Municipal Stability Board

REGULAR MEETING

Wednesday, August 15, 2018 at 10:00 a.m.
Austin Building
State Treasurer's Boardroom
430 W. Allegan Street
Lansing, MI 48922

I. **Call to Order**

A. Roll Call

B. Approval of July 18, 2018 Minutes

II. **Public Comment**

A. 2 minute limit

III. **Correspondence**

A. PA 202 Treasury Update

B. CAP Form Update

IV. **Old Business**

A. Feedback on the Best Practices and Corrective Action Plan Criteria (Resolution 2018-10)

V. **New Business**

A. Receipt of Corrective Action Plans [Crawford County Road Commission – 2 systems]

B. Approvals and Denials of Corrective Action Plans

i. Milan Public Library (Resolution 2018-11)

VI. **Public Comment**

A. 2 minute limit

VII. **Board Comment**

VIII. **Adjournment**

Municipal Stability Board Minutes

Wednesday, July 18, 2018 at 10:00 a.m.
Austin Building
State Treasurer's Boardroom
430 W. Allegan Street
Lansing, MI 48922

Call to Order

Chairman Eric Scorsone called the meeting to order at 10:05 a.m.

Roll Call

Members Present – 3
Eric Scorsone
Daryl Delabbio
Barry Howard

Let the record show that 3 Board members eligible to vote were present. A quorum was present.

Approval of Minutes

Motion was made to approve the minutes regarding June 20, 2018 board meeting.

Motion moved by D. Delabbio supported by B. Howard, the Board unanimously approved the June 20, 2018 meeting minutes. 3 ayes, 0 nays.

Public Comment

1 public comment from Chris Hackbarth from the Michigan Municipal League.

Review of the Agenda

Kevin Kubacki reviewed the prepared agenda with the Board.

Correspondence

- PA 202 Treasury Update – Kevin Kubacki gave an update on local unit retirement submissions received by Treasury. Mr. Kubacki addressed questions from the Board.
- Responding to board questions – Kevin Kubacki presented responses to board questions from the June 20, 2018 board meeting.
- Withdrawal Request: Bloomfield Township Public Library Corrective Action Plan – Kevin Kubacki presented the board with the withdrawal request.

Old Business

Approval of Updated Meeting Schedule

Motion was made to approve the updated meeting schedule.

Motion moved by B. Howard, supported by D. Delabbio, the Board unanimously approved the updated meeting schedule. 3 ayes, 0 nays.

New Business

Best Practices and Corrective Action Plan Approval Criteria Resolution 2018-7

Kevin Kubacki presented the document to the board members. Best Practices are outlined using three principles:1) Plan Funding; 2) Modern Plan Design; and 3) Effective Plan Administration. The document also provides corrective action plan approval criteria that will assist local units in developing their corrective action plans. Subsequently, Treasury will provide recommendations to the Board regarding corrective action plans based in part on the review of the approval criteria. Mr. Howard requested that the document be made available for public comment. Treasury will post the document on its website and collect public comments for the Board's consideration next month.

Motion moved by B. Howard to receive and approve the Best Practices and Corrective Action Plan Approval Criteria Resolution 2018-7 with instruction to post the document on the MSB website for public comment. The Board will review public comments at the next regularly scheduled meeting as additional consideration to the best practices and corrective action plan criteria

Motion was moved by B. Howard to place on the next monthly agenda to be posted and reconsidered based on public comment. Motion was supported by D. Delabbio, the Board unanimously approved the Best Practices and Corrective Action Plan Approval Criteria Resolution 2018-7. 3 ayes, 0 nays.

Receipt of Corrective Action Plan

Kevin Kubacki provided the Board with the Milan Public Library Corrective Action Plan. The Board has 45 days from receipt to approve or deny the Corrective Action Plans. The decision is to be made at the next board meeting on August 15, 2018.

Motion was made to receive the Milan Public Library Corrective Action Plan.

Motion moved by B. Howard, supported by D. Delabbio, the Board unanimously approved the designation. 3 ayes. 0 nays.

Approvals and Denials of Corrective Action Plans

White Pine District Library Resolution 2018-8 – Kevin Kubacki was asked to review the White Pine District Library's corrective action plan with the board. Using the Board adopted Corrective Action Plan Development: Best Practices and Strategies as the criteria to provide its recommendation, Treasury recommended approval of the corrective action plan.

Motion to approve the White Pine District Library Resolution 2018-8.

Motion moved by B. Howard, supported by D. Delabbio, the Board unanimously approved the White Pine District Library Resolution 2018-8.

City of Ecorse Resolution 2018-9 – Kevin Kubacki was asked to review the City of Ecorse corrective action plan with the board. Using the MSB adopted Corrective Action Plan Development: Best Practices and Strategies as the criteria to provide its recommendation, Treasury recommended approval of the corrective action plan.

Motion to approve the City of Ecorse Resolution 2018-9.

Motion moved by D. Delabbio, supported by D. Howard, the Board unanimously approved the City of Ecorse Resolution 2018-9.

Public Comment

No public comment.

Board Comment

No comment from the Board.

Next Meeting

Next regular meeting will be on August 15, 2018.

Adjournment

Motion made to adjourn. Motion moved by B. Howard and supported by D. Delabbio, the Board unanimously approved the motion to adjourn.

There being no further business, the meeting adjourned at 10:46 a.m.

PA 202 of 2017 Status Update from Treasury

- Status Update
  - As of 8/9/2018

PA 202: Retirement Review Analysis (Form 5572) FY 2017			
Status Option	**Primary Units**	**Non-Primary Units**	**Total**
Preliminary Underfunded	109 (20%)	128 (39%)	237 (27%)
Approve	423 (79%)	194 (59%)	617 (72%)
Deny	5 (1%)	9 (2%)	14 (1%)
Total-Reviewed	**539 (62%)**	**332 (38%)**	**871**
Pending Treasury Review	0	6	6
Total-Submissions	**539 (61%)**	**338 (39%)**	**877[1]**

[1]There were approximately 900 submissions expected

PA 202: Waiver Analysis FY 2017							
	Did Not File		**Waiver Applications**				
LOCAL UNIT TYPE	**Retirement Report – Form 5572**	**Waiver Application**	**Recommend Approve**	**Recommend Deny**	**Split**	**Total Reviewed Waiver Applications**	**Corrective Action Plans Required**
NON-PRIMARY	20	14	27 (48%)	25 (45%)	4 (7%)	**56**	**63**
PRIMARY	3	13	10 (12%)	65 (79%)	7 (9%)	**82**	**88**
TOTAL	**23**	**27**	**37 (27%)**	**90 (65%)**	**11 (8%)**	**138**	**151**

[1] Split units have at least one underfunded system requiring a corrective action plan and at least one system that was approved for a waiver.

PA 202: Corrective Action Plan Analysis FY 2017					
	CAP Submission Status		**CAP Approval Status**		
LOCAL UNIT TYPE	**Required**	**Submitted**	**Approved**	**Disapproved**	**Pending**
NON-PRIMARY	63	3 (5%)	1 (50%)	0 (0%)	2 (50%)
PRIMARY	88	1 (1%)	1 (100%)	0 (0%)	0 (0%)
TOTAL	**151**	**4 (3%)**	**2 (50%)**	**0 (0%)**	**2 (50%)**

Michigan Department of Treasury
5598 (05-18)

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: ________________________ Six-Digit Muni Code: ____________________

Defined Benefit Pension System Name: ____

Contact Name (Administrative Officer):____

Title if not Administrative Officer: ____

Email:_______________________________ Telephone:__________________________

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 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 also include an actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the minimum funding ratio percentages.

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 shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If corrective action is approved, the Board will monitor the corrective action for the following two years, and the Board will report on the local unit of government's compliance with Public Act 202 of 2017 (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.***

<Insert User Entry Box>

❑ **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****.*

<**Insert User Entry Box**>

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

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

<**Insert User Entry Box**>

4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the 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.***

<Insert User Entry Box>

- ❑ **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,** t*he 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.*

<**Insert User Entry Box**>

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

Sample Statement: *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**.*

<**Insert User Entry Box**>

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

❍ **Yes**
❍ **No**
If No, Explain

<Insert User Entry Box>

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 minimum funding ratio percentages (Required)**~~Actuarial Analysis (annual valuation, supplemental valuation, projection)~~
❑ 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
❑ Funding Ratios	Is there a description and documentation of how and when the retirement system will reach 60% funded?
❑ Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe?
❑ 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?
❑ 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?

~~7.~~8. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

I <**insert name**>, as the government's administrative officer <**insert title**> (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 the following statement will occur:

The <**insert Retirement Pension System Name**> will achieve a funded status of at least 60% by <**insert Fiscal Year**> as demonstrated by required supporting documentation listed in section 6.

Signature <**insert signature**> Date <**insert date**>

Michigan Department of Treasury
5597 (05-18)

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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: ______________________ Six-Digit Muni Code: ______________________

Retirement Health Benefit System Name: ______________________

Contact Name (Administrative Officer): ______________________

Title if not Administrative Officer: ______________________

Email: ______________________ Telephone: ______________________

2. GENERAL INFORMATION

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

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

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

The 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 submitted plan must also include an actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the minimum funding ratio percentages.

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

Municipal Stability Board: The Municipal Stability Board (the Board) shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If corrective action is approved, the Board will monitor the corrective action for the following two years, and the Board will report on the local unit of government's compliance with Public Act 202 of 2017 (the Act) not less than every two years.

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

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

(i) Requiring cost sharing of premiums and sufficient copays.

(ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

<Insert User Entry Box>

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

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

<**Insert User Entry Box**>

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

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

<**Insert User Entry Box**>

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

Sample Statement: *The local unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system would be **40%** funded by **fiscal year 2020** if these changes were adopted and implemented by **fiscal year** 2019*.

<Insert User Entry Box>

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

Sample Statement: *The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **$500,000** annually in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2022.** Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **$500,000** for the next five years.*

<**Insert User Entry Box**>

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

Sample Statement: *Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42%** by **2022** as shown in the attached actuarial analysis on page **13**.*

<**Insert User Entry Box**>

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- ❍ **Yes**
- ❍ **No**
  If No, Explain

<Insert User Entry Box>

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
❑ Attachment – 1	**This Corrective Action Plan (Required)**
❑ Attachment – 1a	**Documentation from the governing body approving this Corrective Action Plan (Required)**
❑ Attachment – 2a	**An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the minimum funding ratio percentages (Required)**~~Actuarial Analysis (annual valuation, supplemental valuation, projection)~~
❑ 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
❑ Funding Ratios	Is there a description and documentation of how and when the retirement system will reach 40% funded?
❑ Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe?
❑ 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?
❑ Affordability	Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost

payment for new hires now and into the future without additional changes to this corrective action plan?

~~7.~~8. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

I **<insert name>**, as the government's administrative officer **<insert title>** (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 the following statement will occur:

The **<insert Retirement Pension System Name>** will achieve a funded status of at least 60% by **<insert Fiscal Year>** as demonstrated by required supporting documentation listed in section 6.

Signature **<insert signature>** Date **<insert date>**

4425 (Rev. 04-15)

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: August 15, 2018

TO: The Municipal Stability Board

FROM: Community Engagement and Finance Division, Department of Treasury

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

Suggested Action: The Board votes on Resolution 2018-10 Approval and Adoption of Best Practices and Corrective Action Plan (CAP) Approval Criteria. The following documents include an updated version of the Best Practices and Corrective Action Plan Approval Criteria based on the feedback the Municipal Stability Board received and the email feedback.

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 22 days. Emails were also distributed, and a press release was issued, inviting all stakeholders and the public to participate in the public comment period. A total of eight public comments were received.

- **Table One** lists the comments that addressed the Best Practice and CAP Criteria document. Included are recommended changes to the Best Practices and CAP Criteria.

- **Table Two** lists the comments that were outside the Best Practices document and more generally directed at Public Act 202. The Department of Treasury is addressing these comments on an individualized basis.

Table One: Public Comments on Best Practices and Corrective Action Plan Criteria

#	Name(s)	Local Unit/ Assoc.	Summary of Comments	Action
1	Chris Hackbarth Judith Allen Deena Bosworth	Michigan Municipal League (MML) Michigan Townships Association Michigan Association of Counties	• Please see attached	**Changes Recommended.** • See attached updated Best Practices and Corrective Action Plan Approval Criteria. • Additionally, affordability can be monitored through the annual Form 5572 submission process.
2	Chris DeRose and Carrie Lombardo	MERS	"Thanks for the opportunity to review. Carrie Lombardo and I collaborated on this have attached the pdf with our comments. • Please see attachment	**Changes recommended.** • See attached updated Best Practices and Corrective Action Plan Approval Criteria. MERS comments are also attached.
3	Verna Meharg	Crawford County Road Commission	"Pay as you go programs. We reimburse our retirees age 65 to 80 (Medicare eligible), one-half of the cost up to a max of $150.00 per month for a eligible Medicare advantage plan, we reimburse the spouse $100, as such. This is payable twice a year providing they have documentation from their Health Insurance company that shows what plan they have, the amount they paid, coverage period and when it was paid. Retired employees prior to 2015 have monies deposited into their MERS HCSP account; $650.00 for a single, $800 for two-person providing that they are getting insurance through their spouses employment, or $1100.00 for two-persons with no other health insurance. After 2015, Retired employees get $500.00 for two-persons or $250.00 for one-person. All these amounts are paid on a monthly basis. Due to the fact that if a retiree passes away, how would you get your money back for months that have been funded but not used by the retiree. I.e., Paid for all of 2018 and they pass away 7 months into 2018, then what???? How do you fund your OPEB up to 40% under these conditions??????"	**No changes recommended.** • Obtain frequent annual required contributions for all retirement systems. • Fund the annual required contribution.

Table Two: Public Comments on Public Act 202

#	Name(s)	Local Unit/ Assoc.	Summary of Comments
1	Kevin M. Welch	Ypsilanti Community Utilities Authority (YCUA)	"I would like to offer the following public comments: Presently, all authorities are measured by a different standard than cities and villages. Hence, an Authority must meet the 60% funded and less than 10% of the budget standard. For cities and villages, it is either or. In my employer's case, we are the second largest water utility in the State of Michigan. Our Defined Benefit Plan is currently funded at 59% and expected to exceed 60% by 2021, and our revenue to contribution is less than 5%. Ultimately we are in much better condition than some of the municipalities who are not classified as "underfunded". There should be a better set of criteria to allow more discretion for an entity such as ours. We were denied a waiver for extremely weak reasons. It appeared to our team that our financials were not considered when the waiver determination was made. Secondly, the education process on submitting the waiver needs to be enhanced. We asked a few questions from the Board during the preparation of a waiver and followed those instructions. We followed those instructions. After we were denied the waiver, we were told our arguments could have included factors that we were originally told could not be submitted."
2	Douglas M. Haag	St. Clair Shores	Based on the recent release of the guidelines and revised forms not being available until mid-August, is the due date for submittals also being extended? If you want accurate and reasonable data, I would strongly encourage doing so. Thanks.
3	Ralph B Blasier	Escanaba	"Date: Sat, 21 Jul 2018 13:03:10 -0400 Subject: Best Practices Comment: 2018. The City of Escanaba has an uncommonly large amount of enterprise funds for a city of our size. This comes about because, in addition to our Water and Sewerage Departments, Escanaba has a large Electric Department. If we were allowed to count our enterprise funds, our pensions would be considered very well funded. As we are forbidden to count our enterprise funds as assets, Escanaba's pension are seen as underfunded. The real irony of this situation is that much of pension liability that is considered underfunded came from these same enterprise departments. This is an illogical situation that has been allowed to persist, because few other small Michigan cities have such large enterprise funds. Thank you."

Table Two: Public Comments on Public Act 202 – Cont.

#	Name(s)	Local Unit/ Assoc.	Summary of Comments
4	Patrick Jordan	Escanaba	Replied to Ralph B Blaiser's email: "Correct . We've tried to argue that if Act 202 doesn't allow fir enterprise Funds to be used, then why can't we disregard the liabilities that lie in those funds. The statute doesn't address that at all."
5	W. Gordon Hamlin, Jr.	Pro Bono Public Pensions	"I read with interest the Bond Buyer column on your efforts to produce best practices for pensions and OPEB and then read your actual report. I then saw that you were soliciting input, so please accept these comments for whatever they may be worth. I am the President of Pro Bono Public Pensions, a non-profit whose mission is to assist states and local governments create fair, secure and sustainable solutions for their public pensions. I was a 2016 Fellow in Harvard's Advanced Leadership Initiative and, before that, I was one of five students (out of 44,000 enrolled in a MOOC led by Stanford's Joshua Rauh on the Finance of Retirement and Pensions) selected to participate in a Forum on Creative Solutions for Public Pensions in January 2014. I practiced law with a large Atlanta law firm until my retirement in late 2011. Attached is a PDF of our informational brochure. Although I have not researched Michigan law in depth, I understand that Article IX, Section 24 of the Michigan Constitution seriously limits the freedom of pension plans to deal with vested, but unfunded, liabilities: "The accrued financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby. Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities." Therefore, almost no amount of tinkering with these local plans will be sufficient to secure their funding, especially when the next economic downturn arrives. Here is a link to one of my published articles outlining one approach to restructuring and securing such plans. https://muninetguide.com/creating-sustainable-public-pensions/ One of my co-authors is Jim Spiotto of Chapman Strategic Advisors. Jim is perhaps the country's leading municipal bankruptcy expert and has indicated a willingness to work with me on specific projects. In addition, here is a link to a Bloomberg piece published just today. https://www.bloomberg.com/view/articles/2018-08-02/public-pensions-are-a-disaster-here-s-a-fair-solution This piece focuses most directly on Connecticut, but the same concepts could be transferred to Michigan's local public pensions. I have spoken to the Board of the Connecticut Conference of Municipalities and laid out a very detailed plan for them, including the use of prepackaged Chapter 9 Plans of Debt Adjustment. Finally, here is a link to a Kentucky Educational Television program, where I laid out these ideas in some detail for the Commonwealth of Kentucky public pension plans. https://www.ket.org/episode/KCWRS%2000I307/ I would be pleased to discuss any of this with anyone from Michigan."

Aug. 9, 2018

Members of Michigan's Municipal Stability Board
c/o Michigan Department of Treasury
P.O. Box 30728
Lansing, MI 48909-8228

Dear Mr. Eric Scorsone, Mr. Barry Howard and Mr. Daryl Delabbio:

Thank you for the opportunity to provide written input on the Corrective Action Plan Development: Best Practices and Strategies document currently under consideration.

Following the initial approval of these guidelines at the July Municipal Stability Board meeting, the Michigan Municipal League, Michigan Townships Association, and Michigan Association of Counties reviewed the document and found inconsistencies with the consensus recommendations of the 2017 Responsible Retirement Reform for Local Government Task Force report and the subsequent legislation that became Public Act 202 of 2017. We hope you will consider addressing these inconsistencies before finalizing the current Corrective Action Plan guideline document.

As mentioned during public comment at the July MSB meeting, a key component of the discussions during the task force meetings last year was understanding the significant differences between defined benefit retiree pension liabilities and retirement health insurance (OPEB) liabilities. Pensions are subject to a well-developed statutory and financial reporting system, which required pre-funding from inception. However, while these obligations have gone through a series of recent accounting practice changes, employers have never been required to pre-fund OPEB liabilities. These new practices include that employers state the total liability in their financial statements, which has never been required to be prefunded.

As a result, our organizations argued that the task force include a measurement of affordability (annual cost) as an important component of measuring the impact the cost of these benefits have on the ability to provide the critical services that residents demand of their local governments. Fulfilling these retirement obligations must be carefully balanced with the needs of the residents in our communities so that one does not take priority over the other. In many communities pre-funding ratios are an insufficient measurement for determining the ability to provide the benefit. Examining how the funding of that obligation impacts current services is a much more relevant way to determine whether an OPEB benefit is affordable.

Because of these basic, structural differences, Corrective Action Plans may legitimately differ depending on whether they address a pension or an OPEB triggered situation.

Requested Changes -

Our main concern with the Best Practice and Strategies as presented is that it leans heavily toward the funding side of the equation without giving equal consideration to the affordability measure.

For a community to be designated as “underfunded,” it must have crossed two distinct triggers. It must be below a specified funding level **AND** have the annual cost of that benefit exceed a certain percentage of that community’s budget. The purpose of a Corrective Action Plan is to remove a community from MSB review by addressing at least one of these triggers.

Despite that distinction, the CAP Approval Criteria opens by stating;
“…a successful CAP will demonstrate the following:

1. Funding Ratios
    - The CAP must demonstrate through distinct supporting documentation how and when the retirement system will reach a 60% funded ratio for pension systems and/or a 40% funded ratio for retirement health systems. …”

While a strong argument exists that forcing higher pension funding levels is an appropriate requirement, the analysis for OPEB obligations, is far more nuanced. If the MSB were presented a CAP from a community seeking to address an OPEB-only “underfunded” status by making significant plan design and benefit changes to the point that the valuation of that ongoing liability fell below the 12% of general fund operating revenues, then the MSB should give strong consideration to that CAP. However, the current guidance does not acknowledge that scenario.

Additionally, the CAP Approval Criteria begins with a focus on funding ratios, then discusses timeframes for results and then outlines how a plan must be legal and feasible, before finally referencing the affordability mechanism. While the criteria require submission of specific supporting documentation and actuarial valuations for pre-funding levels, no such documentation or evaluation is required of the MSB for considering a CAP’s effectiveness in addressing the affordability trigger. All that is required is a self-certification. At a minimum, the MSB should be presented equivalent valuation and budget-cost analysis resulting from the proposed CAP. It is incumbent on the MSB to evaluate how the proposed plan will impact both factors as you consider approval.

Finally, as you begin to consider CAP submissions, please keep in mind the very real financial limitations that many communities face across Michigan. While the task force discussed the role that a decreasing property tax base and cuts to revenue sharing during the recent recession played in the current retirement benefit funding situation, there was no consensus reached within the task force report on how to correct the fiscal shortfalls that communities now face.

While there is some ability to make changes to retiree health insurance offerings under some circumstances, the Constitutional nature of pension obligations, coupled with the collective bargaining process, and state law around that process leaves many communities with few options for reducing or changing the ongoing cost of their benefit offerings. This fact means that the MSB will be faced with reviewing some situations where there may be no viable options that the local unit can implement to resolve their status. Understanding that possible reality and working in partnership with those local units will be more productive than imposing measures that are not economically or politically viable.

With all that being said, PA 202 does provide a mechanism to review the fiscal health of providing these retirement benefits from both a funding AND an affordability point of view. Our request is that adjustments be made to the guidance document to properly acknowledge both criteria, while being sensitive to the financial situation many communities in Michigan are facing.

Thank you for your consideration of these concerns. We look forward to continuing our partnership with the Department and with the MSB as this process evolves.

Sincerely,

<table>
<tr><td>Chris Hackbarth
Director, State & Federal Affairs
Michigan Municipal League</td><td>Judith Allen
Director, Government Relations
Michigan Townships Association</td><td>Deena Bosworth
Director, Governmental Affairs
Michigan Association of Counties</td></tr>
</table>

MERS Public Comment:

MUNICIPAL STABILITY BOARD

CORRECTIVE ACTION PLAN DEVELOPMENT:
BEST PRACTICES AND STRATEGIES

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

July 2018

Goal:
To provide best practice options to Michigan's local units of government so they may sustain fiscally stable retirement systems, protect benefits for retirees, and provide high-quality public services to residents. Underfunded local units 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 unit 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 systems.

Best Practice Principles:
The following three principles may be utilized in developing a CAP for local units of government with an underfunded retirement pension system and/or retirement health system[1] :

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 is also inclusive of the corrective options outlined in Sec. 10(7) of the Act (*MCL 38.2810*).

1. Plan Funding

- o Below are funding options to sustain legacy costs and future retirement benefits.
  - Fund the annual required contribution, which pays the expected cost of all promised benefits for both pension and retirement health systems (i.e. fund the annual service cost of active employee benefits plus any unfunded actuarial accrued liabilities)
  - Add funding into the annual budget in addition to the annual required contribution(s). This practice will reduce the unfunded liability and allow for potential increased earning interest or investment income.
  - Dedicate additional revenue sources to pay for retirement benefits (e.g. Public Act 345 of 1937 millage, increased operating millage, other special millage)
  - Establish a qualified medical trust designated for retirement health system funding
  - Transfer funds from reserves to increase retirement assets, earning interest, and investment income
  - Add or increase employee/retiree contributions

2. Modern Plan Design

- o 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 units can develop modern plan solutions that can adapt alongside a changing work environment.
- o Below are modern plan design options for defined benefit pension systems.
  - Implement a "bridged multiplier" for active employees
  - Implement Final Average Compensation (FAC) standards
  - Reduce or eliminate future defined benefit accruals and enroll active employees into a defined contribution plan or hybrid plan
  - Limit defined benefit options for newly hired employees, including multipliers, cost of living increases, retirement age, and benefit vesting periods
  - Close the current defined benefit plan

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

- Enroll new hires into a defined contribution plan or a hybrid plan
- Evaluate the financial implications of any early retirement incentive buyouts
- Limit the dual payment of both a pension and a salary to any employee who is rehired after retirement by the same employer

o Below are modern plan design options for retirement health systems

- Require cost sharing of premiums and sufficient copays
- Implement a cap on employer retiree health care costs
- Require use of Medicare as primary insurance for retirees 65 and older
- Require mirroring of retiree health care plans within the same local unit
- Require retirees to use health plans of current employers if available, and spouses to utilize benefits from their employer, if available
- Enroll new hires in a defined contribution retiree health care plan
- Do not offer incentive packages for early separation without first considering the costs of the separation on the retirement health system
- Raise the eligibility age for retiree health care
- Implement vesting rules that provide levels of benefits based on years of service
- Use a market driven approach to evaluate benefit offerings and carriers

3. Effective Plan Administration

o Local units should use a variety of options to ensure that their retirement benefits are being administered as effectively as possible. Below are administration options to maintain fiscally stable retirement systems.

- Work with system providers to determine appropriate solutions for each local unit
- Require all retirement systems to be 100 percent funded before any benefit increases can take effect
- 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 at least every eight years, or replace the actuary
- Obtain frequent annual required contributions for all retirement systems
- Diversify the investment portfolio in consultation with the system providers
- Ensure proper assumptions are utilized according to actuarial standards of practice
- Ensure management and oversight boards have proper experience, skills, and training to administer pension and retirement health systems
- Use of asset smoothing in the valuation to reduce the impact of significant investment losses on required contribution amounts
- Implement a closed amortization period of no more than twenty years
- Calculate amortization payments based on a "level-dollar" amortization schedule
- Create a committee consisting of all stakeholders (employees, retirees, and employer representation) to evaluate options for benefit offerings

CAP Approval Criteria:
To further assist local units in developing their CAP, the Municipal Stability Board (the Board) has created the approval criteria listed below, which the Board will be considering in their review of each CAP. Local units 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 unit to determine the components of their CAP. At a minimum, a successful CAP will demonstrate the following:

1. Funding Ratios

- The CAP must demonstrate through distinct 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 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 unit will reach the minimum funding ratio percentages.

2. Reasonable Timeframe

- The corrective actions listed will address the underfunded status within a reasonable timeframe. Because all local units and their circumstances are unique, a reasonable timeframe will be determined on a case by case basis for each local unit.
    - As general guidance, a local unit with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local unit with a severely underfunded retirement health system (25% or less) should reach a funded ratio of forty percent within thirty years.
    - The prospective actions listed in a CAP should have a date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local unit has up to 180 days to begin to implement the corrective actions, unless a legal or contractual obligation prevents implementation within this timeframe.

3. Legal and Feasible

- A CAP must follow all applicable local, state, and federal laws.
- **The governing body of the local unit must approve the CAP**, and the local unit must attach proof of the governing body approval with the submission of their CAP.
- The local unit's administrative officer or designee certifies that it will implement the CAP.
- The local unit must demonstrate that prospective actions are feasible. In other words, are the proposals in the CAP reasonably achievable? Examples of reasonably achievable actions are as follows:
    - A proposed millage rate increase must be within the local unit's charter or statutory requirements.
    - A proposed modification in benefit levels must consider the collective bargaining process, if applicable.
    - A funding option to create a separate revenue stream through a new tax, such as a Public Act 345 millage, should include a detailed implementation plan.
    - A proposed change to enact a retiree health care stipend should include the cost-savings associated with the stipend option, as well as the plan for adoption and implementation.

4. Affordability

- The local unit must confirm that corrective actions listed in the CAP allow for the local unit to make, at a minimum, the annual required contribution 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 unit has linked long-term future payment expectations with revenue expectations and has concluded that the local unit can afford those payments now and into the future without additional changes to their CAP.
- The practice of affordability means the ability to meet a local unit's current and future obligations, without using a significant percentage of the annual budget. Affordability is defined as follows:
    - In accordance with the Act, annual required contributions should remain less than 10 percent of general fund operating revenues for pension systems and less than 12 percent of general fund operating revenues for retirement health systems.
    - The ability of a local unit to offer residents critical public services while paying for legacy obligations.
    - The ability of a local unit to prefund retirement benefits, earn interest or investment income, and build savings to afford future payments.
    - Affordability is reached through plan funding, modern plan design, and effective plan administration.

Implementation:

Approved corrective action plans will be monitored by the Board for compliance. As a local unit implements prospective changes, there is a recognition that specific solutions may need to be adjusted to address its underfunded status.

Glossary of Terms

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 Required Contribution (ARC): The sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability (*MCL 38.2803*).

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

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

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

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

Final Average Compensation (FAC): FAC reflects the 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 unit of government's retirement pension benefits and retirement health benefits.

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

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

Normal Cost: The annual service cost of retirement health benefits as they are earned during active employment of employees of the local unit of 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 asset.

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MUNICIPAL STABILITY BOARD
RESOLUTION 2018-10

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 "MSB") 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 MSB 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 MSB'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 MSB 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
August 15, 2018

MUNICIPAL STABILITY BOARD

CORRECTIVE ACTION PLAN DEVELOPMENT: *BEST PRACTICES AND STRATEGIES*

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

August 2018[1]

[1] This document was updated after receiving public comment on the July 2018 version.

Goal:
To provide best practice options to Michigan's local units of government so they may sustain fiscally stable retirement systems, protect benefits for retirees, and provide high-quality public services to residents. Underfunded local units 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 unit 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 systems.

Best Practice Principles:
The following three principles may be utilized in developing a CAP for local units of government with an underfunded retirement pension system and/or retirement health system[2] :

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 is also inclusive of the corrective options outlined in Sec. 10(7) of the Act (*MCL 38.2810*).

1. Plan Funding

- Below are funding options to sustain legacy costs and future retirement benefits.
  - Fund the annual required contribution, which pays the expected cost of all promised benefits for both pension and retirement health systems (i.e. fund the annual service cost of active employee benefits plus any unfunded actuarial accrued liabilities)
  - Add funding into the annual budget in addition to the annual required contribution(s). This practice will reduce the unfunded liability and allow for potential increased earning interest or investment income.
  - Dedicate additional revenue sources to pay for retirement benefits (e.g. Public Act 345 of 1937 millage, increased operating millage, other special millage)
  - Establish a qualified medical trust designated for retirement health system funding
  - Transfer funds from reserves to increase retirement assets, earning interest, and investment income
  - 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

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 units can develop modern plan solutions that can adapt alongside a changing work environment.
- Below are 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

[2] 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).

- Reduce or eliminate future defined benefit accruals and enroll active employees into a defined contribution plan or hybrid plan
- Limit defined benefit options for newly hired employees, including multipliers, cost of living increases, retirement age, and benefit vesting periods
- Close the current defined benefit plan
- Enroll new hires into a defined contribution plan or a hybrid plan
- Evaluate the financial implications of any early retirement incentive buyouts
- Limit the dual payment of both a pension and a salary to any employee who is rehired after retirement by the same employer, in accordance with IRS regulations

o Below are modern plan design options for retirement health systems

- Require cost sharing of premiums and sufficient copays
- Implement a cap on employer retiree health care costs
- Require use of Medicare as primary insurance for retirees 65 and older
- Require mirroring of retiree health care plans within the same local unit
- Require retirees to use health plans of current employers if available, and spouses to utilize benefits from their employer, if available
- Enroll new hires in a defined contribution retiree health care plan
- Do not offer incentive packages for early separation without first considering the costs of the separation on the retirement health system
- Raise the eligibility age for retiree health care
- Implement vesting rules that provide levels of benefits based on years of service
- Use a market driven approach to evaluate benefit offerings and carriers

3. Effective Plan Administration

o Local units should use a variety of options to ensure that their retirement benefits are being administered as effectively as possible. Below are administration options to maintain fiscally stable retirement systems.

- Work with system providers to determine appropriate solutions for each local unit
- Require all retirement systems to be 100 percent funded before any benefit increases can take effect
- 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 at least every eight years, or replace the actuary
- Obtain frequent annual required contributions for all retirement systems
- At a minimum, provide five year projections within the annual valuations for funded levels and required contributions
- Diversify the investment portfolio in consultation with the system provider
- Ensure proper assumptions are utilized according to actuarial standards of practice
- Ensure management and oversight boards have proper experience, skills, and training to administer pension and retirement health systems
- Use of asset smoothing in the valuation to reduce the impact of significant investment losses on required contribution amounts
- Create a committee consisting of all stakeholders (employees, retirees, and employer representation) to evaluate options for benefit offerings

CAP Approval Criteria:
To further assist local units in developing their CAP, the Municipal Stability Board (the Board) has created the approval criteria listed below, which the Board will be considering in their review of each CAP. Local units 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 unit to determine the components of their CAP. At a minimum, a successful CAP will demonstrate the following:

1. Funding Ratios

- The CAP must demonstrate through distinct 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 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 unit will reach the minimum funding ratio percentages.

2. Reasonable Timeframe

- The corrective actions listed will address the underfunded status within a reasonable timeframe. Because all local units and their circumstances are unique, a reasonable timeframe will be determined on a case by case basis for each local unit.
  - As general guidance, a local unit with a severely underfunded pension system (45% or less) should reach a funded ratio of sixty percent within twenty years. A local unit with a severely underfunded retirement health system (25% or less) should reach a funded ratio of forty percent within thirty years.
  - The prospective actions listed in a CAP should have a date assigned, which will indicate when implementation will begin for that action. After approval by the Board, the local unit has up to 180 days to begin to implement the corrective actions, unless a legal or contractual obligation prevents implementation within this timeframe.

3. Legal and Feasible

- A CAP must follow all applicable local, state, and federal laws.
- **The governing body of the local unit must approve the CAP**, and the local unit must attach proof of the governing body approval with the submission of their CAP.
- The local unit's administrative officer or designee certifies that it will implement the CAP.
- The local unit must demonstrate that prospective actions are feasible. In other words, are the proposals in the CAP reasonably achievable? Examples of reasonably achievable actions are as follows:
  - A proposed millage rate increase must be within the local unit's charter or statutory requirements.
  - A proposed modification in benefit levels must consider the collective bargaining process, if applicable.
  - A funding option to create a separate revenue stream through a new tax, such as a Public Act 345 millage, should include a detailed implementation plan.
  - A proposed change to enact a retiree health care stipend should include the cost-savings associated with the stipend option, as well as the plan for adoption and implementation.

4. Affordability

- The local unit must confirm that corrective actions listed in the CAP allow for the local unit to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits (*Sec. 4(1) of the Act, MCL 38.2804*). This section confirms that a local unit has linked long-term future payment expectations with revenue expectations and has concluded that the local unit can afford those payments now and into the future without additional changes to their CAP.
- A local unit may demonstrate through distinct supporting documentation that its ARC will be less than 10 percent of general fund operating revenues for pension systems and/or will be less than 12 percent of general fund operating revenues for retirement health systems. The Board may consider this as a 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 ARC. The local unit must project general fund operating revenues using a reasonable forecast based on historical trends and projected rates of inflation.
- The practice of affordability means the ability to meet a local unit's current and future obligations, without using a significant percentage of the annual budget. Affordability is defined as follows:
    - In accordance with the Act, annual required contributions should remain less than 10 percent of general fund operating revenues for pension systems and less than 12 percent of general fund operating revenues for retirement health systems.
    - The ability of a local unit to offer residents critical public services while paying for legacy obligations.
    - The ability of a local unit to prefund retirement benefits, earn interest or investment income, and build savings to afford future payments.
    - Affordability is reached through plan funding, modern plan design, and effective plan administration.

Implementation:
Approved corrective action plans will be monitored by the Board for compliance. As a local unit implements prospective changes, there is a recognition that specific solutions may need to be adjusted to address its underfunded status.

Glossary of Terms

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.

Annual Required Contribution (ARC): As defined in Public Act 202 of 2017, the sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability (*MCL 38.2803*).

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

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

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

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

Final Average Compensation (FAC): FAC reflects the 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 unit of government's retirement pension benefits and retirement health benefits.

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

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

Normal Cost: The annual service cost of retirement health benefits as they are earned during active employment of employees of the local unit of 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 asset.

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: August 15, 2018

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Receipt of Corrective Action Plans

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

1. Crawford County Road Commission
    a. Pension: Municipal Employees Retirement (MERS) of Michigan
    b. OPEB: MERS Health Care Savings Program/Crawford County Road Commission

Corrective Action Plan Review: Following receipt of these corrective action plans, the Board shall approve or reject each corrective action plan within 45 days. The Board will vote on these corrective action plans at their next scheduled meeting.

Michigan Department of Treasury
5598 (05-18)

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: Crawford County Road Commission Six-Digit Muni Code: 200100

Defined Benefit Pension System Name: Municipal Employees Retirement (MERS) of Michigan

Contact Name (Administrative Officer): Verna M. Meharg

Title if not Administrative Officer: Finance Director

Email: para49738@yahoo.com Telephone Number: (989) 348-2281

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 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 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 shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If corrective action is approved, the Board will monitor the corrective action 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.***

On April 1, 2015 the local unit entered into an agreement with the Teamsters State, county & Municipal Workers Local #214 stating "Employees shall pay four and three-tenths percent (4.3%) of their income in pre tax dollars towards their retirement benefit. This percentage shall be increased by .5% per year for a period of two years to a total of 5-3/10 of a percent (5.3%)" "A"

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

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

During 2017 we made additional payments of $74,550 "C"

☐ **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.*

During 2017, we, along with MERS representatives, choose the "No Phase-In" as our Employer contributions. Thereby increasing our contribution percentage from 41.54% to 44.01% (adding $2514.00 per month). In addition, we are increasing our monthly contributions by $8500.00/mth, adding $102,000.00/yr.
We feel we should be fully funded within 20 years or less. "B", "D"

☐ **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*) Crawford 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	Actuarial Analysis (annual valuation, supplemental valuation, projection)
☐ Attachment – 3a	Internally Developed Projection Study
☒ Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
☒ Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
☐ Attachment – 6a	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 – 7a	Other documentation, not categorized above

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

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

Signature Verna M. Meharg   Date 07-11-18

Michigan Department of Treasury
5597 (05-18)

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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: Crawford County Road Commission Six-Digit Muni Code: 200100

Retirement Health Benefit System Name: MERS Health Care Savings Program/Crawford County Road Commission

Contact Name (Administrative Officer): Verna M. Meharg

Title if not Administrative Officer: Finance Director

Email: para49738@yahoo.com Telephone Number: (989) 348-2281

2. GENERAL INFORMATION

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

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

Filing: Per Sec. 10(1) of 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 completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. **If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

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

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

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

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

(i) Requiring cost sharing of premiums and sufficient copays.

(ii) Capping employer costs.

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On* ***January 1, 2017****, the local unit entered into new collective bargaining agreements with the* ***Command***

***Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. In 2015 we opened a MERS Health Care Savings Program for our current retirees and future Retirees. Per our contract "A" "retirees shall be provided via a MERS Health Care Savings Participation Agreement, monthly contributions to be used for eligible medical expenses. Eligible medical expenses are those which MERS allows per agreed language of the Participation Agreement and its subsequent plan.......

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

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

The way our Retiree Health Care is funded is on a monthly basis and pay as you go. If Retirees choose not to participate, that is a savings to us and we do have several retirees that are eligible and do not participate. Our program(s) do cease at age 80 or death, whichever comes first.

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

Sample Statement: *The local unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with* ***summer 2018*** *contract negotiations, the local unit will seek revised collective bargaining agreements with the* ***Command Officers Association*** *and* ***Internal Association of Firefighters*** *to increase employee co-payments and deductibles for healthcare. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page* ***12*** *of the attached actuarial analysis that indicates the system would be* ***40%*** *funded by* ***fiscal year 2020*** *if these changes were adopted and implemented by* ***fiscal year 2019****.*

We have decreased the spouse's reimbursement under section 3 pg 31 of our contract "A-1" from $150 to $100 beginning April 1, 2018. We continue to look into other options for decreasing our unfunded status.

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

Sample Statement: *The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by* ***December 31, 2018****. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by* ***December 31, 2018****. Additionally, beginning in fiscal year 2019, the local unit will contribute* ***$500,000*** *annually in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to* ***40%*** *by* ***2022.*** *Please see page* ***10*** *of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional* ***$500,000*** *for the next five years.*

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

Sample Statement: *Beginning in* ***fiscal year 2019****, the local unit will begin amortizing the unfunded portion of the healthcare liability using a* ***level-dollar amortization method over a closed period of 10 years****. This will allow the health system to reach a funded status of* ***42%*** *by* ***2022*** *as shown in the attached actuarial analysis on page* ***13****.*

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

☒ **Yes**
☐ **No**
If No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
☒ Attachment – 1	**This Corrective Action Plan (Required)**
☒ Attachment – 1a	**Documentation from the governing body approving this Corrective Action Plan (Required)**
☐ Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
☐ Attachment – 3a	Internally Developed Projection Study
☐ Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
☐ Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
☒ Attachment – 6a	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 – 7a	Other documentation, not categorized above

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

I Verna M. Meharg, as the government's administrative officer (*enter title*) Finance Director (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.

Signature Verna M. Meharg Date 07/19/2018

MUNICIPAL STABILITY BOARD
RESOLUTION 2018-11

APPROVAL OF THE MILAN PUBLIC LIBRARY
CORRECTIVE ACTION PLAN

WHEREAS, the Michigan legislature passed the Protecting Local Government Retirement and Benefits Act, MCL 38.2801 et. seq., creating the Municipal Stability Board (the "MSB") 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 MSB;

WHEREAS, on August 15, 2018, by Resolution 2018-10, the MSB 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, on July 18, 2018 the MSB received the Milan Public Library's (the "Municipality") Corrective Action Plan, a summary of which is attached to this Resolution;

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

WHEREAS, Treasury is recommending the MSB approve the Corrective Action Plan.

NOW THEREFORE, BE IT RESOLVED, the MSB determines that the Municipality's Corrective Action Plan sufficiently meets the Best Practices and the Approval Criteria;

BE IT FURTHER RESOLVED, the MSB approves the Municipality's Corrective Action Plan; and

BE IT FURTHER RESOLVED, that Treasury is directed to oversee that the Corrective Action Plan is implemented pursuant to MCL 38.2810 and to report to the MSB the status of the implementation on a regular basis.

Ayes:
Nays:
Recused:
Lansing, Michigan
August 15, 2018

Treasury Recommendation
Milan Public Library
Pension Corrective Action Plan (CAP)
Non-Primary Unit 818007

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/ Revenue	CAP required?
General Employees Retirement System	Pension	$229,938	$404,908	56.8%	$14,129	$382,776	3.7%	Yes

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the corrective action plan submitted by Milan Public Library, which was received by the Board on July 18, 2018. If approved by the Municipal Stability Board (MSB), Treasury and the MSB 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:**
  - On April 10, 2018, the system has updated eligibility requirements to require new employees work 40 hours per week with a 10-year vesting period to be eligible for benefits.
- **Plan Funding:**
  - On April 20, 2018 the Library made a one-time payment of $10,298.58 to the General Employee's Retirement System.

Prospective Changes:

- The Milan Public Library Board of Trustees have committed to pay a voluntary contribution of $5,000 (or more, up to a maximum of $10,000) and in each fiscal year until the deficit is corrected.

Path to Funding:

- Milan Public Library's CAP included a $10,000 invoice from April 2018 and a $2,331.31 invoice from May 2018 to MERS.
- Milan Public Library will reach 60% funded status between FY 2030-2032.

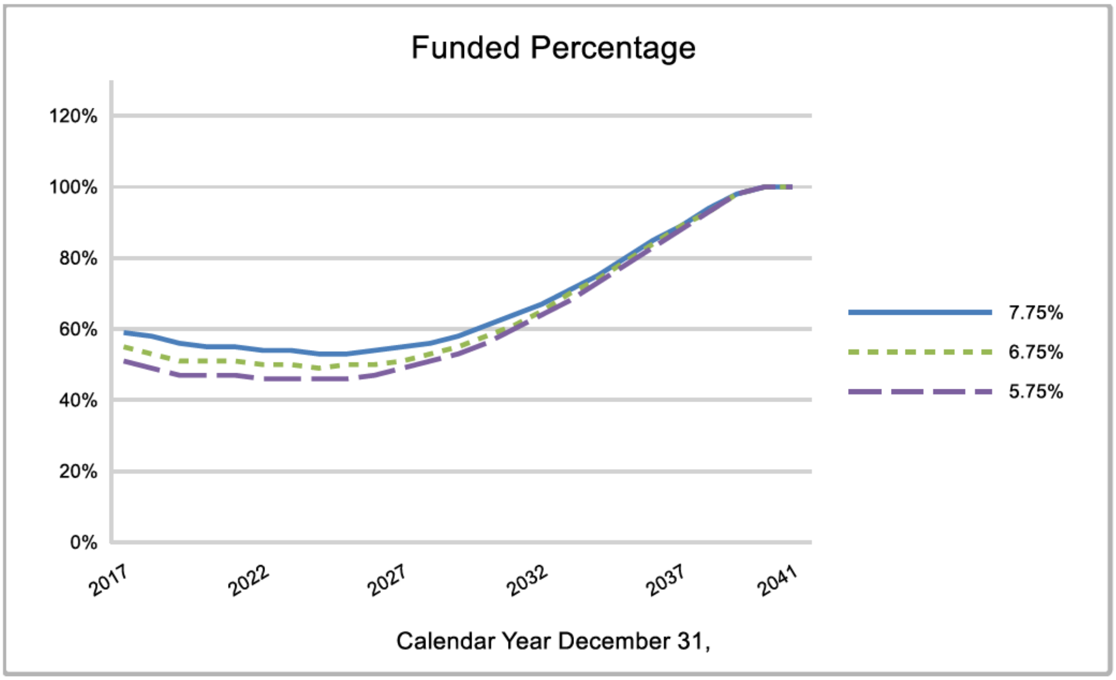
Corrective Action Criteria:

- The Milan Public Library follows these corrective action criteria:
  1. It is legal and feasible because it complies with local, state, and federal laws; is approved by their governing body.
  2. It is affordable because of their section 5 certification, confirming annual payments.
  3. Their corrective action plan reaches funded status in a reasonable timeframe, according to the most recent valuation.

Treasury Recommendation
Milan Public Library
Pension Corrective Action Plan (CAP)
Non-Primary Unit 818007

Supplemental Information:

Milan Public Library's CAP included the invoices for their $10,000, $298.58, and $2,331.31 contribution to their MERS retirement system.



Notes:

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

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: MILAN PUBLIC LIBRARY Six-Digit Muni Code: 818007

Defined Benefit Pension System Name: MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

Contact Name (Administrative Officer): SUSAN WESS

Title if not Administrative Officer: DIRECTOR

Email: susan.wess@milanlibrary.org Telephone Number: (734) 439-1240

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

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

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

(i) Closing the current defined benefit plan.

(ii) Implementing a multiplier limit.

(iii) Reducing or eliminating new accrued benefits.

(iv) Implementing final average compensation standards.

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

The system's multiplier for current employees was raised from 19.37% to 22.90% effective 5/1/18. This is reflected in Invoice 00082847-1, dated and paid 5/31/18 (attachment 7a).
Effective as of the Milan Public Library Board meeting on April 10, 2018, MPL policy requires that new employees work 40 hours per week and with a 10 year vesting period in order to be eligible for pension and other benefits.

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

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

The local unit provided a lump sum payment of $10,000 to the General Employees' Retirement System on 04/20/2018. (attachment 4a, MERS invoice 00081639-1, payment processed 04/25/2018). We also submitted a Voluntary Contribution of $298.58 on 04/20/2018 as a supplement to effectively bring our contribution for April 2018 to a total of 22.90% of wages. (attachment 4b, MERS invoice 00081611-1, payment processed 4/20/18).

☐ **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.***

Beginning with the 2018-19 Fiscal Year, new employees must work 40 hours per week n order to be eligible for pension benefits. The vesting period will remain at 10 years (as approved by the MPL Board of Trustees at the April 10, 2018 meeting - attachment 1a, page 2, #14, item "a")

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

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

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

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

MPL will continue in FY 2018-19 to pay a Voluntary Contribution of $5,000 (or more, up to a maximum of $10,000) and in each each fiscal year until the deficit is corrected. See attachment 1b, page 2, #13, item "e", MPL Board of Trustees meeting minutes from June 12, 2018.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

☒ **Yes**
☐ **No**
If No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention	Type of Document
☒ Attachment – 1	**This Corrective Action Plan Form (Required)**
☒ Attachment – 1a	**Documentation from the governing body approving this Corrective Action Plan (Required)**
☐ Attachment – 2a	Actuarial Analysis (annual valuation, supplemental valuation, projection)
☐ Attachment – 3a	Internally Developed Projection Study
☒ Attachment – 4a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
☐ Attachment – 5a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
☐ Attachment – 6a	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 – 7a	Other documentation, not categorized above

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

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

Signature ______________________ Date 6-15-18

Attachment 1a

From the April 10, 2018 board minutes for the Milan Public Library Board of Trustees:

14 a. Retirement Funding – The State recently notified the Library that our retirement liability is underfunded, and gave us two different options for catching up. MOTION to approve a one-time payment of $10,000 into the fund, plus a monthly contribution increase of $763, and to change the pension vesting period from 6 years to 10 years by Chidester/Sorensen, approved unanimousl

Attachment 1b

From the June 12, 2018 board minutes for the Milan Public Library Board of Trustees:

13 e. Corrective Action Plan (Retirement Funding) – The Library has prepared a Corrective Action Plan for its retirement funding: *"Category of Prior Actions / System Design Changes:* The system's multiplier for current employees was raised from 19.37% to 22.90% effective 5/1/18. This is reflected in Invoice 00082847-1, dated and paid 5/31/18. Effective as of the Milan Public Library Board meeting on April 10, 2018, MPL policy requires that new employees work 40 hours per week and with a 10 year vesting period in order to be eligible for pension and other benefits. *Additional Funding:* The local unit provided a lump sum payment of $10,000 to the General Employees' Retirement System on 4/20/2018 (MERS Invoice 00081639-1, payment processed 04/25/2018). We also submitted a Voluntary Contribution of $298.58 on 4/20/2018 as a supplement to effectively bring our contribution for April 2018 to a total of 22.90% of wages (MERS Invoice 0081611-1, payment processed 4/20/18. *Category of Prospective Actions / System Design Changes:* Beginning with the 2018-19 Fiscal Year, new employees must work 40 hours per week in order to be eligible for pension benefits. The vesting period will remain at 10 years (as approved by the MPL Board of Trustees at the April 10, 2018 meeting – see attached). *Other Considerations:* MPL will continue in FY 2018-19 to pay a Voluntary Contribution of $5,000 (or more, up to a maximum of $10,000) in each fiscal year until the deficit is corrected. meeting minutes from MOTION to approve the Corrective Action Plan for Retirement Funding by Biederman/Middleton, approved unanimously.

MERS
Municipal Employees' Retirement System

MERS
1134 Municipal Way
Lansing, MI 48917
www.mersofmich.com

Invoice	00081639-1
Date	4/30/2018
Customer	580601
Due Date	5/20/2018
Page	1 / 1

Bill To:

Edie Herrold
Milan Library
151 Wabash St.
Milan, MI 48160-0000

Billing Questions? **Email: servicecenter@mersofmich.com** **Phone: 1.800.767.6377** **Fax: 517.703.9711**

Invoice Details	Division Number	Billing Period	Division Name	MERS Wages Reported Through Defined Benefit Reporting	Employer Contribution Percentage or Flat Amount	Contribution Amount Employer	Contribution Amount Employee	Contribution Amount Employer Voluntary
00081639-01	580601S1	2018-04	Surplus Associated	$10,000.00	1.00	$0.00	$0.00	$10,000.00
					Subtotal:	$0.00	$0.00	$10,000.00
						Total		$10,000.00

Log onto ePayment to pay your invoice.

Municipal Employees' Retirement System

MERS
1134 Municipal Way
Lansing, MI 48917
www.mersofmich.com

Invoice	00082847-1
Date	5/31/2018
Customer	580601
Due Date	6/20/2018
Page	1 / 1

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Invoice Details	Division Number	Billing Period	Division Name	MERS Wages Reported Through Defined Benefit Reporting	Employer Contribution Percentage or Flat Amount	Contribution Amount Employer	Employee	Employer Voluntary
00082847-01	58060107	2018-05	General	$10,180.40	22.90%	$2,331.31	$0.00	$0.00
					Subtotal:	$2,331.31	$0.00	$0.00
						Total		$2,331.31

Log onto ePayment to pay your invoice.

Municipal Employees' Retirement System

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Invoice Details	Division Number	Billing Period	Division Name	MERS Wages Reported Through Defined Benefit Reporting	Employer Contribution Percentage or Flat Amount	Contribution Amount Employer	Employee	Employer Voluntary
00081611-01	58060107	2018-04	General	$8,458.41	3.53%	$0.00	$0.00	$298.58
					Subtotal:	$0.00	$0.00	$298.58
						Total		$298.58

Log onto ePayment to pay your invoice.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

ANNUAL ACTUARIAL VALUATION REPORT DECEMBER 31, 2017

MILAN LIB (5806)

Spring, 2018

Milan Lib

In care of:
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

This report presents the results of the Annual Actuarial Valuation, prepared as of December 31, 2017. The report includes the determination of liabilities and contribution rates resulting from the participation of Milan Lib (5806) in the Municipal Employees' Retirement System of Michigan ("MERS"). MERS is an independent, professional retirement services company that was created to administer retirement plans for Michigan municipalities on a not-for-profit basis. This report contains the minimum actuarially determined contribution requirement, in alignment with the MERS Plan Documents, funding policy and Michigan Constitution. Milan Lib is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees under the Michigan Constitution and the MERS Plan Document.

The purpose of the December 31, 2017 annual actuarial valuation is to:

- Measure funding progress
- Establish contribution requirements for the fiscal year beginning July 1, 2019
- Provide actuarial information in connection with applicable Governmental Accounting Standards Board (GASB) statements

This valuation report should not be relied upon for any other purpose. Reliance on information contained in this report by anyone for anything other than the intended purpose could be misleading.

The valuation uses financial data, plan provision data, and participant data as of December 31, 2017 furnished by MERS. In accordance with Actuarial Standards of Practice No. 23, the data was checked for internal and year to year consistency as well as general reasonableness, but was not otherwise audited. CBIZ Retirement Plan Services does not assume responsibility for the accuracy or completeness of the data used in this valuation.

The actuarial assumptions and methods are adopted by the MERS Retirement Board, and are reviewed every five years in an Experience Study. The most recent study was completed in 2015. Please refer to the division-specific assumptions described in table(s) in this report, and to the Appendix on the MERS website at:
www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2017AnnualActuarialValuation-Appendix.pdf.

The actuarial assumptions used for this valuation produce results that we believe are reasonable.

To the best of our knowledge, this report is complete and accurate, was prepared in conformity with generally recognized actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and is in compliance with Act No. 220 of the Public Acts of 1996, as amended, and the MERS Plan Document as revised. All of the undersigned are members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The Retirement Board of the Municipal Employees' Retirement System of Michigan confirms that the System provides for payment of the required employer contribution as described in Section 20m of Act No. 314 of 1965 (MCL 38.1140m).

This information is purely actuarial in nature. It is not intended to serve as a substitute for legal, accounting or investment advice.

This report was prepared at the request of the Retirement Board and may be provided only in its entirety by the municipality to other interested parties (MERS customarily provides the full report on request to associated third parties such as the auditor for the municipality). CBIZ Retirement Plan Services is not responsible for the consequences of any unauthorized use.

You should notify MERS if you disagree with anything contained in the report or are aware of any information that would affect the results of the report that have not been communicated to us. If you have reason to believe that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, that conditions have changed since the calculations were made, that the information provided in this report is inaccurate or is in anyway incomplete, or if you need further information in order to make an informed decision on the subject matter in this report, please contact your Regional Manager at 1.800.767.MERS (6377).

Sincerely,

Cathy Nagy, MAAA, FSA
Jim Koss, MAAA, ASA
Curtis Powell, MAAA, EA

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Executive Summary

Funded Ratio and Required Employer Contributions

The MERS Defined Benefit Plan is an agent multiple-employer plan, meaning that assets are pooled for investment purposes but separate accounts are maintained for each individual employer. Each municipality is responsible for their own plan liabilities; MERS does not borrow from one municipality's account to pay for another.

The funded ratio of a plan is the percentage of the dollar value of the accrued benefits that is covered by the actuarial value of assets.

Your Funded Ratio:

	12/31/2017 *	12/31/2016
Funded Ratio	59%	60%

* Reflects assets from Surplus divisions, if any.

Michigan Law requires that pension plans be pre-funded, meaning money is set aside now to pay for future benefits. Pension plans are usually funded by employer and employee contributions, and investment income.

How quickly a plan attains the 100% funding goal depends on many factors such as:

- The current funded ratio
- The future experience of the plan
- The amortization period

It is more important to look at the trend in the funded ratio over a period of time than at a particular point in time.

Your Required Employer Contributions:

Your computed employer contributions are shown in the following table. Employee contributions, if any, are in addition to the computed employer contributions. Changes to the assumptions and methods based on the 2015 Experience Study were first reflected in the December 31, 2015 valuations. The impact of these changes is being phased-in over a 5 year period. The phase-in allows the employer to spread the impact of the new assumptions over 5 fiscal years. This valuation reflects the third year of the phase-in.

Your minimum required contribution is the amount in the “Phase-in” columns. By default, MERS will invoice you the phased-in contribution amount, but strongly encourages you to contribute more than the minimum required contribution. If for 2018 your municipality is making employer contributions based on rates without the phase-in applied, contact MERS to ensure the No Phase-in rate is used again for 2019 and not the defaulted phase-in rates.

	Percentage of Payroll				Monthly $ Based on Projected Payroll			
	Phase-in	No Phase-in	Phase-in	No Phase-in	Phase-in	No Phase-in	Phase-in	No Phase-in
Valuation Date:	12/31/2017	12/31/2017	12/31/2016	12/31/2016	12/31/2017	12/31/2017	12/31/2016	12/31/2016
Fiscal Year Beginning:	July 1, 2019	July 1, 2019	July 1, 2018	July 1, 2018	July 1, 2019	July 1, 2019	July 1, 2018	July 1, 2018
Division								
07 - General	22.57%	23.72%	21.19%	22.90%	$ 1,653	$ 1,737	$ 1,566	$ 1,692
Municipality Total					**$ 1,653**	**$ 1,737**	**$ 1,566**	**$ 1,692**

Employee contribution rates reflected in the valuations are shown below:

	Employee Contribution Rate	
Valuation Date:	12/31/2017	12/31/2016
Division		
07 - General	0.00%	0.00%

The employer may contribute more than the minimum required contributions, as these additional contributions will earn investment income and may result in lower future contribution requirements. Employers making contributions in excess of the minimum requirements may elect to apply the excess contribution immediately to a particular division, or segregate the excess into one or more of what MERS calls ”Surplus” divisions. An election in the first case would immediately reduce any unfunded accrued liability and lower the amortization payments throughout the remaining amortization period. An election to set up Surplus divisions would not immediately lower future contributions, however the assets from the Surplus divisions could be transferred to an unfunded division in the future to reduce the unfunded liability in future years, or to be used to pay all or a portion of the minimum required contribution in a future year. For purposes of this report, the assets in any Surplus division have been included in the municipality's total assets, unfunded accrued liability and funded status, however, these assets are not used in calculating the minimum required contribution.

MERS strongly encourages employers to contribute more than the minimum contribution shown above.

Assuming that experience of the plan meets actuarial assumptions:

- To accelerate to a 100% funding ratio in 10 years, estimated monthly employer contributions for the fiscal year beginning in 2019 for the entire employer would be $2,489, instead of $1,737.

If you are interested in making additional contributions, please contact MERS and they can assist you with evaluating your options.

How and Why Do These Numbers Change?

In a defined benefit plan, contributions vary from one annual actuarial valuation to the next as a result of the following:

- Changes in benefit provisions (see Table 2)
- Changes in actuarial assumptions and methods (see the Appendix)
- Experience of the plan (investment experience and demographic experience); this is the difference between actual experience of the plan and the actuarial assumptions. For example:
  - Lower actual investment returns would result in higher required employer contributions, and vice-versa.
  - Smaller than assumed pay increases would lower required employer contributions.
  - Reductions in the number of active employees would lower required contribution dollars, but would usually increase the contribution rate expressed as a percentage of (the now lower) payroll.
  - Retirements at earlier ages than assumed would usually increase required employer contributions.
  - More non-vested terminations of employment than assumed would decrease required contributions.
  - More disabilities or survivor (death) benefits than assumed would increase required contributions.
  - Longer lifetimes after retirement than assumed would increase required employer contributions.

Actuarial valuations do not affect the ultimate cost of the plan; the benefit payments (current and future) determine the cost of the plan. Actuarial valuations only affect the timing of the contributions into the plan. Because assumptions are for the long term, plan experience will not match the actuarial assumptions in any given year (except by coincidence). Each annual actuarial valuation will adjust the required employer contributions up or down based on the prior year's actual experience.

Comments on Investment Return Assumption and Asset Smoothing

A defined benefit plan is funded by employer contributions, participant contributions, and investment earnings. Investment earnings have historically provided **more than half** of the funding. The larger the share of benefits being provided from investment returns, the smaller the required contributions, and vice versa. Determining the contributions required to prefund the promised retirement benefits requires an assumption of what investment earnings are expected to add to the fund over a long period of time. This is called the **Investment Return Assumption**.

The MERS Investment Return Assumption is **7.75%** per year. This, along with all of our other actuarial assumptions, is reviewed every five years in an Experience Study that compares the assumptions used against actual experience and recommends adjustments if necessary. If your municipality would like to explore contributions at lower investment return assumptions, please review the budget projection scenarios later in this report.

To avoid dramatic spikes and dips in annual contribution requirements due to short term fluctuations in asset markets, MERS applies a technique called **asset smoothing**. This spreads out each year's investment gains or losses over the prior year and the following four years. This smoothing method is used to determine your actuarial value of assets (valuation assets), which is then used to determine both your funded ratio and your required contributions. The (smoothed) **actuarial rate of return for 2017 was 6.08%, while the actual market rate of return was 13.07%**. To see historical details of the market rate of return, compared to the smoothed actuarial rate of return, refer to this report's Appendix, or visit our Defined Benefit resource page on the MERS website.

As of December 31, 2017 the actuarial value of assets is 101% of market value due to asset smoothing. This means that meeting the actuarial assumption in the next few years will require average annual market returns that exceed the 7.75% investment return assumption, or contribution requirements will continue to increase.

If the December 31, 2017 valuation results were based on market value instead of the actuarial value:

- The funded percent of your entire municipality would be 58% (instead of 59%); and
- Your total employer contribution requirement for the fiscal year starting July 1, 2019 would be $21,060 (instead of $20,844).

Risk Characteristics of Defined Benefit Plans

It is important to understand that Defined Benefit retirement plans, the plan sponsor, and the plan participants are exposed to certain risks. While risks cannot be eliminated entirely, they can be managed through various strategies. Below are a few examples of risk (this is not an all-inclusive list):

- Economic - investment return, wage inflation, etc.
- Demographic - longevity, disability, retirement, etc.
- Plan Sponsor and Employees - contribution volatility, attract/retain employees, etc.

The MERS Retirement Board adopts certain assumptions and methods to manage the economic and demographic risks, and the contribution volatility risks. For example, the investment risk is the largest economic risk and is managed by having a balanced portfolio and a clearly defined investment strategy. Demographic risks are managed by preparing special studies called experience studies on a regular basis to determine if the assumptions used are reasonable compared to the experience. An Experience Study is completed every five years to review the assumptions and methods. The next Experience Study will be completed in 2020.

Risk can also be managed through a plan design that provides benefits that are sustainable in the long run.

The Actuarial Standards Board has issued Actuarial Standards of Practice (ASOP) No. 51. This standard will be effective for any actuarial work with a measurement date on or after November 1, 2018. This means, the December 31, 2018 and later annual actuarial valuation reports for MERS will have to comply with this standard. This standard will require the actuary to identify risks that, in the actuary's professional judgment may significantly impact the plan's future financial condition. The actuary will have to assess the potential effects of the identified risks on the plan's future financial condition. The assessment may or may not be based on numerical calculations. However, the assessment should reflect the specifics of the plan (i.e. funded status, plan demographics, funding policy, etc.). If the actuary concludes that numerical calculations are necessary to assess the risk, the actuary can use various methods to quantify the risk such as scenario tests, sensitivity tests, stress tests, etc.

Some of these risk assessment measures have already been incorporated in the MERS annual valuation reports. For example, the projections of funded percentage and employer contributions shown on the following pages could be used to gauge the risk associated with long term investment rates of return different than the assumed 7.75% annual rate. A history of the municipality's funded percentage as shown in Table 7, could indicate the trend in funded status over time.

Alternate Scenarios to Estimate the Potential Volatility of Results ("What If Scenarios")

The calculations in this report are based on assumptions about long-term economic and demographic behavior. These assumptions will never materialize in a given year, except by coincidence. Therefore the results will vary from one year to the next. The volatility of the results depends upon the characteristics of the plan. For example:

- Open divisions that have substantial assets compared to their active employee payroll will have more volatile employer contribution rates due to investment return fluctuations.
- Open divisions that have substantial accrued liability compared to their active employee payroll will have more volatile employer contribution rates due to demographic experience fluctuations.
- Small divisions will have more volatile contribution patterns than larger divisions because statistical fluctuations are relatively larger among small populations.
- Shorter amortization periods result in more volatile contribution patterns.

The analysis in this section is intended to review the potential volatility of the actuarial valuation results. It is important to note that calculations in this report are mathematical estimates based upon assumptions regarding future events, which may or may not materialize. Actuarial calculations can and do vary from one valuation to the next, sometimes significantly depending on the group's size.

Many assumptions are important in determining the required employer contributions. In the table below, we show the impact of varying the Investment Return Assumption. Lower investment returns would result in higher required employer contributions, and vice-versa.

The relative impact of each investment return scenario below will vary from year to year, as the participant demographics change. The impact of each scenario should be analyzed for a given year, not from year to year. The results in the table are based on the December 31, 2017 valuation, and are for the municipality in total, not by division. These results do not reflect a 5-year phase in of the impact of the new actuarial assumptions.

	Assumed Future Annual Smoothed Investment Return Assumption			
	Lower Future Annual Returns		**Valuation Assumption**	**Higher Returns**
12/31/2017 Valuation Results	**5.75%**	**6.75%**	**7.75%**	**8.75%**
Accrued Liability	$ 479,481	$ 446,043	$ 416,442	$ 390,116
Valuation Assets[1]	$ 245,468	$ 245,468	$ 245,468	$ 245,468
Unfunded Accrued Liability	$ 234,013	$ 200,575	$ 170,974	$ 144,648
Funded Ratio	51%	55%	59%	63%
Monthly Normal Cost	$ 947	$ 824	$ 720	$ 632
Monthly Amortization Payment	$ 1,148	$ 1,077	$ 1,017	$ 920
Total Employer Contribution[2]	$ 2,095	$ 1,901	$ 1,737	$ 1,552

1 The Valuation Assets include assets from Surplus divisions, if any.

2 If assets exceed accrued liabilities for a division, the division's amortization payment is negative and is used to reduce the division's employer contribution requirement. If the overfunding credit is larger than the normal cost, the division's full credit is included in the municipality's amortization payment above but the division's total contribution requirement is zero. This can cause the displayed normal cost and amortization payment to not add up to the displayed total employer contribution.

Projection Scenarios

The next two pages show projections of the plan's funded ratio and computed employer contributions under the actuarial assumptions used in the valuation and alternate assumed long-term investment return assumption scenarios. All four projections take into account the past investment losses that will continue to affect the actuarial rate of return in the short term. Under the 7.75% scenarios in the table on the next page, two sets of projections are shown:

- Based on the phase-in over 5 fiscal years (beginning in 2017) of the increased contribution requirements associated with the new actuarial assumptions. This projects your minimum required contribution.
- Based on no phase-in of the increased contribution requirements.

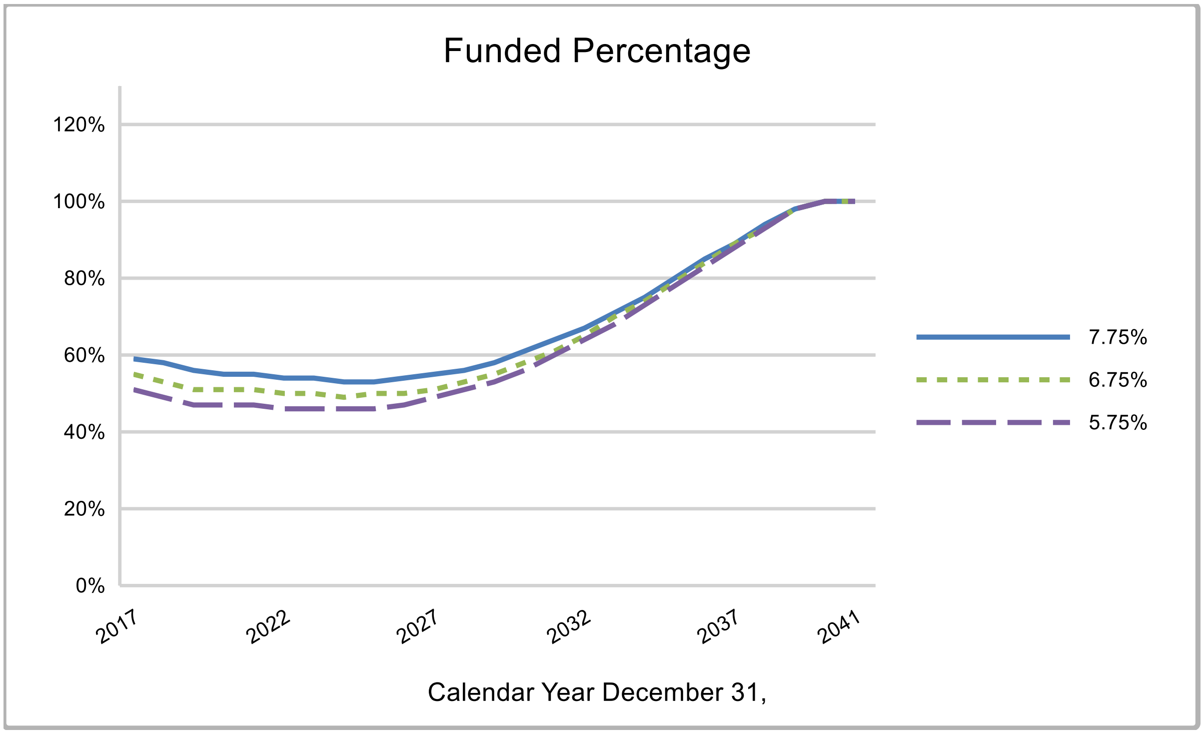
The 7.75% scenarios provide an estimate of computed employer contributions based on current actuarial assumptions, and a projected 7.75% market return. The other two scenarios may be useful if the municipality chooses to budget more conservatively, and make contributions in addition to the minimum requirements. The 6.75% and 5.75% projections provide an indication of the potential required employer contribution if MERS were to realize annual investment returns of 6.75% and 5.75% over the long-term.

The projections are shown both in tabular and graphical form in total for the employer. The tables show projections for six years. The graphs show projections for twenty five years.

Valuation Year Ending 12/31	Fiscal Year Beginning 7/1	Actuarial Accrued Liability	Valuation Assets[2]	Funded Percentage	Computed Annual Employer Contribution
7.75%[1]					
WITH 5-YEAR PHASE-IN					
2017	2019	$ 416,442	$ 245,468	59%	$ 19,836
2018	2020	419,000	241,000	58%	21,600
2019	2021	415,000	230,000	55%	23,400
2020	2022	411,000	226,000	55%	24,000
2021	2023	404,000	221,000	55%	24,800
2022	2024	395,000	213,000	54%	25,700
NO 5-YEAR PHASE-IN					
2017	2019	$ 416,442	$ 245,468	59%	$ 20,844
2018	2020	419,000	241,000	58%	22,000
2019	2021	415,000	230,000	56%	23,200
2020	2022	411,000	228,000	55%	23,900
2021	2023	404,000	223,000	55%	24,600
2022	2024	395,000	215,000	54%	25,600
6.75%[1]					
NO 5-YEAR PHASE-IN					
2017	2019	$ 446,043	$ 245,468	55%	$ 22,812
2018	2020	448,000	238,000	53%	24,400
2019	2021	443,000	227,000	51%	25,700
2020	2022	438,000	224,000	51%	26,400
2021	2023	431,000	219,000	51%	27,300
2022	2024	421,000	211,000	50%	28,300
5.75%[1]					
NO 5-YEAR PHASE-IN					
2017	2019	$ 479,481	$ 245,468	51%	$ 25,140
2018	2020	480,000	236,000	49%	27,000
2019	2021	475,000	223,000	47%	28,300
2020	2022	469,000	220,000	47%	29,100
2021	2023	461,000	216,000	47%	30,000
2022	2024	451,000	208,000	46%	31,200

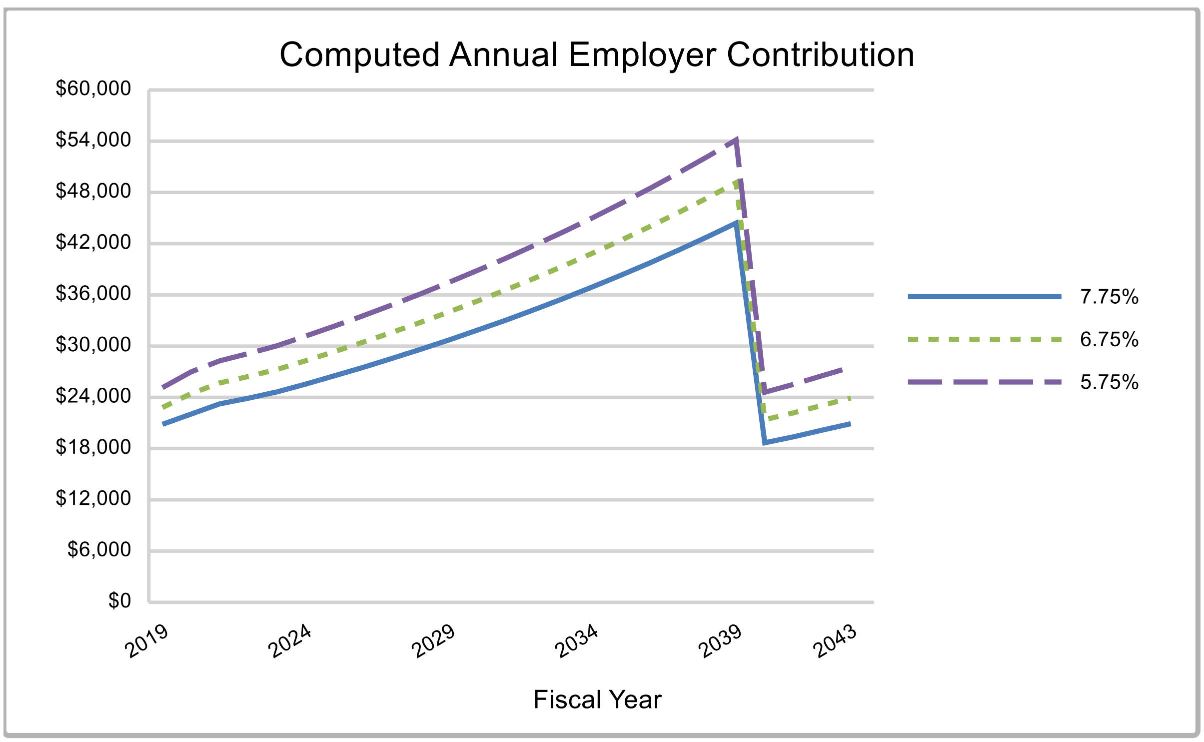
1 Represents both the interest rate for discounting liabilities and the future investment return assumption on the Market Value of assets.

2 Valuation Assets do not include assets from Surplus divisions, if any.



Notes:

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



Notes:

All projected contributions are shown with no phase-in.

Employer Contribution Details For the Fiscal Year Beginning July 1, 2019

Table 1

Division	Total Normal Cost	Employee Contribut. Rate	Employer Contributions[1] Employer Normal Cost	Payment of the Unfunded Accrued Liability[4]	Computed Employer Contribut. No Phase-In	Computed Employer Contribut. With Phase-In	Blended ER Rate No Phase-In[5]	Blended ER Rate With Phase-In[5]	Employee Contribut. Conversion Factor[2]
Percentage of Payroll									
07 - General	9.83%	0.00%	9.83%	13.89%	23.72%	22.57%			0.82%
Estimated Monthly Contribution[3]									
07 - General			$ 720	$ 1,017	$ 1,737	$ 1,653			
Total Municipality			**$ 720**	**$ 1,017**	**$ 1,737**	**$ 1,653**			
Estimated Annual Contribution[3]			**$ 8,640**	**$ 12,204**	**$ 20,844**	**$ 19,836**			

1 The above employer contribution requirements are in addition to the employee contributions, if any.

2 If employee contributions are increased/decreased by 1.00% of pay, the employer contribution requirement will decrease/increase by the Employee Contribution Conversion Factor. The conversion factor is usually under 1%, because employee contributions may be refunded at termination of employment, and not used to fund retirement pensions. Employer contributions will all be used to fund pensions.

3 For divisions that are open to new hires, estimated contributions are based on projected fiscal year payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts. For divisions that will have no new hires (i.e. closed divisions), invoices will be based on the above dollar amounts which are based on projected fiscal year payroll. See description of Open Divisions and Closed Divisions in the Appendix.

4 If projected assets exceed projected liabilities as of the beginning of the July 1, 2019 fiscal year, the negative unfunded accrued liability is treated as overfunding credit and is used to reduce the contribution. This amortization is used to reduce the employer contribution rate. Note that if the overfunding credit is larger than the normal cost, the full credit is shown above but the total contribution requirement is zero. This will cause the displayed normal cost and unfunded accrued liability contributions to not add across.

5 For linked divisions, the employer will be invoiced the Computed Employer Contribution with Phase-in rate shown above for each linked division (a contribution rate for the open division; a contribution dollar for the closed-but-linked division), unless the employer elects to contribute the Blended Employer Contribution rate shown above, by contacting MERS at 800-767-MERS (6377).

Please see the Comments on Asset Smoothing in the Executive Summary of this report.

Benefit Provisions

Table 2

07 - General: Open Division

	2017 Valuation	2016 Valuation
Benefit Multiplier:	1.70% Multiplier (no max)	1.70% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	0%	0%
Act 88:	No	No

Participant Summary

Table 3

Division	2017 Valuation		2016 Valuation		2017 Valuation		
	Number	Annual Payroll[1]	Number	Annual Payroll[1]	Average Age	Average Benefit Service[2]	Average Eligibility Service[2]
07 - General							
Active Employees	2	$ 80,103	2	$ 80,884	68.2	13.6	13.6
Vested Former Employees	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	2	31,059	2	31,059	72.0		
Total Municipality							
Active Employees	**2**	**$ 80,103**	**2**	**$ 80,884**	**68.2**	**13.6**	**13.6**
Vested Former Employees	**0**	**0**	**0**	**0**	**0.0**	**0.0**	**0.0**
Retirees and Beneficiaries	**2**	**31,059**	**2**	**31,059**	**72.0**		
Total Participants	**4**		**4**				

1 Annual payroll for active employees; annual deferred benefits payable for vested former employees; annual benefits being paid for retirees and beneficiaries.

2 Description can be found under Miscellaneous and Technical Assumptions in the Appendix.

Reported Assets (Market Value)

Table 4

Division	2017 Valuation		2016 Valuation	
	Employer and Retiree[1]	Employee[2]	Employer and Retiree[1]	Employee[2]
07 - General	$ 242,720	$ 0	$ 229,938	$ 0
Municipality Total	**$ 242,720**	**$**	**$ 229,938**	**$**
Combined Assets	**$242,720**		**$229,938**	

1 Reserve for Employer Contributions and Benefit Payments

2 Reserve for Employee Contributions

The December 31, 2017 valuation assets (actuarial value of assets) are equal to 1.011321 times the reported market value of assets (compared to 1.077095 as of December 31, 2016). The derivation of valuation assets is described, and detailed calculations of valuation assets are shown, in the Appendix.

Flow of Valuation Assets

Table 5

Year Ended 12/31	Employer Contributions Required	Employer Contributions Additional	Employee Contributions	Investment Income (Valuation Assets)	Benefit Payments	Employee Contribution Refunds	Net Transfers	Valuation Asset Balance
2007	$ 13,721		$ 0	$ 16,689	$ (16,271)	$ 0	$ 0	$ 220,500
2008	16,781		0	10,797	(16,271)	0	0	231,807
2009	14,877		0	11,657	(16,271)	0	0	242,070
2010	13,914		0	13,806	(16,271)	0	0	253,519
2011	13,164	$ 0	0	13,548	(16,271)	0	0	263,960
2012	12,311	0	0	12,262	(17,503)	0	0	271,030
2013	9,248	0	0	13,891	(31,059)	0	0	263,110
2014	12,304	0	0	13,975	(31,059)	0	0	258,330
2015	14,186	0	0	11,564	(31,059)	0	0	253,021
2016	14,129	0	0	11,574	(31,059)	0	0	247,665
2017	14,754	0	0	14,108	(31,059)	0	0	245,468

Notes:

Transfers in and out are usually related to the transfer of participants between municipalities, and to employer and employee payments for service credit purchases (if any) that the governing body has approved.

Additional employer contributions, if any, are shown separately starting in 2011. Prior to 2011, additional contributions are combined with the required employer contributions.

The investment income column reflects the recognized investment income based on Valuation Assets. It does not reflect the market value investment return in any given year.

The Valuation Assets include assets from Surplus divisions, if any.

Actuarial Accrued Liabilities and Valuation Assets
As of December 31, 2017

Table 6

Division	Actuarial Accrued Liability	Valuation Assets[1]	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
07 - General				
Active Employees	$ 159,153	$ 0	0.0%	$ 159,153
Vested Former Employees	0	0	0.0%	0
Retirees And Beneficiaries	257,289	245,468	95.4%	11,821
Pending Refunds	0	0	0.0%	0
Total	**$ 416,442**	**$ 245,468**	**58.9%**	**$ 170,974**
Total Municipality				
Active Employees	**$ 159,153**	**$ 0**	**0.0%**	**$ 159,153**
Vested Former Employees	**0**	**0**	**0.0%**	**0**
Retirees and Beneficiaries	**257,289**	**245,468**	**95.4%**	**11,821**
Pending Refunds	**0**	**0**	**0.0%**	**0**
Total	**$ 416,442**	**$ 245,468**	**58.9%**	**$ 170,974**

[1] Includes both employer and employee assets.

Please see the Comments on Asset Smoothing in the Executive Summary of this report.

Actuarial Accrued Liabilities - Comparative Schedule

Table 7

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2003	$ 265,633	$ 176,491	66%	$ 89,142
2004	273,057	188,749	69%	84,308
2005	284,289	199,012	70%	85,277
2006	280,504	206,361	74%	74,143
2007	290,240	220,500	76%	69,740
2008	293,918	231,807	79%	62,111
2009	299,305	242,070	81%	57,235
2010	302,742	253,519	84%	49,223
2011	318,052	263,960	83%	54,092
2012	365,220	271,030	74%	94,190
2013	369,324	263,110	71%	106,214
2014	377,127	258,330	69%	118,797
2015	404,504	253,021	63%	151,483
2016	411,885	247,665	60%	164,220
2017	416,442	245,468	59%	170,974

Notes: Actuarial assumptions were revised for the 2004, 2008, 2009, 2010, 2011, 2012 and 2015 actuarial valuations.

The Valuation Assets include assets from Surplus divisions, if any.

Division 07 - General

Table 8-07: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2007	$ 290,240	$ 220,500	76%	$ 69,740
2008	293,918	231,807	79%	62,111
2009	299,305	242,070	81%	57,235
2010	302,742	253,519	84%	49,223
2011	318,052	263,960	83%	54,092
2012	365,220	271,030	74%	94,190
2013	369,324	263,110	71%	106,214
2014	377,127	258,330	69%	118,797
2015	404,504	253,021	63%	151,483
2016	411,885	247,665	60%	164,220
2017	416,442	245,468	59%	170,974

Notes: Actuarial assumptions were revised for the 2008, 2009, 2010, 2011, 2012 and 2015 actuarial valuations.

Table 9-07: Computed Employer Contributions - Comparative Schedule

Valuation Date December 31	Active Employees		Computed Employer Contribution[1]	Employee Contribution Rate[2]
	Number	Annual Payroll		
2007	4	$ 163,188	11.27%	0.00%
2008	4	163,153	11.06%	0.00%
2009	4	156,529	10.83%	0.00%
2010	3	124,589	11.14%	0.00%
2011	3	120,292	11.53%	0.00%
2012	2	77,501	16.99%	0.00%
2013	2	81,557	17.29%	0.00%
2014	2	85,553	17.65%	0.00%
2015	2	82,781	21.59%	0.00%
2016	2	80,884	22.90%	0.00%
2017	2	80,103	23.72%	0.00%

1 For open divisions, a percent of pay contribution is shown. For closed divisions, a monthly dollar contribution is shown.

2 For each valuation year, the computed employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the computed employer contribution will be adjusted.

Note: The contributions shown in Table 9 for the 12/31/2015 through 12/31/2019 valuations do **not** reflect the phase-in of the increased contribution requirements associated with the new actuarial assumptions. The full contribution without

Division 07 - General

Table 10-07: Layered Amortization Schedule

Type of UAL	Date Established	Original Balance[1]	Original Amortization Period[2]	Amounts for Fiscal Year Beginning 7/1/2019: Outstanding UAL Balance[3]	Remaining Amortization Period[2]	Annual Amortization Payment
Initial	12/31/2015	$ 151,483	23	$ 161,569	21	$ 11,352
(Gain)/Loss	12/31/2016	7,843	22	8,829	21	624
(Gain)/Loss	12/31/2017	2,849	21	3,187	21	228
Total				**$ 173,585**		**$ 12,204**

1 For each type of UAL (layer), this is the original balance as of the date the layer was established.

2 According to the MERS amortization policy, each type of UAL (layer) is amortized over a specific period (see Appendix on MERS website).

3 This is the remaining balance as of the valuation date, projected to the beginning of the fiscal year shown above.

The unfunded accrued liability (UAL) as of December 31, 2017 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2017 valuation to take into account the expected future contributions that are based on past valuations. Each type of UAL (layer) is amortized over the appropriate period. Please see the Appendix on the MERS website for a detailed description of the amortization policy.

GASB 68 Information

The following information has been prepared to provide some of the information necessary to complete GASB Statement No. 68 disclosures. Statement 68 is effective for fiscal years beginning after June 15, 2014. Additional resources, including an Implementation Guide, are available at www.mersofmich.com.

Actuarial Valuation Date:		12/31/2017
Measurement Date of Total Pension Liability (TPL):		12/31/2017
At 12/31/2017, the following employees were covered by the benefit terms:		
Inactive employees or beneficiaries currently receiving benefits:		2
Inactive employees entitled to but not yet receiving benefits:		0
Active employees:		2
		4
Covered employee payroll: (Needed for Required Supplementary Information)	$	80,103
Average expected remaining service lives of all employees (active and inactive):		1
Total Pension Liability as of 12/31/2016 measurement date:	$	404,908
Total Pension Liability as of 12/31/2017 measurement date:	$	409,573
Service Cost for the year ending on the 12/31/2017 measurement date:	$	7,658
Change in the Total Pension Liability due to:		
- Benefit changes[1]:	$	0
- Differences between expected and actual experience[2]:	$	(3,391)
- Changes in assumptions[2]:	$	0

[1] A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

[2] Changes in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in pension expense over the average remaining service lives of all employees.

Sensitivity of the Net Pension Liability to changes in the discount rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Change in Net Pension Liability as of 12/31/2017:	$ 28,736	-	$ (25,582)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

Benefit Provision History

The following benefit provision history is provided by MERS. Any corrections to this history or discrepancies between this information and information displayed elsewhere in the valuation report should be reported to MERS. All provisions are listed by date of adoption.

07 - General

12/1/2016	Service Credit Purchase Estimates - Yes
5/1/1998	Benefit FAC-3 (3 Year Final Average Compensation)
7/1/1997	6 Year Vesting
2/27/1996	Day of work defined as 8 Hours a Day for All employees.
7/1/1991	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/1991	10 Year Vesting
7/1/1991	Benefit B-1
7/1/1991	Benefit F55 (With 25 Years of Service)
7/1/1991	Member Contribution Rate 0.00%
7/1/1991	Fiscal Month - July
	Defined Benefit Normal Retirement Age - 60
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years

Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the Appendix. Some actuarial assumptions are specific to this municipality and its divisions. These are listed below.

Increase in Final Average Compensation

Division	FAC Increase Assumption
All Divisions	0.00%

Withdrawal Rate Scaling Factor

Division	Withdrawal Rate Scaling Factor
All Divisions	100%

Miscellaneous and Technical Assumptions

Loads – None.