montmorency County. 3 Ayes and 0 Nays.

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 3 LOCAL GOVERNMENTS (3 PLANS) (RESOLUTION 2020-12)

Nick Brousseau was asked to review the Treasury recommendations for Approval and Disapproval of Corrective Action Plans from 3 local governments (Resolution 2020-12) with the Board:

- City of Luna Pier (Disapproval)
- Menominee City Housing Commission (Approval)
- Midland County Road Commission (Approval)

Barry Howard requested to remove the City of Luna Pier from Appendix A for individual review.

A motion was made to approve the amended Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-12) by Barry Howard and supported by Eric Scorsone for the following local governments:

- Menominee City Housing Commission (Approval)
- Midland County Road Commission (Approval)

The Board unanimously approved the amended Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-12). 3 Ayes and 0 Nays. Resolution 2020-12 was passed.

**AUGUST 2020 MSB
DRAFT MEETING MINUTES**

A motion was made to table the City of Luna Pier until the next Municipal Stability Board Meeting by John Lamerato and supported by Barry Howard. The Board unanimously approved the motion. 3 Ayes and 0 Nays.

PUBLIC COMMENT

No Public Comment.

BOARD COMMENT

The Board members each thanked Treasury for hosting webinars for local governments and continuing to develop new ways to keep local governments informed.

NEXT MEETING

The next regular meeting will be on September 16, 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 was passed with 3 Ayes and 0 Nays.

There being no further business, the meeting adjourned at 11:37 a.m.

Treasury's Public Act 202 of 2017 Update

As of 9/10/2020

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					
	September	October	November	December	January 21	February 21
Non Primary	0	1	1	0	2	1
Primary	3	5	3	1	0	1
Total	3	6	4	1	2	2

Table 2: CAP Monitoring Notifications

- **20 local governments** received a Corrective Action Plan Monitoring: Application for Certification of Compliance form on **September 3**. A total of 36 monitoring certification requests have been sent to date
- **20 additional local governments** are scheduled to receive the monitoring notification at the **end of September**

Public Act 202 of 2017: Corrective Action Plan Monitoring Schedule							
Monitoring Phase	Tentative Month of Corrective Action Plan Monitoring Certification						
	August	September	October	November	December	January 21	February 21
Monitoring Certification Sent	11	20	20	20	20	19	9
Monitoring Certification Due	0	5	11	20	20	20	20
Board to Review	0	-	0	0	3	2	11

Treasury Department Communication and Outreach Report

- **235 one-on-one 30-minute calls** scheduled by local governments to discuss the Public Act 202 process
 - 5 individual calls since the August Board meeting
- **Outreach to 17 local governments at-risk for noncompliance** for failure to submit a corrective action plan

Uniform Assumptions for Fiscal Year 2021

- Draft distributed for 30-day public comment period on September 9, 2020
- Contains updated uniform actuarial assumptions to be used in fiscal year 2021 reporting (See Exhibit A)
- Contains comparison analysis of FY 2019 data using funding assumptions and uniform assumptions

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

Treasury's Public Act 202 of 2017 Update

As of 9/10/2020

Exhibit A: Uniform Actuarial Assumption Change Table

Assumption	Uniform Assumption	Change from Fiscal Year 2020
Investment Rate of Return	Maximum of 7.00%	None
Discount Rate	<p>Blended discount rate calculated using GASB Statements No. 68 and 75 methodology</p> <p>For periods in which projected plan assets are Sufficient to make Projected Benefit Payments: <u>Maximum of 7.00%</u></p> <p>For periods in which projected plan assets are Not Sufficient to make Projected Benefit Payments: <u>2.2%</u></p>	Decreased the blended rate from 3.50% to 2.2% for periods in which plan assets are <u>not</u> sufficient to make projected benefit payments
Salary Increase	A minimum of 3.00% or based on an actuarial experience study conducted within the last five years	Decreased the minimum rate from 3.50% to 3.00%
Mortality Table	A version of the Pub-2010 mortality tables with future mortality improvement projected generationally using Scale MP-2019 or based on an actuarial experience study conducted within the last five years	Generational mortality improvement updated to Scale MP-2019 from Scale MP-2018
Health care Inflation (for Medical and Drug) ¹	<p>Non-Medicare: Initial rate of 7.50% decreasing .25% per year to a 4.50% long-term rate</p> <p>Medicare: Initial rate of 5.75% decreasing .25% per year to a 4.50% long-term rate</p>	<p>Non-Medicare: Initial rate reduced from 8.25% to 7.50%</p> <p>Medicare: Initial rate reduced from 6.50% to 5.75%</p>
Amortization of the Unfunded Actuarial Accrued liability	<p>Local governments must amortize the unfunded actuarial accrued liability (UAAL) over a maximum closed period of:</p> <ul style="list-style-type: none"> • Pension Systems: 18 Years • Retiree Health Care Systems: 28 Years <p>Closed plans must use a level-dollar amortization method</p> <p>Open plans may use a level-dollar or percent of pay amortization method</p>	<p>Pension: Closed period reduced from 19 years to 18 years</p> <p>Health Care: Closed period reduced from 29 years to 28 years</p>

¹ Separate trend scales used to value other ancillary benefits can continue to be used as is.



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DATE: September 16, 2020

TO: The Municipal Stability Board (the Board)

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

SUBJECT: Local Individualized Assistance for Corrective Action Plan Monitoring

Individualized Assistance: As part of Treasury's proactive individualized assistance, detailed pension and retiree health care system reviews have been completed or offered to the following local governments: 1.) The City of Wayne (pension and OPEB in CAP); 2.) The City of Trenton (OPEB in CAP); and 3.) The Village of Ontonagon (pension in CAP). These retirement reviews were coordinated and sponsored by the CEFD, and completed by an external independent retirement consultant. The reviews for the City of Wayne and Village of Ontonagon have already been completed, and these local governments are evaluating the proposed changes for implementation. The review for the City of Trenton is expected to be completed by the end of the month. These reviews are intended to provide comprehensive analyses of local retirement systems and outline options that may improve system sustainability and protect promised benefits.

Background: The Act requires that the Board monitor all approved corrective action plans (CAPs) for continued compliance with Public Act 202 of 2017 (the Act). The monitoring process is scheduled to occur approximately every two years, and the Board has published criteria to be used in certifying compliance for local governments. As part of the published monitoring process and criteria, local governments are required to document any changes to the original plan and are also required to confirm that the payments in their approved CAP are sustainable. Local governments that are unable to certify sustainability or are determined to be unsustainable by the Board may be voted as noncompliant with the Act.

At the June 2020 Board meeting, the Board authorized several assistance options to support underfunded local governments. This included proactively identifying underfunded local governments with the greatest sustainability concerns that are scheduled to be monitored for compliance, to potentially provide an individualized review.

The CEFD conducted a review of the first 30 local governments scheduled to begin retirement corrective action plan monitoring, based on the local governments' fiscal year end reporting deadlines as well as the Board's approved monitoring procedures. During this review, we prioritized local governments that had the highest Actuarially Determined Contributions (ADC) or those with the fastest-growing ADC as a share of governmental revenue. The reviews may be conducted either by Treasury or through an independent consultant. Both options provide each local government with independent supplemental information that can be utilized during ongoing discussions as they address their underfunded pension and OPEB systems, at no cost to the local government.

In addition to providing administrative support to the Board, the CEFD also provides technical assistance to local governments throughout the state.



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DATE: September 16, 2020

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Failure to Make Required Pension Contribution(s): Underfunded Local Governments

Failure to Make Required Pension Payments: On August 20, 2020, the Municipal Employees' Retirement System (MERS) notified the State Treasurer that three local governments had failed to make a portion of their required minimum pension payment. All three local governments were required to submit CAPs for their underfunded MERS pension systems. Those three local governments are listed below, along with their CAP status, and estimated date in which CAPs are scheduled to be monitored.

1. City of Melvindale - Approved CAP, scheduled for monitoring in January 2022
2. Village of Ontonagon - Currently noncompliant, monitoring date will depend on if the Board receives and approves a CAP
3. City of Wayne - Approved CAP, scheduled for monitoring in April 2021

Next Steps: Local governments that have made changes to their approved CAP will be required to document those changes during the CAP monitoring process, or may submit a revised plan if they feel the plan is no longer substantially in effect.

Additionally, as previously approved by the Board at their June 2020 meeting, local governments with the most significant sustainability concerns may be proactively identified by Treasury for a comprehensive individualized review. The CEFD is working with all three local governments to assist them in maintaining compliance with the Act. Individualized reviews have been completed for both the City of Wayne as well as the Village of Ontonagon, while conversations are ongoing with Melvindale.

Background: As required under Public Act 202 of 2017 (the Act), the Board's *Corrective Action Plan Development: Best Practices and Strategies* document includes criteria used by the Board to evaluate corrective action plans (CAPs). The affordability criterion requires the local government to certify that the proposed actions in their pension CAP will allow the local government to make their annually required payments (actuarially determined contribution) into the future. Approved plans are required to meet the affordability criterion in addition to the rest of the Board's published approval criteria.

The monitoring process is scheduled to occur approximately every two years. During the monitoring process, local governments are required to document any changes to the original plan and are also required to make an additional confirmation that their proposed payments remain sustainable. Finally, local governments may submit a revised CAP at any time if the previous submission is no longer substantially in effect.

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-13**

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

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

WHEREAS, the Act requires the Board to review and annually update a list of best practices and strategies that will assist an underfunded local unit of government in developing a corrective action plan;

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

September 16, 2020



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

Resolution 2020-13 Exhibit A

DATE: September 16, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Public Comments on Municipal Stability Board Best Practices and Strategies

The Community Engagement and Finance Division solicited comments on the proposed Best Practices and CAP Criteria. The document was posted on Treasury’s website for 30 days. Emails were also distributed, inviting all stakeholders and the public to participate in the public comment period. A total of two public comments were received.

Suggested Action:

The Board votes to approve Resolution 2020-13: Adoption of the “Corrective Action Plan Development: Best Practices and Strategies” document.

The following table outlines a summary of the public comments provided as well as recommended changes. Additionally, the attached documents include an updated version of the “Corrective Action Plan Development: Best Practices and Strategies” document, based on the public comment provided to the Municipal Stability Board and the recommended changes.

	Name(s)	Local Government/ Association	Summary of Comments	Recommended Changes:
1	Dean Bott, CPA, CPFO Finance Director Grand Traverse County	Grand Traverse County	I have reviewed this MSB proposed changes to the CAP Monitoring Process and don’t have any This is a well prepared document that provides useful information and guidelines. The Best Practices are very much in line with what we have done with our retirement pension and health care plans so it is nice to have this formalized in a document such as this. There is one item though that I find to be a little bit out of sorts with what we are trying to accomplish. I have highlighted this on Page 5. I just find it hard to believe that this guide would provide twenty years and thirty years as the period of time that would be allowed to reach the 60% or 40% funding level. I understand that the funding plans need to be affordable but these periods are in some cases significantly longer than they should be especially if you have closed plans that may have shorter amortization periods to reach 100% funding. And if you are a local unit of government with open plans I also believe these periods are longer than they should be.	<ul style="list-style-type: none"> • Add sub-bullet to ‘Underfunded Status’ criteria bullet that details the recommended timeframes to address underfunded status. Added: “Consistent with the Plan Funding best practices listed above, it is recommended that local governments evaluate addressing their underfunded status in a shorter time period”.

	Name(s)	Local Government/ Association	Summary of Comments	Recommended Changes:
2	Christian Veenstra, FCA, ASA, MAAA, EA President	Watkins-Ross	<p>Great note. Thank you for the extensive and intentional work done to improve the retirement security of our public employees.</p> <p>My recommended additions would include</p> <p>Under “Best Practice Options:”</p> <p>I. Plan Funding</p> <p>In accordance with “Protecting Local Government Retirement and Benefits Act”, demonstrate that for plans that are not closed to new hires, contributing the normal cost for new employees hired after June 30, 2018 while continuing to pay retiree premiums due for retirants in the retirement system, the funded status of the local government’s retirement plan will attain the targeted funded status as summarized in the CAP Approval Criteria portion of this Practice Note (a Demo is attached comparing contributing the ADC – service cost plus amortization of UAAL over 10 years – fixed/level contribution in addition to retiree benefit payments targeting 40% funded status in 30 years and the minimum required contribution described above – which attains 40% funded status in 18 years rather than 30)</p> <p>II. Modern Plan Design</p> <p>a. Modern plan design options for retirement health care systems</p> <p>i. Consider reducing level of coverage by number of years retirement precedes Medicare eligibility</p> <p>And, one of the bullet points uses the word “vesting” (“Implementing vesting rules”); I recommend avoiding use of that word as it implies protection for benefits earned if terminating rather than retiring or anti-cutback provisions if wanting to reduce benefits in the future and, instead, say something along the lines of “Implement <i>years of service rules...</i>”</p>	<ul style="list-style-type: none"> • No change based on first suggestion. It is our opinion that the existing best practice related to amortization period is adequate. • Add bullet to Modern Plan Design stating: “Consider reducing level of coverage by number of years retirement precedes Medicare eligibility” • Changed bullet in ‘Modern plan design for retirement health care systems’ to: “Implement vesting rules that provide levels of benefits based on years of services”

MUNICIPAL STABILITY BOARD

CORRECTIVE ACTION PLAN DEVELOPMENT: *BEST PRACTICES AND STRATEGIES*



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

July-September 2019-2020

Goal:

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

Best Practice Principles:

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

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

Best Practice Options:

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

I. Plan Funding

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

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

2. Modern Plan Design

- The goal of a retirement system is its ability to attract and retain a talented workforce while providing a secure retirement for beneficiaries. To accomplish this goal, local governments can develop modern plan solutions that can adapt alongside a changing work environment.
- Modern plan design options for defined benefit pension systems:
 - Implement a “bridged multiplier” for active employees
 - Implement a bridged cost of living adjustment (COLA)
 - [Implement final average compensation \(FAC\) standards](#)
 - [Evaluate minimum age and service requirements](#)
 - Evaluate the affordability of the plan and the need to reduce or eliminate future defined benefit accruals by changing to a defined contribution plan or hybrid plan for:
 - Active employees
 - New hires
 - Limit defined benefit options for newly hired employees, including multipliers, cost of living increases, retirement age, and benefit vesting periods
 - Evaluate the financial implications of any early retirement incentive buyouts
 - [Compare benefit offerings to surrounding communities and employers to ensure benefits are reflective of the marketplace and employment objectives](#)
 - Limit the dual payment of both a pension and a salary to any employee who is rehired after retirement by the same employer, in accordance with IRS regulations
- Modern plan design options for retirement health care systems:
 - Require cost sharing of premiums and reasonable copays
 - Implement a cap on the employer portion of retiree health care costs
 - Require mirroring of retiree health care plans with active employee health care plans within the same local government
 - [Require retirees to use their current employer's health benefits or their spouse's health benefits, if available](#)
 - [Evaluate minimum age and service requirements](#)
 - [Consider reducing level of coverage by the number of years retirement precedes Medicare eligibility](#)
 - Require use of Medicare as primary insurance for retirees 65 and older and/or consider alternative methods of coordinating or delivering benefits for those eligible for Medicare
 - Enroll new hires in a defined contribution retiree health care plan
 - Evaluate the financial implications of any early retirement incentive buyouts
 - Raise the eligibility age and/or service requirements for retiree health care benefits
 - Implement [vesting](#) rules that provide levels of benefits based on years of service
 - Use a market driven approach to evaluate benefit offerings and carriers, [comparing current offerings to surrounding communities and employers to ensure benefits are reflective of the marketplace and employment objectives](#)
 - [Review Medicare and non-Medicare plan offerings for consolidation, providing economies of scale and negotiating power with carriers](#)

3. Effective Plan Administration

- Local governments should use a variety of options to ensure that their retirement benefits are being administered as effectively as possible
- Administration options to maintain fiscally stable retirement systems:
 - Work with system providers to determine appropriate solutions
 - Require all retirement systems to be 100 percent funded before any benefit increases can take effect
 - Obtain an annual actuarial valuation for both pension and retirement health care systems with greater than 50 members
 - Ensure proper assumptions are utilized according to Actuarial Standards of Practice

- Require an experience study by the plan’s actuary at least every five years
- Require a peer actuarial audit to be conducted by an actuary that is not the plan actuary or change actuaries at least every eight years
- Provide projections within the annual valuations for ADCs, retirement benefit payments, assets, and liabilities until the system is at least 100% funded
- Calculate ADCs in accordance with Treasury’s Numbered Letter 2018-3, the sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability
- Apply a blended discount rate that reflects a 20-year, tax-exempt general obligation municipal bond index rate, to the extent that system assets are not sufficient to make projected benefit payments
- Use asset smoothing in the valuation to reduce the impact of significant investment losses on ADC amounts
- Consult with the system provider about diversifying the investment portfolio
- Ensure management and oversight boards have proper experience, skills, and training to administer retirement systems
- Create a retirement benefits committee consisting of all stakeholders (employees, retirees, and employer representation) to evaluate benefit options
- If sustainable, and a compelling reason is provided as determined by the Board, enterprise funds may be utilized to support applicable retirement costs to offset pressure on the governmental fund
- Conduct an annual review of all retiree health care systems to ensure retirees and their dependents still qualify for retiree health care. This would include an audit for those plans that are different for people that are on Medicare.
- Evaluate retirement benefit eligibility for part-time elected officials
- [Develop a policy statement to guide ongoing plan design decisions. This policy should encourage sustainable and properly funded retirement plans, which will attract employees in a competitive labor market, facilitate effective management of the workforce, and fulfill retirement needs.](#)
- [Review options and determine how to communicate effectively and educate affected stakeholders about the impact of decisions made regarding benefits, particularly related to retiree health care](#)

CAP Approval Criteria:

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

I. Underfunded Status

- **A local government must address its underfunded status in a reasonable timeframe.**
- **Primary and Non-Primary Governments:** The CAP must demonstrate, through detailed supporting documentation, how and when the retirement system will reach a sixty percent funded ratio for pension systems and/or a forty percent funded ratio for retirement health care systems. These minimum funding ratio percentages are determined by Sec. 5(4)(a) and Sec. 5(4)(b) of the Act.
 - Supporting documentation must include an actuarial projection, an actuarial valuation, or an internally developed analysis which illustrates how and when the local government will reach the minimum funding ratio percentages.
 - It is recommended that the supporting documentation shows a projection for the duration of the CAP that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments (if applicable), actuarial assumptions, and retiree benefit payments.

- As general guidance, a local government with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local government with a severely underfunded retirement health care system (25% or less) should reach a funded ratio of forty percent within thirty years-
 - [Consistent with the best practices for “Plan Funding” listed above, it is recommended that local governments address their underfunded status in a shorter time period](#)
- If the CAP includes future funding to address underfunded status, a resolution or motion approving the additional funding by the governing body should be included
- The prospective actions listed in a CAP should have a start date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local government has up to 180 days to begin to implement the corrective actions

Or

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

2. Legality

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

3. Affordability

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

Implementation:

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-14**

**DISAPPROVAL OF THE CITY OF LUNA PIER
CORRECTIVE ACTION PLAN**

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 Corrective Action Plans Best Practices and Strategies (the “Best Practices”) and Corrective Action Plans Approval Criteria (the “Approval Criteria”) pursuant to MCL 38.2808;

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

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

WHEREAS, the Board previously received the City of Luna Pier’s (the “Municipality”) Corrective Action Plan;

WHEREAS, Treasury and the Board have reviewed the Municipality’s Corrective Action Plan pursuant to the Best Practices and Approval Criteria; and

WHEREAS, Treasury has provided a recommendation to the Board for the Municipality’s Corrective Action Plan.

NOW THEREFORE, BE IT RESOLVED, the Board determines that the Municipality’s Corrective Action Plan has failed to sufficiently meet the Best Practices and the Approval Criteria;

BE IT FURTHER RESOLVED, the Board disapproves the Municipality’s Corrective Action Plan;

BE IT FURTHER RESOLVED, that Treasury is directed to provide to the Municipality notification of the Board’s detailed reasons for the disapproval of the 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, the Municipality shall be deemed in noncompliance with the Act if it fails to resubmit a Corrective Action Plan materially addressing the reasons for disapproval within sixty days of the Disapproval Letter as required by MCL 38.2810(4).

Ayes:

Nays:

Recused:

Lansing, Michigan
September 16, 2020

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%	N/A		N/A	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 review 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 review 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 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:

- Sent local government determination of underfunded status on 5/18/2020
- Reached out to City to clarify components of the plan and request additional documentation on August 4 and August 11.
- Discussed with the City on August 25, 2020 what is missing from the previously submitted plan, and what would be required. Sent follow up email to document.
- Discussed with City's auditor the requirements on August 28, 2020
- Sent follow up email to check on status on September 9, 2020



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: September 16, 2020
TO: The Municipal Stability Board (the Board)
FROM: Community Engagement and Finance Division, Department of Treasury
SUBJECT: Corrective Action Plan Extension Requests

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

1. City of Bangor
 - a. OPEB - OPEB - [Request and Draft Corrective Action Plan](#)
2. City of Flat Rock
 - a. OPEB - OPEB - [Request and Draft Corrective Action Plan](#)
3. City of Iron Mountain
 - a. Pension – Supplemental Pension - [Request and Draft Corrective Action Plan](#)
4. City of Lincoln Park
 - a. OPEB – Supplemental Pension - [Request and Draft Corrective Action Plan](#)
5. White Cloud Sherman Utilities Authority
 - a. Pension – MERS - [Request and Draft Corrective Action Plan](#)

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



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DATE: September 16, 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 2017 Plans

- I. Village of Ontonagon (Resubmission)
 - A. Pension – Municipal Employees Retirement (MERS) of Michigan
 - B. OPEB – OPEB
- II. Ontonagon County Road Commission (Resubmission)
 - A. Pension – MERS
 - B. OPEB – OPEB

Fiscal Year 2019 Plans

- III. Village of Kalkaska
 - A. Pension – MERS
- IV. Redford Charter Township
 - A. Pension – MERS
- V. City of River Rouge
 - A. OPEB – OPEB
- VI. City of Walled Lake
 - A. OPEB - OPEB

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

Protecting Local Government Retirement and Benefits Act Corrective Action Plan:

Defined Benefit Pension Retirement Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: Village of Ontonagon Six-Digit Muni Code: 663010
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Joseph W. Erickson
Title if not Administrative Officer: _____ Telephone: (906) 884-2305
Email (Communication will be sent here): ontmgr@jamadots.com
Fiscal Year System was Determined to be Underfunded: 2015

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

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

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

See Attached Plan & Strategy

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

See Attached Plan & Strategy

- 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.

See Attached Plan & Strategy

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, Joseph W. Erickson, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** Village 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 Village of Ontonagon - MERS Plan _____ **(insert retirement pension system name)** will achieve a funded status of at least 60% by fiscal year _____ as demonstrated by required supporting documentation listed in Section 6.

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

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

Signature: 

Date: 8/17/2020

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: <u>Village of Ontonagon</u>	Six-Digit Muni Code: <u>663010</u>
Retirement Health Benefit System Name: <u>Self Funded</u>	
Contact Name (Administrative Officer): <u>Joseph W. Erickson</u>	
Title if not Administrative Officer: _____	Telephone: <u>(906) 884-2305</u>
Email (Communication will be sent here): <u>ontmgr@jamadots.com</u>	
Fiscal Year System was Determined to be Underfunded: <u>2018</u>	
2. GENERAL INFORMATION	
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	

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 Village of Ontonagon negotiated the elimination of the post-employment health insurance cost sharing with employees in the most recent collective bargaining agreement with AFSCME, effective January 1, 2020. The Village previously provided retirees with a health insurance cost sharing benefit in the amount of 50% of the monthly premium for 3 years or until they reached the age of 65. This benefit will be eliminated by 2025. There is currently one employee, age 63, that is eligible for this benefit. The maximum liability for the Village is \$28,000 over the next two year if the employee chooses to exercise this option. The Village will provide for our share of the payments in the annual budget as necessary. This eliminates any OPEB benefits for the Village of Ontonagon.

- 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**.*

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, Joseph W. Erickson, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** Village 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 2025 as demonstrated by required supporting documentation listed in Section 6.

Signature:



Date:

8/17/2020

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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: Ontonagon County Road Commission Six-Digit Muni Code: 660100

Defined Benefit Pension System Name: MERS

Contact Name (Administrative Officer): Jacqueline Johns

Title if not Administrative Officer: Business Manager

Email: ocrcjackie@yahoo.com Telephone: (906) 884-2332

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

We have paid an additional \$185,759 in 2015, \$787,710 in 2016 and \$816,039 in 2017. Please see attachment 4a for confirmation of the additional payments. Continue with an average of \$800,000 per year will reach 60% funded in 2022, see attachment 5a.

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

Attachment 6a - have contributed more than the suggested amount to reach 100% fund in 10 years, will reach the 60% in 2022.

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No

If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

Attachment – 1

This Corrective Action Plan Form (Required)

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment –6a

Other documentation not categorized above

7. CORRECTIVE ACTION PLAN CRITERIA

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

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

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

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

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

The MERS (**Insert Retirement Pension System Name**) will achieve a funded status of at least 60% by Fiscal Year 2022 as demonstrated by required supporting documentation listed in section 6.

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

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

Signature

Jacqueline Johns

Date

9/8/2020

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: <u>OCRC</u>	Six-Digit Muni Code: <u>660100</u>
Retirement Health Benefit System Name: <u>Ontonagon County Road Commission OPEB Plan</u>	
Contact Name (Administrative Officer): <u>Jacqueline Johns</u>	
Title if not Administrative Officer: <u>Business Manager</u>	Telephone: <u>(906) 884-2332</u>
Email (Communication will be sent here): <u>ocrcjackie@yahoo.com</u>	
Fiscal Year System was Determined to be Underfunded: <u>2017</u>	

2. GENERAL INFORMATION	
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	

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

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

- 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 Ontonagon County Road Commission elected to start paying an in lieu of payment in 2008 to encourage employees to obtain their health insurance from other sources.

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.*

See attached.

- 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, Jacqueline Johns _____, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) (insert title) Business 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 Ontonagon County Road Commission (insert retirement health system name) will achieve a funded status of at least 40% by fiscal year 2039 as demonstrated by the required supporting documentation listed in Section 6.

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

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

Signature:

Jacqueline Johns

Date:

9/8/20

Protecting Local Government Retirement and Benefits Act Corrective Action Plan:

Defined Benefit Pension Retirement Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: Village of Kalkaska Six-Digit Muni Code: 403010
Defined Benefit Pension System Name: Village of Kalkaska, MERS Pension Plan
Contact Name (Administrative Officer): Scott Yost
Title if not Administrative Officer: Village Manager Telephone: (231) 258-9191
Email (Communication will be sent here): Mgr@KalkaskaVillage.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**.*

- 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**.*

The Village is committed to an annual voluntary contribution of \$50,000 until the funded ratio is brought into compliance.

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention:

- Attachment – 1
- Attachment – 1a
- Attachment – 2a
- Attachment – 3a
- Attachment – 4a
- Attachment – 5a
- Attachment – 6a

Type of Document:

- This corrective action plan form (required);**
- Documentation from the governing body approving this corrective action plan (required);**
- An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 60% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 10% of governmental fund revenues, as defined by the Act (required);**
- Documentation of additional payments in past years that are not reflected in your audited financial statements (e.g. enacted budget, system provided information);
- Documentation of commitment to additional payments in future years (e.g. resolution, ordinance);
- A separate corrective action plan that the local government has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio;
- Other documentation not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

Underfunded Status

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

Legality

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

Affordability

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

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

I, Scott Yost, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) (**insert title**) Village 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 Village of Kalkaska, MERS Pension Plan (**insert retirement pension system name**) will achieve a funded status of at least 60% by fiscal year 2032 as demonstrated by required supporting documentation listed in Section 6.

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

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

Signature: _____



Date: 13 AUG 2020

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: CHARTER TOWNSHIP OF REDFORD Six-Digit Muni Code: 821080
Defined Benefit Pension System Name: MERS GENERAL EMPLOYEES
Contact Name (Administrative Officer): ADAM BONAREK
Title if not Administrative Officer: FINANCE DIRECTOR Telephone: (313) 387-2769
Email (Communication will be sent here): ABONAREK@REDFORDTWP.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**.*

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

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

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

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

WE ARE CURRENTLY IN A YEAR 11 OF A CLOSED AMORTIZATION SCHEDULE WITH MERS SCHEDULED TO BE 100% FUNDED BY 2039. WE ARE CURRENTLY SCHEDULED TO BE AT 60% FUNDING PER THIS SCHEDULE IN 2031.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

- 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.

PLEASE TAKE NOTE THAT MERS HAS ADOPTED REVISED ASSUMPTIONS WHICH HAS BEEN ACCOUNTED FOR IN OUR CURRENT AMORTIZATION SCHEDULE. ALSO, WHILE OUR ARC PAYMENT CONTINUES TO RISE (WHICH HAS BEEN EXPECTED), BECAUSE A SIGNIFICANT NUMBER OF OUR EMPLOYEES WORK IN ENTERPRISE FUNDS, THIS DOES NOT IMPACT THE GENERAL FUNDS BY NEARLY AS MUCH, AS THE COSTS FOR THESE BENEFITS ARE WORKED INTO THE RATES ASSESSED TO THE CONSUMER (e.g., WATER RATES).

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, DIANE WEBB, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** TOWNSHIP SUPERINTENDENT 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 CHARTER TWP OF REDFORD GENERAL EMPLOYEES **(insert retirement pension system name)** will achieve a funded status of at least 60% by fiscal year 2031 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: Diane L. Webb

Date: 8/26/20

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).

I. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of River Rouge Six-Digit Muni Code: 822230
Retirement Health Benefit System Name: City of River Rouge OPEB
Contact Name (Administrative Officer): Michael Bowdler
Title if not Administrative Officer: Mayor Telephone: (313) 842-4200
Email (Communication will be sent here): finance@cityofriverrouge.org
Fiscal Year System was Determined to be Underfunded: 6/30/19

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 was under a consent order with the State for many years and during that time significant changes were made to the benefits of City employees dropping them as low as they could possibly go including cutting wages, benefits, elimination of RHC, closing the DB pension plans, self-funding of insurance, etc. As a result the only option to fund OPEB for the City is additional funding. The City created a plan in fiscal year 2017/2018 and was granted a waiver by the State for the OPEB plan. The plan called for putting more than \$8 million from the General Fund into an OPEB trust and then contribution a minimum of \$300,000 annually over the pay-as-you-go costs into the trust. The City has contributed substantially more than the \$300,000 each of the past 3 years and will again for fiscal year 2020. The earnings from the trust have also significantly increased the funding level. The City will continue this plan and estimates the funding level will hit the 40% mark by 2022.

- 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.*

The City was under a consent order with the State for many years and during that time significant changes were made to the benefits of City employees dropping them as low as they could possibly go including cutting wages, benefits, elimination of RHC, closing the DB pension plans, self-funding of insurance, etc. As a result the only option to fund OPEB for the City is additional funding. The City created a plan in fiscal year 2017/2018 and was granted a waiver by the State for the OPEB plan. The plan called for putting more than \$8 million from the General Fund into an OPEB trust and then contribution a minimum of \$300,000 annually over the pay-as-you-go costs into the trust. The City has contributed substantially more than the \$300,000 each of the past 3 years and will again for fiscal year 2020. The earnings from the trust have also significantly increased the funding level. The City will continue this plan and estimates the funding level will hit the 40% mark by 2022.

- 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 City was under a consent order with the State for many years and during that time significant changes were made to the benefits of City employees dropping them as low as they could possibly go including cutting wages, benefits, elimination of RHC, closing the DB pension plans, self-funding of insurance, etc. As a result the only option to fund OPEB for the City is additional funding. The City created a plan in fiscal year 2017/2018 and was granted a waiver by the State for the OPEB plan. The plan called for putting more than \$8 million from the General Fund into an OPEB trust and then contribution a minimum of \$300,000 annually over the pay-as-you-go costs into the trust. The City has contributed substantially more than the \$300,000 each of the past 3 years and will again for fiscal year 2020. The earnings from the trust have also significantly increased the funding level. The City will continue this plan and estimates the funding level will hit the 40% mark by 2022.

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.*

The City has contributed substantially more than the \$300,000 each of the past 3 years and will again for fiscal year 2020. The earnings from the trust have also significantly increased the funding level. The City will continue this plan and estimates the funding level will hit the 40% mark by 2022. The three year balanced budget for fiscal years 2021 through 2023 have a contribution over and above the pay-as-you-go amount of \$300,000, \$200,000 and \$100,000 respectively (but plan on \$300,000 annually).

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

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

The City of River Rouge _____ **(insert retirement health system name)** will achieve a funded status of at least 40% by fiscal year 2022 _____ 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:

Michael W. Bowdler

Date: 08/13/2020

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 Walled Lake Six-Digit Muni Code: 632240
 Retirement Health Benefit System Name: Walled Lake Retiree Health Care Plan
 Contact Name (Administrative Officer): Sandra Barlass
 Title if not Administrative Officer: Finance Director Telephone: (248) 624-4847
 Email (Communication will be sent here): finance@walledlake.com
 Fiscal Year System was Determined to be Underfunded: FY2019

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**.*

In January 2014, the City of Walled Lake closed the retiree health care plan to all current and new employees.

- 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 City of Walled Lake successfully negotiated buyouts with two (2) retirees, thereby reducing the city's outstanding liability.

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**.*

The City of Walled Lake will continue to negotiate with the remaining 15 retirees to buy them out of the plan, thereby reducing the city's outstanding liabilities even further. Also, it is important to note that the Walled Lake Retiree Health Care Plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. The City has the authority to establish and amend the contribution obligations of the plan. Currently, benefit payments are made from general operating fund. There are no long term contracts for contributions & no legally required reserves.

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, Sandra Barlass _____, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** Finance Director _____ 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 2025 _____ as demonstrated by required supporting documentation listed in Section 6.

Signature:

Sandra Barlass

Date: 09/03/2020

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-15**

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

September 16, 2020

Municipal Stability Board Appendix A, September 16, 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	Village of Capac	743010	2019	Pension	8/19/2020	Yes	Yes	Partial	Approve	Village of Capac - Pension
2	City of Holland	702040	2019	OPEB	8/19/2020	Yes	Yes	Yes	Approve	City of Holland - OPEB
3	Montmorency County	600000	2018	OPEB	8/19/2020	Yes	Yes	Yes	Approve	Montmorency County - OPEB

Treasury Recommendation
Village of Capac Pension Corrective Action Plan (CAP)
Primary Unit 743010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$739,389	\$2,507,898	29.5%	\$159,609	\$1,225,360	13.0 %	YES
Healthcare	OPEB	-	\$ 548,512	0.0%	\$160,682		13.1%	YES
Total		\$739,389	\$3,056,410		\$320,291	\$1,225,360	26.1%	

Source: Retirement Report 2019, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Village of Capac, which was received by the Municipal Stability Board (the Board) on 8/19/2020. 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:
 - The defined benefit plan has been closed to new hires. New hires will be offered a 457 plan.
- Plan Funding:
 - Local government approved additional funding of \$20,000 annually.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - Local government approved to continue additional funding of \$20,000 annually.
- Other Considerations:
 - The actuarial supplemental valuation dated April 6, 2020 shows that the Village of Capac will be at 60% funding status by the fiscal year 2028 at at 100% by the fiscal year 2034.

System Status for All Divisions: CLOSED

Plan size: members 27

- Inactive employees or beneficiaries currently receiving benefits: 17
- Inactive employees entitled to but not yet receiving benefits: 8
- Active employees: 2

Treasury Recommendation
Village of Capac Pension Corrective Action Plan (CAP)
Primary Unit 743010

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan within a reasonable timeframe (2028).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

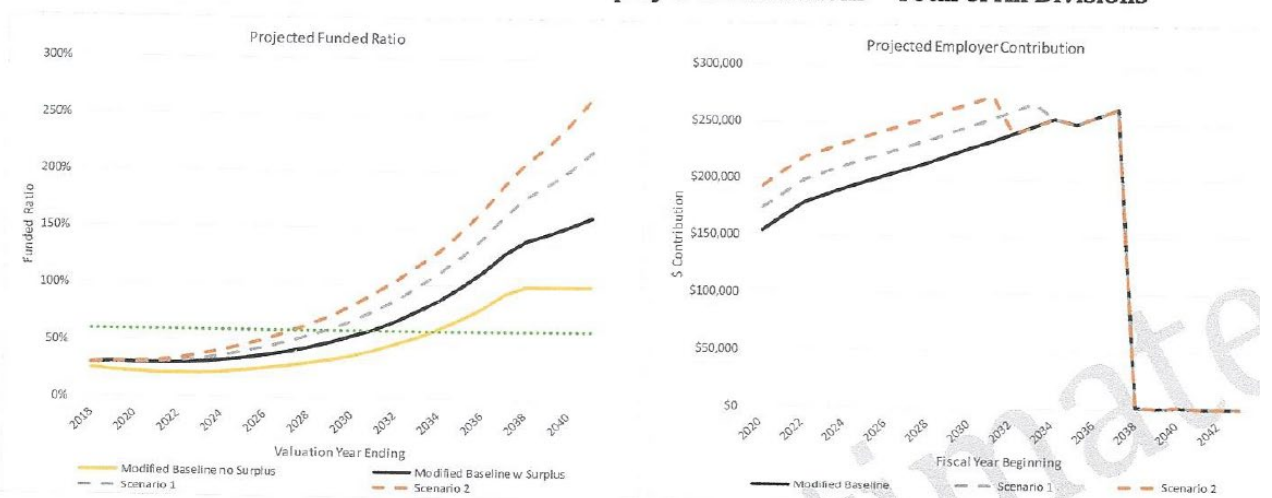
The following corrective action plan approval criteria are partially met:

- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates all of the local government’s annual required contribution as a percentage of general fund operating revenues is 26.1%. This reflects a significant portion of the local government’s budget.

Supplemental Information:

The local government received a supplemental actuarial projection using different funding scenarios to achieve 60% funded. The Village council approved a funding policy to contribute \$20,000 per year, which based on the projection from MERS would allow the system to reach 60% funded by 2028.

Projections of Funded Ratios and Employer Contributions – Total of All Divisions



*All projected funded percentages and all projected contributions are shown with no phase-in.
 *The study assumes assets from Surplus division will not be used to lower employer contributions during the projection period.
 *The green (dotted) indicator line is added at 60% funded for PA 202 purposes.

Treasury Recommendation
Village of Capac Pension Corrective Action Plan (CAP)
Primary Unit 743010

The Community Engagement and Finance Division (CEFD) contact:

- Treasury reached out to the local government to request additional documentation related to governing body approval.

**Treasury Recommendation
City of Holland OPEB Corrective Action Plan (CAP)
Primary Unit 702040**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$119,510,625	\$136,248,768	87.7%	\$1,260,941	\$40,678,058	3.1%	NO
OPEB	OPEB	-	\$5,540,429	0.0%	Not Provided		Not Provided	YES
Total		\$119,510,625	\$141,789,197		\$1,260,941	\$40,678,058	3.1%	

Source: Retirement Report 2019, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Holland, which was received by the Municipal Stability Board (the Board) on 8/19/2020. 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:
 - The City's OPEB includes two 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. The City Council authorized a Health Care Savings Program for all General City employees hired after July 2, 2018, closing that retirement health division to all new hires. The retirement health care plan remained open to the HBPW employees.
 - The information provided on the 2019 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 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. Treasury disagrees with this statement, as the OPEB system as a whole triggered as underfunded. This CAP is representative of both divisions.
- Plan Funding:
 - 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 the ADC, beginning with the 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 the FY 2020 (July 1, 2019-July 1, 2020). To put these amounts in perspective, the HBPW had \$130 million of operating revenue in FY 19.
- Other Considerations:
 - None listed.

Prospective Changes:

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

Treasury Recommendation
City of Holland OPEB Corrective Action Plan (CAP)
Primary Unit 702040

- In addition to fully-funding 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:
 - None listed.

System Status for All Divisions: OPEN

Plan size: members 376

- Inactive employees or beneficiaries currently receiving benefits: 27
- Inactive employees entitled to but not yet receiving benefits:
- Active employees: 349

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

Supplemental Information:

The City of Holland's OPEB triggered for two reasons: 1.) They did not report an ADC and 2.) They stated they were not paying normal costs. The City stated that they separated the OPEB system into the general employees division and the public works division. They also stated that the general employees division no longer triggers as underfunded because they closed the division. While we disagree with the statement that they are not underfunded due to closure of the general employee retirement system, they no longer have to pay normal costs and by using the additional financial information provided by the local government, we could verify that the ADC/revenue is less than 12% for the general employee division. Additionally, the local government opened a funding vehicle for the public works division and committed to paying the ADC and an additional \$70,000/year until that division 40% funded in 2025. Further required reporting will allow for monitoring of the system to ensure that the local government is complying with the actions of the plan as well as 202 requirements.

**Treasury Recommendation
City of Holland OPEB Corrective Action Plan (CAP)
Primary Unit 702040**

NET OPEB LIABILITY

OPEB expense and recommended contribution by employer

	City	BPW	Total
2019 Recommended contribution	568,328	90,539	\$658,867
2020 Recommended contribution	608,890	93,418	\$702,308

	City	BPW	Total
Service Cost	\$202,186	\$33,434	\$235,620
Interest on Total OPEB Liability	142,237	22,489	164,726
Experience (Gains)/Losses	26,255	(28,032)	(1,777)
Changes of Assumptions	(41,957)	(13,354)	(55,311)
Changes in plan terms	-	-	-
Employee Contributions	-	-	-
Projected Earnings on OPEB Plan Investments	-	-	-
Investment Earnings (Gains)/Losses	-	-	-
Administrative Expenses	-	-	-
Other Changes	-	-	-
Total OPEB Expense	\$328,721	\$14,537	\$343,258

The Community Engagement and Finance Division (CEFD) contact:

- None

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

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,385,611	\$12,519,572	51.0%	\$614,736	\$5,758,632	10.7%	YES
OPEB	OPEB	-	\$4,478,094	0.0%	Not Provided		Not Provided	YES
Total		\$6,385,611	\$16,997,666		\$614,736	\$5,758,632	10.7%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Montmorency County, which was received by the Municipal Stability Board (the Board) on 8/19/2020. 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:
 - Beginning January 1, 2018, retirees over the age of 65 pay 20% of their healthcare costs.
 - The County Board voted to eliminate retiree over 65 Medicare supplemental healthcare effective March 1, 2020, reducing the County's annual premium payment amount for these retirees to \$11,919.42.
- Plan Funding:
 - None listed.
- Other Considerations:
 - The county submitted their fiscal year 2019 Retirement System Annual Report (Form 5572). The most recent Form 5572 shows that the county's ADC/Revenue is now 1.7%. Upon review by Treasury, it appears the ADC/Revenue is actually 7.7%, which is still below the PA 202 underfunded status threshold.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 84

- Inactive employees or beneficiaries currently receiving benefits: 30
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 54

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

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The corrective action plan demonstrates it will no longer trigger underfunded status because the local unit's annual required contribution will be less than 12% of general fund operating revenues.
- 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 government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast.

Supplemental Information:

The county submitted an alternative method calculation for their OPEB ADC that was calculated by Rehmann. While this ADC does bring them below the ADC/Revenue threshold for primary governments, the County's fiscal year 2019 audited financial statements do not include an ADC and the county will need to continued to be monitored to ensure they are calculating and reporting an ADC in compliance with the Act and numbered letter 2018-3.

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

	1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
Net OPEB liability (asset)	3,785,811	3,239,658	2,803,348
		Healthcare Cost Trend Rate	
	1% Decrease (7.25%-3.50%)	(8.25%-4.50%)	1% Increase (9.25%-5.50%)
Net OPEB liability (asset)	2,812,445	3,239,658	3,761,319
Actuarially determined contribution (ADC)			\$ 461,746
Normal cost of employees hired after 07/01/2018			\$ 7,174

The Community Engagement and Finance Division (CEFD) contact:

- None