

# **Municipal Stability Board**

Tuesday, November 17, 2020 at 11:00 a.m.  
Virtual Public Meeting  
via Microsoft TEAMS

## **I. Call to Order**

- A. Roll Call
- B. Approval of October 28, 2020 Minutes

## **II. Public Comment**

- A. 2-minute limit

## **III. Correspondence**

- A. Treasury Update
- B. OPEB Unfunded Liability Analysis Follow Up

## **IV. Old Business**

- A. Corrective Action Plan Monitoring Form 5720 Public Comment Review

## **V. New Business**

- A. Receipt of Corrective Action Plans
  - i. City of Bangor
  - ii. City of Fenton
  - iii. City of Lincoln Park
- B. Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-18)
  - i. City of Flat Rock
  - ii. Ogemaw County Road Commission
  - iii. St. Clair River Water and Sewer Authority
  - iv. White Cloud/Sherman Utilities Authority
- C. City of Iron Mountain Supplemental Pension Corrective Action Plan
- D. Corrective Action Plan Monitoring Certifications of Compliance (Resolution 2020-19)
  - i. City of Ecorse
  - ii. White Pine District Library

**VI. Public Comment**

A. 2-minute limit

**VII. Board Comment**

**VIII. Adjournment**

# MUNICIPAL STABILITY BOARD

Wednesday, October 28, 2020

1:00 p.m.

Virtual Public Meeting via Microsoft TEAMS

## DRAFT Meeting Minutes

### **CALL TO ORDER**

Chairman Eric Scorsone called the meeting to order at 1:02 p.m.

### **ROLL CALL**

#### Members Present: Three

Eric Scorsone – Flint, MI

John Lamerato – Sterling Heights, MI

Barry Howard – West Bloomfield, MI

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

### **APPROVAL OF MINUTES**

A motion was made to approve the September 16, 2020 board meeting minutes by Barry Howard and supported by John Lamerato. The Board unanimously approved the September 16, 2020 meeting minutes. 3 ayes and 0 nays.

### **PUBLIC COMMENT**

No public comment.

### **CORRESPONDENCE**

Nick Brousseau presented the Board with the Treasury update, which included an updated report on the Michigan Department of Treasury's communication and outreach.

Christopher Greathouse provided a 3-year comparison analysis of Public Act 202 of 2017 to the Board.

Finally, Nick Brousseau provided an overview of the corrective action plan (CAP) monitoring process and the next steps.

Nick Brousseau explained that the first local governments to go through the CAP monitoring review process with the Board are scheduled for the December board meeting. In advance of that meeting, Treasury would like to go through the CAP monitoring review and compliance certification process for a couple of local governments at the November Board meeting. This is to ensure that the review process is meeting the Board's requirements and to make adjustments, as necessary. Treasury would be providing recommendations for the City of Ecorse and White Pine District Library at the next meeting for the Board's review. To provide a reminder on the monitoring process, Nick Brousseau discussed the following documents:

- CAP monitoring policies and procedures

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DRAFT MEETING MINUTES**

- CAP monitoring form
- Treasury CAP monitoring recommendation form
- CAP monitoring resolution for Board action
- CAP monitoring results letters

Barry Howard inquired about the highest benefit cost in the next five years. Nick Brousseau explained that Treasury is looking for the year with the highest combined pension & OPEB costs as a percentage of local revenue. Barry Howard asked about the cost per person for these benefits. Nick Brousseau responded that this request is on a government-wide basis, not by individual benefit.

John Lamerato asked who would be developing the numbers going out five years. Nick Brousseau responded that it could be either an actuary or a local government internal analysis. Nick Brousseau also reviewed the instructions that Treasury has provided detailing how to complete this section of the form.

Barry Howard asked the question “Would monitoring the report include the actuarial report in the documentation?” Nick Brousseau said yes, it is in the requested documentation in the CAP form; however, an internal analysis could also be acceptable if a valuation was not available.

Barry Howard asked if there was an increased cost to the local government. Nick Brousseau responded that most of this information should already be provided to the local government through regularly scheduled processes. The local government can use their most recent valuation, actuarial projection, or an internal analysis to complete the projection.

Barry Howard asked the question “Has this form been out for public comment?” Nick Brousseau responded and said that this specific form had not been released for public comment, but the form is based on the CAP Monitoring Policies and Procedures document which was released for public comment multiple times. The policies and procedures document went out for public comment as recently as this summer. Rod Taylor commented and reiterated that this process has gone out to local governments for public comment, and the form simply reflects the criteria and requested documentation in the approved policies and procedures document. Barry Howard commented and said he would like it to be released for public comment. Rod Taylor requested a board motion.

Barry Howard requested a motion to publish this form with its history for public comment. Klein Allison asked Treasury if this is a good enough motion to give guidance to Treasury. Rod Taylor responded and said yes.

Eric Scorsone seconded the motion.

John Lamerato commented that this information should already be included in most local plans and he does not think we are asking for additional work from local governments.

The motion passed with 2 ayes (Howard and Scorsone) and 1 nay (Lamerato).

## **NEW BUSINESS**

### **RECEIPT OF CORRECTIVE ACTION PLANS FROM 5 LOCAL GOVERNMENTS (5 PLANS)**

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

- City of Flat Rock
- City of Iron Mountain
- Ogemaw County Road Commission
- St. Clair River Water and Sewer Authority
- White Cloud/Sherman Utilities Authority

A motion was made to approve the receipt of the corrective action plans by John Lamerato and supported by Barry Howard. The Board unanimously approved the receipt of corrective action plans. 3 ayes and 0 nays. The motion was passed.

### **APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 6 LOCAL GOVERNMENTS (8 PLANS) (RESOLUTION 2020-17)**

Nick Brousseau was asked to review the Treasury recommendations for Approval and Disapproval of Corrective Action Plans from 6 local governments (Resolution 2020-17) with the Board:

- Village of Kalkaska (Approval)
- Village of Ontonagon – OPEB Plan (Approval)
- Village of Ontonagon – Pension Plan (Disapproval)
- Ontonagon County Road Commission – OPEB Plan (Approval)
- Ontonagon County Road Commission – Pension Plan (Approval)
- Redford Charter Township (Approval)
- City of River Rouge (Approval)
- City of Walled Lake (Approval)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-17) by Barry Howard and supported by John Lamerato.

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-17). 3 ayes and 0 nays. Resolution 2020-17 was passed.

## **PUBLIC COMMENT**

No public comment.

## **BOARD COMMENT**

John Lamerato inquired about any updates from the Attorney General's office regarding the continuation of the Municipal Stability Board meetings being virtual. Klein Allison responded and said the Attorney General's office is working on a detailed memo of what the procedure will be starting January 1, 2021 and will give an update once that is complete.

## **NEXT MEETING**

The next regular meeting will be on November 17, 2020 at 11:00 a.m.

## **ADJOURNMENT**

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

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The Board unanimously approved the motion to adjourn. The motion was passed with 3 ayes and 0 nays.

There being no further business, the meeting adjourned at 2:10 p.m.

# Treasury's Public Act 202 of 2017 Update

As of 11/10/2020

Table 1: Upcoming CAP Reviews

| Public Act 202 of 2017: Corrective Action Plan Review Schedule |  |          |            |             |
|--|--|----------|------------|-------------|
| LOCAL GOVERNMENT TYPE  | Tentative Month of Corrective Action Plan Review |          |            |             |
|  | November   | December | January 21 | February 21 |
| Non Primary  | 3  | 0        | 2          | 7           |
| Primary  | 1  | 4        | 0          | 1           |
| <b>Total</b>   | <b>4</b>   | <b>4</b> | <b>2</b>   | <b>8</b>    |

## CAP Monitoring Notifications and Reviews

- A total of 76 monitoring certification requests have been sent to date
- 21 monitoring certifications have been returned to Treasury

Table 2: CAP Monitoring Certification of Compliance Reviews

| Public Act 202 of 2017: Corrective Action Plan Monitoring Schedule |  |           |         |           |          |            |             |
|--|--|-----------|---------|-----------|----------|------------|-------------|
| Monitoring Phase   | Tentative Month of Corrective Action Plan Monitoring Certification |           |         |           |          |            |             |
|  | August   | September | October | November  | December | January 21 | February 21 |
| Monitoring Certification Sent                                      | 11   | 20        | 20      | 20        | 20       | 19         | 9           |
| Monitoring Certification Due                                       | -  | 5         | 11      | 20        | 20       | 20         | 20          |
| <b>Board to Review</b>   | -  | -         | -       | <b>2*</b> | <b>1</b> | <b>2</b>   | <b>11</b>   |

## Treasury Department Communication and Outreach Report

- 245 one-on-one 30-minute calls scheduled by local governments to discuss the Public Act 202 process
  - 6 individual calls since the October Board meeting

## Municipal Stability Board 2021 Meeting Calendar

- Will reach out individually to Board members to check availability for 2021 meetings
- Approve schedule at December Board meeting.

## Local Government COVID-19 Webpage

- [www.Michigan.gov/Treasury](http://www.Michigan.gov/Treasury) | Local Government | COVID-19 Updates for Local Governments and School Districts
  - Local government resources and Treasury guidance
  - Registration for Treasury webinars and links to previous webinars
  - Treasury will continue to provide additional webinars as information becomes available



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** November 17, 2020

**TO:** The Municipal Stability Board (the Board)

**FROM:** Community Engagement and Finance Division, Department of Treasury

**SUBJECT:** Other Postemployment Benefits (OPEB) Unfunded Liability Decrease Analysis

**Background:** As requested by the Board at its October meeting, an analysis was performed to review the sources of the reduction in unfunded liability (UAL) for OPEB systems between FY2017 and FY2019. It was necessary to match system information between the two fiscal year reporting datasets. Of the approximately 530 OPEB systems, 463 were matched for the analysis. The other systems could not be matched due to a variety of factors, such as: local governments that had systems that were deemed financially insignificant, plans that were closed and benefits eliminated, combining systems, and failure to file.

**Summary:** The 463 systems analyzed account for 97% of the change in UAL from FY2017 to FY2019. Of the 463 systems, 316 (68%) saw a decline in UAL during this period. For the systems that had a reduction in UAL, we noted the following:

- 1) 66% were primarily due to reductions in liabilities, with the remaining 34% due to an increase in assets;
- 2) The 20 systems who saw the largest total decline in UAL account for 50% of the total statewide reduction in UAL. Most of these systems belong to cities and counties.

The top 20 systems all had significant reductions in liabilities. 70% of systems also had increased assets. In only two cases were the assets the leading contributor in the reduction of the UAL. The assets increased by more than \$228 million for this group, while the liabilities have declined by over \$1 billion. Combined they account for a nearly \$1.3 billion reduction in UAL. For this group, 82% of the reduction in UAL can be attributed to reduced liability versus 18% due to increased assets. Increased assets are thought to be primarily attributed to an increase in funding, and the reduction in the liabilities are believed to be caused by primarily by plan design changes, and possibly actuarial changes. As an example of possible actuarial changes, 3 systems had \$0 assets in FY2017, but did in FY2019. The establishment of a trust and prefunding may allow the local government to use a blended discount rate which would likely decrease future liabilities.

**Conclusion:** Based on the analysis it would appear that reductions in liabilities, specifically plan design changes, are the primary cause of the decrease in the UAL. These changes can take a variety of forms, such as: consolidating plans, utilizing cost-sharing of premiums, coordinating



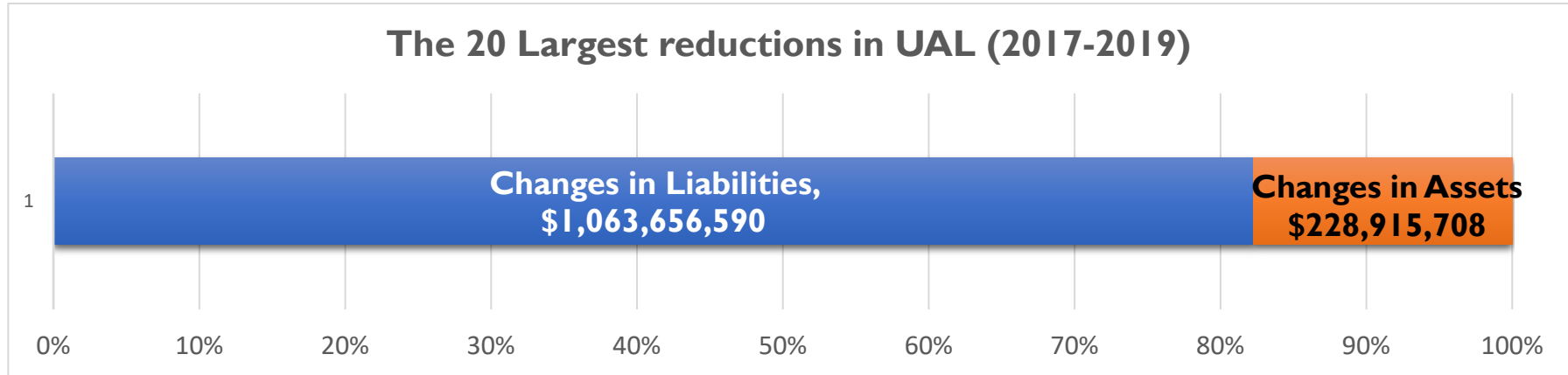
and utilizing Medicare benefits, etc. This appears to be especially true for larger systems. An increase in assets, while representing less of the total change in UAL, still represents a significant portion of the total reduction in UAL.

**Next Steps:** Our next step in this analysis is to examine a sample of the audits and/or corrective action plans and valuations, in order identify the specific design changes which have the greatest impact in UAL.

### **Attachments**

- 1) Exhibit A: 20 Largest Reductions to UAL (2017-2019)

Exhibit A



| 20 Governments with the Largest UAL Decline |   |                 |  |                        |                        |                         |                          |
|---|---|-----------------|--|------------------------|------------------------|-------------------------|--------------------------|
| County                                      | Local Government Name                                   | Government Type | Retirement Health Care Name              | FY17 UAL (Excess)      | FY19 UAL (Excess)      | FY19 Change in UAL      | % of Total UAL Reduction |
| Wayne                                       | City Of Taylor  | City            |  | \$333,124,138          | \$151,580,000          | -\$181,544,138          | 7%                       |
| Wayne                                       | City Of Westland  | City            |  | \$279,605,383          | \$165,246,823          | -\$114,358,560          | 4%                       |
| Ingham                                      | Lansing City Board Of Water & Light                     | Authority       |  | \$59,941,000           | -\$46,608,900          | -\$106,549,900          | 4%                       |
| Wayne                                       | Wayne County  | County          |  | \$284,305,000          | \$181,956,436          | -\$102,348,564          | 4%                       |
| Macomb                                      | Macomb County   | County          | MC Retiree Health Care Trust Fund        | \$294,678,172          | \$207,219,551          | -\$87,458,621           | 3%                       |
| Wayne                                       | City Of Wayne   | City            |  | \$85,547,284           | \$5,281,545            | -\$80,265,739           | 3%                       |
| Bay   | City Of Bay City  | City            |  | \$115,290,656          | \$52,316,046           | -\$62,974,610           | 2%                       |
| Washtenaw                                   | Washtenaw County  | County          |  | \$117,954,692          | \$57,546,757           | -\$60,407,935           | 2%                       |
| Oakland                                     | City Of Southfield                                      | City            | Police and Fire Retirement System        | \$99,117,961           | \$49,059,398           | -\$50,058,563           | 2%                       |
| Wayne                                       | City Of Lincoln Park                                    | City            | Police and Fire                          | \$57,736,481           | \$10,554,262           | -\$47,182,219           | 2%                       |
| Wayne                                       | City Of Lincoln Park                                    | City            | Municipal Employees                      | \$53,192,760           | \$6,403,441            | -\$46,789,319           | 2%                       |
| Genesee                                     | City Of Flint   | City            |  | \$293,607,373          | \$249,833,756          | -\$43,773,617           | 2%                       |
| Oakland                                     | Waterford Charter Township                              | Township        |  | \$175,406,695          | \$133,044,472          | -\$42,362,223           | 2%                       |
| Oakland                                     | City Of Southfield                                      | City            | Employee Retirement System               | \$88,473,994           | \$47,071,224           | -\$41,402,770           | 2%                       |
| Wayne                                       | City Of Allen Park                                      | City            |  | \$88,364,831           | \$47,452,483           | -\$40,912,348           | 2%                       |
| Muskegon                                    | Muskegon County   | County          |  | \$38,750,523           | -\$1,725,323           | -\$40,475,846           | 2%                       |
| Wayne                                       | City Of River Rouge                                     | City            |  | \$62,108,641           | \$25,276,956           | -\$36,831,685           | 1%                       |
| St. Clair                                   | St Clair County   | County          |  | \$76,526,918           | \$40,013,620           | -\$36,513,298           | 1%                       |
| Wayne                                       | Suburban Mobility Authority For Regional Transportation | Authority       |  | \$155,812,025          | \$119,479,780          | -\$36,332,245           | 1%                       |
| Macomb                                      | Cit Of St Clair Shores                                  | City            | City of St. Clair Shores Police and Fire | \$90,879,748           | \$56,849,650           | -\$34,030,098           | 1%                       |
| <b>Grand Total</b>                          |   |                 |  | <b>\$2,850,424,275</b> | <b>\$1,557,851,977</b> | <b>-\$1,292,572,298</b> | <b>50%</b>               |



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** November 17, 2020  
**TO:** The Municipal Stability Board (the Board)  
**FROM:** Community Engagement and Finance Division (CEFD), Department of Treasury  
**SUBJECT:** Public Comments on Form 5720 Corrective Action Plan (CAP) Monitoring: Application for Certification of Compliance

**Suggested Action:** No action is required as there were no public comments received, and no proposed changes.

**Background:** During its October 28, 2020 meeting, the Board approved the release of the CAP Monitoring: Application for Certification of Compliance (Form 5720) for public comment. On Monday November 2, 2020, Treasury sent emails to 218 local governments with approved CAPs for their review and feedback, and posted the email request for public comment on the Board's [website](#). Treasury received several questions related to monitoring next steps for specific local governments via email and phone; however, these questions were not associated with the requested public comment on the form. The public comment period closed on November 13, 2020 having received no public comment.

**Per Section 10(6) of Public Act 202 of 2017:** "The board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with this act."



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** November 17, 2020  
**TO:** The Municipal Stability Board (the Board)  
**FROM:** Community Engagement and Finance Division, Department of Treasury  
**SUBJECT:** Receipt of Corrective Action Plan(s)

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

**Fiscal Year 2018 Plans**

- I. City of Bangor
  - A. OPEB

**Fiscal Year 2019 Plans**

- II. City of Fenton
  - A. OPEB
- III. City of Lincoln Park
  - A. Pension - Supplemental

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

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

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

#### 1. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Bangor Six-Digit Muni Code: 802010  
Retirement Health Benefit System Name: City of Bangor Retiree Medical Plan  
Contact Name (Administrative Officer): Tommy Simpson  
Title if not Administrative Officer: City Manager Telephone: (269) 427-5831  
Email (Communication will be sent here): manager@bangormi.org  
Fiscal Year System was Determined to be Underfunded: 2018

#### 2. GENERAL INFORMATION

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

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

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

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

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



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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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



#### 4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

##### Category of Prospective Actions:

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

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

The 2018 ADC was calculated greater than 12% of governmental revenues. Subsequently, the ADC was recalculated for 2019 and because of different inputs, the form 5572 for 2019 did not trigger underfunded status. Therefore, with the new lower ADC, the System is no longer over the 12% of governmental revenues threshold and the underfunded status has been alleviated.

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

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

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

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



## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No, Explain:

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention:

### Type of Document:

Attachment – 1

**This corrective action plan (required);**

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation, not categorized above.

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

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

### I. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Fenton Six-Digit Muni Code: 252030  
Retirement Health Benefit System Name: City of Fenton Reintree Healthcare  
Contact Name (Administrative Officer): Jon Satkowiak Jr  
Title if not Administrative Officer: City Treasurer Telephone: (810) 629-2261  
Email (Communication will be sent here): jsatkowiak@cityoffenton.org  
Fiscal Year System was Determined to be Underfunded: 2019

### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

### **3. DESCRIPTION OF PRIOR ACTIONS**

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

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

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

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

**Category of Prior Actions:**

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

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

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

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

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

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

#### 4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

##### Category of Prospective Actions:

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

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

Our PA 202 report was rejected based on the fact we had not placed any money aside for the Normal Cost for New Hires after June 30, 2018. Our Retiree Health Benefits are based on a yearly decision made by the City Council during the Budget process. The benefits can be terminated at any time and are not collectively bargained. Therefore our Corrective Action Plan is to terminate the benefit for any Employee hired after June 30, 2018.

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

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

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

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

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes  
 No, Explain:

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention:

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

### Type of Document:

**This corrective action plan (required);**

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

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

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

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

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

Other documentation, not categorized above.

**7. CORRECTIVE ACTION PLAN CRITERIA**

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

**Corrective Action Plan Criteria:**

**Description:**

Underfunded Status

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

Legality

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

Affordability

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

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

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

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

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

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

The ADC for all the retirement health benefit systems of the local government will be less than 12% of the local government's annual governmental fund revenues by fiscal year 2021 as demonstrated by required supporting documentation listed in Section 6.

Signature: Lynn A. Markland

Date: 11-5-2020



## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria:

### Description:

Underfunded Status

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

Legality

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

Affordability

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

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

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

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

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

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

The ADC for all the retirement health benefit systems of the local government will be less than 12% of the local government's annual governmental fund revenues by fiscal year 2019 as demonstrated by required supporting documentation listed in Section 6.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

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

#### 1. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Lincoln Park Six-Digit Muni Code: 822180  
Retirement Health Benefit System Name: City of Lincoln Park Lincoln Park Police and Fire and Municipal Plan  
Contact Name (Administrative Officer): Lisa Griggs  
Title if not Administrative Officer: Director of Finance and Operations Telephone: (313) 386-1800  
Email (Communication will be sent here): lgriggs@citylp.com  
Fiscal Year System was Determined to be Underfunded: 2019

#### 2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

### 3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

**Category of Prior Actions:**

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

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

Please see the Attached Section 3 Prior Actions - System Design Changes

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

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

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

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

#### 4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

##### Category of Prospective Actions:

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

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

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

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

The City will be making payments into the OPEB Fund for the next twelve (12) years payments in the amount of \$528,000 per year. This will allow for the system to be 40% funded by 2028 per attachment 2b.

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

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

The City will begin amortizing the unfunded portion of the healthcare liability using a level-dollar amortization method over a closed period of 30 years. This will allow the system to be fully funded in 12 years (2031) per attachment 2b.

## 5. CONFIRMATION OF FUNDING

### Please check the applicable answer:

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

Yes

No, Explain:

## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

### Naming Convention:

Attachment – 1

Attachment – 1a

Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

### Type of Document:

**This corrective action plan (required);**

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

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

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

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

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

Other documentation, not categorized above.

## 7. CORRECTIVE ACTION PLAN CRITERIA

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

### Corrective Action Plan Criteria:

### Description:

Underfunded Status

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

Legality

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

Affordability

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

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

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

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

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

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

The ADC for all the retirement health benefit systems of the local government will be less than 12% of the local government's annual governmental fund revenues by fiscal year 2019 as demonstrated by required supporting documentation listed in Section 6.

Signature: 

Date: 09/02/2020

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2020-18**

**APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS**

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

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

**WHEREAS**, on September 16, 2020 by Resolution 2020-13, the Board adopted the Best Practices and Corrective Action Plans Approval Criteria (“Approval Criteria”) pursuant to MCL 38.2808;

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

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

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

November 17, 2020



Municipal Stability Board Resolution 2020-18 Appendix A, November 17, 2020

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

| CAP Criteria Key          |   |
|---------------------------|---|
| <b>Underfunded Status</b> | Was there description and adequate supporting documentation of how and when the retirement system will address the Underfunded Status criteria as defined by the Municipal Stability Board?   |
| <b>Legality</b>           | Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?  |
| <b>Affordable</b>         | The local government must confirm that corrective actions listed in the CAP allow for the local government to make, at a minimum, the annual required contribution (ARC) payment for pension plans and/or the retiree healthcare premium payment, as well as the normal cost payment for new hires for retirement health benefits |

| # | Local Government                        | Municode | Fiscal Year | System Type | Date Received | Underfunded Status | Legality | Affordable | Treasury Recommendation | Corrective Action Plan Link                                     |
|---|---|----------|-------------|-------------|---------------|--------------------|----------|------------|-------------------------|---|
| 1 | City of Flat Rock                       | 822070   | 2019        | OPEB        | 10/28/2020    | Yes                | Yes      | Partial    | Approve                 | <a href="#">City of Flat Rock-OPEB</a>                          |
| 2 | Ogemaw County Road Commission           | 650100   | 2019        | Pension     | 10/28/2020    | Yes                | Yes      | Yes        | Approve                 | <a href="#">Ogemaw County Road Commission-Pension</a>           |
| 3 | St. Clair River Water & Sewer Authority | 747520   | 2018        | Pension     | 10/28/2020    | Yes                | Yes      | Yes        | Approve                 | <a href="#">St Clair River Water Sewer Authority-Pension</a>    |
| 4 | White Cloud Sherman Utilities Authority | 627513   | 2019        | Pension     | 10/28/2020    | Yes                | Yes      | Yes        | Approve                 | <a href="#">White Cloud Sherman Utilities Authority-Pension</a> |

**Treasury Recommendation  
City of Flat Rock OPEB Corrective Action Plan (CAP)  
Primary Unit 822070**

| Name of Systems                        | Type of System | Assets              | Liabilities         | Funded Ratio | ADC                | Revenues            | ADC/Revenue  | CAP required? |
|--|----------------|---------------------|---------------------|--------------|--------------------|---------------------|--------------|---------------|
| MERS                                   | Pension        | \$11,828,892        | \$26,877,960        | 44.0%        | \$1,054,932        | \$12,361,109        | 8.5%         | NO            |
| City of Flat Rock Retiree Medical Plan | OPEB           | -                   | \$22,290,728        | 0.0%         | \$2,572,657        |                     | 20.8%        | YES           |
| <b>Total</b>                           |                | <b>\$11,828,892</b> | <b>\$49,168,688</b> |              | <b>\$3,627,589</b> | <b>\$12,361,109</b> | <b>29.3%</b> |               |

**Source: Retirement Report 2019, Audited Financial Statements**

**Staff Recommendation:** Approval of the OPEB corrective action plan submitted by City of Flat Rock, which was received by the Municipal Stability Board (the Board) on 10/28/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - The city increased the retiree contribution amount by \$100 per month upon retirement.
  - The city noted that for retirees to only have to pay the \$100 fee, retirees must have worked for 25 years; if not, only 40% is covered after 1- years with an increase of 4% each additional year worked. Treasury was unable to confirm this.
  - The plan is closed to new hires as of July 1, 2012 and opened a Health Care Savings Plan.
- Plan Funding:
  - None listed.
- Other Considerations:
  - None listed.

**Prospective Changes:**

- Modern Plan Design:
  - The city will begin a biennial review to verify all retirees and spouses still qualify for Healthcare as well as conducting an independent biennial full actuarial and a roll forward every other year.
- Plan Funding:
  - The city approved making an annual \$170,000 contribution to an OPEB trust.
- Other Considerations:
  - The city noted that they have always been pay as you go and have budgeted enough to cover any increases that arise.

**System Status for All Divisions: CLOSED**

**Treasury Recommendation**  
**City of Flat Rock OPEB Corrective Action Plan (CAP)**  
**Primary Unit 822070**

**Plan size: members 90**

- Inactive employees or beneficiaries currently receiving benefits: 71
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 19

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 40% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan within a reasonable timeframe (2039).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

The following corrective action plan approval criteria are partially met:

- Affordable:
  - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 29.3%. This reflects a significant portion of the local government's budget.

**Supplemental Information:**

The city provided a funding projection that shows that they will reach 40% in FY2039 as long as they contribute \$170,000 annually into their OPEB trust. The city's additional contributions and benefits payment increases approximately 30% from FY2020 to FY2033, which is approximately an increase of 2% per year.

**Treasury Recommendation  
City of Flat Rock OPEB Corrective Action Plan (CAP)  
Primary Unit 822070**

**City of Flat Rock  
2020 funding projection (based on June 30, 2018 actuarial valuation)**

Discount                      Return  
3.00%                              6.00%

*877,121,122*

|      | 30-Jun liability | Assets    | Contribution | +Benefit payments | =total contribution | funded percent |
|------|------------------|-----------|--------------|-------------------|---------------------|----------------|
| 2020 | 22,276,122       | 170,000   | 170,000      | 886,459           | 1,056,459           | 1%             |
| 2021 | 22,189,929       | 350,200   | 170,000      | 935,501           | 1,105,501           | 2%             |
| 2022 | 22,042,288       | 541,212   | 170,000      | 978,704           | 1,148,704           | 2%             |
| 2023 | 21,838,777       | 743,685   | 170,000      | 1,001,683         | 1,171,683           | 3%             |
| 2024 | 21,599,367       | 958,306   | 170,000      | 1,019,237         | 1,189,237           | 4%             |
| 2025 | 21,328,268       | 1,185,804 | 170,000      | 929,497           | 1,099,497           | 6%             |
| 2026 | 21,134,919       | 1,426,952 | 170,000      | 948,761           | 1,118,761           | 7%             |
| 2027 | 20,909,997       | 1,682,570 | 170,000      | 952,069           | 1,122,069           | 8%             |
| 2028 | 20,668,351       | 1,953,524 | 170,000      | 901,544           | 1,071,544           | 9%             |
| 2029 | 20,462,227       | 2,240,735 | 170,000      | 933,689           | 1,103,689           | 11%            |
| 2030 | 20,208,969       | 2,545,179 | 170,000      | 975,902           | 1,145,902           | 13%            |
| 2031 | 19,891,673       | 2,867,890 | 170,000      | 1,018,281         | 1,188,281           | 14%            |
| 2032 | 19,508,209       | 3,209,963 | 170,000      | 1,079,003         | 1,249,003           | 16%            |
| 2033 | 19,038,770       | 3,572,561 | 170,000      | 1,175,642         | 1,345,642           | 19%            |
| 2034 | 18,444,892       | 3,956,915 | 170,000      | 1,173,775         | 1,343,775           | 21%            |
| 2035 | 17,824,717       | 4,364,330 | 170,000      | 1,078,365         | 1,248,365           | 24%            |
| 2036 | 17,276,413       | 4,796,190 | 170,000      | 1,099,616         | 1,269,616           | 28%            |
| 2037 | 16,682,872       | 5,253,961 | 170,000      | 1,062,707         | 1,232,707           | 31%            |
| 2038 | 16,103,171       | 5,739,199 | 170,000      | 979,750           | 1,149,750           | 36%            |
| 2039 | 15,588,116       | 6,253,551 | 170,000      | 966,916           | 1,136,916           | 40%            |

**The Community Engagement and Finance Division (CEFD) contact:**

- None

**Treasury Recommendation**  
**OGEMAW COUNTY ROAD COMMISSION Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 650100**

| Name of Systems                    | Type of System | Assets             | Liabilities         | Funded Ratio | ADC              | Revenues           | ADC/Revenue | CAP required? |
|------------------------------------|----------------|--------------------|---------------------|--------------|------------------|--------------------|-------------|---------------|
| MERS                               | Pension        | \$5,960,749        | \$10,936,745        | 54.5%        | \$343,808        | \$7,894,892        | 4.4%        | YES           |
| OGEMAW COUNTY ROAD COMMISSION OPEB | OPEB           | \$53,536           | \$470,012           | 11.4%        | \$65,078         |                    | 0.8%        | YES           |
| <b>Total</b>                       |                | <b>\$6,014,285</b> | <b>\$11,406,757</b> |              | <b>\$408,886</b> | <b>\$7,894,892</b> | 5.2%        |               |

**Source: Retirement Report 2019, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by OGEMAW COUNTY ROAD COMMISSION, which was received by the Municipal Stability Board (the Board) on 10/28/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- **Modern Plan Design:**
  - February 1, 2012, the Ogemaw County Road Commission (OCRC) closed the Defined Benefit plan for all new hires and implement the Hybrid Plan that was created with a lower benefit multiplier and eliminated the option of early retirement in order to decrease unfunded liability. The Benefit Multiplier of the closed Defined Benefit Plan is set at 2.50%, the new Hybrid decreased the Benefit Multiplier to 1.50% and the Defined Benefit Plan of unreduced early retirement of 55/25 and reduced early retirement of 55/15 was eliminated in the Hybrid Plan. Effective July 1, 2018, employee contribution in the closed Defined Benefit Plan increased from 5% of all compensation over \$4,200 to 6% of all compensation over \$4,200.
- **Plan Funding:**
  - In efforts to increase funding level, the OCRC increased employer monthly contributions and yearly lump sum contributions with MERS. The OCRC has made additional contributions of \$1,605,022 since 2012 and then in August of 2020, the OCRC made an employer lump sum contribution of \$405,000 for a total additional employer contribution of \$2,010,022 to MERS.
  - According to the MERS 2019 Actuarial, the OCRC's actuarially determined contribution using uniform assumptions for fiscal year ending September 30, 2020, is calculated at \$524,604 and in the MERS 2018 Actuarial, the OCRC's actuarially determined contribution for fiscal year end September 30, 2019, was calculated at \$487,236. In calendar year ending 2018, the OCRC contributed \$828,653 in employer contributions and in calendar year end 2019, the OCRC contributed \$840,220 in employer contributions. The OCRC has continually contributed amounts larger than the calculated ADC in efforts to increase funding level.

**Treasury Recommendation**  
**OGEMAW COUNTY ROAD COMMISSION Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 650100**

- On June 23, 2020, the OCRC requested a report called Municipality Funding Level Calculator that is based on the 12/13/2019 actuarial valuation. The report provides a lump sum payment needed to bring the division up to 60% funded by a specific date. July 21, 2020, the OCRC received the report, according to the report a lump sum payment of \$338,111 was needed by August 31, 2020, in order to bring the division up to 60% funded. The OCRC made a lump sum payment on August 19, 2020, of \$405,000, \$66,889 more than the recommended \$338,111 in efforts to reach the 60% funded level. Included with attachment 2I are funding level calculators for 2018 and 2017 that were requested by the OCRC in efforts to bring funding level up to 60% and included are the actual employer lump sum payment made by OCRC which are larger than the amount calculated by MERS.
- Beginning October 2016 (fiscal year 2017), the OCRC has increased employer monthly contributions versus using the “No Phase-In” employer contribution required by MERS in efforts to increase funding levels.
- Other Considerations:
  - The 2019 MERS actuarial shows the OCRC will reach 60% funded in 2024 based on the “No Phase-In”. The OCRC has initiated larger monthly employer contributions versus the MERS no phase-in amount and the OCRC has submitted yearly lump sum payments in effort to increase the funding level.
  - Fiscal year 2021, OCRC will contribute a monthly employer flat rate of \$55,000 versus the MERS no phase-in monthly employer contribution.
  - The OCRC board of commissioners, manager and board clerk meet with MERS representative once a year to review annual actuarial valuation and work together to determine appropriate, fiscally responsible solutions to increase funding level.

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Plan size: members 67**

- Inactive employees or beneficiaries currently receiving benefits: 36
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 30

**Treasury Recommendation**  
**OGEMAW COUNTY ROAD COMMISSION Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 650100**

**Corrective Action Plan Criteria:**

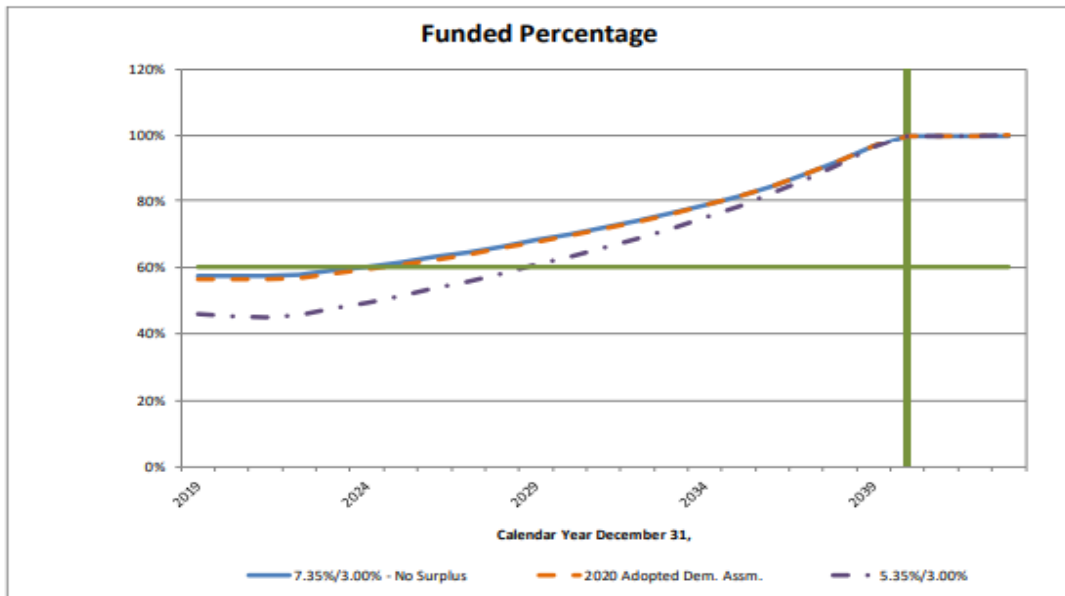
The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan within a reasonable timeframe (2024).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

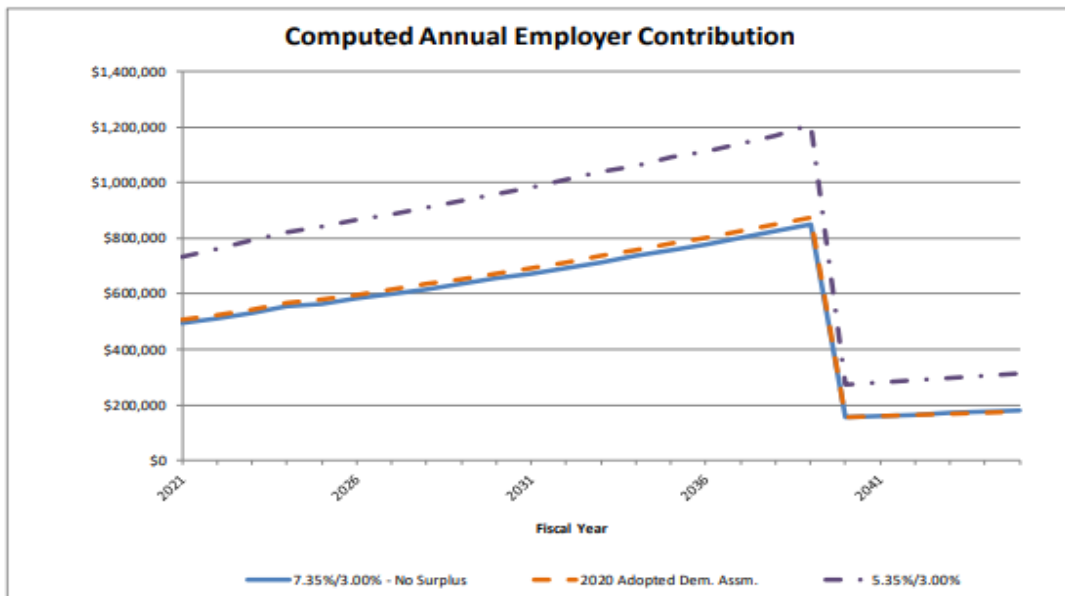
**Supplemental Information:**

The local government provided their MERS valuation showing that they are projected to reach 60% funded in approximately 2024-2025. Over the life of this system, the projected annual employer cost is scheduled to increase by 65% (3.6% per year) over the next 19 years.

**Treasury Recommendation**  
**OGEMAW COUNTY ROAD COMMISSION Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 650100**



**Notes:**  
 All projected funded percentages are shown with no phase-in.  
 The green indicator lines have been added at 60% funded and 21 years following the valuation date for PA 202 purposes.



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

**The Community Engagement and Finance Division (CEFD) contact:**

- None



**Treasury Recommendation**  
**St. Clair River Sewer & Water Authority Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 747520**

| Name of Systems | Type of System | Assets             | Liabilities        | Funded Ratio | ADC              | Revenues           | ADC/Revenue | CAP required? |
|-----------------|----------------|--------------------|--------------------|--------------|------------------|--------------------|-------------|---------------|
| MERS            | Pension        | \$3,198,404        | \$5,723,287        | 55.9%        | \$180,018        | \$1,559,147        | 11.5%       | YES           |
| Healthcare Plan | OPEB           | \$313,717          | \$627,637          | 50.0%        | \$41,803         |                    | 2.7%        | YES           |
| <b>Total</b>    |                | <b>\$3,512,121</b> | <b>\$6,350,924</b> |              | <b>\$221,821</b> | <b>\$1,559,147</b> | 14.2%       |               |

**Source: Retirement Report 2018, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by St. Clair River Sewer & Water Authority, which was received by the Municipal Stability Board (the Board) on 10/28/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - Historically, employees of the Township - St. Clair River Water & Sewer Authority (SCRWSA) - had a defined benefit pension plan with a 2.5 multiplier. To decrease future pension costs, the Township decreased this multiplier to 2.25 for all current employees during the 2016-2019 collective bargaining session. Further, for Clerical employees, the Township has increased the employees' contribution to the pension plan from 4.7% to 5.5%.
- Plan Funding:
  - None listed.
- Other Considerations:
  - None listed.

**Prospective Changes:**

- Modern Plan Design:
  - According to the most recent Annual Actuarial Valuation Report (December 31, 2018), the Township's funded ratio is 61%. MERS has decreased its Investment Return Assumption, so using the 12/31/2018 Valuation Results and the new 2019 Assumptions is anticipated to cause the funded ratio to decrease to 59%. Nevertheless, the Township's MERS Plan is presently more than 60% funded. To increase the funded ratio the Township will be making the following changes:
    - The Township will be closing the defined benefit pension plan for all new hires of the Township. By closing the defined benefit pension plan, the Township will cease creating any new unfunded accrued liability.
    - The Township is bridging the Cost-of-Living-Adjustment benefit for all current employees who are eligible for a defined benefit pension plan. According to the supplemental actuarial valuation this will cause Division 1 to increase its percent funded ratio from 61.1% to 61.4%. According to the supplemental actuarial

**Treasury Recommendation**  
**St. Clair River Sewer & Water Authority Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 747520**

valuation this will cause Division 10 to increase its percent funded ratio from 62.6% to 65.5% as shown in the supplemental actuarial valuation.

- The Township is increasing the employee contribution for both Divisions I and 10 to 6.2% by July 1, 2021.
- Plan Funding:
  - In an effort to improve funding levels the Township will make three lump sum payments. These payments are in addition to the normal actuarially determined contributions (ADC). The first contribution will be in an amount of \$75,000. This payment will be made in a reasonable period.
- Other Considerations:
  - None Listed.

**System Status for All Divisions: OPEN**

**Plan size: members 35**

- Inactive employees or beneficiaries currently receiving benefits: 3
- Inactive employees entitled to but not yet receiving benefits: 18
- Active employees: 14

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 60% funded (2020).
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

**Supplemental Information:**

The local government provided their MERS valuation which shows that using smoothed assets, the funded ratio is currently above 60%. The ratio is projected to decrease in the coming years, but will recover to above 60% in approximately 2027. During the life of this system, the annual employer contribution increases by roughly 114% (6%/year) over the next 19 years.

The authority appears to be a division of East China Township's MERS system. The Authority's liabilities represent 64.12% of the Township's MERS plan.

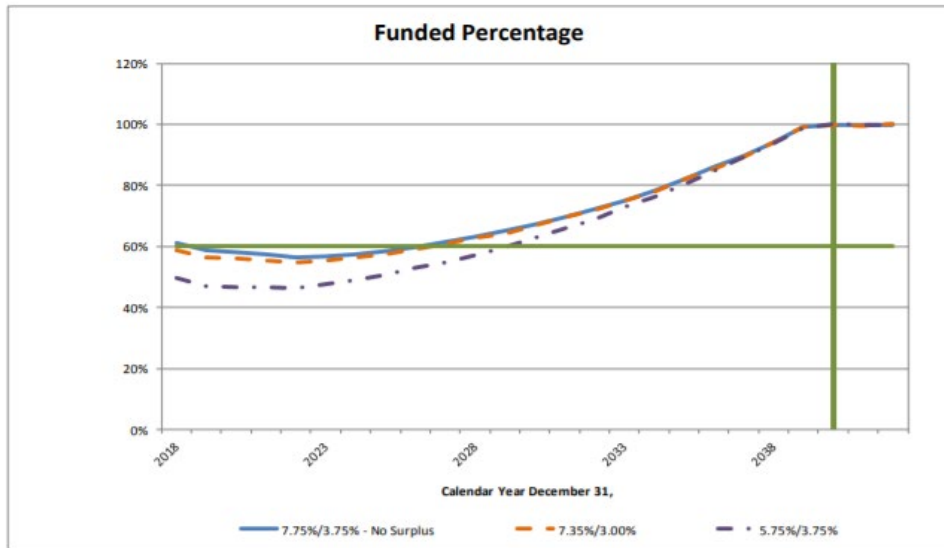
**Treasury Recommendation**  
**St. Clair River Sewer & Water Authority Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 747520**

**Funded Ratio**

The funded ratio of a plan is the percentage of the dollar value of the actuarial accrued liability that is covered by the actuarial value of assets. While funding ratio may be a useful plan measurement, understanding a plan's funding trend may be more important than a particular point in time. Refer to Table 7 to find a history of this information.

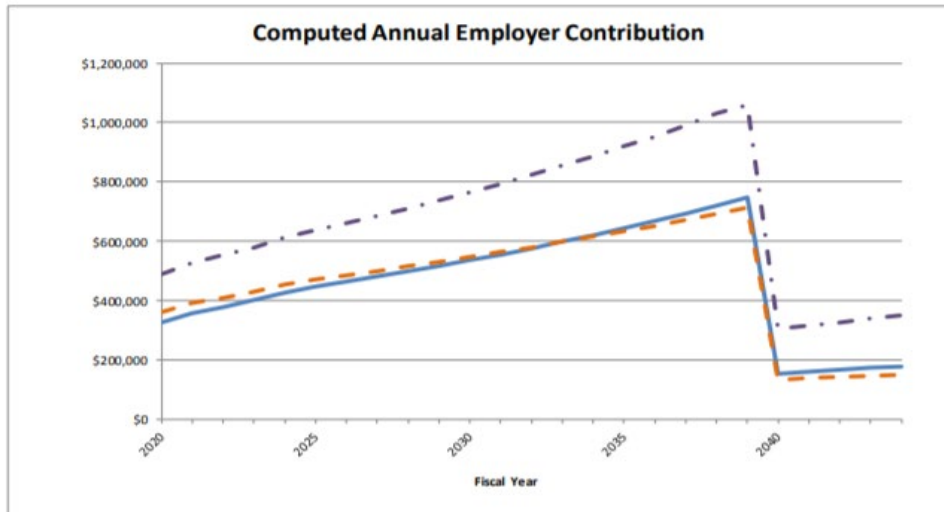
|                      | 12/31/2018 | 12/31/2017 |
|----------------------|------------|------------|
| <b>Funded Ratio*</b> | 61%        | 62%        |

\* Reflects assets from Surplus divisions, if any.



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

The green indicator lines have been added at 60% funded and 22 years following the valuation date for PA 202 purposes.



**Treasury Recommendation**

**St. Clair River Sewer & Water Authority Pension Corrective Action Plan (CAP)**

**Non-Primary Unit 747520**

**The Community Engagement and Finance Division (CEFD) contact:**

- None

**Treasury Recommendation**  
**White Cloud Sherman Utilities Authority Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 627513**

| Name of Systems | Type of System | Assets    | Liabilities | Funded Ratio | ADC      | Revenues  | ADC/Revenue | CAP required? |
|-----------------|----------------|-----------|-------------|--------------|----------|-----------|-------------|---------------|
| MERS            | Pension        | \$283,909 | \$484,117   | 58.6%        | \$20,254 | \$580,298 | 3.5%        | YES           |

**Source: Retirement Report 2019, Audited Financial Statements**

**Staff Recommendation:** Approval of the pension corrective action plan submitted by White Cloud Sherman Utilities Authority, which was received by the Municipal Stability Board (the Board) on 10/28/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

**Changes Made:**

- Modern Plan Design:
  - None listed.
- Plan Funding:
  - The Authority committed additional payments of \$5,000 per quarter until they are 60% funded.
- Other Considerations:
  - None listed.

**Prospective Changes:**

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

**System Status for All Divisions: OPEN**

**Plan size: members 5**

- Inactive employees or beneficiaries currently receiving benefits: 2
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 3

**Corrective Action Plan Criteria:**

The following corrective action plan approval criteria are met:

- Underfunded Status:
  - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/

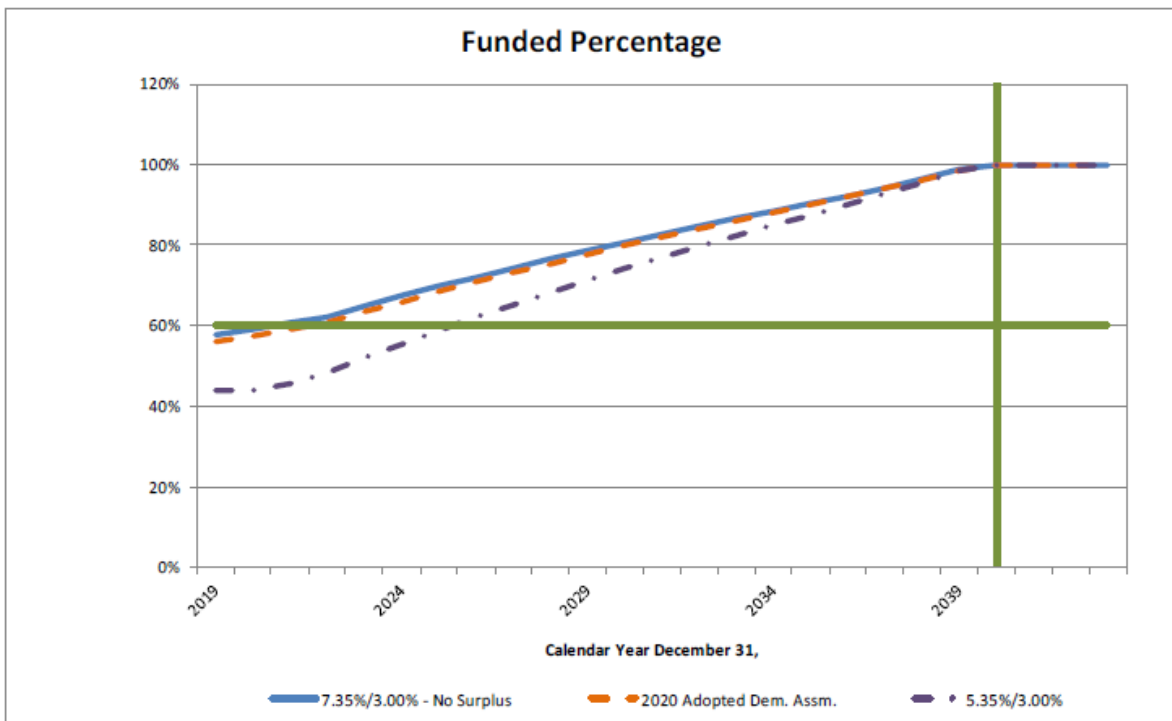
**Treasury Recommendation**  
**White Cloud Sherman Utilities Authority Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 627513**

actuarial valuation found in the corrective action plan within a reasonable timeframe (2022).

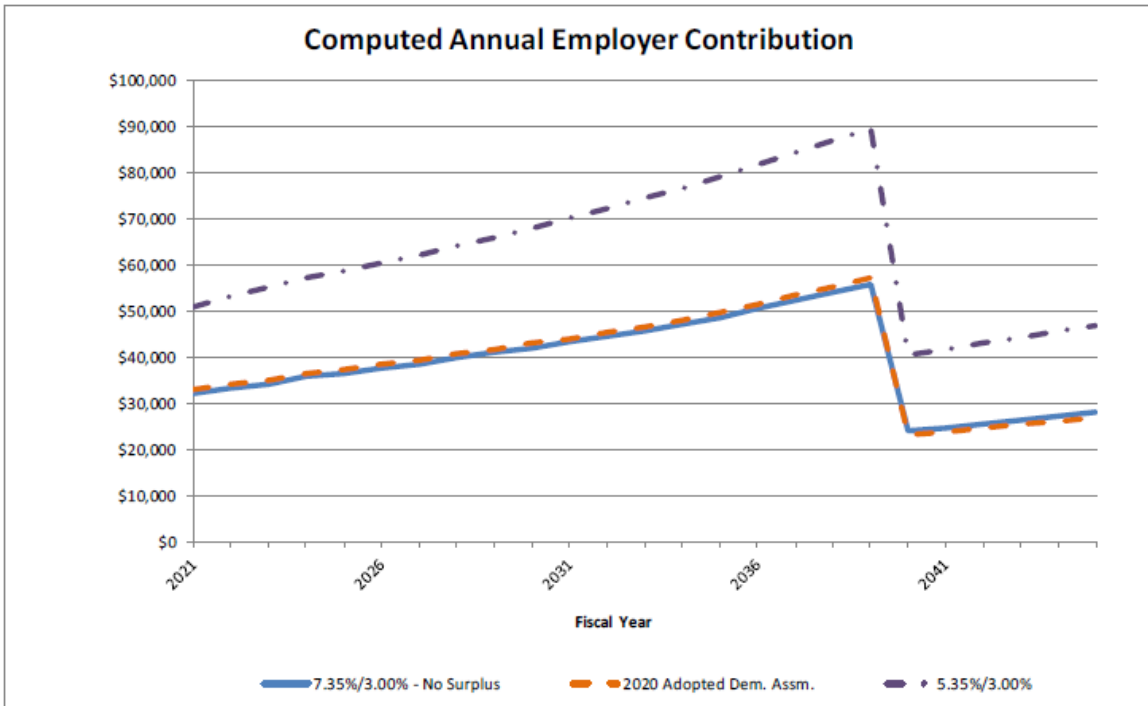
- Legal and Feasible:
  - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- Affordable:
  - The local government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

**Supplemental Information:**

The Authority submitted a memorandum about their underfunded pension system, documenting that they reviewed their system and unfunded liabilities. They determined that the annual cost to provide the defined benefit pension plan to active employees was \$11,976 in 2019 was affordable and comparable within the levels provided by other similar local units of government. The Authority also noted that it uses its defined benefit pension plan to attract and retain quality employees. Closing the plan could impair the Authority’s ability to hire new staff members. The Authority is also scheduling a meeting with MERS to discuss long term solutions for its pension funding. While the Authority noted that the pension payment is affordable, their annual required contributions increase approximately 40% between 2021 and 2039, which is about 2% a year



**Treasury Recommendation**  
**White Cloud Sherman Utilities Authority Pension Corrective Action Plan (CAP)**  
**Non-Primary Unit 627513**



5.

**The Community Engagement and Finance Division (CEFD) contact:**

- None



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** November 17, 2020

**TO:** The Municipal Stability Board (the Board)

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

**SUBJECT:** City of Iron Mountain Supplemental Pension Corrective Action Plan Review

**Suggested Action:** The Board motions to delay action on the corrective action plan (CAP) submitted by the City of Iron Mountain that was received on October 28, 2020. CEFD will provide an update at the Board's December meeting.

**Background:** The City of Iron Mountain submitted a CAP for its supplemental pension system that was determined to be underfunded in fiscal year 2019 and received at the Board's October 28, 2020 meeting. Upon review of the submitted plan, the CEFD is requesting additional time to review the CAP in order to provide a fair and equitable review under the Board's CAP approval criteria and to ensure the plan meets all statutory requirements outlined in Public Act 202 of 2017 (the Act).

**Overview:** In the review of the Act's annual reporting data, it was discovered that several local governments were reporting retirement systems categorized as "supplemental pension" systems within the local government's audit report. Upon further review of these supplemental pension systems, it appears that the liabilities typically represent payments for retirees meeting the following two conditions: 1.) the retiree has opted out of retiree health care benefits that were previously reported as OPEB; and 2.) the supplemental pension is an additional monthly cash payment to retirees and beneficiaries that is not limited to payment of healthcare costs.

As some of these supplemental pension benefits were previously reported as OPEB liabilities, they may be included in the local government's approved OPEB corrective action plan (CAP) under the Act. In general, OPEB CAPs provide a funding plan to reach 40% funded, as required in the Act, which is less than the 60% funding ratio required of pension systems. As supplemental pension systems, it has been observed that other typical funding requirements of pension systems are not being followed, and these systems remain unfunded (\$0 in assets).

With these factors considered, there are several questions that Treasury would like to address to ensure the legal and equitable implementation of the Act and other statutory and constitutional requirements under state of Michigan law, as follows:

- I. Does the Act require those retirement systems categorized as "supplemental pension" to reach the funded ratio defined for traditional defined benefit pension systems (60%), or can they follow a funding plan based on OPEB funded ratio requirements (40%)?



2. Do other constitutional and statutory requirements related to defined benefit pension funding also apply to “supplemental pension” systems?
  - a. Payment of normal cost required by the [State of Michigan Constitution of 1963](#);
  - b. Payment of unfunded accrued liability as required by [PA 314 of 1965, the Public Employee Retirement System Investment Act \(PERSIA\)](#).

**MUNICIPAL STABILITY BOARD  
RESOLUTION 2020-19**

**CORRECTIVE ACTION PLAN MONITORING COMPLIANCE**

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

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

**WHEREAS**, the Act requires the Board to certify not less than every 2 years a local unit of government’s (a “Municipality”) compliance with the Act and any Corrective Action Plan.

**WHEREAS**, the Board passed Resolution 2020-11 adopting the Corrective Action Plan Monitoring Policy and Procedures (“Monitoring Procedures”);

**WHEREAS**, the Board previously approved the Municipalities’, listed on Appendix B and attached to this Resolution, Corrective Action Plans;

**WHEREAS**, Treasury and the Board have reviewed the Municipalities’ compliance with their respective Corrective Action Plans and the Act pursuant to the Monitoring Procedures; and

**WHEREAS**, Treasury has submitted recommendations whether to certify that the municipalities listed on Appendix B attached hereto are in substantial compliance with the Act.

**NOW THEREFORE, BE IT RESOLVED**, the Board hereby certifies that the Municipalities Corrective Action Plans listed on Appendix B notated as Compliant are in substantial compliance with the Act and their respective Corrective Action Plans;

**BE IT FURTHER RESOLVED**, the Board hereby certifies that the Municipalities Corrective Action Plans listed on Appendix B notated as Compliant with Conditions are in substantial compliance with the Act and their respective Corrective Action Plans, provided that the Municipalities meet the requirements identified by the Board by the next certification date (the “Compliance Conditions”);

**BE IT FURTHER RESOLVED**, the Board determines the Municipalities’ notated as noncompliant are not in substantial compliance with their respective Corrective Action Plan and/or the Act (the “Noncompliance Determination”);

**BE IT FURTHER RESOLVED**, that Treasury is directed to provide relevant Municipalities with notification of the Board’s detailed Compliance Conditions and reasons for the Noncompliance Determination within fifteen days of this resolution;

**BE IT FURTHER RESOLVED**, that Municipalities will have sixty days to address the reasons for the Noncompliance Determination from the date of the notification of such reasons; and

**BE IT FURTHER RESOLVED**, that Municipalities who fail to address the reasons for the Noncompliance Determination within sixty days will be deemed in noncompliance with the Act pursuant to MCL 38.2810(6).

Ayes:

Nays:

Recused:

Lansing, Michigan

November 17, 2020

Municipal Stability Board Resolution 2020-19 Appendix B, November 17, 2020

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

| CAP Monitoring Criteria Key |   |
|-----------------------------|---|
| <b>Underfunded Status</b>   | Is the local government addressing their underfunded status in the same timeframe or less, as the approved CAP?   |
| <b>Substantial Changes</b>  | Does the corrective action plan remain substantially the same as the original approved submission?  |
| <b>Sustainability</b>       | The local government must certify the plan is still affordable, though detailed supporting documentation. This includes documentation that the local government's retirement costs are not increasing at a rate greater than what can be afforded through reasonable revenue growth. Retirement costs also must not have substantially increased above the original projection in their approved CAP. |

| # | Local Government            | Municode | Fiscal Year | System Underfunded Type | Date Received | CAP Monitoring Criteria |                     |                | Treasury Recommendation | CAP Monitoring Certification                        |  |
|---|-----------------------------|----------|-------------|-------------------------|---------------|-------------------------|---------------------|----------------|-------------------------|---|--|
|   |                             |          |             |                         |               | Underfunded Status      | Substantial Changes | Sustainability |                         | Form Link   |  |
| 1 | City of Ecorse              | 822060   | 2017        | OPEB                    | 7/29/2020     | Yes                     | Yes                 | Partial        | Compliant               | <a href="#">City of Ecorse-Pension</a>              |  |
| 2 | White Pine District Library | 598015   | 2017        | Pension                 | 7/7/2020      | Yes                     | Yes                 | Partial        | Compliant               | <a href="#">White Pine District Library-Pension</a> |  |

**Treasury Recommendation**  
**City of Ecorse Pension Corrective Action Plan (CAP) Monitoring Compliance Certification**  
**Primary Government 822060**

| Name of Systems                         | Type of System | Assets              | Liabilities         | Funded Ratio | ADC                | Revenues            | ADC/Revenue  | CAP required? |
|---|----------------|---------------------|---------------------|--------------|--------------------|---------------------|--------------|---------------|
| MERS                                    | Pension        | \$15,873,864        | \$40,975,076        | 38.7%        | \$3,240,890        | \$17,362,970        | 18.7%        | YES           |
| City of Ecorse Retiree Health Care Plan | OPEB           | \$590,658           | \$18,637,815        | 3.2%         | \$1,649,716        |                     | 9.5%         | NO            |
| <b>Total</b>                            |                | <b>\$16,464,522</b> | <b>\$59,612,891</b> |              | <b>\$4,890,606</b> | <b>\$17,362,970</b> | <b>28.2%</b> |               |

**Source: Retirement Report 2019, Audited Financial Statements**

**Staff Recommendation:** Compliance for the pension corrective action plan monitoring certification of compliance submitted by City of Ecorse on July 29, 2020. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

**Underfunded Status**

**Is the local government addressing its underfunded status in the same timeframe or less than the approved CAP?**

- Yes, the City of Ecorse is addressing underfunded status by fiscal year 2031 as originally approved.

**Substantial Changes**

**CAP Changes Implemented:**

- N/A

**CAP Changes Not Implemented:**

- N/A

**Additional Changes Implemented**

- N/A

**Revised Corrective Action Plan Submitted? No**

**Sustainability**

**Highest combined annual employer contribution over the next 5 years?**

- Fiscal Year: 2023
- Percentage of Revenues: 21.2%

**Treasury Recommendation**  
**City of Ecorse Pension Corrective Action Plan (CAP) Monitoring Compliance Certification**  
**Primary Government 822060**

**System Status for All Divisions: OPEN**

**Plan size: members: 170**

- Inactive employees or beneficiaries currently receiving benefits: 132
- Inactive employees entitled to but not yet receiving benefits: 11
- Active employees: 27

**Corrective Action Plan Monitoring Criteria:**

The following corrective action plan monitoring criteria are met:

- Underfunded Status:
  - The local government continues to address its retirement system's underfunded status consistent with the timeline date listed in its approved corrective action plan (2031).
- Substantial Changes:
  - There were no listed changes to the corrective action plan monitoring certification of compliance plan which substantially deviated from the approved corrective action plan

The following corrective action plan approval criteria are partially met:

- Sustainability:
  - The local government certified in section 4 of the Corrective Action Plan Monitoring: Application for Certification of Compliance form that the plan allowed for the local government to continue to make, at a minimum, the ADC payment for the defined benefit pension system(s) and/or any applicable statutorily required payments for retirement health benefit system(s), according to its long-term budget forecast. However, the most recent annual employer retirement payment was 27% of the local government's general fund operating revenues. This represents a significant portion of the local government's budget.

**Supplemental Information:**

The local government's supporting documentation shows that they are addressing underfunded status in roughly the same timeframe as was documented in their approval corrective action plan submission. The approved plan did not include additional prospective actions, rather it relied on payment of the annual employer contribution to reach 60%. In review of the sustainability section (section 4), the below cost review worksheet of projected annual costs based on data found in the most recent MERS valuation showed a lower future annual cost than the local government provided in the monitoring form 5720. The combined payment in the FY 2019 audit appears to be higher than the projected payment from any of the next 5 years.

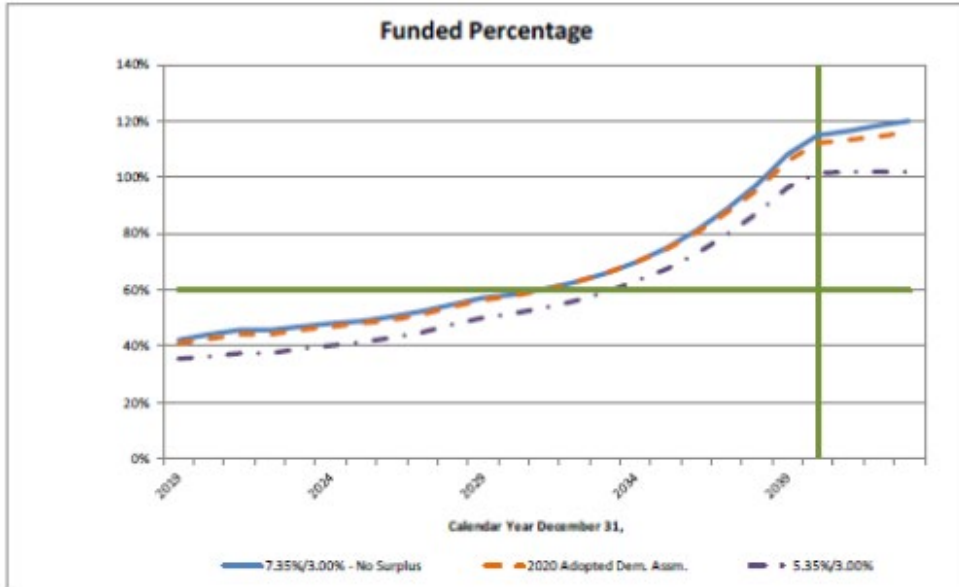
**Treasury Recommendation**  
**City of Ecorse Pension Corrective Action Plan (CAP) Monitoring Compliance Certification**  
**Primary Government 822060**

**Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet**

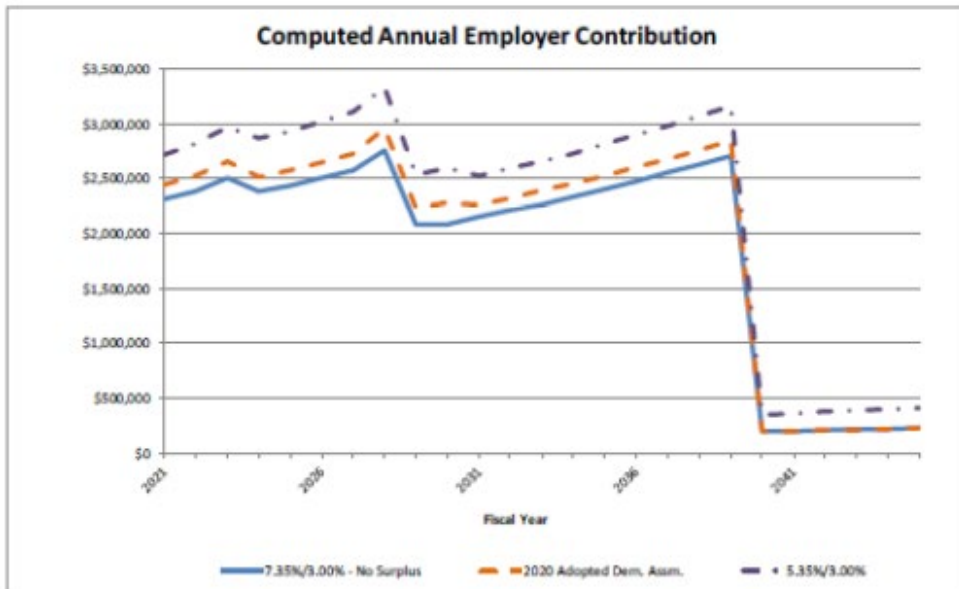
[Instructions](#)

| Fiscal Year  | Pension Payments                |  | OPEB Payments                                   |   | Projected (Actual) Governmental Revenues | Projected Enterprise Funds used for Retirement Costs | Projected Retirement Contributions as a Percent of Revenues |
|--|---------------------------------|--|---|---|--|--|---|
|  | Total Pension ADC (All Systems) | Additional Pension Contributions (All Systems) | Total OPEB Benefit Payment Amount (All Systems) | Additional OPEB Contributions (All Systems) |  |  |   |
| <b>2019</b>  |                                 |  |   |   | <b>\$17,362,970</b>                      |  |   |
| <b>2020</b>  | \$2,423,870                     |  | \$1,329,230                                     |   | \$17,710,229                             |  | 21%   |
| <b>2021</b>  | \$2,446,596                     |  | \$1,329,230                                     |   | \$18,064,434                             |  | 21%   |
| <b>2022</b>  | \$2,530,000                     |  | \$1,329,230                                     |   | \$18,425,723                             |  | 21%   |
| <b>2023</b>  | \$2,660,000                     |  | \$1,329,230                                     |   | \$18,794,237                             |  | 21%   |
| <b>2024</b>  | \$2,520,000                     |  | \$1,329,230                                     |   | \$19,170,122                             |  | 20%   |
| <b>Projected Annual Revenue Growth (Please select)</b> | 2%                              |  |   |   |  |  |   |

**Treasury Recommendation**  
**City of Ecorse Pension Corrective Action Plan (CAP) Monitoring Compliance Certification**  
**Primary Government 822060**



**Notes:**  
 All projected funded percentages are shown with no phase-in.  
 The green indicator lines have been added at 60% funded and 21 years following the valuation date for PA 202 purposes.



**Notes:**  
 All projected contributions are shown with no phase-in.  
 The above required annual employer contribution does not reflect future changes in the employee contribution rates due to the impact of a cap, if any, on employer contributions.



The Community Engagement and Finance Division (CEFD) contact:

- None



**Treasury Recommendation**  
**White Pine District Library Corrective Action Plan (CAP) Monitoring Compliance Certification**  
**598015 Primary Government**

| Name of Systems | Type of System | Assets    | Liabilities | Funded Ratio | ADC      | Revenues  | ADC/Revenue | CAP required? |
|-----------------|----------------|-----------|-------------|--------------|----------|-----------|-------------|---------------|
| MERS            | Pension        | \$132,338 | \$256,916   | 51.5%        | \$16,871 | \$255,497 | 7.5%        | YES           |

**Source: Retirement Report 2019, Audited Financial Statements**

**Staff Recommendation:** Compliance for the pension corrective action plan monitoring certification of compliance submitted by White Pine District Library on July 7, 2020. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

**Underfunded Status**

**Is the local government addressing its underfunded status in the same timeframe or less than the approved CAP?**

- Yes, the White Pine District Library is addressing underfunded status by fiscal year 2034 as originally approved.

**Substantial Changes**

**CAP Changes Implemented:**

- The library has increased its monthly surplus contributions.

**CAP Changes Not Implemented:**

- In 2018 a contribution of \$20,000 was made and the library intends to do a contribution again during the 2020-21 fiscal year. The library purchased a new building, and in doing so, used the CD that came due to purchase the building this year rather than using it for the additional contribution.

**Additional Changes Implemented**

- The White Pine District Board voted to approve an increase to the monthly surplus contributions to equal a total of \$2,000.

**Revised Corrective Action Plan Submitted? No**

**Sustainability**

**Highest combined annual employer contribution over the next 5 years?**

- Fiscal Year: 2022
- Percentage of Revenues: 10.2%

**System Status for All Divisions: OPEN**

**Treasury Recommendation**  
**White Pine District Library Corrective Action Plan (CAP) Monitoring Compliance Certification**  
**598015 Primary Government**

**Plan size: members: 6**

- Inactive employees or beneficiaries currently receiving benefits: 5
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 1

**Corrective Action Plan Monitoring Criteria:**

The following corrective action plan monitoring criteria are met:

- Underfunded Status:
  - The local government continues to address its retirement system's underfunded status consistent with the timeline date listed in its approved corrective action plan (2024).
- Substantial Changes:
  - There were no listed changes to the corrective action plan monitoring certification of compliance plan which substantially deviated from the approved corrective action plan

The following corrective action plan approval criteria are partially met:

- Sustainability:
  - The local government certified in section 4 of the Corrective Action Plan Monitoring: Application for Certification of Compliance form that the plan allowed for the local government to continue to make, at a minimum, the ADC payment for the defined benefit pension system(s) and/or any applicable statutorily required payments for retirement health benefit system(s), according to its long-term budget forecast. However, a review of the projected future retirement costs show that annual employer costs are increasing by 5.2% per year. This is likely more than can reasonably be expected through revenue growth.

**Supplemental Information:**

The included MERS valuation shows that the local government is projected to reach 60% funded by the target date of 2034; however, if the surplus division is included, that date moves up to approximately 2023. The local government indicated that the highest projected annual employer contribution is 2025 at 9.6%; however, Treasury's internal review analysis shows that the total remains around 10.2% from 2022 to 2024. The local government's annual increase in retirement costs, is approximately 5.2% per year for the next 5 years.

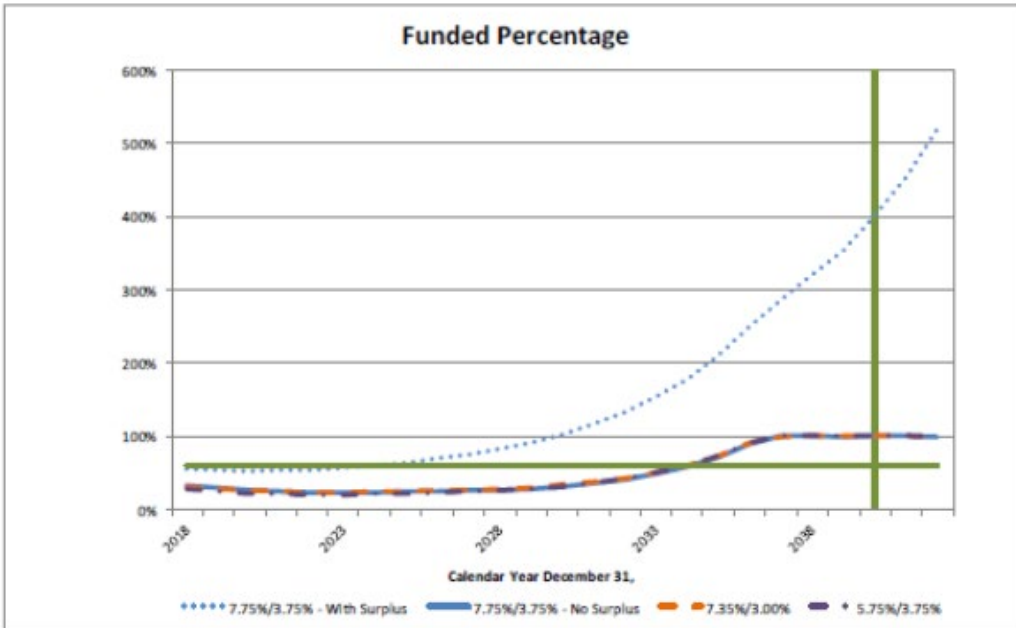
**Treasury Recommendation**  
**White Pine District Library Corrective Action Plan (CAP) Monitoring Compliance Certification**  
**598015 Primary Government**

**Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet**

Instructions

| Fiscal Year                                     | Pension Payments                |  | OPEB Payments                                   |   | Projected (Actual) Governmental Revenues | Projected Enterprise Funds used for Retirement Costs | Projected Retirement Contributions as a Percent of Revenues |
|---|---------------------------------|--|---|---|--|--|---|
|   | Total Pension ADC (All Systems) | Additional Pension Contributions (All Systems) | Total OPEB Benefit Payment Amount (All Systems) | Additional OPEB Contributions (All Systems) |  |  |   |
| <b>2019</b>                                     |                                 |  |   |   | \$255,497                                |  |   |
| 2020  | \$14,964                        | \$9,864  |   |   | \$260,607                                |  | 9.5%  |
| 2021  | \$16,400                        | \$9,864  |   |   | \$265,819                                |  | 9.9%  |
| 2022  | \$17,700                        | \$9,864  |   |   | \$271,135                                |  | 10.2%   |
| 2023  | \$18,300                        | \$9,864  |   |   | \$276,558                                |  | 10.2%   |
| 2024  | \$18,900                        | \$9,864  |   |   | \$282,089                                |  | 10.2%   |
| Projected Annual Revenue Growth (Please select) | 2%                              |  |   |   |  |  |   |

**Treasury Recommendation**  
**White Pine District Library Corrective Action Plan (CAP) Monitoring Compliance Certification**  
**598015 Primary Government**

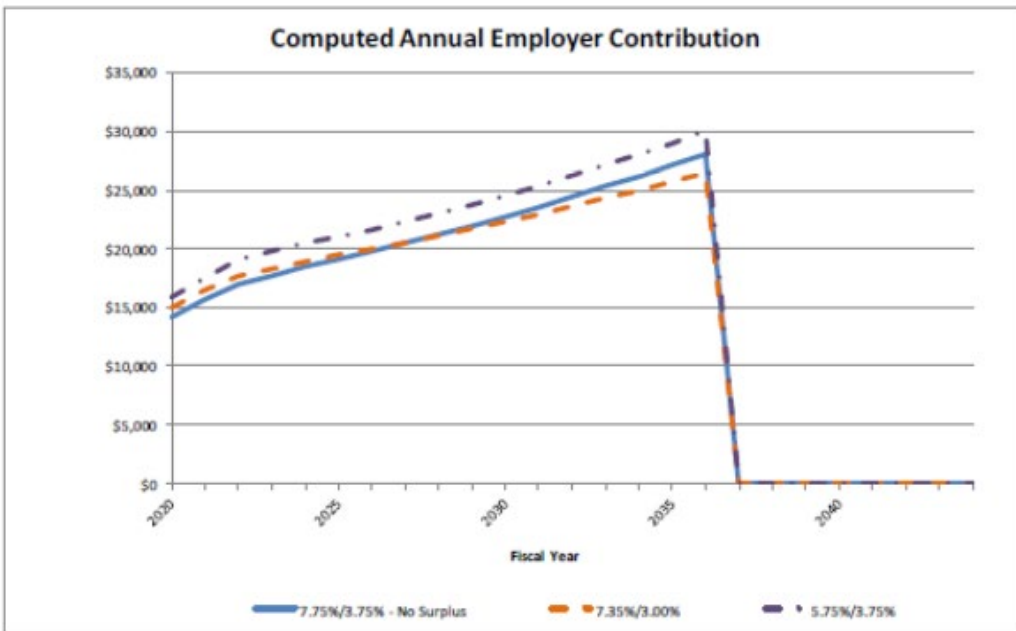


**Notes:**

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

Assumes assets from Surplus divisions will not be used to lower employer contributions during the projection period

The green indicator lines have been added at 60% funded and 22 years following the valuation date for PA 202 purp



**Notes:**

All projected contributions are shown with no phase-in.

Projected employer contributions do not reflect the use of any assets from the Surplus divisions.

**The Community Engagement and Finance Division (CEFD) contact:**

- None