

Municipal Stability Board

Wednesday, October 28, 2020 at 1:00 p.m.
Virtual Public Meeting
via Microsoft TEAMS

I. Call to Order

- A. Roll Call
- B. Approval of September 16, 2020 Minutes

II. Public Comment

- A. 2-minute limit

III. Correspondence

- A. Treasury Update
- B. Department of Treasury 3-Year Comparison Analysis
- C. Corrective Action Plan Monitoring Update and Next Steps

IV. New Business

- A. Receipt of Corrective Action Plans
 - i. City of Flat Rock
 - ii. City of Iron Mountain
 - iii. Ogemaw County Road Commission
 - iv. St. Clair River Water and Sewer Authority
 - v. White Cloud/Sherman Utilities Authority
- B. Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-17)
 - i. Village of Kalkaska
 - ii. Village of Ontonagon (2 plans)
 - iii. Ontonagon County Road Commission (2 plans)
 - iv. Redford Charter Township
 - v. City of River Rouge
 - vi. City of Walled Lake

V. Public Comment

A. 2-minute limit

VI. **Board Comment**

VII. **Adjournment**

MUNICIPAL STABILITY BOARD

**Wednesday, September 16, 2020
11:00 a.m.**

Virtual Public Meeting via Microsoft TEAMS

DRAFT Meeting Minutes

CALL TO ORDER

Chairman Eric Scorsone called the meeting to order at 11:01 a.m.

ROLL CALL

Members Present: Three

Eric Scorsone
John Lamerato
Barry Howard

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

APPROVAL OF MINUTES

A motion was made to approve the August 19, 2020 board meeting minutes by Barry Howard and supported by John Lamerato. The Board unanimously approved the August 19, 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. Additionally, Kayla Rosen provided a recap of Treasury's Retirement Assistance and Retirement Payment Deficiency Updates.

NEW BUSINESS

PUBLIC COMMENTS ON MUNICIPAL STABILITY BOARD BEST PRACTICES AND STRATEGIES (RESOLUTION 2020-13)

Nick Brousseau reviewed the two public comments received about the Municipal Stability Board Best Practices and Strategies (Resolution 2020-13). Based off the comments received, Treasury recommended making changes as documented in Resolution 2020-13 Exhibit A in the Board packet. John Lamerato questioned if the proposed addition to the underfunded status criteria was necessary. The Board deliberated and agreed to leave the addition.

A motion was made to approve the Public Comments on Municipal Stability Board Best Practices and Strategies (Resolution 2020-13) by John Lamerato and supported by Barry Howard. The Board unanimously approved the Public Comments on Municipal Stability Board Best Practices and Strategies (Resolution 2020-13). 3 Ayes and 0 Nays. Resolution 2020-13 was passed.

APPROVAL OF CITY OF LUNA PIER CORRECTIVE ACTION PLAN REVIEW (RESOLUTION 2020-16)

Nick Brousseau reviewed the Approval of City of Luna Pier Corrective Action Plan Review (Resolution 2020-16). This agenda item was carried over from the previous meeting and the Board had requested that Treasury request additional information from the City of Luna Pier. Nick Brousseau reported that when the packet was originally sent out, Treasury had not received the requested information from Luna Pier; however, Treasury received the additional information the day before the meeting, and would like to change the recommendation from disapproval to approval.

A motion was made to approve the Approval of City of Luna Pier Corrective Action Plan Review (Resolution 2020-16) by Barry Howard and supported by John Lamerato. The Board unanimously approved the Approval of City of Luna Pier's Corrective Action Plan Review (Resolution 2020-16). 3 Ayes and 0 Nays. Resolution 2020-16 was passed.

NEW BUSINESS

CORRECTIVE ACTION PLAN EXTENSIONS

Nick Brousseau reviewed the Corrective Action Plan Extensions with the Board.

A motion was made to approve the Corrective Action Plan Extensions by Barry Howard and supported by John Lamerato. The Board unanimously approved the Corrective Action Plan Extensions. 3 Ayes and 0 Nays. The motion was passed.

- City of Bangor
- City of Flat Rock
- City of Iron Mountain
- City of Lincoln Park
- White Cloud Sherman Utilities Authority

RECEIPT OF CORRECTIVE ACTION PLANS FROM 6 LOCAL GOVERNMENTS (8 PLANS)

Nick Brousseau provided the Board with corrective action plans for the following 6 local governments (8 plans):

- Village of Kalkaska
- Village of Ontonagon (2 plans)
- Ontonagon County Road Commission (2 plans)
- Redford Charter Township
- City of River Rouge
- City of Walled Lake

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

APPROVALS AND DISAPPROVALS OF CORRECTIVE ACTION PLANS FROM 3 LOCAL GOVERNMENTS (3 PLANS) (RESOLUTION 2020-15)

Nick Brousseau was asked to review the Treasury recommendations for Approval and Disapproval of Corrective Action Plans from 3 local governments (Resolution 2020-15) with the Board:

- Village of Capac (Approval)
- City of Holland (Approval)
- Montmorency County (Approval)

A motion was made to approve the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-15) by John Lamerato and supported by Barry Howard.

The Board unanimously approved the Approvals and Disapprovals of Corrective Action Plans (Resolution 2020-15). 3 Ayes and 0 Nays. Resolution 2020-15 was passed.

PUBLIC COMMENT

No public comment.

BOARD COMMENT

Eric Scorsone thanked the staff at the Michigan Department of Treasury for all their hard work and is interested in seeing how the fiscal year 2019 data compares to fiscal year 2017 and 2018.

NEXT MEETING

The next regular meeting will be on October 21, 2020 at 11:00 a.m.

ADJOURNMENT

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

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

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

Treasury's Public Act 202 of 2017 Update

As of 10/14/2020

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

CAP Monitoring Notifications and Reviews

- A total of 56 monitoring certification requests have been sent to date
- 10 local governments have returned monitoring certifications 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
Board to Review	-	-	-	2*	1	2	11

Treasury Department Communication and Outreach Report

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

Local Government COVID-19 Webpage

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



Michigan Department of
TREASURY

Engagement. Service. Improvement.

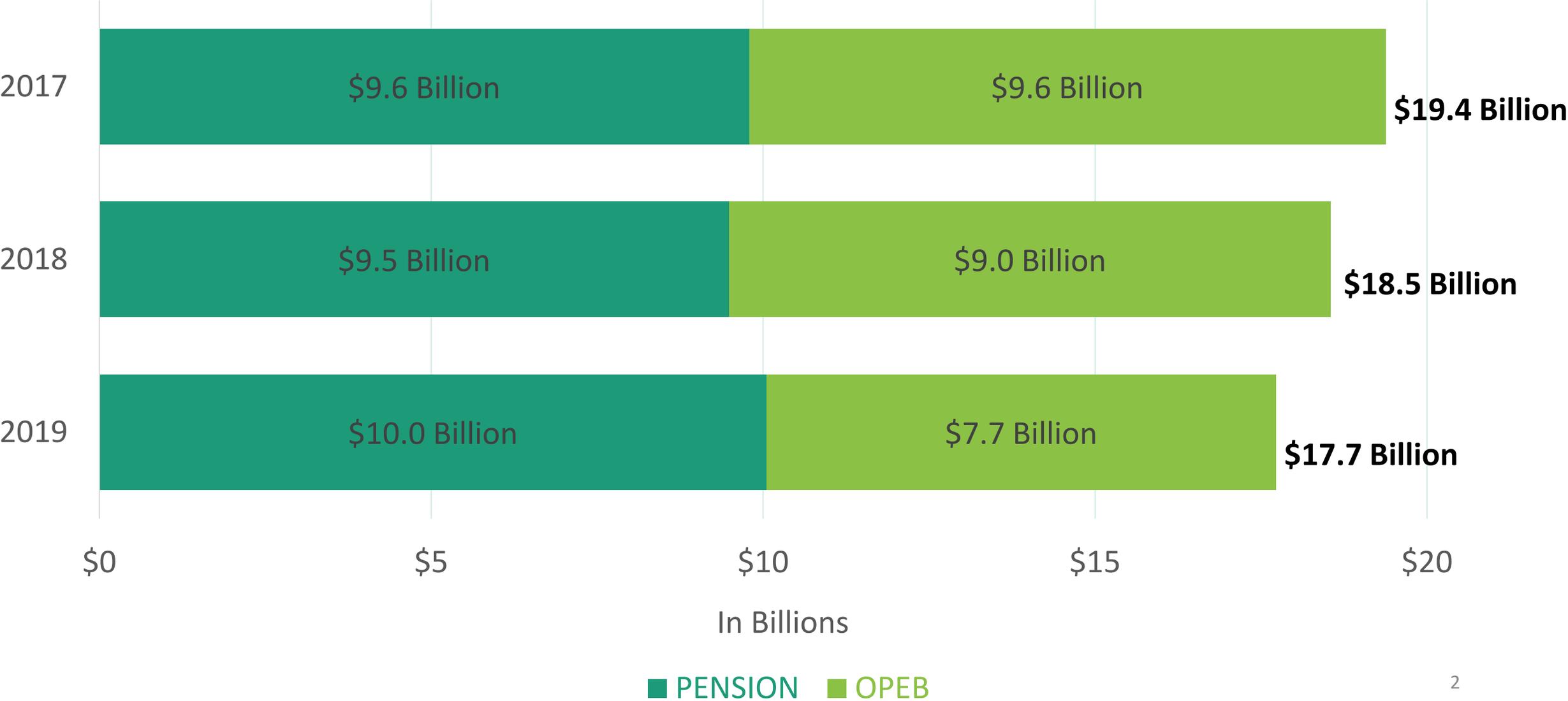
PA 202 3-Year Review

Christopher Greathouse, Departmental Analyst

Analytics and Outreach Section

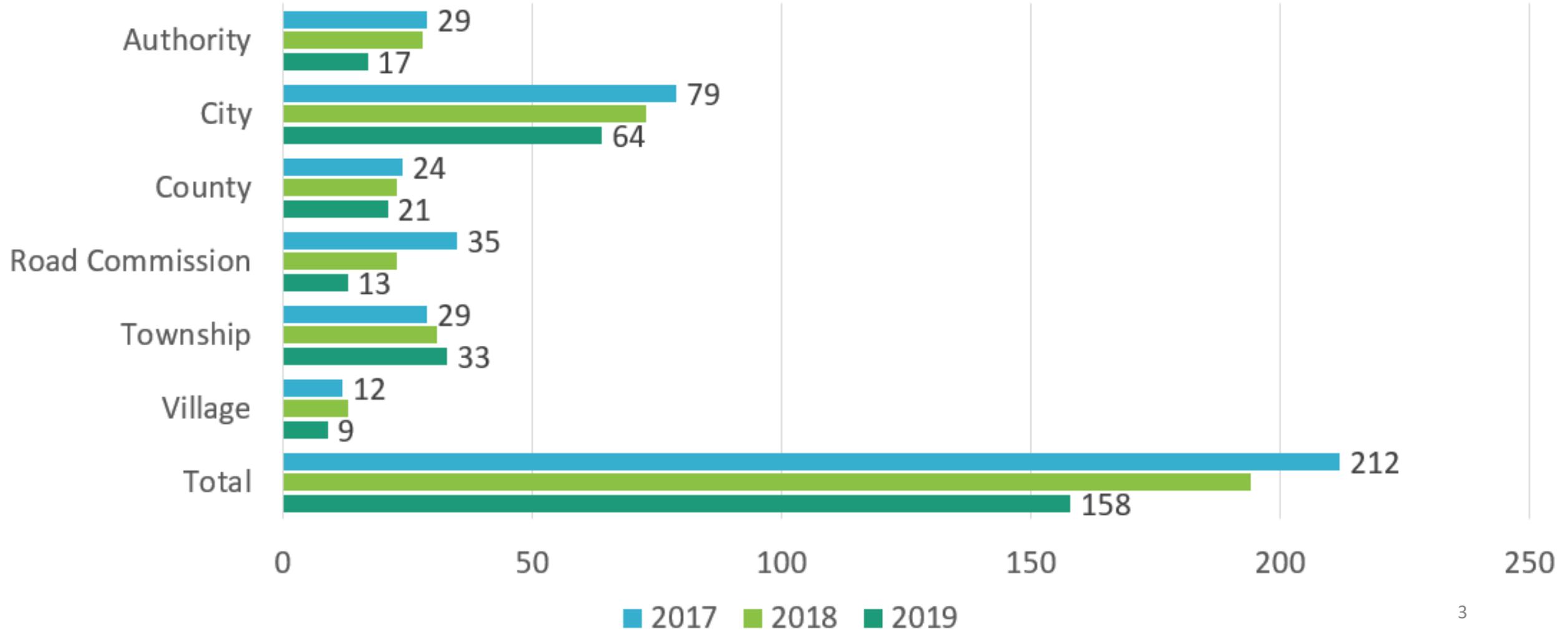
October 28, 2020

Unfunded Liabilities 2017-2019



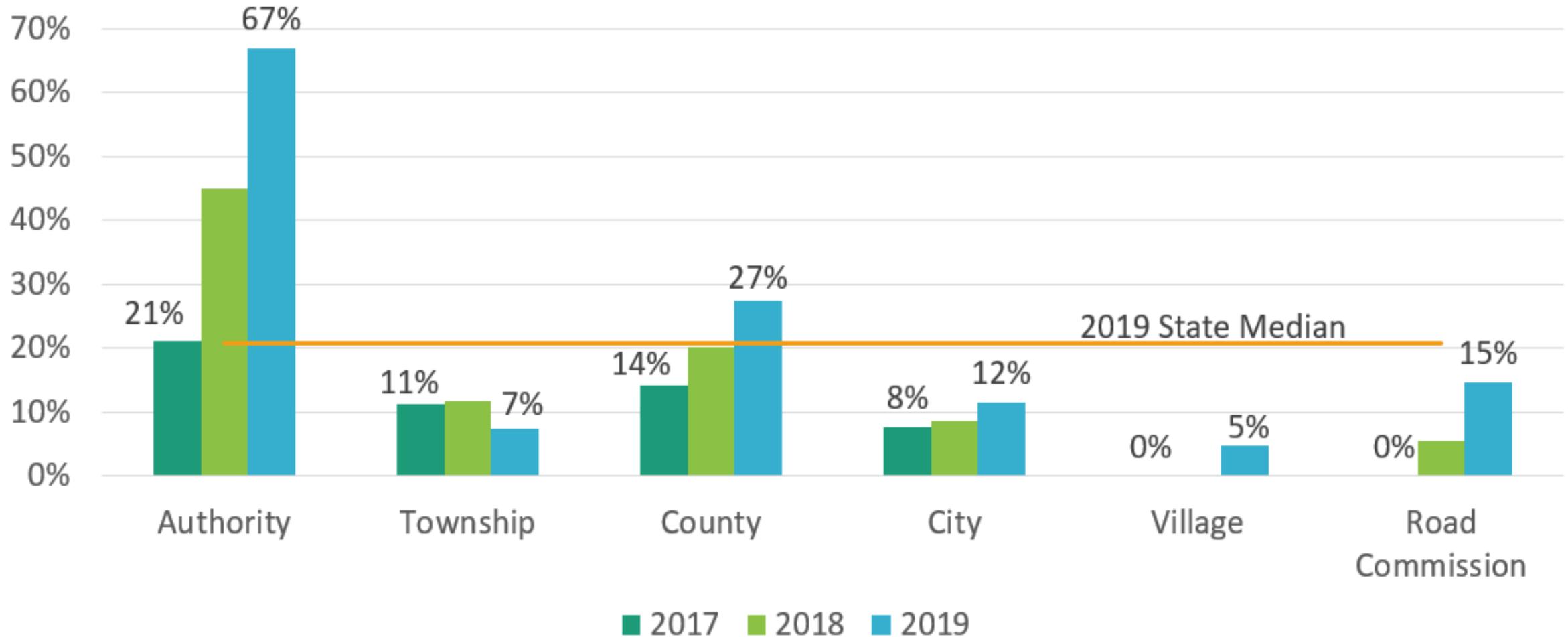
OPEB Funding Progress

Unfunded (\$0 Assets) OPEB Systems 2017-2019



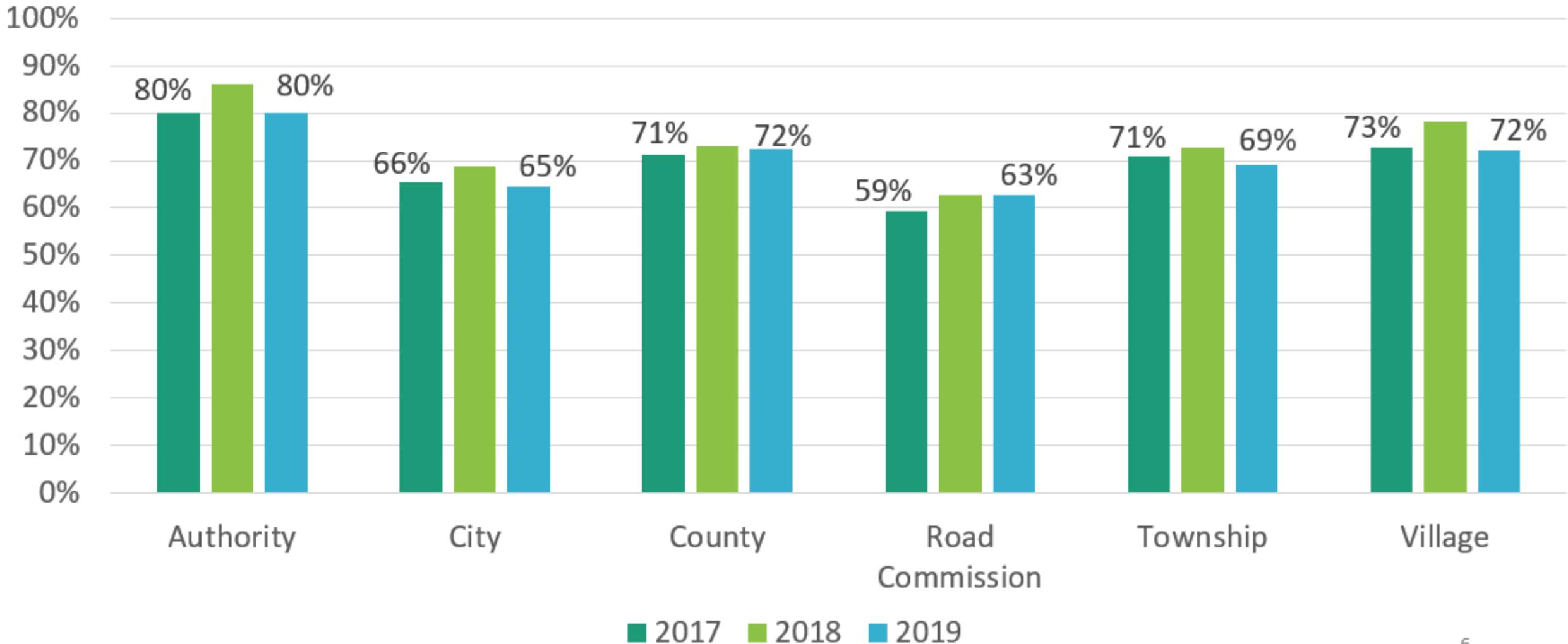
Statewide Funded Ratios 2017-2019 : OPEB

OPEB Median Funded Ratio

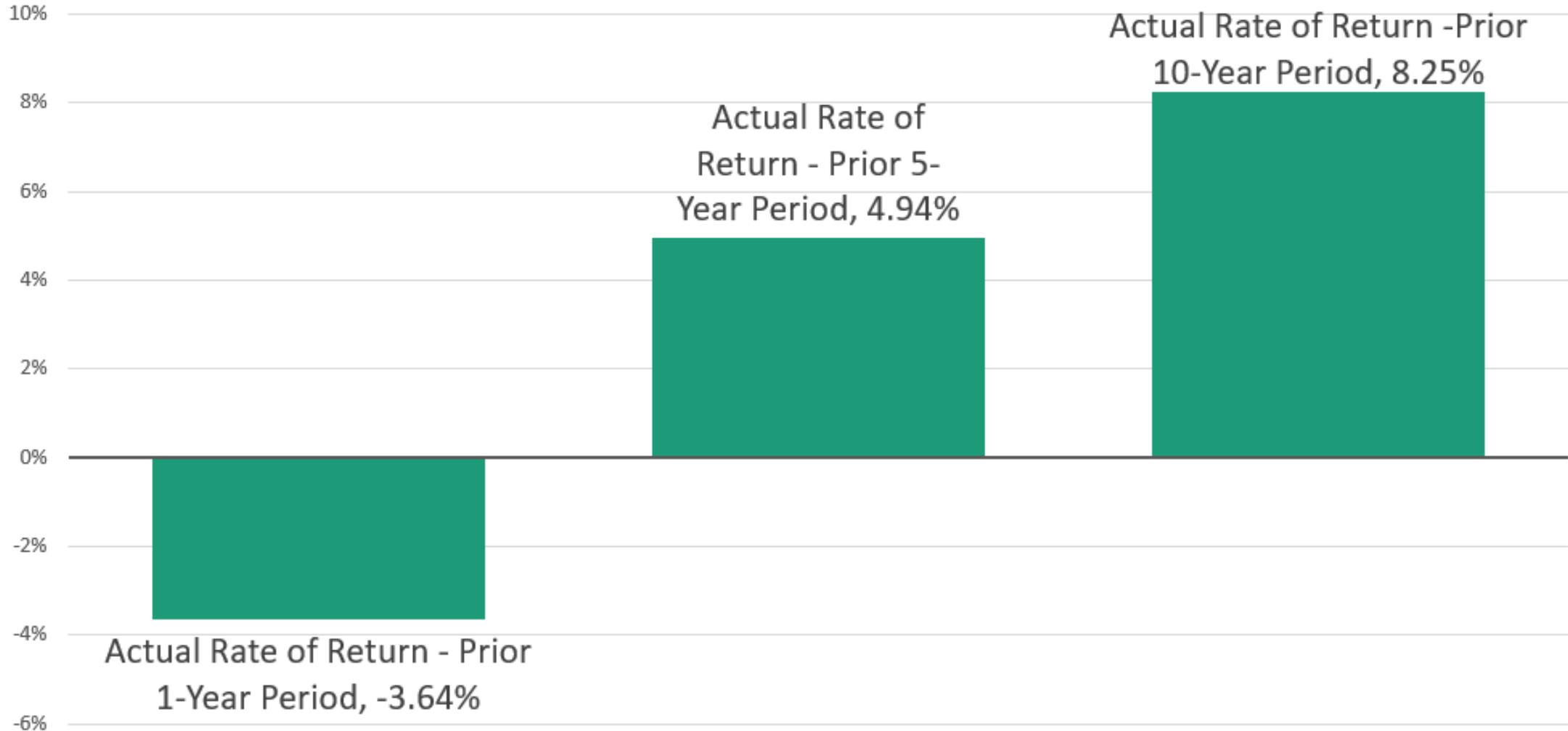


Statewide Funded Ratios 2017-2019 : Pension

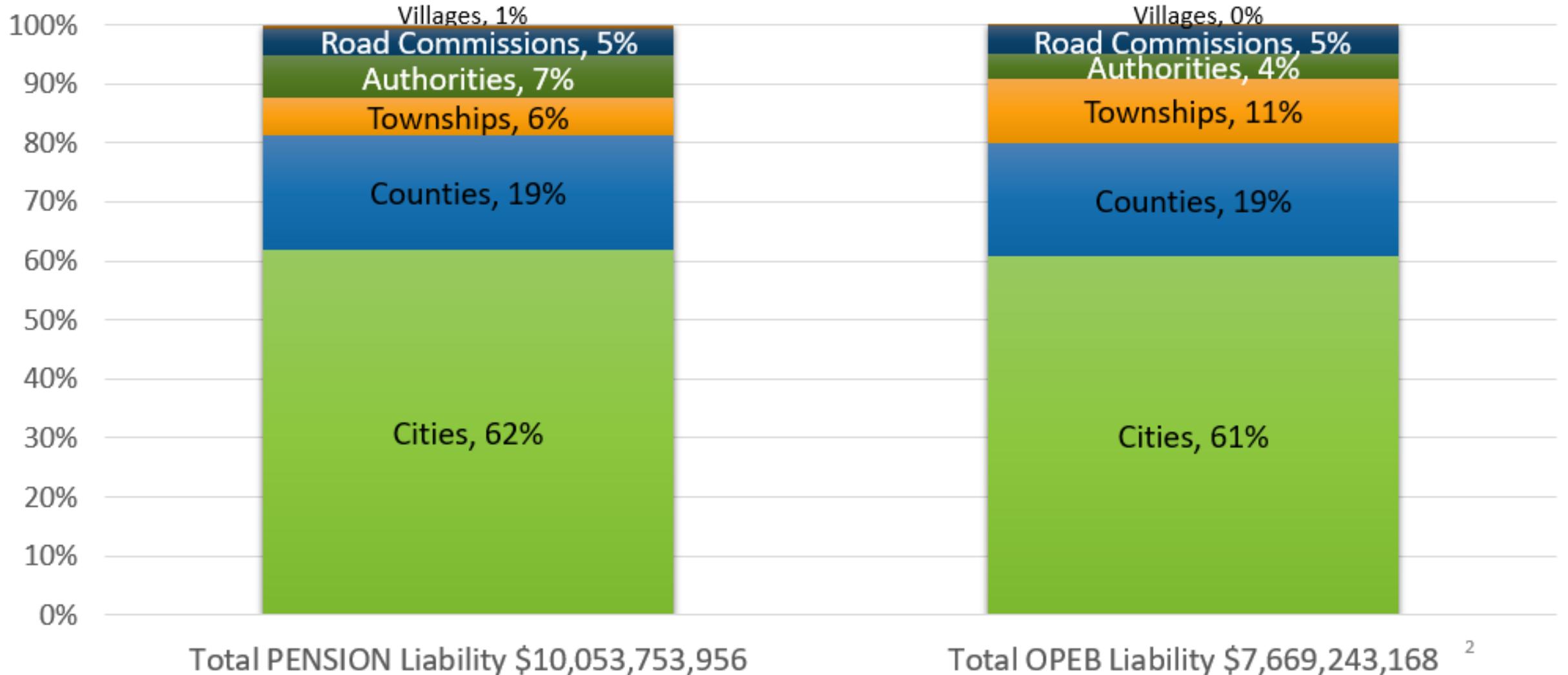
PENSION Median Funded Ratio



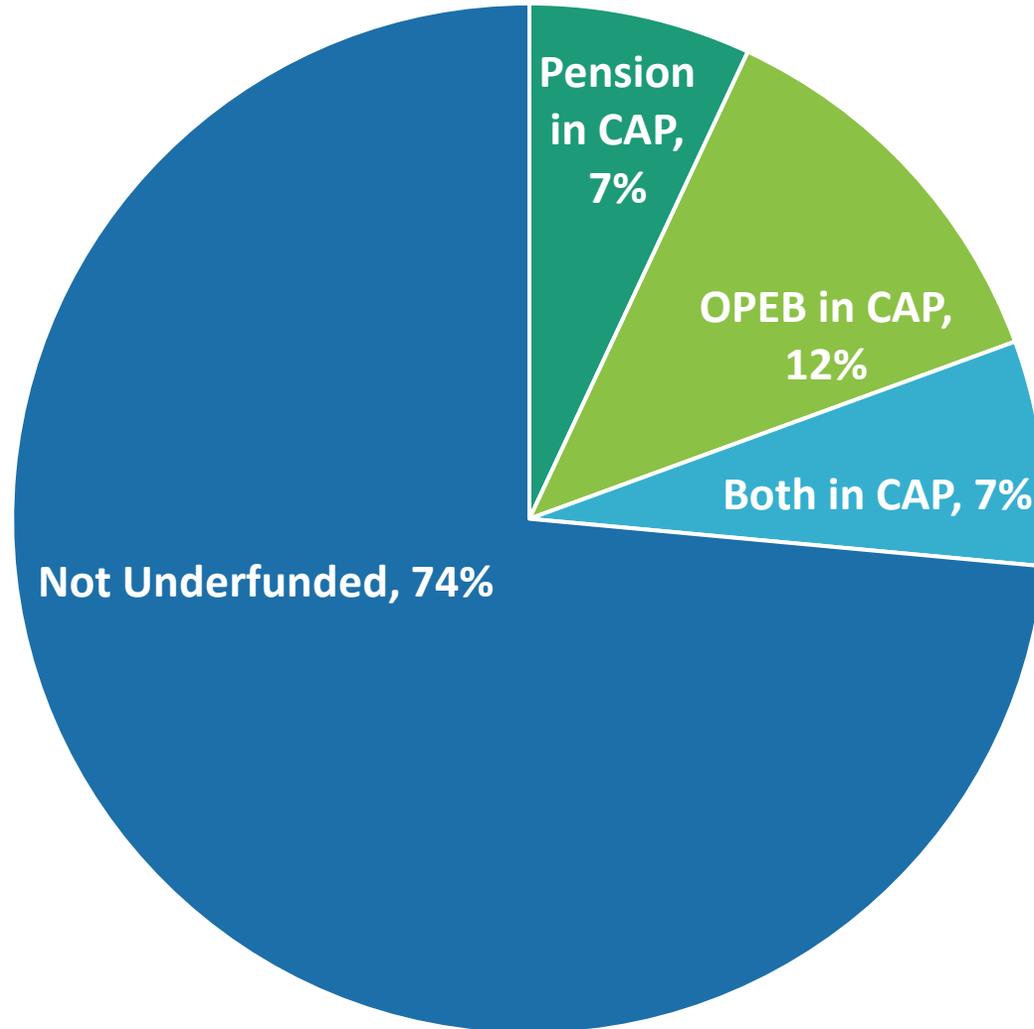
Actual Rate of Return - Pension



2019 Unfunded Liabilities by Local Government Type

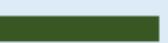


Reporting Totals and Corrective Action Plans

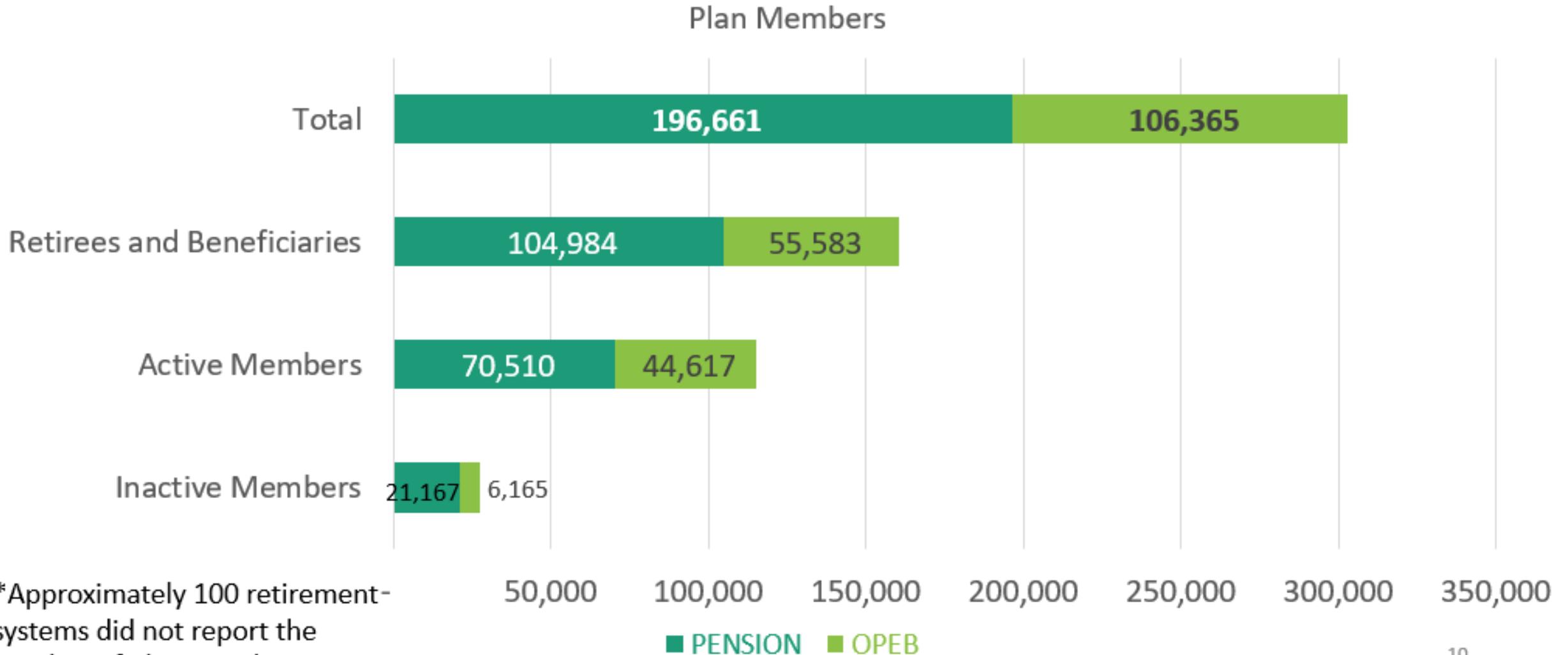


*Estimated, as of September 23, 2020

OPEB Plans: Changes Made

Strategy	Description	Changes		Impact
		Before the Act	After the Act	
Additional contributions	<ul style="list-style-type: none"> Additional payments above the "pay-as-you-go" amount are made towards the unfunded liability 	40 	90 	<ul style="list-style-type: none"> Reduces the liability Funds are invested and recognized in market returns
Established an OPEB qualified medical trust	<ul style="list-style-type: none"> Irrevocable trust fund for designated OPEB program funding 	40 	30 	<ul style="list-style-type: none"> Legally protected from creditors Reduces existing liability Funds are invested and recognized in market returns
Closed defined benefit OPEB system	<ul style="list-style-type: none"> New hires are no longer offered defined benefit health care Existing employees are not affected 	60 	10 	<ul style="list-style-type: none"> Eliminates accrued liabilities for new hires
Increased coinsurance/copays	<ul style="list-style-type: none"> Retirees begin to contribute or increase contributions to help fund the overall cost of the plan (e.g. copay for prescription drugs, paying 	20 	10 	<ul style="list-style-type: none"> Reduces employer cost
Increased member contributions	<ul style="list-style-type: none"> Employees begin to contribute or increase contributions to help fund the overall cost of the plan 	20 	10 	<ul style="list-style-type: none"> Reduces employer cost

Local Government Retirement System Members



*Approximately 100 retirement-systems did not report the number of plan members

Thank
You!



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DATE: Wednesday, October 28, 2020

TO: The Municipal Stability Board (the Board)

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

SUBJECT: Corrective Action Plan Monitoring Updates and Next Steps

Board Monitoring Compliance Certification Reviews: Utilizing the Board's approved guidance in addition to its corrective action plan (CAP) monitoring policies and procedures, the first CAP monitoring compliance certification reviews are scheduled to begin soon. As it is a new process, the CEFD wanted to provide a review of how the monitoring certification process will work, the documents to be used in the review, and additional documents involved in the compliance certification process.

- [CAP Monitoring: Policy and Procedures](#)
- [CAP Monitoring Application for Certification of Compliance \(Form 5720\)](#)
- [CAP Monitoring Sustainability Worksheet](#) and [Instructions](#)
- CAP Monitoring Treasury Recommendation Form (Attachment A)
- CAP Monitoring Approval/Disapproval Resolution (Attachment B)
- CAP Monitoring Determination Letters (Attachment C)

Certification Reviews: To formalize and improve the Board's review and certification process, the CEFD will provide two CAP monitoring certification submissions for review and consideration by the Board at the Board's November 2020 meeting, ahead of these local government's regularly scheduled review period in December. The Board will have the opportunity to provide feedback and suggestions for improvement prior to review periods with heavier volume.

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

Treasury Recommendation
Local Government Pension/OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary/Non-Primary Government Municode

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Pension1	Pension							
Healthcare System1	OPEB							
Total		\$0,000	\$0,000	0.0%	\$0,000	\$0,000	0.0%	

Source: Retirement Report Fiscal Year, Audited Financial Statements

Staff Recommendation: Noncompliance for the pension/OPEB corrective action plan monitoring certification of compliance submitted by Local Government on Date. If determined to be noncompliant, Local Government, will receive a detailed letter from the Board listing the reasons for noncompliance. Local Government will have 60 days from the date of the notification to address the reason for noncompliance and resubmit a revised corrective action plan monitoring certification of compliance form for approval.

Compliance for the pension/OPEB corrective action plan monitoring certification of compliance submitted by Local Government on Date. 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.

Compliance with conditions for the pension/OPEB corrective action plan monitoring certification of compliance submitted by Local Government on Date. If voted as compliant with conditions by the Board, Local Government, will receive a detailed letter from the Board listing the reasons for compliance with conditions and required next steps. 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

- Yes, Local Government is addressing underfunded status by fiscal year XXXX as originally approved.
- No, underfunded status will be now be addressed by fiscal year XXXX, which is within the Board's required timeframe.
 - Notes

CAP Changes Implemented:

- Change 1
- Change 2
- Change 3
- Change 4

Treasury Recommendation

Local Government Pension/OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary/Non-Primary Government Municode

- Change 5

CAP Changes Not Implemented:

- Change 1
- Change 2
- Change 3
- Change 4
- Change 5

Additional Changes Implemented

- Change 1
- Change 2
- Change 3
- Change 4
- Change 5

Revised Corrective Action Plan Submitted? YES/NO

System Status for All Divisions: OPEN/CLOSED

Plan size: members XX

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

Corrective Action Plan Monitoring Criteria:

The following corrective action plan monitoring criteria are met:

- Underfunded Status:
 - Reason
- Substantial Changes:
 - Reason
- Sustainability:
 - Reason

The following corrective action plan approval criteria are partially met:

- Underfunded Status:

Treasury Recommendation

Local Government Pension/OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification Primary/Non-Primary Government Municode

- Reason
- Substantial Changes:
 - Reason
- Sustainability:
 - Reason

The following corrective action plan approval criteria were not met:

- Underfunded Status:
 - Reason
- Substantial Changes:
 - Reason
- Sustainability:
 - Reason

Supplemental Information:

Review notes and other supplemental documentation.

The Community Engagement and Finance Division (CEFD) contact:

- Notes

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-XX**

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 A 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 A 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 A 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 A 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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

October 21, 2020

**Retirement Corrective Action Plan Monitoring:
Notice of Compliance**

Fiscal Year:

Municipality Code:

Sent Via Email

[Local Government Name]

[Local Government Email]

Dear Administrative Officer or Designee:

Thank you for submitting your retirement corrective action plan (CAP) monitoring form(s) pursuant to Public Act 202 of 2017 (the Act). **Upon review, the Municipal Stability Board (the Board) has certified that your local government has met all CAP monitoring criteria and satisfied all reporting requirements under the Act. Therefore, the Board has certified your local government is in substantial compliance with the Act and any approved corrective action plan(s).**

Next Steps (Pursuant to the Act):

- Continue to implement your CAP(s);
- The Board shall continue to monitor your compliance with the Act and your CAP(s) not less than every two years;
 - [CAP monitoring criteria and procedure](#) can be viewed on our website. We strongly recommend that you continue the process of compiling supporting documentation to show that you are implementing your CAP(s) and making progress towards your funding status.
- While your approved CAP(s) is in effect for your local government, you are not required to submit an additional CAP for this system(s);
- You are required to continue to file the Retirement System Annual Report (Form 5572) annually, which is due six months after the end of your fiscal year.

Thank you for your commitment to fiscal stability and compliance with the requirements of the Act. For more information regarding the Act, please visit Michigan.gov/LocalRetirementReporting for step-by-step reporting instructions and helpful FAQs. If you would like to speak with a member of our team, please email our

office at LocalRetirementReporting@michigan.gov or schedule a phone call appointment using the [Local Retirement Calendar](#). A team member will contact you with a conference number to call at your scheduled time.

Sincerely,

Local Retirement Reporting Team
Community Engagement and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

October 21, 2020

**Retirement Corrective Action Plan Monitoring:
Notice of Compliance with Conditions**

Fiscal Year:

Municipality Code:

Sent Via Email

[Local Government Name]

[Local Government Email]

Dear Administrative Officer or Designee:

Thank you for submitting your retirement corrective action plan (CAP) monitoring form(s) pursuant to Public Act 202 of 2017 (the Act). Upon review, the Municipal Stability Board (the Board) has certified that your local government has satisfied all reporting requirements and addressed the Board's CAP monitoring criteria.

However, in the review of your CAP monitoring form(s) and documentation, the Board has found that either your local government was unable to certify that your CAP(s) was fiscally sustainable on the CAP monitoring form(s) or your local government's CAP(s) was determined to be fiscally unsustainable by the Board.

Based on this determination, the Board has certified your local government to be compliant with conditions. Therefore, your local government must work to address the detailed affordability concerns noted below prior to the next CAP monitoring period to the Board's satisfaction or your local government may be found noncompliant with the Act.

Plan name(s) and reason(s) for compliance with conditions:

[Insert plan name(s) and reason(s) for noncompliance]

Additional Next Steps (Pursuant to the Act):

- Continue to implement your CAP(s);
- The Board shall continue to monitor your compliance with the Act and your CAP(s) not less than every two years;
 - [CAP monitoring criteria and procedure](#) can be viewed on our website. We strongly recommend that you continue the process of compiling supporting

documentation to show that you are implementing your CAP(s) and making progress towards your funding status.

- While your approved CAP(s) is in effect for your local government, you are not required to submit an additional CAP for this system(s);
- You are required to continue to file the Retirement System Annual Report (Form 5572) annually, which is due six months after the end of your fiscal year.

Thank you for your commitment to fiscal stability and compliance with the requirements of the Act. For more information regarding the Act, please visit Michigan.gov/LocalRetirementReporting for step-by-step reporting instructions and helpful FAQs. If you would like to speak with a member of our team, please email our office at LocalRetirementReporting@michigan.gov or schedule a phone call appointment using the [Local Retirement Calendar](#). A team member will contact you with a conference number to call at your scheduled time.

Sincerely,

Local Retirement Reporting Team
Community Engagement and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

October 21, 2020

**Delinquent Retirement Corrective Action Plan Monitoring:
Determination of Noncompliance**

Fiscal Year:

Municipality Code:

Sent Via Email

[Local Government Name]

[Local Government Email]

Dear Administrative Officer or Designee:

Based on our records, we have not received your corrective action plan (CAP) monitoring form(s) for all applicable retirement systems, pursuant to Public Act 202 of 2017 (the Act). **Because the required CAP monitoring form(s) has not yet been submitted, your local government has received a determination of noncompliance by the Municipal Stability Board (the Board) and is thus not in substantial compliance with the Act and any approved CAP(s).**

How to Address Your Local Government's Noncompliance

In accordance with the Act, you must submit a **CAP monitoring form(s) for each retirement system that has been determined to be in corrective action**. The completed CAP monitoring form(s) is due back to the Department of Treasury (Treasury) **within 60 days of this notification** via email to LocalRetirementReporting@Michigan.gov.

The attached CAP monitoring form includes detailed instructions on how to complete the form. Additionally, the Board has approved [CAP monitoring criteria and procedure](#), which includes detailed information about CAP monitoring compliance. Please review the Board's criteria and complete a CAP monitoring form(s).

Please attach each CAP monitoring form as a separate PDF document in addition to all applicable supporting documentation. The subject line of the email should be in the following format: **Corrective Action Plan Monitoring-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan Monitoring-2019, City of Lansing, Employees' Retirement System Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email.

Next Steps:

- Once your CAP monitoring form(s) is submitted, the Board will officially review the form(s). The Board shall then vote your local government in compliance with the Act, compliant with conditions, or noncompliant with the Act;
- Failure to submit a CAP monitoring form(s) will result in your local government remaining noncompliant until the CAP monitoring form(s) is voted compliant or compliant with conditions by the Board.

Noncompliance has the following impact on your local government:

- Your local government has been listed on Treasury's website as noncompliant;
- Pursuant to Section 518 (5)(i) of Public Act 34 of 2001, your local government is not eligible to issue a municipal security for the purpose of funding defined benefit pension retirement plans or postemployment health care plans;
- Potential legislative changes could have additional impacts.

For more information regarding the Act, please visit Michigan.gov/LocalRetirementReporting for step-by-step reporting instructions and helpful FAQs. If you would like to speak with a member of our team, please email our office at LocalRetirementReporting@michigan.gov or schedule a phone call appointment using the [Local Retirement Calendar](#). A team member will contact you with a conference number to call at your scheduled time.

Sincerely,

Local Retirement Reporting Team
Community Engagement and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

October 23, 2020

**Retirement Corrective Action Plan Monitoring:
Determination of Noncompliance**

Fiscal Year:

Municipality Code:

Sent Via Email

[Local Government Name]

[Local Government Email]

Dear Administrative Officer or Designee:

Thank you for submitting your retirement corrective action plan (CAP) monitoring form(s) pursuant to Public Act 202 of 2017 (the Act). **Upon review, the Municipal Stability Board (the Board) has found that your local government failed to meet the Board's published CAP monitoring criteria and/or to satisfy all reporting requirements. Therefore, your local government has received a determination of noncompliance by the Board and is thus not in substantial compliance with the Act and any approved CAP(s).**

Plan name(s) and reason(s) for noncompliance:

[Insert plan name(s) and reason(s) for noncompliance]

How to Address Your Local Government's Noncompliance

In accordance with the Act, you **must** resubmit a **CAP monitoring form(s) addressing the reason(s) for disapproval listed above for each retirement system that has been determined to be in corrective action.**

The CAP monitoring form(s) resubmission(s), in addition to all required documentation, is due back to the Department of Treasury (Treasury) **within 60 days of this notification** via email to LocalRetirementReporting@Michigan.gov.

How to Resubmit Your CAP Monitoring Form(s)

The CAP monitoring form attached to this email includes detailed instructions on how to complete the form. Additionally, the Board has approved [CAP monitoring criteria and procedures](#), which includes detailed information about CAP monitoring compliance. Please review the Board's criteria and complete a CAP monitoring form(s).

Please attach each CAP monitoring form as a separate PDF document in addition to all applicable supporting documentation. The subject line of the email should be in the following format: **Corrective Action Plan Monitoring-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan Monitoring-2019, City of Lansing, Employees' Retirement System Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email.

Next Steps:

- Once your CAP monitoring form(s) is resubmitted, the Board will officially review the form(s). The Board shall then vote your local government in compliance with the Act, compliant with conditions, or noncompliant with the Act;
- Failure to resubmit a CAP monitoring form(s) will result in your local government remaining noncompliant until the CAP monitoring form(s) is voted compliant or compliant with conditions by the Board.

Noncompliance has the following impact on your local government:

- Your local government has been listed on Treasury's website as noncompliant;
- Pursuant to Section 518 (5)(i) of Public Act 34 of 2001, your local government is not eligible to issue a municipal security for the purpose of funding defined benefit pension retirement plans or postemployment health care plans;

For more information regarding the Act, please visit Michigan.gov/LocalRetirementReporting for step-by-step reporting instructions and helpful FAQs. If you would like to speak with a member of our team, please email our office at LocalRetirementReporting@michigan.gov or schedule a phone call appointment using the [Local Retirement Calendar](#). A team member will contact you with a conference number to call at your scheduled time.

Sincerely,

Local Retirement Reporting Team
Community Engagement and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: October 28, 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. St. Clair River Water & Sewer Authority
 - A. Pension – MERS

Fiscal Year 2019 Plans

- II. City of Flat Rock
 - A. OPEB
- III. City of Iron Mountain
 - A. Pension - Supplemental
- IV. Ogemaw County Road Commission
 - A. Pension - MERS
- V. White Cloud/Sherman Utilities Authority
 - A. Pension - MERS

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

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

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

1. LOCAL GOVERNMENT INFORMATION

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

Defined Benefit Pension System Name: _____

Contact Name (Administrative Officer): _____

Title if not Administrative Officer: _____ Telephone: _____

Email (Communication will be sent here): _____

Fiscal Year System was Determined to be Underfunded: _____

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

<Insert User Entry Box>

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

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

<Insert User Entry Box>

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

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

<Insert User Entry Box>

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

<Insert User Entry Box>

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
- No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention:

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

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

Type of Document:

This corrective action plan form (required);

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

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

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

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

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

Other documentation not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

- | | |
|---|--|
| <input type="checkbox"/> Underfunded Status | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local government is a city, village, township, or county, how and when the ADC of all pension systems will be less than 10% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe? |
| <input type="checkbox"/> Legality | Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? |
| <input type="checkbox"/> Affordability | Do the corrective action(s) listed allow the local government to make the ADC payment for the pension system now and into the future without additional changes to this corrective action plan? |

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

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

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

- The **<insert Retirement Pension System Name>** (*insert retirement pension system name*) will achieve a funded status of at least 60% by fiscal year **<insert fiscal year>** as demonstrated by required supporting documentation listed in Section 6.

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

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

Signature: **<insert signature>**

Date: **<insert 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 Flat Rock Six-Digit Muni Code: 822070
Retirement Health Benefit System Name: City of Flat Rock Retiree Health Care Plan OPEB
Contact Name (Administrative Officer): Joanne Beard
Title if not Administrative Officer: Treasurer Telephone: (734) 782-2463
Email (Communication will be sent here): treasurer@flatrockmi.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 for review by the Board. **If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

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

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

The City of Flat Rock increased retiree's contribution amount to \$100 per month upon retirement. The City requires all retirees to use the same insurance plan as current employee's and requires the use of Medicare as primary insurance upon reaching the age of 65. All retired employees must have worked for 25 years in order to only pay the \$100 fee, 40% is covered after 10 years with an increase of 4% each additional year worked.

All new employees hired after 07.01.2012 are not eligible for retiree health insurance and must contribute to a Health Care Savings Plan. This is an employee contribution that adds no additional cost to the city.

All was completed through Collective Bargaining.

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

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

The City of Flat Rock is currently discussing the possibility of requiring all retirees not currently contributing to Health Insurance to adhere to current contracts.

- 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**.*

Please see attached rates for under 65 years of age dropped 10%. Also attached is the new rate for current employees, which has dropped 15%. This is how we are funding the payment of \$170,000.

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 City of Flat Rock will begin a biennial review to verify all retirees & spouse still qualify for Healthcare as well as an independent full actuarial done biennial and a roll forward every other year.

- 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.*

Please see attached for the proposed \$170,000 additional contribution.

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

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

The City of Flat Rock has always been on the pay as you go method. We have continually budgeted enough to cover any increases that may arise and cover any new employees.

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:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1 | This corrective action plan (required); |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this corrective action plan (required); |
| <input checked="" type="checkbox"/> 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); |
| <input type="checkbox"/> 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); |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance); |
| <input type="checkbox"/> 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; |
| <input checked="" type="checkbox"/> Attachment – 6a | Other documentation, not categorized above. |

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

Underfunded Status

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

Legality

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

Affordability

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

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

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

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

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

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

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

Signature:

Date:

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Iron Mountain Six-Digit Muni Code: 222010
Defined Benefit Pension System Name: Retiree Health Insurance
Contact Name (Administrative Officer): Jordan Stanchina
Title if not Administrative Officer: City Manager Telephone: (906) 774-8530
Email (Communication will be sent here): citymanager@cityofironmountain.com
Fiscal Year System was Determined to be Underfunded: 2019

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

Iron Mountain retirees' eligible for health insurance have the option of opting out of coverage and receiving a stipend in lieu of. In 2018, the actuarial calculated amount of \$41,693,081 combined the health insurance costs with the opt-out payments. The 2019 actuarial report separated the amounts to include \$29,652,353 for retiree health and \$12,088,506 for opt-out in lieu of payments which is the same total as 2018. This was mislabeled as "Supplemental Pension" when submitted to Treasury which may explain the classification confusion. The funding for "opt-outs" or retiree health

insurance will come from the OPEB Trust that was established in accordance with our previously approved corrective action plan. The City does not believe that this should be considered out of compliance as we are following the corrective action plan that will meet the minimum funding criteria for the \$41,693,081 OPEB.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention:

Attachment – 1

Attachment – 1a

Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

Type of Document:

This corrective action plan form (required);

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

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

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

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

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

Other documentation not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

Underfunded Status

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

Legality

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

Affordability

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

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

I, Jordan Stanchina, 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 Supplemental Pension (**insert retirement pension system name**) will achieve a funded status of at least 60% by fiscal year 2038 as demonstrated by required supporting documentation listed in Section 6.

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

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

Signature: 

Date: October 20, 2020

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: OGEMAW COUNTY ROAD COMMISSION Six-Digit Muni Code: 650100
Defined Benefit Pension System Name: MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
Contact Name (Administrative Officer): BRANDY CURTIS
Title if not Administrative Officer: BOARD CLERK Telephone: (989) 345-0234
Email (Communication will be sent here): BCURTIS@OGEMAWCRC.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 defined benefit pension retirement system that has been determined to have an underfunded status. Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local government is a city, village, township, or county, the actuarially determined contribution (ADC) for all of the defined benefit pension retirement systems of the local government is greater than 10% of the local government's annual governmental fund revenues, based on the most recent fiscal year.

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

See Attachment 1b

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

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

See Attachment 1b

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

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

See Attachment 1b

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No, Explain:

See Attachment 1b

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 – I
- Attachment – Ia
- Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

Type of Document:

This corrective action plan form (required);

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

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

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

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

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

Other documentation not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

Underfunded Status

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

Legality

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

Affordability

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

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

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

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

The MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN (**insert retirement pension system name**) will achieve a funded status of at least 60% by fiscal year 2024 as demonstrated by required supporting documentation listed in Section 6.

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

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

Signature: _____

Brandy Curtis

Date: _____

10-14-2020

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

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

1. LOCAL GOVERNMENT INFORMATION

Local Government Name: White Cloud/Sherman Utilities Authority Six-Digit Muni Code: 627513
Defined Benefit Pension System Name: White Cloud/Sherman Utilities Authority, MERS Pension Plan
Contact Name (Administrative Officer): Becky Freeman
Title if not Administrative Officer: Manager Telephone: (231) 689-6047
Email (Communication will be sent here): Bfree935@gmail.com
Fiscal Year System was Determined to be Underfunded: 2019

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTIONS OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

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

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

The Authority is committed to a quarterly voluntary contribution of \$5,000 until the funded ratio is brought into compliance.

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

Yes

No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention:

Type of Document:

Attachment – 1

This corrective action plan form (required);

Attachment – 1a

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

Attachment – 2a

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

Attachment – 3a

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

Attachment – 4a

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

Attachment – 5a

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

Attachment – 6a

Other documentation not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

Underfunded Status

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

Legality

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

Affordability

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

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

I, Becky Freeman, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) (**insert title**) 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 WCSUA, MERS Pension Plan (**insert retirement pension system name**) will achieve a funded status of at least 60% by fiscal year 2022 as demonstrated by required supporting documentation listed in Section 6.

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

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

Signature: Becky Freeman

Date: 9/14/20

**MUNICIPAL STABILITY BOARD
RESOLUTION 2020-17**

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

October 28, 2020

Municipal Stability Board Appendix A, October 28, 2020

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

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

#	Local Government	Municode	Fiscal Year	System Type	Date Received	Underfunded Status	Legality	Affordable	Treasury Recommendation	Corrective Action Plan Link
1	Village of Kalkaska	403010	2018	Pension	9/16/2020	Yes	Yes	Partial	Approve	Village of Kalkaska-Pension
2	Village of Ontonagon	663010	2017	Pension	9/16/2020	Partial	Partial	No	Disapprove	Village of Ontonagon-Pension
3	Village of Ontonagon	663010	2018	OPEB	9/16/2020	Partial	Yes	Yes	Approve	Village of Ontonagon-OPEB
4	Ontonagon County Road Commission	660100	2017	Pension	9/16/2020	Yes	Yes	Yes	Approve	Ontonagon County Road Commission-Pension
5	Ontonagon County Road Commission	660100	2017	OPEB	9/16/2020	Yes	Yes	Yes	Approve	Ontonagon County Road Commission-OPEB
6	Redford Charter Township	821080	2019	Pension-MERS	9/16/2020	Yes	Yes	Partial	Approve	Redford Charter Township-Pension-MERS
7	City of River Rouge	822230	2018	OPEB	9/16/2020	Yes	Yes	Partial	Approve	City of River Rouge-OPEB
8	City of Walled Lake	632240	2019	OPEB	9/16/2020	Partial	Yes	Partial	Approve	City of Walled Lake-OPEB

**Treasury Recommendation
Village of Kalkaska Pension Corrective Action Plan (CAP)
Primary Government 403010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$2,800,494	\$5,629,680	49.7%	\$201,272	\$1,354,240	14.9%	YES
Healthcare	OPEB	-	\$2,044,340	0.0%	\$136,636		10.1%	YES
Total		\$2,800,494	\$7,674,020		\$337,908	\$1,354,240	25.0%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Village of Kalkaska, which was received by the Municipal Stability Board (the Board) on 9/16/2020. 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 village feels that the current benefit offerings are in-line with other area municipalities and feel that reducing benefits would impair the village's ability to attract and retain talent.
- Plan Funding:
 - The village is committed to an annual voluntary contribution of \$50K until the funded ratio is brought into compliance.
- 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 34

- Inactive employees or beneficiaries currently receiving benefits: 17
- Inactive employees entitled to but not yet receiving benefits: 6
- Active employees: 11

Treasury Recommendation
Village of Kalkaska Pension Corrective Action Plan (CAP)
Primary Government 403010

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 (2032).
- Legality:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

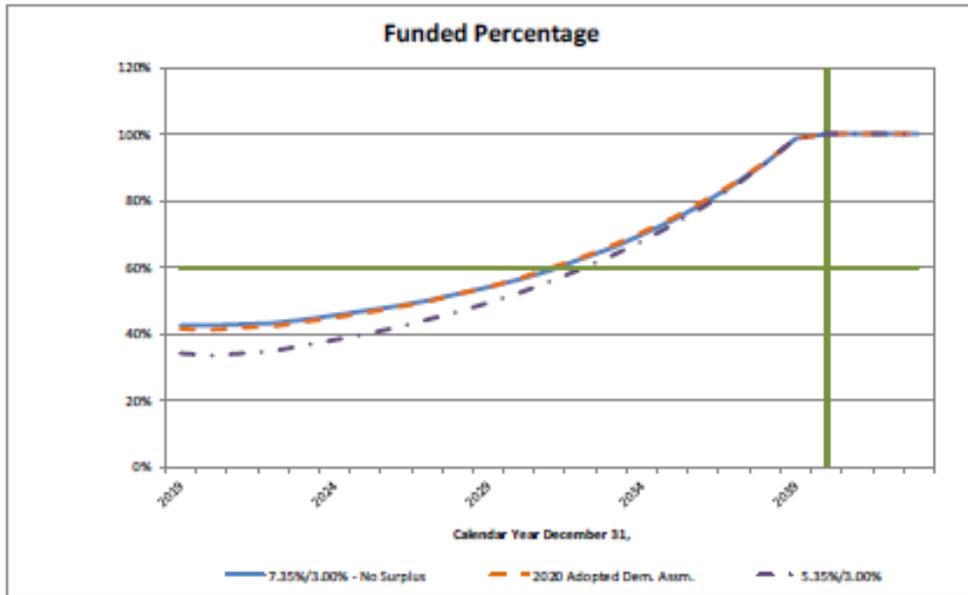
The following corrective action plan approval criteria are partially met:

- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates all of the local government's annual required contribution as a percentage of general fund operating revenues is 25.0%. This reflects a significant portion of the local government's budget.

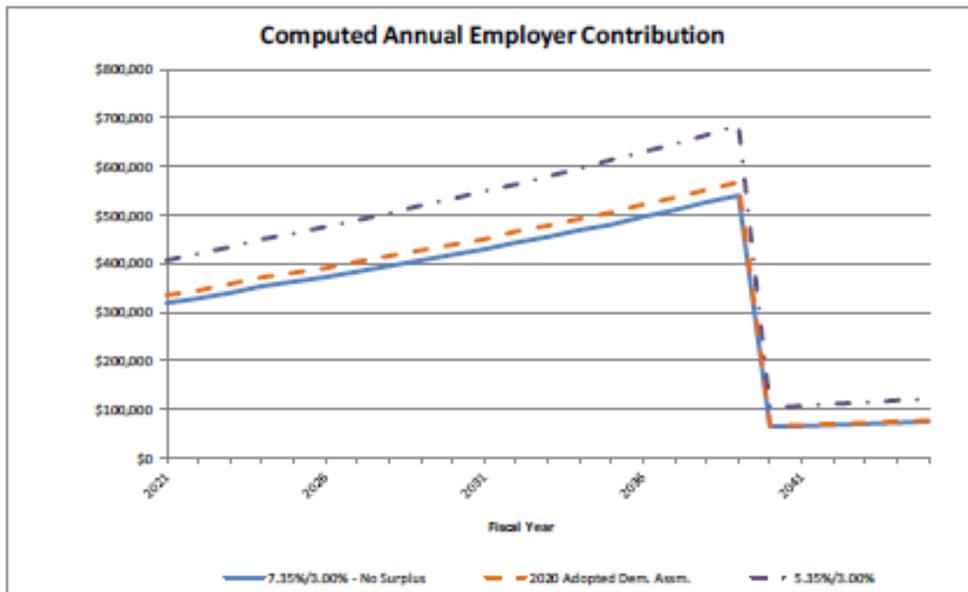
Supplemental Information:

The village provided a MERS chart showing that they are projected to reach 60% funded in approximately 2032. The annual employer contribution for this system is projected to increase by 100% from 2020 to 2039 (5.2%/year). At its peak in 2039, the annual employer contribution will be approaching nearly 50% of the 2018 governmental revenues. The monitoring process will be important to ensure continued sustainability of the plan.

**Treasury Recommendation
Village of Kalkaska Pension Corrective Action Plan (CAP)
Primary Government 403010**



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
Village of Ontonagon Pension Corrective Action Plan (CAP)
Primary Government 663010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,997,621	\$14,194,949	56.3%	\$287,317	\$1,073,081	26.8%	YES
OPEB	OPEB	-	\$20,482	0.0%	Not Provided		Not Provided	YES
Total		\$7,997,621	\$14,215,431		\$287,317	\$1,073,081	26.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Disapproval of the pension corrective action plan submitted by Village of Ontonagon, which was received by the Municipal Stability Board (the Board) on 9/16/2020. If disapproved, Village of Ontonagon, will receive a detailed letter from the Board listing the reasons for disapproval. Village of Ontonagon will have 60 days from the date of the notification to address the reason for disapproval and resubmit a corrective action plan for approval.

Changes Made:

- Modern Plan Design:
 - Village Hospital and its plan closed in 2007.
 - MERS allowed funding of hospital to be extended to 20 years.
 - The village combined the hospital plan with the open administrator plan in 2015.
 - Changes made to ensure costs were allocated properly to enterprise divisions where wages are earned.
- Plan Funding:
 - None listed.
- Other Considerations:
 - The village assumed the pension liability of the village hospital after it closed in 2007. All pensions for active employees are allocated to both governmental and proprietary funds

Prospective Changes:

- Modern Plan Design:
 - The village wants to offer a lump sum buyouts to vested pensioners.
 - The village is seeking a fixed payment agreement with MERS and/or extend amortization period to 30 years.
- Plan Funding:
 - The village will be considering increasing the millage rates or proposing a dedicated millage for pension payments.
 - The village is seeking a cost sharing agreement with the county for a portion of liability, have county issue a dedicated millage, or transfer a portion of the liability to the county.
 - The village is seeking an appropriation from the State Legislature for assistance.

Treasury Recommendation
Village of Ontonagon Pension Corrective Action Plan (CAP)
Primary Government 663010

- Other Considerations:
 - The village will continue to review financial position and refine pension allocations when available.

System Status for All Divisions: OPEN

Plan size: members 161

- Inactive employees or beneficiaries currently receiving benefits: 117
- Inactive employees entitled to but not yet receiving benefits: 35
- Active employees: 9

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local government did not provide clear documentation that demonstrates the retirement system will reach 60% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 60% if the plan's assumptions remain accurate (2035).
- Legality:
 - The local government did not confirm in section 7 of the corrective action plan template that its corrective action plan was legal; however, it was approved by the governing body and appears to be legal.

The following corrective action plan approval criteria were not met:

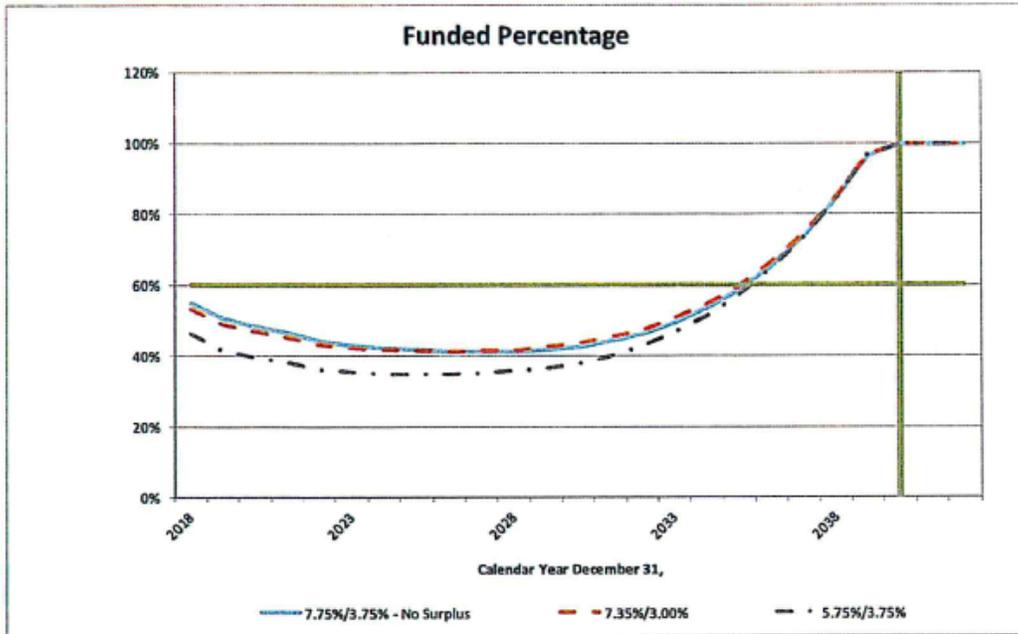
- Affordable:
 - While the local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution according to the long-term budget forecast, the supporting documentation show a future annual required contribution nearly equivalent to their total 2019 governmental revenues, making the plan likely unaffordable.

Supplemental Information:

While the Village of Ontonagon has proposed a number of changes that could be taken to address the underfunding of their MERS pension system, they have failed to prioritize this list or provide a timeline of when these changes might be implemented. Additionally, the impact of each individual change has not been quantified in relation to either the funding ratio or the annual employer contribution, and therefore is unable to be verified by Treasury to ensure that this system will be affordable or sustainable. Despite documentation showing that the Village will reach 60% funded in approximately 2034, future annual required contributions appear to remain unaffordable without more detailed

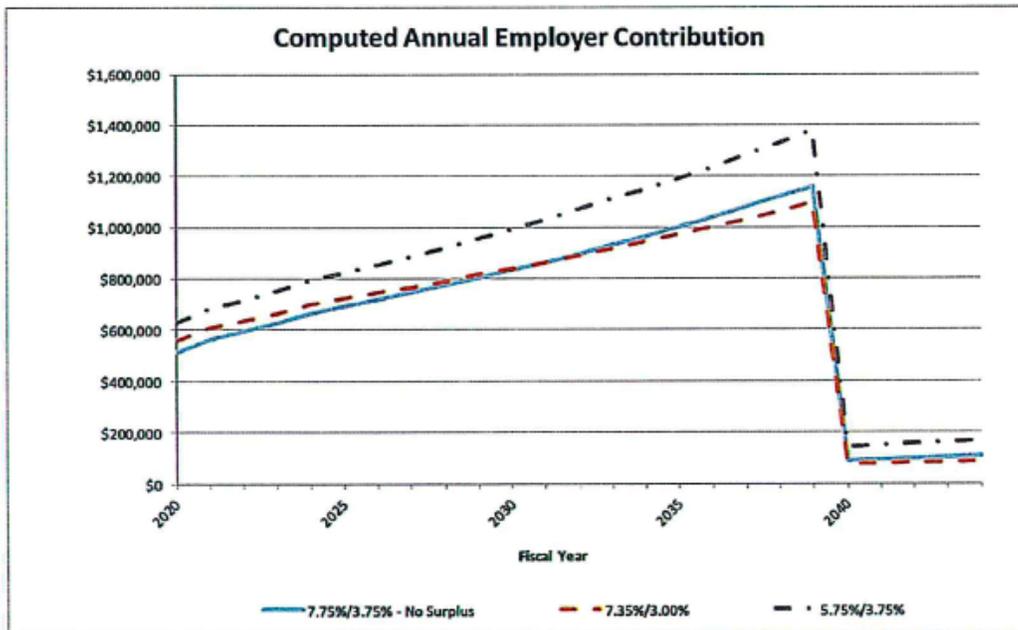
Treasury Recommendation
Village of Ontonagon Pension Corrective Action Plan (CAP)
Primary Government 663010

projections of additional revenues that will be generated and/or reductions in annual costs based on the proposed design changes. The provided valuation shows that the computed annual employer contribution increases from over \$500K to approximately \$1.2 million, or 120% from 2019 to 2035 (7.5% per year). The ADC in 2019 accounts for over 45% of governmental revenues, and in 2040 is projected to increase to nearly 100% of the 2019 governmental revenues.



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

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



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

**Treasury Recommendation
Village of Ontonagon Pension Corrective Action Plan (CAP)
Primary Government 663010**

The Community Engagement and Finance Division (CEFD) contact:

- None

**Treasury Recommendation
Village of Ontonagon OPEB Corrective Action Plan (CAP)
Primary Government 663010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,997,621	\$14,194,949	56.3%	\$287,317	\$1,073,081	26.8%	YES
OPEB	OPEB	-	\$20,482	0.0%	Not Provided		Not Provided	YES
Total		\$7,997,621	\$14,215,431		\$287,317	\$1,073,081	26.8%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Village of Ontonagon, which was received by the Municipal Stability Board (the Board) on 9/16/2020. 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 Village of Ontonagon negotiated the elimination of the post-employment health insurance cost sharing with employees in the most recent collective bargaining agreement with AFSCME, effective January 1, 2020. The village previously provided retirees with a health insurance cost sharing benefit in the amount of 50% of the monthly premium for 3 years or until they reached the age of 65. This benefit will be eliminated by 2025. There is currently one employee, age 63, that is eligible for this benefit. The maximum liability for the village is \$28,000 over the next two year if the employee chooses to exercise this option. The village will provide for our share of the payments in the annual budget as necessary. This eliminates any OPEB benefits for the Village of Ontonagon (Treasury was unable to independently confirm this).
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 10

- Inactive employees or beneficiaries currently receiving benefits: 1
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 9

Treasury Recommendation
Village of Ontonagon OPEB Corrective Action Plan (CAP)
Primary Government 663010

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legality
 - 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.

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local government did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate (2025).

Supplemental Information:

The local government indicated that they had eliminated retiree health care for all active employees. This was not able to be verified through supporting documentation, however, it will be able to be confirmed through future audited financial statements and/or through the CAP monitoring process.

The Community Engagement and Finance Division (CEFD) contact:

- Requested documentation showing that retiree health care had been eliminated.

Treasury Recommendation
Ontonagon County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Government 660100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,988,360	\$23,912,525	41.8%	\$1,028,055	\$8,518,407	12.1%	YES
GASB 45	OPEB	-	\$7,797,255	0.0%	\$733,937		8.6%	YES
Total		\$9,988,360	\$31,709,780		\$1,761,992	\$8,518,407	20.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Ontonagon County Road Commission, which was received by the Municipal Stability Board (the Board) on 9/16/2020. 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 Noted.
- Plan Funding:
 - The road commission paid an additional \$195,759 in 2015, \$787,710 in 2016, and \$816,039 in 2017.
 - The road commission will continue to pay an average of \$800,000 per year until they reach 60% funded status in 2022.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The road commission will continue to make payments above their ADC to reach an 100% funded ratio in 10 years.
- Other Considerations:
 - None listed.

System Status for All Divisions: OPEN

Plan size: members 96

- Inactive employees or beneficiaries currently receiving benefits: 58
- Inactive employees entitled to but not yet receiving benefits: 1
- Active employees: 37

Treasury Recommendation
Ontonagon County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Government 660100

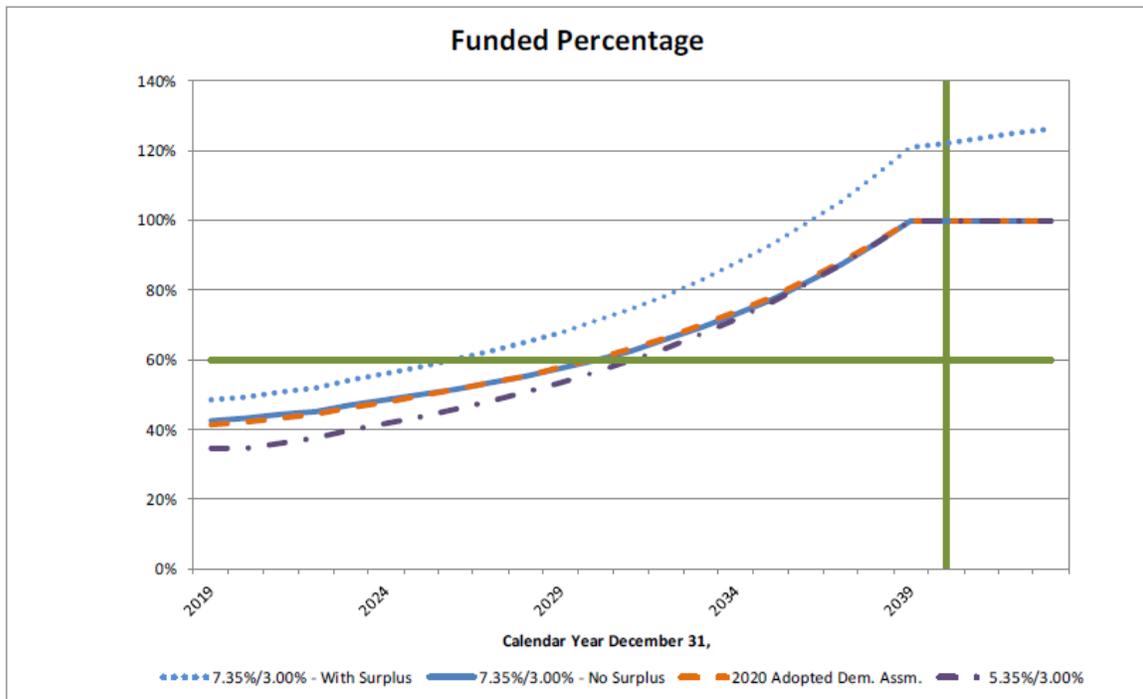
Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

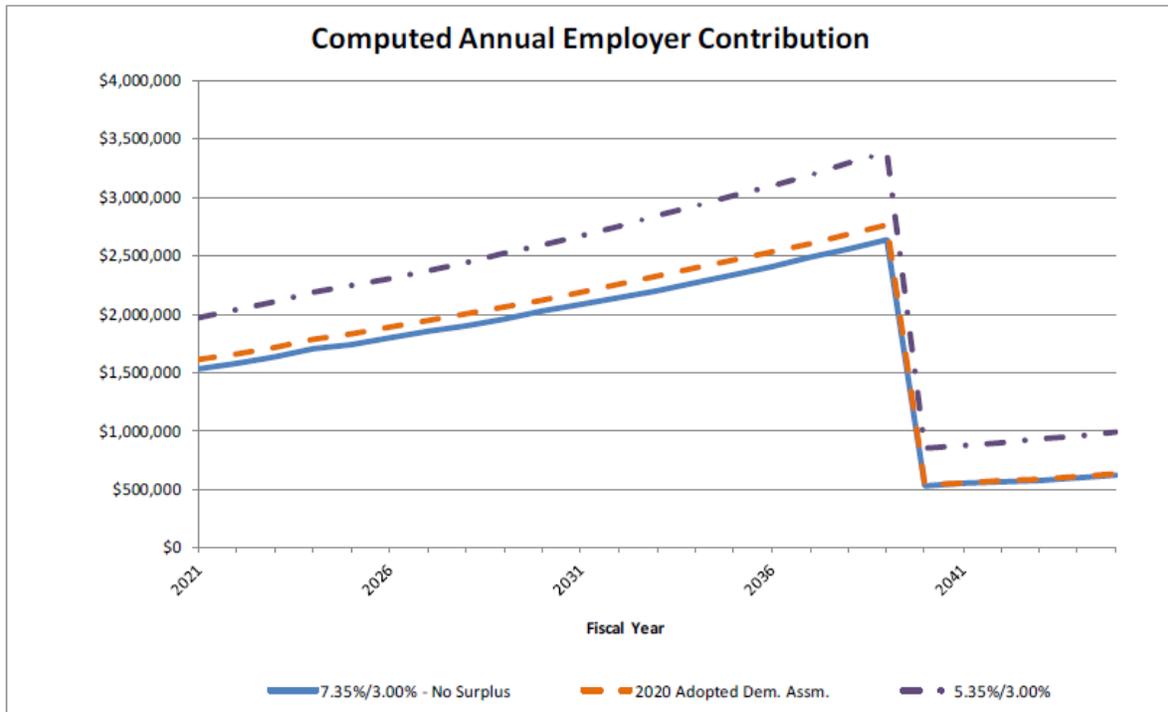
- Underfunded Status:
 - The corrective action plan demonstrates it will reach the PA 202 established funding level of 60% funded as demonstrated by the internal analysis/actuarial projection/actuarial valuation found in the corrective action plan (2025).
- Legality:
 - In section 7 of the corrective 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 Ontonagon County Road Commission provided their MERS valuation which shows them reaching 60% funded status between 2025-2030. It is reasonable to believe that additional contributions will allow them to reach 60% funded faster. The Road Commission's annual employer costs are projected to increase approximately 70% from FY21 to FY39. This averages out to about 4% a year.



Treasury Recommendation
Ontonagon County Road Commission Pension Corrective Action Plan (CAP)
Non-Primary Government 660100



The Community Engagement and Finance Division (CEFD) contact:

- Treasury reached out to the Road Commission to request governing body approval of their pension corrective action plan and their updated valuation.

Treasury Recommendation
Ontonagon County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Government 660100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,988,360	\$23,912,525	41.8%	\$1,028,055	\$8,518,407	12.1%	YES
GASB 45	OPEB	-	\$7,797,255	0.0%	\$733,937		8.6%	YES
Total		\$9,988,360	\$31,709,780		\$1,761,992	\$8,518,407	20.7%	

Source: Retirement Report 2017, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Ontonagon County Road Commission, which was received by the Municipal Stability Board (the Board) on 9/16/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - None listed.
- Other Considerations:
 - The road commission elected to start paying an in lieu of payment in 2008 to encourage employees to obtain their health insurance from other sources.

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 87

- Inactive employees or beneficiaries currently receiving benefits: 48
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 39

Treasury Recommendation
Ontonagon County Road Commission OPEB Corrective Action Plan (CAP)
Non-Primary Government 660100

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

Supplemental Information:

The road commission submitted a funding projection that shows they will reach 40% in FY39 if the road commission contributes an additional \$75,183 annually. The funding projection shows that the road commission's total contribution will fluctuate over the next twenty years. This projections also shows a 30% increase in contributions from 2021 to 2023, which is about 15% per year. Additionally, the funding projection that was submitted is a closed projection; however, the Road Commission has not documented an intent to close the plan as part of their corrective action plan. They may need to contribute additional funding to cover both the normal costs for new hires and the contribution amount necessary to reach a 40% funding level.

**Treasury Recommendation
 Ontonagon County Road Commission OPEB Corrective Action Plan (CAP)
 Non-Primary Government 660100**

CORRECTIVE ACTION PLAN

Using a closed group projection of the actuarial accrued liability and assets, an annual contribution of \$75,183 together with making benefit payments from general operating funds anticipates that this plan will be 40% funded by September 30, 2039. If the plan is not closed to new hires, Public Act 202 requires that annual contributions equal to the normal cost (service cost) for anyone hired after June 30, 2018 be deposited into an OPEB trust. The closed group contribution does not reflect the liability of anyone hired after the valuation date so additional contributions reflecting the normal cost for new hires could be required to meet the funding target by the indicated date.

Ontonagon County Road Commission

2020 funding projection

Discount Return
 3.58% 4.74%

30-Sep	liability	Assets	Contribution	+Benefit payments	=total contribution	funded percent
2020	6,388,427	0				
2021			75,183	376,861	452,044	1.2%
2022			75,183	452,669	527,852	2.4%
2023			75,183	517,583	592,766	3.7%
2024			75,183	234,324	309,507	5.2%
2025			75,183	283,365	358,548	6.5%
2026			75,183	275,061	350,244	7.9%
2027			75,183	309,834	385,017	9.3%
2028			75,183	331,909	407,092	10.9%
2029			75,183	370,077	445,260	12.6%
2030			75,183	332,013	407,196	14.5%
2031			75,183	373,460	448,643	16.5%
2032			75,183	380,033	455,216	18.8%
2033			75,183	285,391	360,574	21.3%
2034			75,183	305,598	380,781	23.7%
2035			75,183	322,654	397,837	26.4%
2036			75,183	324,384	399,567	29.3%
2037			75,183	338,105	413,288	32.5%
2038			75,183	336,326	411,509	36.1%
2039	5,593,801	2,237,520	75,183	329,052	404,235	40.0%

As the funded status of the plan improves, return seeking investments could generate higher returns and recalculation of the funding target using a higher discount rate than the one shown thereby improving the funded status sooner than projected or modifying the recommended contribution.

The Community Engagement and Finance Division (CEFD) contact:

- Treasury reached out to the road commission to request the funding projection chart.

**Treasury Recommendation
Redford Charter Township Pension Corrective Action Plan (CAP)
Primary Government 821080**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$27,273,881	\$51,568,221	52.9%	\$1,958,500	\$41,312,234	16.7%	YES
Police and Fire Employees	Pension	\$63,253,323	\$123,599,243	51.2%	\$4,944,226			YES
General Employees' OPEB	OPEB	\$2,200,120	\$53,307,988	4.1%	\$3,518,514		23.1%	YES
Police and Fire OPEB	OPEB	\$4,272,071	\$96,890,521	4.4%	\$6,028,109			YES
Total		\$96,999,395	\$325,365,973		\$14,490,850	\$41,312,234	39.8%	

Source: Retirement Report 2019, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Redford Charter Township, which was received by the Municipal Stability Board (the Board) on 9/16/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - Currently in year 11 of a closed amortization schedule, with the system scheduled to be 100% funded by 2039. Currently scheduled to be at 60% in 2031.

Prospective Changes:

- Modern Plan Design:
 - None Listed.
- Plan Funding:
 - None Listed.
- Other Considerations:
 - The revised MERS assumptions have been accounted for in the current amortization schedule.
 - While ADC payment continues to rise, much of this cost is attributable to enterprise divisions.

Treasury Recommendation
Redford Charter Township Pension Corrective Action Plan (CAP)
Primary Government 821080

System Status for All Divisions: OPEN

Plan size: members 305

- Inactive employees or beneficiaries currently receiving benefits: 177
- Inactive employees entitled to but not yet receiving benefits: 32
- Active employees: 96

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 (2031).
- Legality:
 - In section 7 of the corrective action plan template, the local government confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

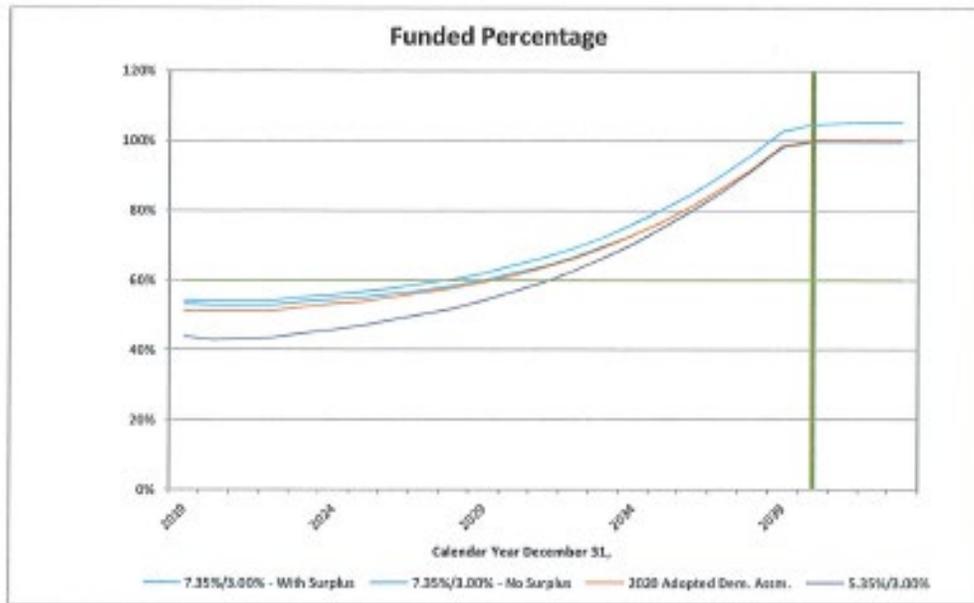
The following corrective action plan approval criteria are partially met:

- Affordable:
 - The local government confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local government to make, at a minimum, the annual required contribution payment according to the long-term budget forecast. However, our review indicates all of the local government's annual required contribution as a percentage of general fund operating revenues is 39.8%. This reflects a significant portion of the local government's budget.

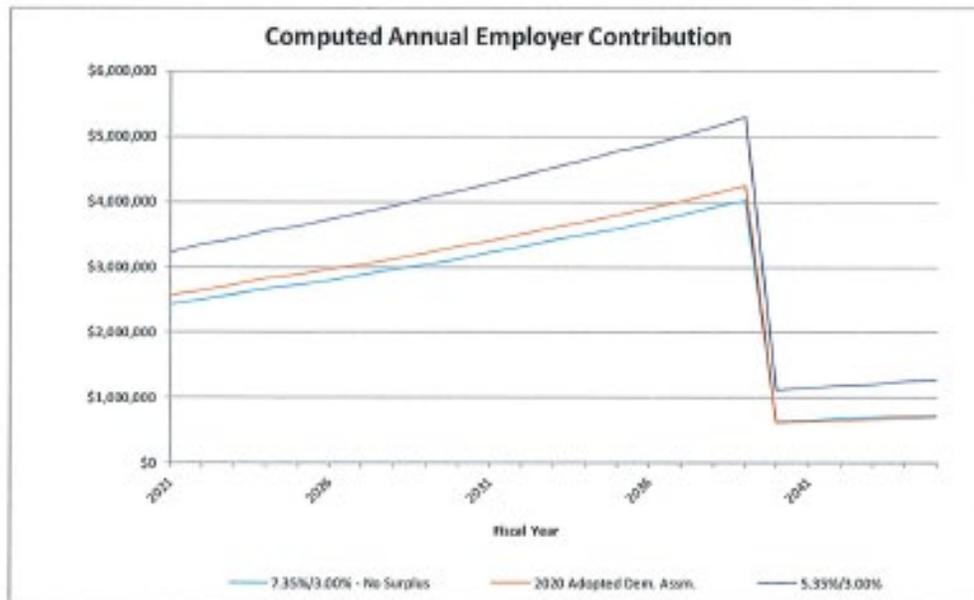
Supplemental Information:

The city provided MERS charts showing that they are scheduled to reach 60% funded by 2029, and 100% by 2039. During this time, the annual employer contribution is scheduled to increase by 70% (3.8% per year). This corrective action plan submission is the 4th corrective action plan submission by the Township under Public Act 202 of 2017, monitoring will be important to ensure that in totality, the legacy debt remains sustainable.

Treasury Recommendation
Redford Charter Township Pension Corrective Action Plan (CAP)
Primary Government 821080



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 21 years following the valuation date for PA 202 purposes



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

**Treasury Recommendation
City of River Rouge OPEB Corrective Action Plan (CAP)
Primary Government 822230**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employees' Retirement Plan	Pension	\$19,121,776	\$20,061,936	95.3%	\$1,047,698	\$18,519,948	19.0%	NO
Police and Fire Retirement Plan	Pension	\$36,554,455	\$41,317,785	88.5%	\$2,465,927			NO
Retiree Health Benefits Plan	OPEB	\$9,677,888	\$37,204,895	26.0%	\$4,693,766		25.3%	YES
Total		\$65,354,119	\$98,584,616		\$8,207,391	\$18,519,948	44.3%	

Source: Retirement Report 2018, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of River Rouge, which was received by the Municipal Stability Board (the Board) on 9/16/2020. 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 was under a consent order with the State for many years and during that time significant changes were made to the benefits of city employees dropping them as low as they could possibly go including cutting wages, benefits, elimination of retiree health care (Treasury is unable to verify), closing the DB pension plans, self-funding of insurance, etc. As a result the only option to fund OPEB for the city is additional funding.
- Plan Funding:
 - The city created a plan in fiscal year 2017/2018 and was granted a waiver by the State for the OPEB plan. The plan called for putting more than \$8 million from the General Fund into an OPEB trust and then contribution a minimum of \$300,000 annually over the pay-as-you-go costs into the trust. The city has contributed substantially more than the \$300,000 each of the past 3 years and will again for fiscal year 2020. The earnings from the trust have also significantly increased the funding level. The city will continue this plan and estimates the funding level will hit the 40% mark by 2022.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - None listed.

**Treasury Recommendation
City of River Rouge OPEB Corrective Action Plan (CAP)
Primary Government 822230**

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

- Other Considerations:
 - None listed.

System Status for All Divisions: CLOSED

Plan size: members 212

- Inactive employees or beneficiaries currently receiving benefits: 178
- Inactive employees entitled to but not yet receiving benefits: 0
- Active employees: 34

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 (2022).
- Legality:
 - 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 44.3%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The local government provided an analysis showing that they are projected to reach 40% funded by fiscal year 2022. The projection includes the liabilities remaining static, however with the short duration

Treasury Recommendation
City of River Rouge OPEB Corrective Action Plan (CAP)
Primary Government 822230

of the plan, and with the plan being closed to new employees, the city should reach 40% in the time allotted assuming assumptions remain accurate.

The Community Engagement and Finance Division (CEFD) contact:

- None

**Treasury Recommendation
City of Walled Lake OPEB Corrective Action Plan (CAP)
Primary Government 632240**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$4,634,091	\$15,291,706	30.3%	\$883,776	\$6,330,384	14.0%	YES
Walled Lake Retiree Health Care Plan	OPEB	-	\$1,649,315	0.0%	\$1,785,893		28.2%	YES
Total		\$4,634,091	\$16,941,021		\$2,669,669	\$6,330,384	42.2%	

Source: Retirement Report 2019, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by City of Walled Lake, which was received by the Municipal Stability Board (the Board) on 9/16/2020. If approved by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and implementation of their corrective action plan.

Changes Made:

- Modern Plan Design:
 - In January 2014, the city closed the retiree health care plan to all current and new employees.
 - The city negotiated buyouts from two retirees, reducing the city's liabilities.
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - The city plans to continue to negotiate buyouts with the remaining retirees.
- Plan Funding:
 - None listed.
- Other Considerations:
 - The city notes that they do not have any active employees requiring them to pay the normal costs. They also note that they are currently able to pay for this benefit using their general operating fund.

System Status for All Divisions: CLOSED

Plan size: members 25

- Inactive employees or beneficiaries currently receiving benefits: 23
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 0

Treasury Recommendation
City of Walled Lake OPEB Corrective Action Plan (CAP)
Primary Government 632240

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Legality:
 - 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:

- Underfunded Status:
 - The local government did not provide clear documentation that demonstrates the local government's annual required contribution will be less than 12% of general fund operating revenues within a reasonable timeframe, however, based on other information presented in the corrective action plan, we have determined the plan may be able to achieve this if the plan's assumptions remain accurate (2025).
- 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 42.2%. This reflects a significant portion of the local government's budget.

Supplemental Information:

The city provided an internal analysis showing that though the process of buying out the existing retirees, that the ADC/Revenue ratio would drop below 12% by 2025, and eventually be eliminated.

**Treasury Recommendation
City of Walled Lake OPEB Corrective Action Plan (CAP)
Primary Government 632240**

Attachment 2a

City of Walled Lake

Retiree Healthcare Buyout Plan/Schedule-7 Years						
	<u>Yearly Max</u>		<u>Total Max Benefit</u>	<u>% of Total</u>	<u>Est. ADC \$</u>	<u>ADC/Gov't Annual Revenue *</u>
Current			\$ 132,000	100.00%	\$ 1,785,893	28.21%
<u>FY2021</u>						
Retiree 1	\$ 1,800					
Retiree 2	\$ 1,800					
Retiree 3	\$ 9,600					
	\$ 13,200	YE FY21	\$ 118,800	10.00%	\$ 1,607,304	24.89%
<u>FY2022</u>						
Retiree 4	\$ 9,600					
Retiree 5	\$ 9,600					
	\$ 19,200	YE FY22	\$ 99,600	16.16%	\$ 1,347,537	20.46%
<u>FY2023</u>						
Retiree 6	\$ 9,600					
Retiree 7	\$ 9,600					
	\$ 19,200	YE FY23	\$ 80,400	19.28%	\$ 1,087,771	16.19%
<u>FY2024</u>						
Retiree 8	\$ 9,600					
Retiree 9	\$ 9,600					
	\$ 19,200	YE FY24	\$ 61,200	23.88%	\$ 828,005	12.08%
<u>FY2025</u>						
Retiree 10	\$ 9,600					
Retiree 11	\$ 9,600					
	\$ 19,200	YE FY25	\$ 42,000	31.37%	\$ 568,239	8.13%
<u>FY2026</u>						
Retiree 12	\$ 9,600					
Retiree 13	\$ 9,600					
	\$ 19,200	YE FY26	\$ 22,800	45.71%	\$ 308,472	4.33%
<u>FY2027</u>						
Retiree 14	\$ 9,600					
Retiree 15	\$ 13,200					
	\$ 22,800	YE FY27	\$ -	100.00%	\$ -	0.00%

*estimated-assuming 2% increase in revenue annually

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD called the city to clarify that the plan size variation from the audit to their projected was because their audit included spouses.