

Municipal Stability Board

Wednesday, April 21, 2021 at 11:00 a.m.

Virtual Public Meeting

via Microsoft TEAMS

<https://bit.ly/msb04212021>

I. Call to Order

- A. Roll Call
- B. Approval of March 17, 2021 Minutes

II. Public Comment

- A. 2-minute limit

III. Correspondence

- A. Treasury Update
- B. Pension Payment Deficiency

IV. New Business

- A. Receipt of Corrective Action Plans
 - i. District Health Department No. 4
 - ii. Ontonagon County Economic Development Corporation
 - iii. Schoolcraft County Road Commission
- B. Approvals and Disapprovals of Corrective Action Plans (Resolution 2021-12)
 - i. Bruce Township
 - ii. City of Marshall
 - iii. Muskegon Housing Commission
 - iv. Saginaw Community Mental Health Authority
 - v. Woodlands Behavioral Healthcare Network
- C. Corrective Action Plan Monitoring Certifications of Compliance (Resolution 2021-13)

- i. City of Allen Park
- ii. City of Berkley
- iii. City of Burton
- iv. City of Dowagiac
- v. City of Grosse Pointe Farms
- vi. Village of Holly
- vii. City of Ironwood
- viii. City of Jackson
- ix. Village of L'Anse
- x. City of Marysville
- xi. City of Norton Shores
- xii. City of Norway
- xiii. Ogemaw County Road Commission
- xiv. City of Pontiac
- xv. City of Rogers City
- xvi. City of Sault Ste Marie
- xvii. City of St Clair Shores
- xviii. Tawas Police Authority

D. Board Removal from Corrective Action (Resolution 2021-14)

- i. City of Burton
- ii. City of Grosse Pointe Farms
- iii. City of Rogers City

E. Request for Removal from Corrective Action (Resolution 2021-15)

i. City of Clawson

ii. Richfield Township

V. Public Comment

A. 2-minute limit

VI. Board Comment

VII. Adjournment

MUNICIPAL STABILITY BOARD

Wednesday, March 17, 2021

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 11:02 a.m.

ROLL CALL

Members Present: Three

Eric Scorsone – Flint, MI

John Lamerato – Sterling Heights, MI

Barry Howard – Longboat Key, FL

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 February 17, 2021 board meeting minutes by Barry Howard and supported by John Lamerato. The Board unanimously approved the February 17, 2021 meeting minutes. 3 ayes and 0 nays.

PUBLIC COMMENT

Mr. Robert Widigan from the City of Lansing said he appreciates Treasury's recommendation for compliance and the Board's process to bring attention to legacy costs in the State of Michigan.

CORRESPONDENCE

Nick Brousseau discussed the Treasury update including upcoming reviews and outreach, and the removal from corrective action plan monitoring letter. Treasury also updated the summary online to document local governments that have been removed from corrective action and provided links to documents from Treasury's presentation on PA 202 with the Senate Finance Committee.

Kayla Rosen discussed the Failure to Make Pension Contributions (s): Underfunded Local Government Memo.

Klein Allison, from the Attorney General's Office, gave an update on the Open Meetings Act.

NEW BUSINESS

RECEIPT OF CORRECTIVE ACTION PLANS

Nick Brousseau was asked to review the receipt of Corrective Action Plans from 4 local governments (4 systems) and informed the Board that the City of Marshall submitted a corrective action plan after the packet posted online. Brousseau noted that to receive the City of Marshall's plan the Board will need to amend the memo for receipt.

- Bruce Township
- Muskegon Housing Commission
- Saginaw Community Mental Health Authority
- Woodlands Behavioral Healthcare Network

A motion was made to amend the Receipt of Corrective Action Plans to include the City of Marshall's pension by John Lamerato and supported by Barry Howard.

The Board unanimously approved to amend to include the City of Marshall's pension. 3 ayes and 0 nays. The motion has passed.

A motion was made to receive the amended Receipt of Corrective Action Plans by Barry Howard and supported by John Lamerato.

The Board unanimously approved to receive the amended the Receipt of Corrective Action Plans. 3 ayes and 0 nays. The motion has passed.

CORRECTIVE ACTION PLAN MONITORING CERTIFICATIONS OF COMPLIANCE FROM 20 LOCAL GOVERNMENTS (33 PLANS) (RESOLUTION 2021-9)

Kayla Rosen, Veronica Miller, and Nick Brousseau were asked to review the Corrective Action Plan Monitoring Certifications of Compliance (Resolution 2021-9) with the Board:

- City of Bay City (Compliant)
- Crawford County Road Commission (2 systems) (Compliant)
- City of Dearborn (Compliant)
- City of Eaton Rapids (2 systems) (Compliant)
- City of Flushing (2 systems) (Compliant)
- City of Hamtramck (Compliant with conditions)
- City of Hazel Park (2 systems) (Compliant with conditions)
- City of Iron Mountain (2 systems) (Compliant with conditions)
- City of Lansing (3 systems) (Compliant)
- City of Madison Heights (3 systems) (Compliant)
- City of Manistique (Compliant)
- City of Midland (Compliant)
- City of Port Huron (Compliant)
- City of Romulus (Compliant)
- City of Saginaw (2 systems) (Compliant with conditions)
- City of Southgate (2 systems) (Compliant)
- City of St. Clair Shores (2 systems) (Non-Compliant)

**MARCH 2021 MSB
DRAFT MEETING MINUTES**

- State of Michigan 41B District – Clinton Charter Township & Mt. Clemens (Compliant)
- City of Trenton (Compliant)
- City of Westland (2 systems) (Compliant)

Rosen, Brousseau, and Miller discussed the corrective action plan monitoring submissions for the 20 local governments and their 33 systems.

During the review of City of Lansing's three monitoring submissions, Rosen indicated that Treasury is recommending compliance, as the City meets or partially meets the Board's approval criteria, including the sustainability criterion. However, Rosen also noted that in the City's required reporting for City, Village, and Township Revenue Sharing (CVTRS) Form, the City's projected budgets show general fund deficits in fiscal year 2022-2026 if changes are not made to their OPEB system(s). The City projects lesser deficits if immediate changes are made in the next 6 months. The Board asked the City of Lansing to provide an update to their financial position. Widigan stated that since the December 2020 CVTRS was submitted, the City has been working with labor to enact changes that would save \$2.5 million for the City annually and was looking at other ways to save with labor. Widigan also noted that the City has received state and federal assistance which will help them rebuild their fund balance to address future budgetary constraints. Additionally, Lansing City Council did authorize the City to pursue a Tax Anticipation Note (TAN), if necessary, to alleviate short-term cash constraints, in addition to make changes to the pension and OPEB systems. Widigan indicated that overall, the City's financial position had improved since submission in 2020 required by CVTRS.

Additionally, Brousseau noted that the City of St. Clair Shores submitted both forms yesterday, Treasury recommends the Board remove them to provide Treasury time to review and make a recommendation for next month's meeting.

Allison noted that any Board member can remove a local government to vote upon them separately to change appendix A.

Eric Scorsone requested to remove the City of St. Clair Shores from Appendix A.

A motion was made to approve the amended Corrective Action Plan Monitoring Certifications of Compliance (Resolution 2021-9) by Barry Howard and supported by John Lamerato.

The Board unanimously approved the Corrective Action Plan Monitoring Certifications of Compliance (Resolution 2021-9). 3 ayes and 0 nays. Resolution 2021-9 was passed.

A motion was made to table the City of St. Clair Shores by Barry Howard and supported by John Lamerato.

The Board unanimously approved to table the City of St. Clair Shores. 3 ayes and 0 nays. Resolution 2021-9 has passed.

John Lamerato noted that Treasury went through and made calculations, he wants to note that the local governments should be providing enough information in their plans to determine if they are meeting the CAP monitoring requirements.

LOCAL GOVERNMENT REQUEST FOR REMOVAL FROM CORRECTIVE ACTION (RESOLUTION 2021-10)

Nick Brousseau was asked to review the Local Government Request for Removal from Corrective Action (Resolution 2021-10) with the Board:

**MARCH 2021 MSB
DRAFT MEETING MINUTES**

- City of Marine City
- Capital Region Airport Authority
- Redford Township District Library

Brousseau reviewed the local governments that no longer meet the definition of underfunded status and have requested to be removed.

A motion was made to approve the Local Government Request for Removal from Corrective Action (Resolution 2021-10) by John Lamerato and supported by Barry Howard.

The Board unanimously approved the Local Government Request for Removal from Corrective Action (Resolution 2021-10). 3 ayes and 0 nays. Resolution 2021-10 was passed.

BOARD REMOVAL FROM CORRECTIVE ACTION (RESOLUTION 2021-11)

Nick Brousseau was asked to review the Board Removal from Corrective Action (Resolution 2021-11) with the Board:

- City of Dearborn
- State of Michigan 41B District Court

A motion was made to approve the Board Removal from Corrective Action (Resolution 2021-11) by Barry Howard and supported by John Lamerato.

The Board unanimously approved the Board Removal from Corrective Action (Resolution 2021-11). 3 ayes and 0 nays. Resolution 2021-11 was passed.

PUBLIC COMMENT

No public comment.

BOARD COMMENT

Eric Scorsone thanks Treasury staff for their hard work on this month's packet.

NEXT MEETING

The next regular meeting will be on April 21, 2021 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 12:20 p.m.

Treasury's Public Act 202 of 2017 Update

As of 4/15/2021

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				
	May	June	July	August	September
Non Primary	1	0	0	1	1
Primary	0	0	2	4	2
Total	1	0	2	5	3

CAP Monitoring Notifications and Reviews

- A total of 147 local governments have been sent monitoring certification requests to date
- 112 local governments have returned requested monitoring submission(s) 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						
	May	June	July	August	September	October	November
Monitoring Certification Sent	6	6	5	4	2	0	0
Monitoring Certification Due	9	4	6	6	6	5	4
Board to Review	20	20	20	19	9	4	6

Treasury Department Communication and Outreach Report

- 276 one-on-one 30-minute calls scheduled by local governments to discuss the Public Act 202 process
 - 2 individual calls since the March Board meeting

PA 202 of 2017 Update Schedule (Estimated)

- **FY 2022 Uniform Assumptions:** Update and public comment in Summer 2021
- **Best Practices and Corrective Action Plan Development Criteria:** Update and Public Comment Fall 2021
- **CAP Monitoring Review Criteria:** Update and Public Comment Fall/Winter 2021

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



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

DATE: April 21, 2021

TO: The Municipal Stability Board (the Board)

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

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

Current Status: On March 22, 2021, the Municipal Employees' Retirement System (MERS) notified the State Treasurer that the Village of Ontonagon has failed to make a portion of its required minimum pension payment in December 2020. Per MERS policy, failure to make a payment for more than 90 days may lead to the pursuant of a judgment levy or removal from the MERS system.

According to Public Act 202 of 2017 (the Act), the Village is required to submit a corrective action plan (CAP) for its underfunded MERS pension system. The Municipal Stability Board (MSB) approved the Village's OPEB CAP but denied the MERS pension CAP for being unaffordable since the pension actuarially determined contribution (ADC) payment in 2035 will account for nearly 100% of the Village's 2017 governmental revenues.

Next Steps: No action is required by the Board at this time. If the Village submits a revised CAP for its MERS pension system that is approved by the Board, the Village will be reviewed by the Board as part of the monitoring process for all underfunded systems, which is scheduled to occur approximately every two years.

At any time, the Village may submit a new pension corrective action plan for the Board for review to become compliant with the Act.

As previously approved by the Board at their June 2020 meeting, local governments with the most significant sustainability concerns may be proactively identified by Treasury for a comprehensive individualized review. The CEFD is working with the Village to assist in becoming compliant with the Act. In the summer of 2020, Treasury funded a third-party review of the Villages' pension system. The CEFD continues to provide technical support to the Village to assist with the implementation and recommendations from the pension system review.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: April 21, 2021
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 2019 Plans

- I. District Health Department No. 4
 - A. Pension
- II. Ontonagon County Economic Development Corporation
 - A. Pension
- III. Schoolcraft County Road Commission
 - A. Pension

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>**

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

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

The MERS _____ (**insert retirement pension system name**) will achieve a funded status of at least 60% by fiscal year 2028 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: _____

Denise M. Bryan, MPA

Date: 04/05/2021

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: Ontonagon County EDC Six-Digit Muni Code: 667506
Defined Benefit Pension System Name: MERS
Contact Name (Administrative Officer): Nancy Hillier
Title if not Administrative Officer: Treasurer Telephone: (906) 575-3243
Email (Communication will be sent here): nhillier@yahoo.com
Fiscal Year System was Determined to be Underfunded: 9/30/2019

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**.*

Waiver was approved for 2018. Continue to fund the ADC.

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.

Approved waiver 2018. Per MERS 12/31/19 actuarial -"Project Scenario", the plan will be 63% funded by 2023 and fully funded by 2031. See attachment 2a and 2b.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for your local government to make, at a minimum, the 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 & 2b

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, _____, 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 Ontonagon County Economic Development Corp **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: _____

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: Schoolcraft County Road Commission Six-Digit Muni Code: 770100
Defined Benefit Pension System Name: Municipal Employees Retirement System
Contact Name (Administrative Officer): Tanya Hoar
Title if not Administrative Officer: Finance Director Telephone: (906) 341-5634
Email (Communication will be sent here): finance@schoolcraftcountyroads.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**.*

SCRC changed the system's multiplier for all employees hired after March 21, 2013. It was lowered from 2.5x to 2.x. SCRC adopted a Defined Benefit Plan Surplus Division effective December 2020. On December 21, 2020, SCRC requested an actuarial supplemental valuation from MERS (attachment 2a) to calculate the amount of additional contribution needed in order to meet the 60% funding level in 5 years. Page 5 of the actuarial calculates that amount to be \$275,000 per year.

- 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**.*

SCRC paid additional contributions to MERS since 2011. SCRC pays an additional amount every month and a lump-sum payment at year-end. Attachment 3a shows the additional contributions made from 2011 - 2021. The 2021 FY budget projects additional contributions of \$505,000; \$15,000 per month and \$325,000 at year-end. We have contributed the \$15,000 per month through March (Oct - Mar \$90,000) and are on target to meet the \$325,000 lump sum at year-end.

- 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**.*

The MERS actuarial assumptions changed from 2018 to 2019. The investment return decreased from 7.75% to 7.35%; the rate of wage inflation decreased from 3.75% to 3.00%; and the amortization period was reduced from 20 years to 19 years.

The % funded on form 5572 increased from 43.7% in 2018 to 45.0% in 2019.

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.

SCRC will contribute at least an additional \$275,000 above the MERs required contribution amounts beginning October 1, 2020 through December 31, 2025 to reach 60% funding by fiscal year-end 2026.

- 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:

Attachment 6a shows that the projected contributions are over the ADC and comparable to the 2019 and 2020 contribution amounts, which fit within our budget.

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

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

The Municipal Employees' Retirement System **(insert retirement pension system name)** will achieve a funded status of at least 60% by fiscal year 2026 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: 4-14-21

**MUNICIPAL STABILITY BOARD
RESOLUTION 2021-12**

APPROVAL OR DISAPPROVAL OF CORRECTIVE ACTION PLANS

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

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

WHEREAS, on 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

April 21, 2021

Municipal Stability Board Resolution 2021-12 Appendix A, April 21, 2021

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	Bruce Township	501020	2017	OPEB	3/17/2021	Partial	Yes	Partial	Approve	Bruce Township - OPEB
2	City of Marshall	132030	2020	Pension	3/17/2021	Yes	Yes	Partial	Approve	City of Marshall - Pension
3	Muskegon Housing Commission	617520	2019	Pension	3/17/2021	Yes	Yes	Yes	Approve	Muskegon Housing Commission - Pension
4	Saginaw County Community Mental Health Authority	737516	2018	Pension	3/17/2021	Partial	Yes	Yes	Approve	Saginaw County Community Mental Health Authority - Pension
5	Woodlands Behavioral Healthcare Network	737516	2019	OPEB	3/17/2021	Yes	Yes	Yes	Approve	Woodlands Behavioral Healthcare Network- OPEB

Treasury Recommendation
Bruce Township OPEB Corrective Action Plan (CAP)
Primary Unit 501020

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
OPEB	OPEB	\$ -	\$9,262,813	0.0%	\$1,755,935	\$4,761,639	36.9%	YES
Total		\$ -	\$9,262,813		\$1,755,935	\$4,761,639	36.9%	

Source: Retirement Report 2020, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Bruce Township, which was received by the Municipal Stability Board (the Board) on 3/17/2021. 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 2009, the Township Board voted to no longer have any new elected official(s) eligible for retiree healthcare.
 - The Township has also entered into a new collective bargaining agreement with the Bruce Township Administrative Employees Association to change coverage levels for Medicare supplemental coverage resulting in a minimum \$250,000 savings to the unit.
 - New hires will not be eligible for this premium coverage.
- Plan Funding:
 - The Township of Bruce has created a Retiree Health Funding Vehicle with MERS. Initial funding was made to this account in December 2020 with funds previously set aside in the Township's Fund Balance in the amount of \$259,843.78.
 - An additional contribution of \$70,000 was made in February 2021.
 - The Township of Bruce will continue to make annual contributions of \$70,000 at a minimum to this fund. The additional contributions plus investment earnings in this funding vehicle are projected to exceed \$7.2 million after 30 years.
- Other Considerations:
 - While the Township states that they have an upward trend in its funding level from 12.5% in 2019 to 36.9% in 2020, Treasury's reviews show that the Township is still 0% funded as of their fiscal year 2020 Form 5572 and audited financial statements.
 - The Township of Bruce will continue to pay actual retiree health care costs each fiscal year from the General, Fire, and ALS funds.

**Treasury Recommendation
Bruce Township OPEB Corrective Action Plan (CAP)
Primary Unit 501020**

Prospective Changes:

- Modern Plan Design:
 - Negotiations with the collective bargaining units will always include proposed cost saving measures in regards to post employment benefits.
- Plan Funding:
 - The Township will continue to make its annual contributions to the MERS retiree health funding vehicle and continue to review the actuarial reporting.
- Other Considerations:
 - None listed.

System Status for All Divisions: OPEN

Plan size: members 41

- Inactive employees or beneficiaries currently receiving benefits: 0
- Inactive employees entitled to but not yet receiving benefits: 19
- Active employees: 22

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 40% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 40% if the plan's assumptions remain accurate (2041).
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the retiree premium payment, as well as the normal cost payment for all new hires (if applicable) according to the long-term budget forecast. However, our review indicates the plan's annual required contribution as a percentage of general fund operating revenues is 36.9%. This reflects a significant portion of the local government's budget.

Treasury Recommendation
Bruce Township OPEB Corrective Action Plan (CAP)
Primary Unit 501020

Supplemental Information:

The Township established and funded a section 115 trust with MERS, in the amount of \$337k to begin funding their OPEB system. The CAP indicates that they intend to annually deposit \$70k to the trust, which the Township provided the below projection indicating that they would reach 40% of current liabilities by 2041. Current liabilities are subject to increased fluctuation though, as the system remains open to new hires. Continued compliance of this plan will be contingent upon assumptions remaining accurate.

The Community Engagement and Finance Division (CEFD) contact: N/A

**Treasury Recommendation
City of Marshall Pension Corrective Action Plan (CAP)
Primary Unit 132030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$22,227,766	\$37,120,096	59.9%	\$1,166,246	\$7,470,577	15.6%	YES
Healthcare	OPEB	\$1,189,987	\$9,299,667	12.8%	\$3,721,006		49.8%	YES
Total		\$23,417,753	\$46,419,763		\$4,887,252	\$7,470,577	65.4%	

Source: Retirement Report 2020, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by City of Marshall, which was received by the Municipal Stability Board (the Board) on 3/17/2021. 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:
 - Two underfunded MERS divisions were closed in 2013 and general government employees are now enrolled in a defined contribution plan.
 - Benefits will not increase per MERS Board resolution denying increases unless 100% funding achieved across all divisions
- Plan Funding:
 - None listed.
- Other Considerations:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The City of Marshall will reach 60% funding in 5 years beginning with FYE2021 by contributing, an additional \$10,000 per year or funding in addition to the annual ADC for the next five years.
- Other Considerations:
 - None listed.

System Status for All Divisions: OPEN

Plan size: members 168

- Inactive employees or beneficiaries currently receiving benefits: 24
- Inactive employees entitled to but not yet receiving benefits: 99
- Active employees: 45

Treasury Recommendation
City of Marshall Pension Corrective Action Plan (CAP)
Primary Unit 132030

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 (2025).
- Legal and Feasible:
 - In section 7 of the corrective action plan template, the local unit confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.

The following corrective action plan approval criteria are partially met:

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

Supplemental Information:

The City provided an internal analysis of funding progress with additional funding of \$10k per year for the next several years, showing that they would reach 60% funded in approximately 2025. This analysis corresponds to information found in the City's MERS valuation.

**Treasury Recommendation
City of Marshall Pension Corrective Action Plan (CAP)
Primary Unit 132030**

City of Marshall
Municipality Code: 132030
Fiscal Year: 2020
Report ID: 110061
Corrective Action Plan Retirement System
Internal Funding Analysis Required to Achieve 60% Funding in 5 Years

Dec 31 Valuation Date	June 30 Fiscal Year End Date	Actuarial Accrued Liability*	Asset Valuation *	Additional Funding	Simple Interest Investment Income on Additional Funding	Revised Asset Valuation Due to Additional Funding	Funding Level
					7.35%		
2019	2020	\$ 37,120,096	\$22,227,766			\$ 22,227,766	59.88%
2020	2021	\$ 38,853,875	\$22,520,704	\$ 10,000	\$ 735	\$ 22,531,439	57.99%
2021	2022	\$ 39,400,000	\$22,900,000	\$ 10,000	\$ 1,470	\$ 22,922,205	58.18%
2022	2023	\$ 39,900,000	\$23,500,000	\$ 10,000	\$ 2,205	\$ 23,534,410	58.98%
2023	2024	\$ 40,300,000	\$24,100,000	\$ 10,000	\$ 2,940	\$ 24,147,350	59.92%
2024	2025	\$ 40,700,000	\$25,100,000	\$ 10,000	\$ 3,675	\$ 25,161,025	61.82%

The Community Engagement and Finance Division (CEFD) contact:

- None

**Treasury Recommendation
Muskegon Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 617520**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$646,546	\$909,982	71.1%	\$48,432	\$2,016,927	2.4%	YES

Source: Retirement Report 2020, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Muskegon Housing Commission, which was received by the Municipal Stability Board (the Board) on 3/17/2021. 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:
 - Submitted Form 5572 documentation showing that Authority does not meet underfunded status

Prospective Changes:

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

System Status for All Divisions: OPEN

Plan size: members 9

- Inactive employees or beneficiaries currently receiving benefits: 1
- Inactive employees entitled to but not yet receiving benefits: 2
- Active employees: 6

Treasury Recommendation
Muskegon Housing Commission Pension Corrective Action Plan (CAP)
Non-Primary Unit 617520

Corrective Action Plan Criteria:

The following corrective action plan approval criteria are met:

- Underfunded Status:
 - The local government has demonstrated through supporting documentation that it has already reached the PA 202 established funding level of 60% funded.
- Legal and Feasible:
 - The local unit's corrective action plan appears to follow all applicable laws. The actions listed appear reasonable and the corrective action plan has been approved by the governing body.
- Affordable:
 - The local unit confirms in section 5 of the corrective action plan template that the corrective actions listed will allow for the local unit to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information:

Local government triggered as underfunded for failure to submit annual Form 5572. Subsequently submitted documentation showing it is not underfunded.

The Community Engagement and Finance Division (CEFD) contact: N/A

Treasury Recommendation
Saginaw County Community Mental Health Authority Pension Corrective Action Plan (CAP)
Non-Primary Unit 737516

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$9,977,952	\$17,509,549	57. %	\$522,840	\$84,739,869	.6%	YES

Source: Retirement Report 2020, Audited Financial Statements

Staff Recommendation: Approval of the pension corrective action plan submitted by Saginaw County Community Mental Health Authority, which was received by the Municipal Stability Board (the Board) on 3/17/2021. 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:
 - None listed.

Prospective Changes:

- Modern Plan Design:
 - None listed.
- Plan Funding:
 - The local government made an additional contribution of \$575K in September 2020 to increase the retirement system's funded ratio from 57% to 60%.
- Other Considerations:
 - None listed.

System Status for All Divisions: CLOSED

Plan size: members 127

- Inactive employees or beneficiaries currently receiving benefits: 21
- Inactive employees entitled to but not yet receiving benefits: 99
- Active employees: 7

Treasury Recommendation
Saginaw County Community Mental Health Authority Pension Corrective Action Plan (CAP)
Non-Primary Unit 737516

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

The following corrective action plan approval criteria are partially met:

- Underfunded Status:
 - The local unit did not provide clear documentation that demonstrates the retirement system will reach 60% funded. Based on other information presented in the corrective action plan, we have determined the plan may be able to reach a funded ratio of 60% if the plan's assumptions remain accurate (2020).

Supplemental Information:

Included evidence of additional payment of 575K to MERS trust, which based on most recent liability projection would increase funding to above 60%

Line	Description	Source of Data	Statute Reference	9/30/2019	9/30/2020 Saginaw co	Projected 9/30/2020 after additional contribution
1	Provide the name of your retirement pension system	Calculated From Above	Sec. 5(6)	Saginaw co CMH	CMH	Saginaw co CMH
2	Enter retirement pension system's assets (system fiduciary net position)	Most Recent Audit Report	Sec. 5(4)(b)	\$ 9,977,952	\$ 10,247,620	\$ 10,822,620
3	Enter retirement pension system's liabilities (total pension liability)	Most Recent Audit Report	Sec. 5(4)(b)	\$ 17,509,549	\$ 17,744,030	\$ 17,744,030
4	Date (system year ending) of valuation of system's assets and liabilities	Most Recent Audit Report	Sec. 5(6)	12/31/18	12/31/19	
7	Pension Trigger Summary					
8	Is this unit a primary unit (County, Township, City, Village)?	From Municode		NO	NO	NO
9	Funded ratio	Calculated	Sec. 5(4)(b)	57.0%	57.8%	61.0%
10	All systems combined ADC/Governmental fund revenues	Calculated	Sec. 5(4)(b)	0.0%	0.0%	0.0%
11	Does this system trigger "underfunded status" as defined by PA 202 of 2017?	Primary units trigger: Less than 60% funded AND greater than 10% ADC/Governmental fund revenues. Non-Primary units trigger: Less than 60% funded	Sec. 5(4)(b)	YES	YES	NO

The Community Engagement and Finance Division (CEFD) contact:

- Emailed the authority on multiple occasions. Called and left message on 4/12/2021 regarding governing body approval .

Treasury Recommendation
Woodlands Behavioral Healthcare Network OPEB Corrective Action Plan (CAP)
Non Primary Unit 147514

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
OPEB	OPEB	\$769,494	\$497,786	154.6%	\$0	\$4,761,639	0%	YES
Total		\$769,494	\$9,262,813		\$0	\$13,002,380	0%	

Source: Retirement Report 2020, Audited Financial Statements

Staff Recommendation: Approval of the OPEB corrective action plan submitted by Woodlands Behavioral Healthcare Network, which was received by the Municipal Stability Board (the Board) on 3/17/2021. 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:
 - 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 41

- Inactive employees or beneficiaries currently receiving benefits: 0
- Inactive employees entitled to but not yet receiving benefits: 19
- Active employees: 22

Corrective Action Plan Criteria: 2041

The following corrective action plan approval criteria are met:

- Underfunded Status:

Treasury Recommendation
Woodlands Behavioral Healthcare Network OPEB Corrective Action Plan (CAP)
Non Primary Unit 147514

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

Supplemental Information:

Provided Form 5572 showing that they would not trigger as underfunded if they would have submitted.

The Community Engagement and Finance Division (CEFD) contact:

- None

**MUNICIPAL STABILITY BOARD
RESOLUTION 2021-13**

CORRECTIVE ACTION PLAN MONITORING COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

April 21, 2021

Municipal Stability Board Appendix B, April 21, 2021

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

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

#	Local Government	Municode	Fiscal Year		Date Received	Underfunded Status	Substantial Changes	Sustainability	Treasury Recommendation	CAP Monitoring Certification Form	
			Underfunded	System Type						Link	Link
1	City of Allen Park	822010	2017	OPEB	2/18/2021	Partially Met	Met	Partially Met	Compliant	City of Allen Park - OPEB	
2	City of Berkley	632010	2017	OPEB	1/27/2021	Met	Met	Partially Met	Compliant	City of Berkley - OPEB	
3	City of Burton	252005	2017	Pension	12/14/2020	Met	Met	Met	Compliant	City of Burton - Pension	
4	City of Dowagiac	142010	2017	Pension	3/22/2021	Met	Met	Partially Met	Compliant	City of Dowagiac - Pension	
5	City of Grosse Pointe Farms	822110	2017	OPEB- General OPEB - Public	12/15/2020	Met	Met	Met	Compliant	City of Grosse Pointe Farms - General Employees OPEB	
6	City of Grosse Pointe Farms	822110	2017	Safety	12/15/2020	Met	Met	Met	Compliant	City of Grosse Pointe Farms - Public Safety Employees OPEB	
7	Village of Holly	633050	2017	Pension	12/7/2020	Met	Met	Partially Met	Compliant	Village of Holly - Pension	
8	City of Ironwood	272020	2017	Pension	12/30/2020	Met	Met	Met	Compliant	City of Ironwood - Pension	
9	City of Jackson	382010	2017	Pension	12/7/2020	Met	Met	Met	Compliant	City of Jackson - Pension	
10	Village of L'Anse	073020	2017	Pension	12/2/2020	Met	Met	Partially Met	Compliant	Village of L'Anse - Pension	
11	City of Marysville	742030	2017	Pension	11/24/2020	Met	Met	Partially Met	Compliant	City of Marysville - Pension	
12	City of Norton Shores	612050	2017	Pension		Met	Met	Partially Met	Compliant	City of Norton Shores - Pension	
13	City of Norway	222030	2017	Pension	12/21/2020	Met	Met	Not Met	Compliant with Conditions	City of Norway - Pension	
14	Ogemaw County Road Commission	650100	2017	OPEB	12/9/2020	Met	Met	Partially Met	Compliant	Ogemaw County Road Commission - OPEB	
15	City of Pontiac	632170	2017	OPEB	N/A	Not Met	Not Met	Not Met	Noncompliant	No Submission	
16	City of Rogers City	712020	2017	Pension	10/12/2020	Met	Met	Met	Compliant	City of Rogers City - Pension	
17	City of Sault Ste Marie	172010	2017	Pension	1/25/2021	Met	Met	Partially Met	Compliant	City of Sault Ste Marie - General Employees Pension	
18	City of St Clair Shores	502090	2017	OPEB	3/16/2021	Met	Met	Partially Met	Compliant	City of St Clair Shores - General Employees OPEB	
19	City of St Clair Shores	502090	2017	OPEB	3/16/2021	Met	Met	Partially Met	Compliant	City of St Clair Shores - Police and Fire Employees OPEB	
20	Tawas Police Authority	357514	2017	Pension	11/5/2020	Met	Met	Partially Met	Compliant	Tawas Police Authority - Pension	

Treasury Recommendation
City of Allen Park OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 822010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Allen Park Employees Retirement System	Pension	\$96,088,915	\$111,835,081	85.9%	\$3,000,105	\$31,521,144	9.5%	NO
City of Allen Park Retiree Health Care Plan	OPEB	\$2,901,705	\$50,102,319	5.8%	\$4,697,591		14.9%	YES
Total		\$98,990,620	\$161,937,400		\$7,697,696	\$31,521,144	24.4%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Allen Park Employee Healthcare Trust OPEB corrective action plan monitoring certification of compliance submitted by City of Allen Park. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- No, underfunded status will now be addressed by fiscal year 2035, which is within the Board's required timeframe.

The City notes that market returns and healthcare adjustments have increased the time required to address underfunded status from 2034 to 2035.

Substantial Changes

CAP Changes Implemented:

- City Council adopted a revised 5 year budget in 2020-2021 that continues to include a \$500,000 per year contribution to the City of Allen Park Employees Retirement Healthcare Trust which is managed by the City's pension board. After three years of annual funding, the balance as of June 30, 2020 is \$2,901,200.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

Treasury Recommendation
City of Allen Park OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 822010

- None listed.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2020
- Percentage of Revenues: 19.7%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **No**
 - The numbers were unable to be verified as an actuarial projection wasn't included; however, based on prior year costs and revenues, the costs seem reasonable. The City did note for OPEB costs, that they calculated based on increases of 2% per year, which is below the typical rate of health care inflation. Therefore, Treasury marked the local government as partially met for sustainability.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Closed

Plan size: members 281

- Inactive employees or beneficiaries currently receiving benefits: **205**
- Inactive employees entitled to but not yet receiving benefits: **3**
- Active employees: **73**

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Allen Park has partially met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Allen Park has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of Allen Park has partially met the Board's published monitoring criteria for sustainability.

Treasury Recommendation
City of Allen Park OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 822010

- Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Supplemental Information:

The City included an investment projection demonstrating that they would reach 40% funding in 2035. This projection assumes an annual payment of \$500K above the benefit payment amount, consistent with the City's originally approved plan. The City does reach 40% funded a year later than the original plan, but within the Board's approved timeframe. The projection is based on a static liability; however, with the system being closed to new hires, it should be expected to be reasonable. Due to this, Treasury has marked the local government as partially met for underfunded status.

Additionally, the City included a sustainability calculation demonstrating the projected retirement costs over the next 5 years. Based on the projection, costs do not appear to be increasing at a rate greater than 5%/year over the next 5 years, and the payments appear affordable. The numbers were unable to be verified as an actuarial projection wasn't included; however, based on prior year costs and revenues, the costs seem reasonable. The City did note for OPEB costs, that they calculated based on increases of 2% per year, which is below the typical rate of health care inflation. Additionally, it appears that the City is using an investment rate of return of 7.5%, which is higher than what is typically projected. If rate of return declines, it may take longer to reach 40% funded status.

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

[Instructions](#)

Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2019					\$31,874,346			
2020	\$3,000,096		\$2,968,596	\$500,000	\$32,511,833	\$271,000	19.7%	
2021	\$2,709,948		\$3,027,968	\$500,000	\$33,162,070	\$276,420	18.7%	-3.6%
2022	\$2,764,147		\$3,088,527	\$500,000	\$33,825,311	\$281,948	18.6%	1.8%
2023	\$2,819,430		\$3,150,298	\$500,000	\$34,501,817	\$287,587	18.6%	1.8%
2024	\$2,875,818		\$3,213,304	\$500,000	\$35,191,854	\$293,339	18.6%	1.8%

Projected Annual Revenue Growth (Please select)	2%
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Treasury Recommendation
City of Allen Park OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 822010

\$ 3,075,937.00	12/31/20	funding	Status
2021	\$ 500,000.00	\$	3,609,687.00
2022	\$ 500,000.00	\$	4,387,090.87
2023	\$ 500,000.00	\$	5,216,969.51
2024	\$ 500,000.00	\$	6,102,864.95
2025	\$ 500,000.00	\$	7,048,558.33
2026	\$ 500,000.00	\$	8,058,086.02
2027	\$ 500,000.00	\$	9,135,756.83
2028	\$ 500,000.00	\$	10,286,170.41
2029	\$ 500,000.00	\$	11,514,236.91
2030	\$ 500,000.00	\$	12,825,197.91
2031	\$ 500,000.00	\$	14,224,648.76
2032	\$ 500,000.00	\$	15,718,562.56
2033	\$ 500,000.00	\$	17,313,315.53
2034	\$ 500,000.00	\$	19,015,714.33
2035	\$ 500,000.00	\$	20,833,025.04
2036	\$ 500,000.00	\$	22,773,004.23
2037	\$ 500,000.00	\$	24,843,932.02
2038	\$ 500,000.00	\$	27,054,647.43
2039	\$ 500,000.00	\$	29,414,586.13
2040	\$ 500,000.00	\$	31,933,820.70
2041	\$ 500,000.00	\$	34,623,103.59
2042	\$ 500,000.00	\$	37,493,913.09
2043	\$ 500,000.00	\$	40,558,502.22
2044	\$ 500,000.00	\$	43,829,951.12
2045	\$ 500,000.00	\$	47,322,222.82
2046	\$ 500,000.00	\$	51,050,222.86

40%

Fully Funded

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out to the City to request supporting documentation on the sustainability calculations and to request the rate of return % for the investment projection.

**Treasury Recommendation
City of Berkley OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 632010**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Public Safety Pension Plan	Pension	\$18,772,193	\$26,407,843	71.1%	\$1,013,557	\$16,803,744	11.7%	NO
General Employees' Defined Benefit Pension Plan	Pension	\$11,378,958	\$21,651,733	52.6%	\$960,613			NO
MERS Retiree Health Funding	OPEB	\$5,528,578	\$17,755,925	31.1%	\$1,074,788		6.4%	YES
Total		\$35,679,729	\$65,815,501		\$3,048,958	\$16,803,744	18.1%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the MERS Retiree Health Funding OPEB corrective action plan monitoring certification of compliance submitted by City of Berkley. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Berkley is addressing underfunded status by fiscal year 2043 as projected in originally approved plan.

Substantial Changes

CAP Changes Implemented:

- The additional funding from the past two fiscal years has already moved the City's OPEB plan out of underfunded status. According to the most recent 5572, the City states they are under the 12% required ratio of Government Fund Revenue to ADC, which Treasury verified. The City plans to continue additional funding of their RHFV Trust over the next five years. This additional funding should also take us to a funding percentage in excess of 40%.

**Treasury Recommendation
City of Berkley OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 632010**

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2023
- Percentage of Revenues: 14.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **Yes**
 - On 4/5/2021 Treasury reached out to the City to request their pension valuation to verify the data on the sustainability worksheet. Additionally, the City stated that the projected annual payments do not increase by an amount greater than an average of 5% per year over the next five fiscal years; however, Treasury has found that they increase by an average of 5.7%.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Closed

Plan size: members 168

- Inactive employees or beneficiaries currently receiving benefits: **97**
- Inactive employees entitled to but not yet receiving benefits: **0**
- Active employees: **71**

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Berkley has met the Board's published monitoring criteria for underfunded status.

Treasury Recommendation
City of Berkley OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 632010

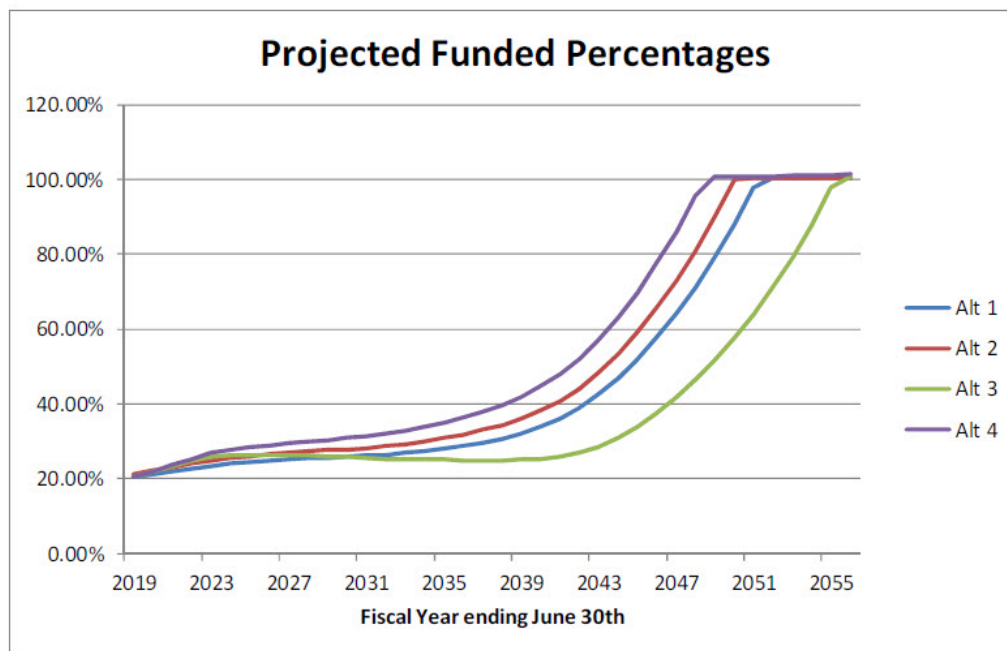
- Substantial Changes:
 - City of Berkley has met the Board’s published monitoring criteria for substantial changes.

- Sustainability:
 - City of Berkley has partially met the Board’s published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Supplemental Information:

The City appears to be implementing their approved corrective action plan. The City is making additional contributions to fund their health care trust. The City is also currently under the ADC/governmental fund revenue trigger for FY 2020 Form 5572 reporting. Treasury is unable to verify if this was also true for FY 2019 as there was not an ADC reported in the audit.

City of Berkley Retiree Health Care Plan



The Community Engagement and Finance Division (CEFD) contact:

- On 4/5/2021 Treasury reached out to the local government to request their pension valuation to verify the data on the sustainability worksheet.

**Treasury Recommendation
City of Burton Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 252005**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$26,471,481	\$54,568,402	48.5%	\$1,863,316	\$21,111,920	8.8%	YES
Retiree Medical Plan	OPEB	\$2,359,453	\$10,272,685	23.0%	\$842,056		4.0%	NO
Total		\$28,830,934	\$64,841,087		\$2,705,372	\$21,111,920	12.8%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Municipal Employees Retirement System Pension corrective action plan monitoring certification of compliance submitted by City of Burton. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- No, underfunded status will now be addressed by fiscal year 2032, which is within the Board's required timeframe.

The City notes that the MERS retirement Board adopted a reduction in assumed investment rate of return from 7.75% to 7.35% and a reduction in wage inflation from 3.75% to 3.0% beginning with the 2019 valuation. These changes increased the liability slightly, which have extended the timeframe to address our underfunded status and obtain a 60% funding level by 4 years. Original plan certified 2028-2029.

Substantial Changes

CAP Changes Implemented:

- In addition to prior actions implemented and documented on approved plan, the City continues to make an annual payment above the ADC in the amount of \$1 million per year. The City's pension system has not triggered as underfunded for the last 3 fiscal year retirement system annual reports (Form 5572). City is projected to reach 60% funded in 2032, but may reach this level sooner if additional \$1 million annual contribution continues to be approved by council.

**Treasury Recommendation
City of Burton Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 252005**

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2025
- Percentage of Revenues: 20.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- No

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- Yes

System Status for All Divisions: Open

Plan size: members 199

- Inactive employees or beneficiaries currently receiving benefits: **97**
- Inactive employees entitled to but not yet receiving benefits: **23**
- Active employees: **79**

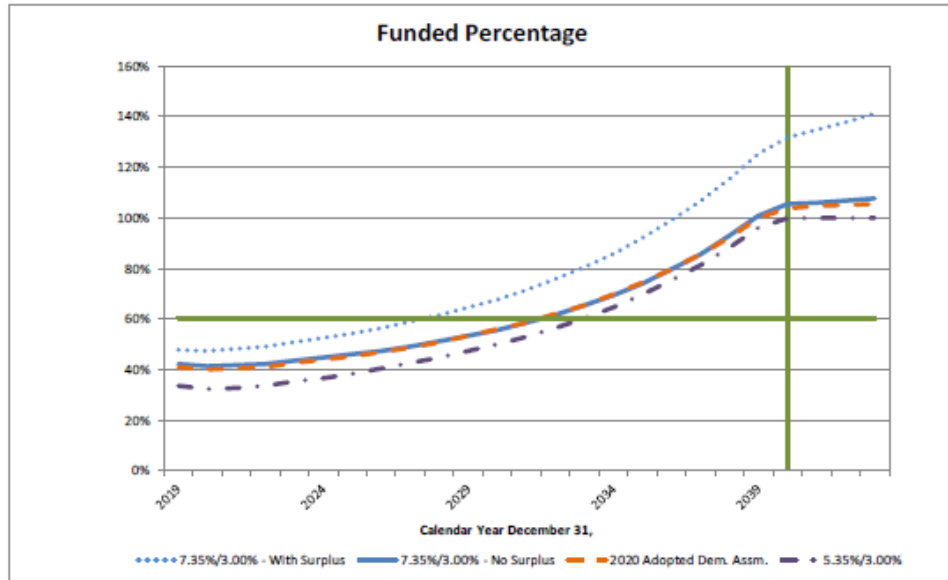
Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Burton has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Burton has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of Burton has met the Board's published monitoring criteria for sustainability.

Treasury Recommendation
City of Burton Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 252005

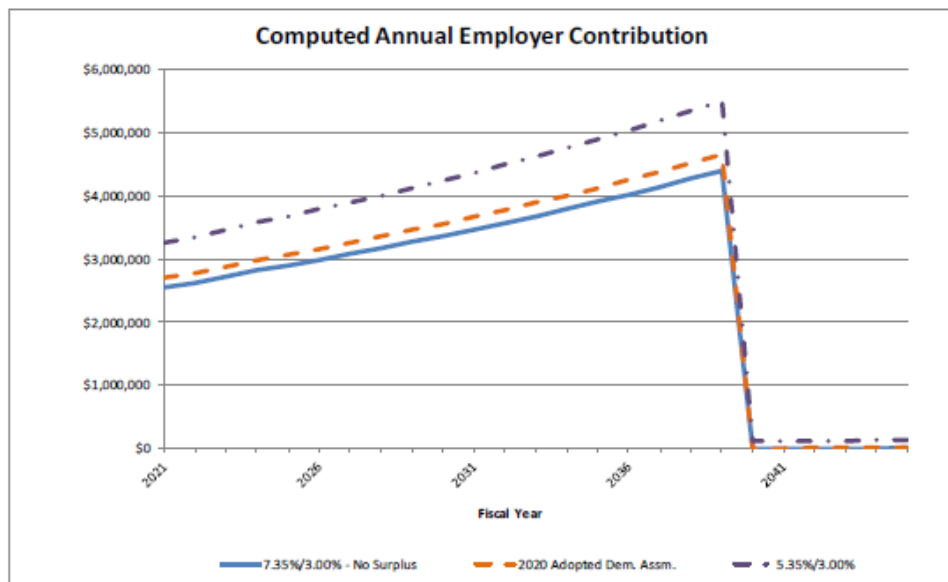
Supplemental Information:

The City provided its MERS valuation showing that they are projected to reach 60% funded in 2032, which is longer than originally projected, but within the Board's approved timeframe. Additionally, they provided the sustainability worksheet; however, the pension ADC amounts were slightly different from the numbers listed in the valuation, so a revised version was calculated and included. The annual pension ADC is increasing by 76% over the next 18 years (4.2%/year). Based on the Board's monitoring removal criteria, the City of Burton may be eligible for removal from CAP and purview of the Board.



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.



Treasury Recommendation
City of Burton Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 252005

Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet								
Instructions								
Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2020					\$21,111,920			
2021	\$2,259,924	\$1,000,000	\$804,899		\$21,534,158	\$330,694	18.6%	
2022	\$2,550,744	\$1,000,000	\$812,948		\$21,964,842	\$379,483	19.5%	7.4%
2023	\$2,620,000	\$1,000,000	\$821,077		\$22,404,138	\$388,556	19.5%	1.8%
2024	\$2,830,000	\$1,000,000	\$829,288		\$22,852,221	\$400,232	20.0%	4.9%
2025	\$2,900,000	\$1,000,000	\$837,581		\$23,309,266	\$412,996	20.0%	1.7%
Projected Annual Revenue Growth (Please select)	2%		0.10494601					3.9%

The Community Engagement and Finance Division (CEFD) contact:

- CEFD reached out to the City regarding removal from CAP.

Treasury Recommendation
City of Dowagiac Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 142010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$10,255,942	\$21,376,930	48.0%	\$811,872	\$4,739,530	17.1%	YES
OPEB	OPEB	\$461,039	\$616,490	74.8%	\$34,009		0.7%	NO
Total		\$10,716,981	\$21,993,420		\$845,881	\$4,739,530	17.8%	

Source: Retirement Report Fiscal Year 2019, Audited Financial Statements

Staff Recommendation:

Compliance for the MERS Pension corrective action plan monitoring certification of compliance submitted by City of Dowagiac. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Dowagiac is addressing underfunded status by fiscal year 2027 as projected in originally approved plan.

Substantial Changes

CAP Changes Implemented:

- The City is committed to resolving the unfunded accrued liability. In 2015, the City paid additional payments of \$5,000 a month in an effort to reduce the unfunded liability. This contribution is in addition to the Annual Determined Contribution (ADC) of the system. In February of 2018 our City council members approved an increase to this contribution by \$1,000 a month. The City included monthly bills as documentation of the additional contributions.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Treasury Recommendation
City of Dowagiac Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 142010

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2024
- Percentage of Revenues: 26.3%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **Yes**
 - When using an updated calculated projected submitted at Treasury's request, it is projected that estimated retirement costs increasing at a rate of greater than 5%/year. This is primarily due to a large increase from 2020 to 2021, and then the ADC stabilizes.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **No**

System Status for All Divisions: Open

Plan size: members 128

- Inactive employees or beneficiaries currently receiving benefits: **72**
- Inactive employees entitled to but not yet receiving benefits: **18**
- Active employees: **38**

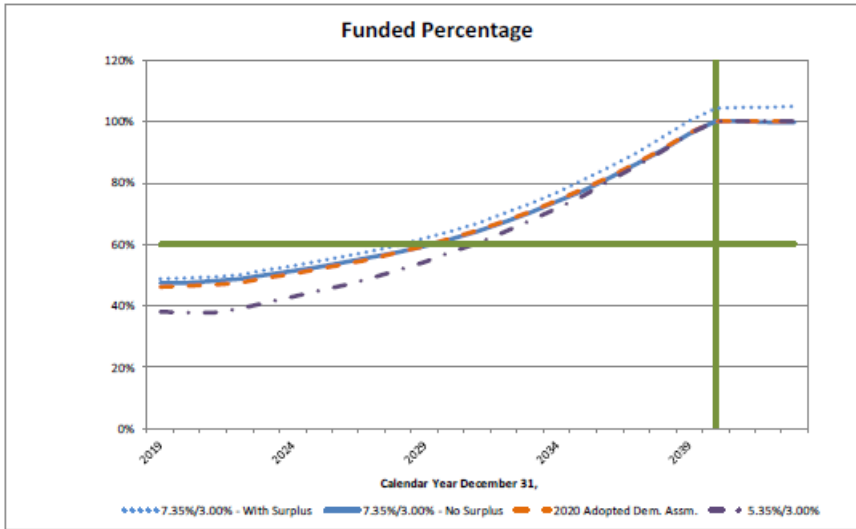
Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Dowagiac has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Dowagiac has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of Dowagiac has partially met the Board's published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Treasury Recommendation
City of Dowagiac Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 142010

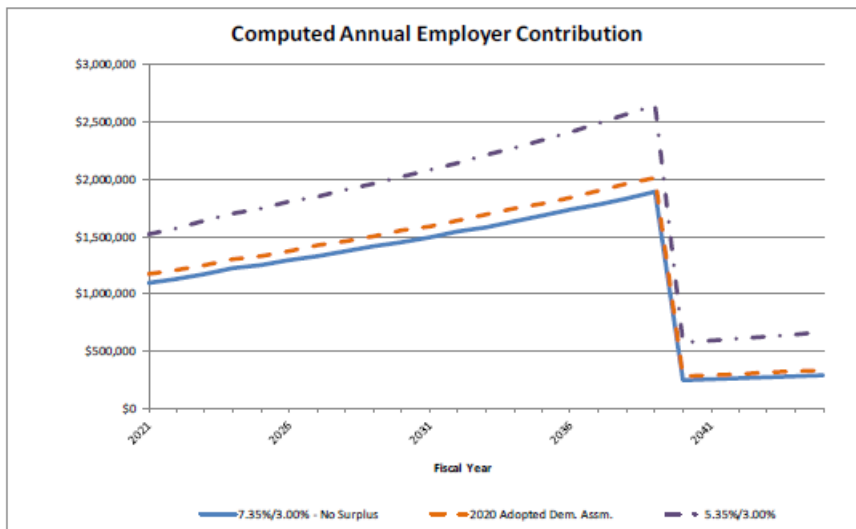
Supplemental Information:

The City included their MERS valuation that includes charts showing their funding status and annual employer contributions. The funding chart seems to confirm that the City will reach 60% in 2027/2028 when using surplus funds. The employer contribution chart demonstrates that their annual contribution increases by 50% (2.8%/year) over the next 18 years.



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.

Treasury Recommendation
City of Dowagiac Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 142010

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

Instructions

Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2019					\$4,739,530			
2020	\$696,867	\$72,000	\$40,144		\$5,283,289		15.3%	
2021	\$1,170,000	\$72,000	\$39,363	\$28,619	\$5,336,122		24.5%	61.9%
2022	\$1,220,000	\$72,000	\$39,363	\$28,621	\$5,389,483		25.2%	3.8%
2023	\$1,250,000	\$72,000	\$42,579	\$32,204	\$5,443,378		25.7%	2.7%
2024	\$1,290,000	\$72,000	\$47,016	\$38,265	\$5,497,812		26.3%	3.6%
Projected Annual Revenue Growth (Please select)	1%							

The Community Engagement and Finance Division (CEFD) contact:

- Reached out to the City regarding their delinquent submission on 3/1/2021. Reached out again on 4/1 regarding additional documentation.

Treasury Recommendation
City of Grosse Pointe Farms General Employees OPEB Corrective Action Plan (CAP) Monitoring
Compliance Certification Primary Government 822110

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Public Safety Retirement Pension System	Pension	\$43,019,270	\$41,102,360	104.7%	\$274,342	\$16,938,732	3.6%	NO
General Employees' Retirement Pension System	Pension	\$25,079,554	\$29,848,668	84.0%	\$338,785			NO
Public Safety Retirement Health Plan	OPEB	\$6,674,626	\$13,516,733	49.4%	\$868,616		9.0%	YES
General Employees' Retirement Health Plan	OPEB	\$4,136,478	\$9,442,133	43.8%	\$652,570			YES
Total		\$78,909,928	\$93,909,894		\$2,134,313	\$16,938,732	12.6%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the City of Grosse Pointe Farms General Employees Retiree Health Plan OPEB corrective action plan monitoring certification of compliance submitted by City of Grosse Pointe Farms. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Grosse Pointe Farms is addressing underfunded status by fiscal year 2020 as projected in originally approved plan.

The City noted that all systems of the City have been and continue to be funded above minimum levels for 2019 & 2020.

Treasury Recommendation

City of Grosse Pointe Farms General Employees OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification Primary Government 822110

Substantial Changes

CAP Changes Implemented:

- Per the City's original CAP, system design changes have been implemented, closing the retiree health care coverage for new employees hired after 2/1/2011. The City of Grosse Pointe Farms has consistently and aggressively made additional payments in excess of the "pay-as-you-go" funding levels, well exceeding the normal cost portion of ARC. As a result, the system reached a 43.9% and 32.3% funded level at June 30, 2020 and 2019, respectively. This is a significant improvement from 22.9% funded at June 30, 2020.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- As a continuation of the actions previously approved, the City Council continues to approve additional contributions to the system above the normal cost. For the June 30, 2021 fiscal year, an additional contribution of \$100,000 was approved with the adopted budget.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2021
- Percentage of Revenues: 15.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- No

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- Yes

System Status for All Divisions: Closed

Plan size: members 75

- Inactive employees or beneficiaries currently receiving benefits: **52**
- Inactive employees entitled to but not yet receiving benefits: **0**
- Active employees: **23**

Treasury Recommendation
City of Grosse Pointe Farms General Employees CAP Monitoring Compliance Certification
Primary Government 822110

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Grosse Pointe Farms has met the Board's published monitoring criteria for underfunded status.

- Substantial Changes:
 - City of Grosse Pointe Farms has met the Board's published monitoring criteria for substantial changes.

- Sustainability:
 - City of Grosse Pointe Farms has met the Board's published monitoring criteria for sustainability.

Supplemental Information:

The City provided Form 5572 submissions for FY 2020 indicating that all retirement systems met PA 202's funding requirements and do not trigger as underfunded. Additionally, they provided a sustainability calculation showing projected costs for the next 5 years. The City did not include supporting documentation showing the source of these projections; however, the City does not trigger as underfunded and the projections seem reasonable.

Treasury Recommendation
City of Grosse Pointe Farms General Employees OPEB CAP Monitoring Compliance Certification
Primary Government 822110

Line	Descriptive Information	Source of Data	System 1	System 2
1	Is this unit a primary government (County, Township, City, Village)?	Calculated	YES	YES
2	Provide the name of your retirement health care system	Calculated from above	City of Grosse Pointe Farms Public Safety	City of Grosse Pointe Farms Employees
3 Financial Information				
4	Enter retirement health care system's assets (system fiduciary net position ending)	Most Recent Audit Report	6,674,626	4,136,478
5	Enter retirement health care system's liabilities (total OPEB liability)	Most Recent Audit Report	13,516,733	9,442,133
6	Funded ratio	Calculated	49.4%	43.8%
7	Actuarially determined contribution (ADC)	Most Recent Audit Report	868,616	652,570
7a	Do the financial statements include an ADC calculated in compliance with Numbered Letter 2018-3 ?	Most Recent Audit Report	YES	YES
8	Governmental Fund Revenues	Most Recent Audit Report	16,938,732	16,938,732
9	All systems combined ADC/Governmental fund revenues	Calculated	9.0%	9.0%
10 Membership				
11	Indicate number of active members	Actuarial Funding Valuation used in Most Recent Audit Report	24	23
12	Indicate number of inactive members	Actuarial Funding Valuation used in Most Recent Audit Report	-	-
13	Indicate number of retirees and beneficiaries	Actuarial Funding Valuation used in Most Recent Audit Report	37	52
14	Provide the amount of premiums paid on behalf of the retirants	Most Recent Audit Report or Accounting Records	423,243	532,185
15 Investment Performance				
16	Enter actual rate of return - prior 1-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	7.20%	7.21%
17	Enter actual rate of return - prior 5-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	7.13%	7.15%
18	Enter actual rate of return - prior 10-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	9.62%	9.63%
19 Actuarial Assumptions				
20	Assumed Rate of Investment Return	Actuarial Funding Valuation used in Most Recent Audit Report	7.25%	7.25%
21	Enter discount rate	Actuarial Funding Valuation used in Most Recent Audit Report	7.25%	7.25%
22	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Actuarial Funding Valuation used in Most Recent Audit Report	Level Dollar	Level Dollar
23	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any	Actuarial Funding Valuation used in Most Recent Audit Report	29	29
24	Is each division within the system closed to new employees?	Actuarial Funding Valuation used in Most Recent Audit Report	Yes	Yes
25	Health care inflation assumption for the next year	Actuarial Funding Valuation used in Most Recent Audit Report	7.00%	7.00%
26	Health care inflation assumption - Long-Term Trend Rate	Actuarial Funding Valuation used in Most Recent Audit Report	4.50%	4.50%
27 Uniform Assumptions				
28	Enter retirement health care system's actuarial value of assets using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	6,674,626	4,136,478
29	Enter retirement health care system's actuarial accrued liabilities using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	13,713,282	9,425,582
30	Funded ratio using uniform assumptions	Calculated	48.7%	43.9%
31	Actuarially Determined Contribution (ADC) using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	945,509	591,982
32	All systems combined ADC/Governmental fund revenues	Calculated	9.1%	9.1%
33 Summary Report				
34	Did the local government pay the retiree insurance premiums for the year?	Accounting Records	YES	YES
35	Did the local government pay the normal cost for employees hired after June 30, 2018?	Accounting Records	N/A	N/A
36	Does this system trigger "underfunded status" as defined by PA 202 of 2017?	Primary government triggers: Less than 40% funded AND greater than 12% ARC/Governmental fund revenues. Non-Primary government triggers: Less than 40% funded	NO	NO

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

Instructions

Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)			
2019					\$16,435,256		
2020	\$613,127	\$0	\$949,407	\$400,000	\$16,938,732	\$312,000	11%
2021	\$1,187,686	\$250,000	\$955,428	\$250,000	\$17,277,507	\$357,000	15%
2022	\$1,247,070	\$0	\$974,537	\$100,000	\$17,623,057	\$392,700	13%
2023	\$1,309,424	\$0	\$994,027	\$100,000	\$17,975,518	\$431,970	13%
2024	\$1,374,895	\$0	\$1,013,908	\$100,000	\$18,335,028	\$475,167	13%

Projected Annual Revenue Growth (Please select)	2%
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The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out to the City to request CAP monitoring submission for Public Safety OPEB, or for the City to request removal from CAP.

Treasury Recommendation
City of Grosse Pointe Farms Public Safety Retiree Health Plan OPEB CAP Monitoring Compliance
Certification Primary Government 822110

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Public Safety Retirement Pension System	Pension	\$43,019,270	\$41,102,360	104.7%	\$274,342	\$16,938,732	3.6%	NO
General Employees' Retirement Pension System	Pension	\$25,079,554	\$29,848,668	84.0%	\$338,785			NO
Public Safety Retirement Health Plan	OPEB	\$6,674,626	\$13,516,733	49.4%	\$868,616	\$16,938,732	9.0%	YES
General Employees' Retirement Health Plan	OPEB	\$4,136,478	\$9,442,133	43.8%	\$652,570			YES
Total		\$78,909,928	\$93,909,894		\$2,134,313	\$16,938,732	12.6%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the City of Grosse Pointe Farms Public Safety Retiree Health Plan OPEB corrective action plan monitoring certification of compliance submitted by City of Grosse Pointe Farms. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Grosse Pointe Farms is addressing underfunded status by fiscal year 2018 as projected in originally approved plan.

This system of the City have been and continues to be funded above minimum levels for 2018, 2019, and 2020.

Treasury Recommendation
City of Grosse Pointe Farms Public Safety Retiree Health Plan OPEB CAP Monitoring Compliance
Certification Primary Government 822110

Substantial Changes

CAP Changes Implemented:

- Per the original CAP, system design changes have been implemented, closing the retiree health care coverage for new employees hired after 2/1/2011. The City of Grosse Pointe Farms has consistently and aggressively made additional payments in excess of the "pay-as-you-go" funding levels, well exceeding the normal cost portion of the ADC. As a result, the system exceeded 40% for the the last 3 fiscal years.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- As a continuation of the actions previously approved, the City Council continues to approve additional contributions to the system above the normal cost. For the June 30, 2021 fiscal year, an additional contribution of \$100,000 was approved and paid to to the OPEB trust

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2021
- Percentage of Revenues: 15.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **No**
 - Treasury was unable to verify the numbers provided for the sustainability section; however, the projections appear reasonable and in line with prior year payments.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Closed

Plan size: members 61

- Inactive employees or beneficiaries currently receiving benefits: **37**
- Inactive employees entitled to but not yet receiving benefits: **0**
- Active employees: **24**

Treasury Recommendation
City of Grosse Pointe Farms Public Safety Retiree Health Plan OPEB CAP Monitoring Certification
Primary Government 822110

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Grosse Pointe Farms has met the Board's published monitoring criteria for underfunded status.

- Substantial Changes:
 - City of Grosse Pointe Farms has met the Board's published monitoring criteria for substantial changes.

- Sustainability:
 - City of Grosse Pointe Farms has met the Board's published monitoring criteria for sustainability.

Supplemental Information:

The City provided their most recent 5572 submission and sustainability worksheet. If both systems continue to be above 40% funded, they will be recommended for removal by the Board during the next monitoring period, or may be eligible for removal if requested by the City.

Treasury Recommendation
City of Grosse Pointe Farms OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 822110

Line	Descriptive Information	Source of Data	System 1	System 2
1	Is this unit a primary government (County, Township, City, Village)?	Calculated	YES	YES
2	Provide the name of your retirement health care system	Calculated from above	City of Grosse Pointe Farms Public Safety	City of Grosse Pointe Farms Employees
3	Financial Information			
4	Enter retirement health care system's assets (system fiduciary net position ending)	Most Recent Audit Report	6,674,626	4,136,478
5	Enter retirement health care system's liabilities (total OPEB liability)	Most Recent Audit Report	13,516,733	9,442,133
6	Funded ratio	Calculated	49.4%	43.8%
7	Actuarially determined contribution (ADC)	Most Recent Audit Report	868,616	652,570
7a	Do the financial statements include an ADC calculated in compliance with Numbered Letter 2018-3 ?	Most Recent Audit Report	YES	YES
8	Governmental Fund Revenues	Most Recent Audit Report	16,938,732	16,938,732
9	All systems combined ADC/Governmental fund revenues	Calculated	9.0%	9.0%
10	Membership			
11	Indicate number of active members	Actuarial Funding Valuation used in Most Recent Audit Report	24	23
12	Indicate number of inactive members	Actuarial Funding Valuation used in Most Recent Audit Report	-	-
13	Indicate number of retirees and beneficiaries	Actuarial Funding Valuation used in Most Recent Audit Report	37	52
14	Provide the amount of premiums paid on behalf of the retirants	Most Recent Audit Report or Accounting Records	423,243	532,185
15	Investment Performance			
16	Enter actual rate of return - prior 1-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	7.20%	7.21%
17	Enter actual rate of return - prior 5-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	7.13%	7.15%
18	Enter actual rate of return - prior 10-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	9.62%	9.63%
19	Actuarial Assumptions			
20	Assumed Rate of Investment Return	Actuarial Funding Valuation used in Most Recent Audit Report	7.25%	7.25%
21	Enter discount rate	Actuarial Funding Valuation used in Most Recent Audit Report	7.25%	7.25%
22	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Actuarial Funding Valuation used in Most Recent Audit Report	Level Dollar	Level Dollar
23	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any	Actuarial Funding Valuation used in Most Recent Audit Report	29	29
24	Is each division within the system closed to new employees?	Actuarial Funding Valuation used in Most Recent Audit Report	Yes	Yes
25	Health care inflation assumption for the next year	Actuarial Funding Valuation used in Most Recent Audit Report	7.00%	7.00%
26	Health care inflation assumption - Long-Term Trend Rate	Actuarial Funding Valuation used in Most Recent Audit Report	4.50%	4.50%
27	Uniform Assumptions			
28	Enter retirement health care system's actuarial value of assets using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	6,674,626	4,136,478
29	Enter retirement health care system's actuarial accrued liabilities using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	13,713,282	9,425,582
30	Funded ratio using uniform assumptions	Calculated	48.7%	43.9%
31	Actuarially Determined Contribution (ADC) using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	945,509	591,982
32	All systems combined ADC/Governmental fund revenues	Calculated	9.1%	9.1%
33	Summary Report			
34	Did the local government pay the retiree insurance premiums for the year?	Accounting Records	YES	YES
35	Did the local government pay the normal cost for employees hired after June 30, 2018?	Accounting Records	N/A	N/A
36	Does this system trigger "underfunded status" as defined by PA 202 of 2017?	Primary government triggers: Less than 40% funded AND greater than 12% ARC/Governmental fund revenues. Non-Primary government triggers: Less than 40% funded	NO	NO

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

[Instructions](#)

Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)			
2019					\$16,435,256		
2020	\$613,127	\$0	\$949,407	\$400,000	\$16,938,732	\$312,000	11%
2021	\$1,187,686	\$250,000	\$955,428	\$250,000	\$17,277,507	\$357,000	15%
2022	\$1,247,070	\$0	\$974,537	\$100,000	\$17,623,057	\$392,700	13%
2023	\$1,309,424	\$0	\$994,027	\$100,000	\$17,975,518	\$431,970	13%
2024	\$1,374,895	\$0	\$1,013,908	\$100,000	\$18,335,028	\$475,167	13%

Projected Annual Revenue Growth (Please select)	2%
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The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out to the City to request CAP monitoring submission for Public Safety OPEB, or for the City to request removal from CAP.

**Treasury Recommendation
City of Ironwood Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 272020**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$10,147,812	\$19,357,107	52.4%	\$793,097	\$5,577,535	14.2%	YES
Retiree Health Care Plan	OPEB	\$1,732,658	\$1,399,693	123.8%	\$1,186		0.0%	NO
Total		\$11,880,470	\$20,756,800		\$794,283	\$5,577,535	14.2%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Municipal Employees' Retirement System Pension corrective action plan monitoring certification of compliance submitted by City of Ironwood. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- No, underfunded status will now be addressed by fiscal year 2027, which is within the Board's required timeframe.

The City original CAP submission addressed underfunded status in 2025. The updated fiscal year (2027) is still within the Board's criteria.

Substantial Changes

CAP Changes Implemented:

- The City notes that they will continue to pay their ADC. In 2019 and 2020, they made additional contributions above their ADC totaling \$695,032.86.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Treasury Recommendation
City of Ironwood Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 272020

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2025
- Percentage of Revenues: 20.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **No**
 - While the annual costs do not increase by an average amount greater than 5% over the next 5 years, the annual retirement costs do increase by 14.5% in fiscal year 2023.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Open

Plan size: members 126

- Inactive employees or beneficiaries currently receiving benefits: **79**
- Inactive employees entitled to but not yet receiving benefits: **8**
- Active employees: **39**

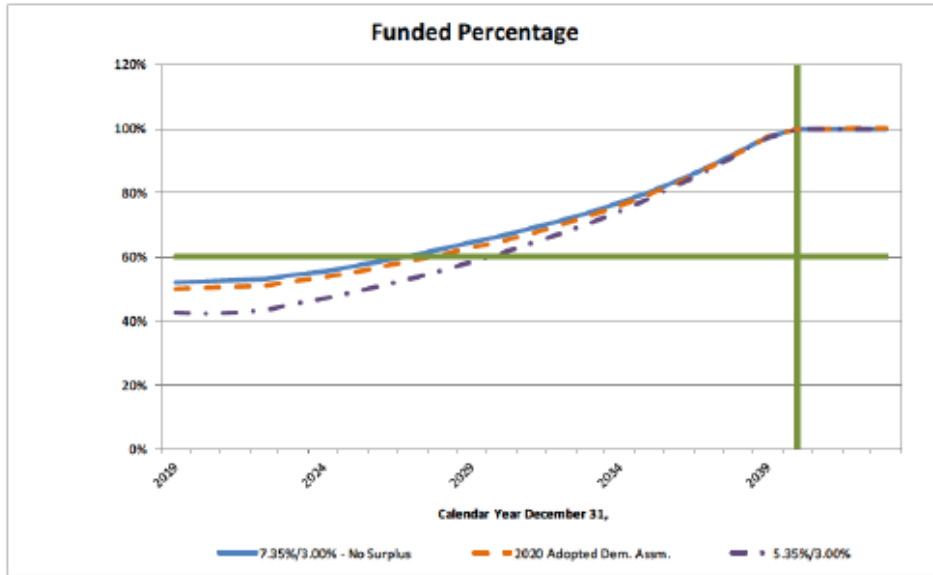
Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Ironwood has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Ironwood has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of Ironwood has met the Board's published monitoring criteria for sustainability.

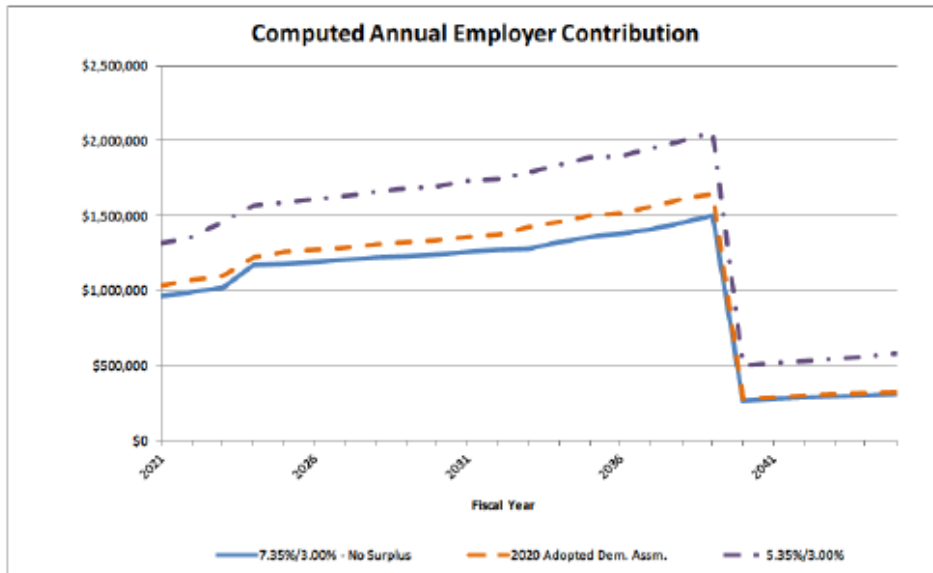
Supplemental Information:

The City included their MERS pension valuation which included showing that they will reach 60% funded in 2027-2029 depending on the assumptions used. They also included their employer contribution projects increase by 50% between 2021 and 2040, which is about 2.5% per year.

Treasury Recommendation
City of Ironwood Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 272020



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.

Treasury Recommendation
City of Jackson Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 382010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Employees Retirement System	Pension	\$39,166,667	\$55,709,829	70.3%	\$1,058,427	\$46,524,768	15.4%	NO
Policemen's and Firemen's Pension	Pension	\$3,311,403	\$6,589,865	50.2%	\$543,093			YES
Act 345 Policemen and Firemen	Pension	\$46,605,620	\$85,281,628	54.6%	\$5,559,682		6.5%	NO
Retiree Health Care Plan	OPEB	\$3,981,177	\$39,435,597	10.1%	\$3,030,111			NO
Total		\$93,064,867	\$187,016,919		\$10,191,313		\$46,524,768	21.9%

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Policemen's and Firemen's Pension corrective action plan monitoring certification of compliance submitted by City of Jackson. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Jackson is addressing underfunded status by fiscal year 2024 as projected in originally approved plan.

Substantial Changes

CAP Changes Implemented:

- The City now has 8 years left on its closed amortization schedule. Their actuarial projections still show the plan being 64% funded in fiscal year 2024 and 100% funded in fiscal year 2028.
- The City noted that the number of remaining pensioners in this "closed" plan has declined from 21 in FY 2017 to 15 currently with an average age of 81.3 years.

**Treasury Recommendation
City of Jackson Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 382010**

CAP Changes Not Implemented:

- None noted.

Additional Changes Implemented

- None noted.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2022
- Percentage of Revenues: 22.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **No**
 - The City used their full OPEB ADC instead of just the benefit payment for their projected payments for the sustainability section. This includes the normal payment for employees.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Closed

Plan size: members 18

- Inactive employees or beneficiaries currently receiving benefits: **18**
- Inactive employees entitled to but not yet receiving benefits: **0**
- Active employees: **0**

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Jackson has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Jackson has met the Board's published monitoring criteria for substantial changes.

Treasury Recommendation
City of Jackson Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 382010

- Sustainability:
 - City of Jackson has met the Board’s published monitoring criteria for sustainability.

Supplemental Information:

The City notes that the ERS Plan contributions should remain stable. Act 345 contributions are funded with a dedicated tax levy. The Policemen's and Firemen's Plan, which is under Corrective Action, will see its contribution decline slightly to \$524,841 in FY 2021 and remain at that level through 2028 when it will reach 100% funding, per actuarial projection.

Cash Flow Projection 1 – Current Board Approved Policy
7-Year Closed Amortization
6.0% Return on Actuarial Value of Assets
(Net of Expenses)

Valuation Date	As of June 30, 20XX Valuation Date				During Upcoming Fiscal Year			
	Actuarial Valuation	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Amortization Years	Projected Contributions	Expected Benefit Payments	6.0% Assumed Investment Return
2020	\$ 3,334,482	\$ 5,814,802	\$ 2,480,320	57%		\$ 524,841	\$ (643,618)	\$ 196,787
2021	3,412,492	5,501,045	2,088,553	62%	7	363,236	(610,544)	197,597
2022	3,362,781	5,202,514	1,839,733	65%	6	363,236	(596,808)	195,020
2023	3,324,229	4,900,213	1,575,984	68%	5	363,236	(581,321)	193,165
2024	3,299,309	4,595,719	1,296,410	72%	4	363,236	(564,033)	192,181
2025	3,290,693	4,290,755	1,000,062	77%	3	363,236	(544,864)	192,231
2026	3,301,296	3,987,229	685,933	83%	2	363,236	(523,774)	193,490
2027	3,334,248	3,687,204	352,956	90%	1	363,236	(500,799)	196,147
2028	3,392,832	3,392,832	-	100%	1	-	(476,033)	189,497
2029	3,106,296	3,106,296	-	100%	1	-	(449,655)	173,085
2030	2,829,726	2,829,726	-	100%	1	-	(421,931)	157,310
2031	2,565,105	2,565,105	-	100%	1	-	(393,197)	142,282
2032	2,314,190	2,314,190	-	100%	1	-	(363,866)	128,094
2033	2,078,419	2,078,419	-	100%	1	-	(334,418)	114,819
2034	1,858,820	1,858,820	-	100%	1	-	(305,341)	102,502
2035	1,655,981	1,655,981	-	100%	1	-	(277,114)	91,167
2036	1,470,034	1,470,034	-	100%	1	-	(250,151)	80,807
2037	1,300,690	1,300,690	-	100%	1	-	(224,754)	71,397
2038	1,147,333	1,147,333	-	100%	1	-	(201,142)	62,894
2039	1,009,084	1,009,084	-	100%	1	-	(179,443)	55,240
2040	884,882	884,882	-	100%	1	-	(159,695)	48,372
2041	773,559	773,559	-	100%	1	-	(141,874)	42,219
2042	673,905	673,905	-	100%	1	-	(125,879)	36,713
2043	584,738	584,738	-	100%	1	-	(111,545)	31,787

**Treasury Recommendation
City of Jackson Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 382010**

Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet								
Instructions								
Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2019					\$46,524,768			
2020	\$7,543,275		\$2,692,498		\$47,920,511		21.4%	
2021	\$7,955,434		\$2,664,941		\$49,358,126		21.5%	3.8%
2022	\$8,157,543		\$2,637,384		\$50,838,870		21.2%	1.6%
2023	\$8,169,612		\$2,609,827		\$52,364,036		20.6%	-0.1%
2024	\$8,376,879		\$2,582,270		\$53,934,957		20.3%	1.7%
Projected Annual Revenue Growth (Please select)	3%						average	1.7%

The Community Engagement and Finance Division (CEFD) contact:

- Treasury requested the ERS pension valuation, Act 345 pension valuation, OPEB valuation, and the sustainability calculations on 1/4/2021.

**Treasury Recommendation
City of Marysville Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 742030**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
General Employee Retirement System	Pension	\$17,225,551	\$27,691,003	62.2%	\$684,137	\$12,064,425	12.8%	NO
Police Officers and Fire Fighters Retirement System	Pension	\$14,464,424	\$26,054,774	55.5%	\$855,334			YES
Retiree Health Plan Benefits	OPEB	\$13,808,876	\$22,589,855	61.1%	\$973,861		8.1%	NO
Total		\$45,498,851	\$76,335,632		\$2,513,332	\$12,064,425	20.9%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Police Officers and Fire Fighters Retirement System Pension corrective action plan monitoring certification of compliance submitted by City of Marysville. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Marysville is addressing underfunded status by fiscal year 2028 as projected in originally approved plan.

Substantial Changes

CAP Changes Implemented:

- The City has made extra pension contributions exceeding the ADC. For the most recent three years, 2018-2020, excess contributions totaled an additional \$1,245,563. As a result of excess funding, projections in the City's original CAP have improved. The City was not expected to reach funding at 55.5% until 2024, but that was attained in 2020. Consequently, the City is now projecting funding of 63.77% in 2028.

Treasury Recommendation
City of Marysville Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 742030

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented:

- The approved CAP indicated a desire for plan changes that would help lower future obligations. Subsequently, new contracts, retroactive to 7/1/19, with the Police Officers Association of Michigan (POAM) and the Marysville Professional Fire Fighters delivered beneficial changes. These favorable modifications resulted in the following improvements: vesting was increased from five to ten years, multipliers lowered from 2.5% to 1.5%, overtime included in the final FAC is now limited to 150 hours, and the minimum retirement age was raised from 55 to 57 years old. POAM group employee pension contributions for this new group is 7% while the Fire group is 8%.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2024
- Percentage of Revenues: 26.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **No**
 - On April 5, 2021, Treasury contact the City to request the full pension valuation and to ask for an updated sustainability spreadsheet and documentation including the City's OPEB system. The City submitted their Police Officers and Fire Fighters and OPEB valuations, but not their General Employees valuation.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Open

Plan size: members 48

- Inactive employees or beneficiaries currently receiving benefits: **25**
- Inactive employees entitled to but not yet receiving benefits: **0**
- Active employees: **23**

Treasury Recommendation
City of Marysville Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 742030

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Marysville has met the Board’s published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Marysville has met the Board’s published monitoring criteria for substantial changes.
- Sustainability:
 - City of Marysville has partially met the Board’s published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Supplemental Information:

The City appears to be following their corrective action plan. If actuarial projections remain true, the City is projected to reach 60% funded in FY 2025, three years ahead of schedule according to their CAP. According to the actuarial report, the pension is currently 55.52% funded. The City did not provide information regarding their projected OPEB payments. Since the City is at 26% pension contributions/governmental revenue in 2024, Treasury has marked them partially sustainable.

Table 1
Projection of Total Contributions*
Assuming 24 Year Closed Amortization of UAAL

Year Beg. 7/1	Projected Entry Age AAL	Projected Funding Value of Assets	UAAL	24 Year Closed Amortization	Projected Employer Normal Cost	Employer Contribution	Employee Contribution	Total Contributions
2020	\$26,054,775	\$15,083,692	\$10,971,083	\$662,490	\$199,513	\$862,003	\$156,736	\$1,018,739
2021	26,732,785	14,860,122	11,872,663	737,389	170,418	907,807	127,923	1,035,730
2022	27,169,377	15,082,413	12,086,964	773,513	160,654	934,167	121,690	1,055,857
2023	27,564,339	15,282,735	12,281,604	811,459	128,367	939,826	100,761	1,040,587
2024	27,763,776	15,307,389	12,456,387	851,553	130,976	982,529	102,820	1,085,349
2025	27,987,756	15,385,088	12,602,668	893,591	133,884	1,027,475	105,114	1,132,589
2026	28,241,748	15,525,559	12,716,189	937,683	103,619	1,041,302	83,024	1,124,326
2027	28,277,677	15,479,728	12,797,949	984,386	106,064	1,090,450	84,995	1,175,445
2028	28,334,791	15,497,800	12,836,991	1,033,429	91,644	1,125,073	69,318	1,194,391
2029	28,217,343	15,384,369	12,832,974	1,085,420	94,053	1,179,473	71,114	1,250,587
2030	28,119,974	15,346,103	12,773,871	1,140,096	87,944	1,228,040	64,598	1,292,638
2031	27,952,016	15,296,828	12,655,188	1,197,893	90,453	1,288,346	66,413	1,354,759
2032	27,807,398	15,340,894	12,466,504	1,258,818	80,273	1,339,091	60,167	1,399,258
2033	27,612,816	15,412,090	12,200,726	1,323,305	52,077	1,375,382	41,727	1,417,109
2034	27,231,810	15,380,439	11,851,371	1,392,078	53,632	1,445,710	42,962	1,488,672
2035	26,864,905	15,461,975	11,402,930	1,465,066	55,263	1,520,329	44,263	1,564,592
2036	26,516,796	15,673,325	10,843,471	1,542,804	24,708	1,567,512	16,800	1,584,312
2037	25,862,718	15,694,549	10,168,169	1,627,371	7,944	1,635,315	7,208	1,642,523
2038	25,096,414	15,741,496	9,354,918	1,719,098	8,172	1,727,270	7,415	1,734,685
2039	24,324,533	15,941,118	8,383,415	1,819,254	8,425	1,827,679	7,644	1,835,323
2040	23,549,688	16,316,770	7,232,918	1,930,575	8,688	1,939,263	7,882	1,947,145
2041	22,774,151	16,895,838	5,878,313	2,058,333	8,961	2,067,294	8,131	2,075,425
2042	21,999,529	17,712,346	4,287,183	2,215,327	9,246	2,224,573	8,390	2,232,963
2043	21,227,101	18,815,704	2,411,397	2,451,526	0	2,451,526	0	2,451,526
2044	20,353,474	20,203,267	150,207	152,707	0	152,707	0	152,707

Treasury Recommendation
City of Marysville Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 742030

Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet								
<u>Instructions</u>								
Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2019					\$11,981,391			
2020	\$1,601,050	\$425,000	\$1,016,330		\$12,101,205	\$152,783	24.8%	
2021	\$1,732,606	\$285,000	\$978,375		\$12,222,217	\$155,839	24.2%	-1.5%
2022	\$1,761,248	\$400,000	\$979,953		\$12,344,439	\$158,955	25.1%	4.8%
2023	\$1,843,368	\$400,000	\$951,979		\$12,467,884	\$162,135	25.3%	1.7%
2024	\$1,923,103	\$425,000	\$971,481		\$12,592,562	\$165,377	26.0%	3.9%
							average:	2.2%
Projected Annual Revenue Growth (Please select)	1%							

The Community Engagement and Finance Division (CEFD) contact:

- On April 5, 2021, Treasury contact the City to request the full pension valuation and to ask for an updated sustainability spreadsheet and documentation including the City's OPEB system. CEFD reached on via email again on 4/8/21.

Treasury Recommendation
City of Norton Shores Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 612050

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$25,044,473	\$50,127,342	50.0%	\$2,135,355	\$20,660,679	10.3%	YES
OPEB	OPEB	\$3,239,953	\$24,544,452	13.2%	\$1,517,041		7.3%	NO
Total		\$28,284,426	\$74,671,794		\$3,652,396	\$20,660,679	17.6%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the MERS Pension corrective action plan monitoring certification of compliance submitted by City of Norton Shores. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Norton Shores is addressing underfunded status by fiscal year 2028 as projected in originally approved plan.

Substantial Changes

CAP Changes Implemented:

- The City of Norton Shores has appropriated additional funds above the ARC as follows: FY 2019 - \$400,000, FY 2020 - \$400,00, and FY 2021 - \$400,000.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Treasury Recommendation
City of Norton Shores Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 612050

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2021
- Percentage of Revenues: 13.7%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **Yes**
 - Average percent increase over next five years is an increase of 6.4%.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions:

Plan size: members 214

- Inactive employees or beneficiaries currently receiving benefits: **117**
- Inactive employees entitled to but not yet receiving benefits: **21**
- Active employees: **76**

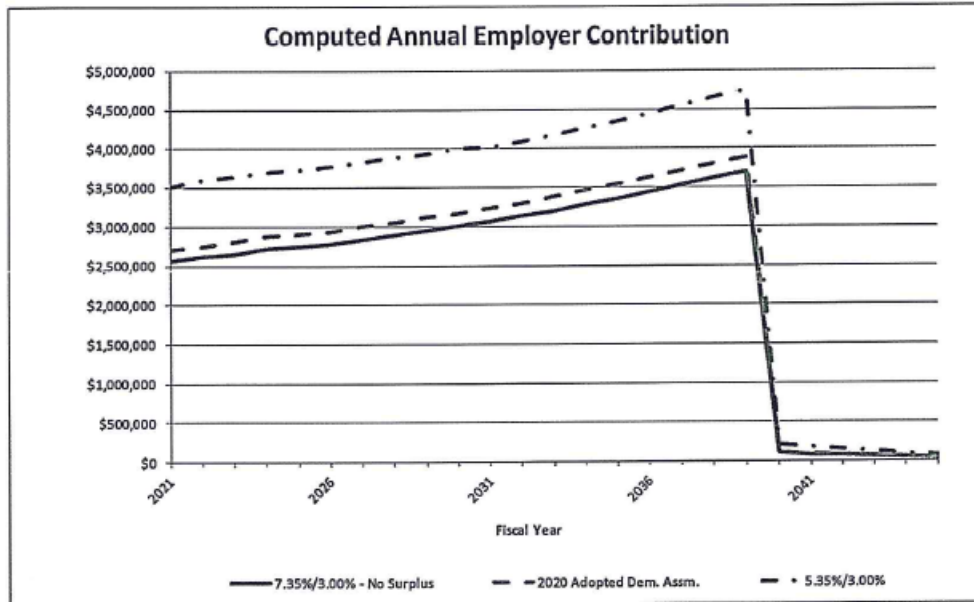
Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Norton Shores has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Norton Shores has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of Norton Shores has partially met the Board's published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Treasury Recommendation
City of Norton Shores Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 612050

Supplemental Information:

The City appears to be implementing their corrective action plan and making progress toward their funded status. The City included a projection of its annual employer contributions which increase approximately 35% between 2021 and 2040, which is about a 2% increase each year.



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

[Instructions](#)

Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2019					\$20,555,245			
2020	\$2,135,355	\$400,000	\$200,000		\$20,966,350	\$2,500,000	11.7%	
2021	\$2,705,532	\$400,000	\$200,000		\$21,385,677	\$2,750,000	13.7%	20.8%
2022	\$2,750,000	\$400,000	\$200,000		\$21,813,390	\$2,850,000	13.6%	1.3%
2023	\$2,800,000	\$400,000	\$200,000		\$22,249,658	\$3,000,000	13.5%	1.5%
2024	\$2,870,000	\$400,000	\$200,000		\$22,694,651	\$3,150,000	13.4%	2.1%
Projected Annual Revenue Growth (Please select)	2%						Average Annual Retirement Cost Increase	6.4%

The Community Engagement and Finance Division (CEFD) contact:

- On 4/5/2021 Treasury called for full copy of pension valuation, along with OPEB valuation or internal projection used in the sustainability section.
- 4/12/21 Treasury called for explanation on pension numbers and OPEB numbers used.
- On 4/13/21 Treasury called for OPEB projection as that was not included in the additional documentation requested.

Treasury Recommendation
City of Norway Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 222030

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$25,044,473	\$50,127,342	50.0%	\$2,135,355	\$20,660,679	10.3%	YES
OPEB	OPEB	\$3,239,953	\$24,544,452	13.2%	\$1,517,041		7.3%	NO
Total		\$28,284,426	\$74,671,794		\$3,652,396	\$20,660,679	17.6%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance with conditions for the MERS pension corrective action plan monitoring certification of compliance submitted by City of Norway. If voted as compliant with conditions by the Board, City of Norway, 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

Is the local government addressing underfunded status according to originally approved plan?

- No, underfunded status will now be addressed by fiscal year 2028, which is within the Board's required timeframe.

The City states that the original target date of 2027 has slipped one year to 2028 predominately due to the lower expected market investment returns applied by MERS to the City's invested assets.

Substantial Changes

CAP Changes Implemented:

- Per the CAP, the City has been contributing an additional 5% above the MERS actuarial required payment to the pension plan. The City continues to monitor the program during each budget year to increase payments as budgets allow.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- Starting in FY 2019-2020, the City contributed an additional 5% toward the pension system. The City will increase that contribution in 2021 and out years to catch up to the lost due to poor investment performance from MERS.

Treasury Recommendation
City of Norway Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 222030
Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2024
- Percentage of Revenues: 37.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **Yes**
 - Treasury has created a sustainability worksheet using the data provided. Treasury's calculations show the local governments annual retirement costs increasing by an average of 5.5% over the next five years.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Open

Plan size: members 63

- Inactive employees or beneficiaries currently receiving benefits: **42**
- Inactive employees entitled to but not yet receiving benefits: **2**
- Active employees: **19**

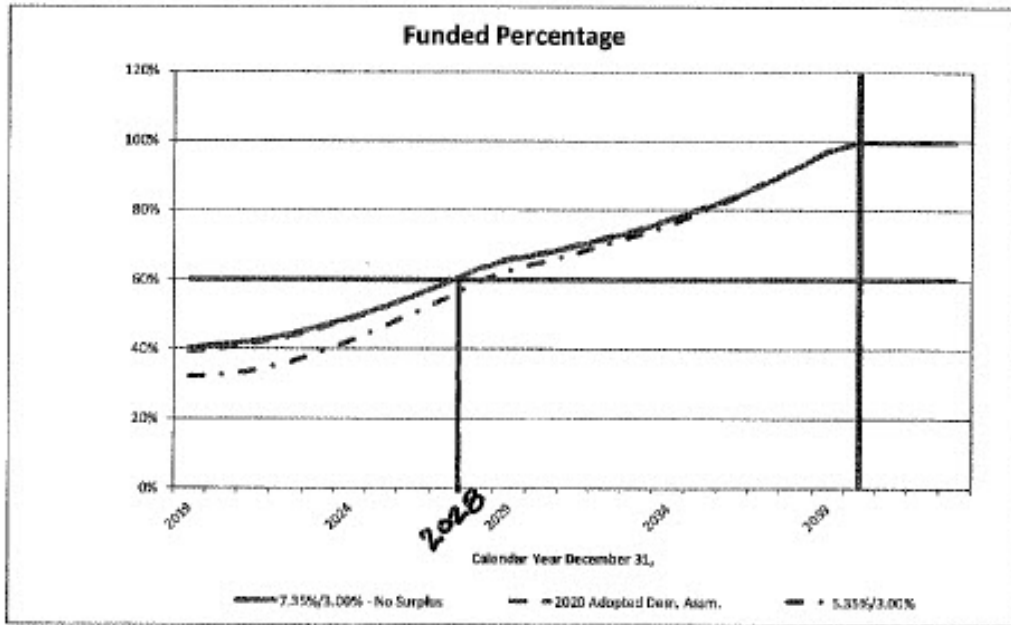
Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Norway has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Norway has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of Norway has not met the Board's published monitoring criteria for sustainability
 - The local government's projected annual retirement costs are increasing at an approximate rate of 5% per year or greater AND the projected costs are substantial.

Treasury Recommendation
City of Norway Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 222030

Supplemental Information:

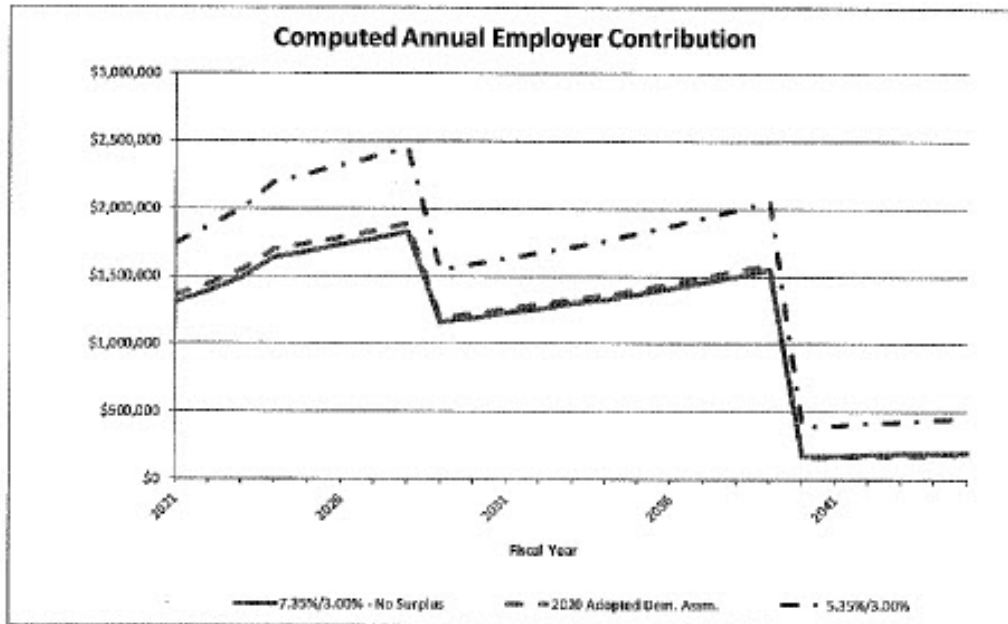
The City appears to be implementing their CAP. The City's retirement costs represent a significant portion of their governmental revenues and are increasing in costs annually at a notable rate.



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 2022 purposes.



Notes:

All projected contributions are shown with no phase-in.

Treasury Recommendation
City of Norway Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 222030

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

Instructions

Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2020					\$4,274,152			
2021	\$1,087,476	\$54,374	\$65,413		\$4,274,152	\$565,488	24.9%	
2022	\$1,246,380	\$62,319	\$68,030		\$4,359,635	\$648,118	27.5%	14.0%
2023	\$1,400,000	\$70,000	\$68,030		\$4,446,828	\$728,000	29.7%	11.7%
2024	\$1,600,000	\$80,000	\$75,750		\$4,535,764	\$832,000	32.7%	14.2%
2025	\$1,700,000	\$85,000	\$70,750		\$4,626,480	\$884,000	33.7%	5.7%
								11.4%
Projected Annual Revenue Growth (Please select)	2%							

Enter Other Considerations Statement here:

Treasury's analysis of the City's unfunded liability for its MERS Pension Plan included the entire liability for all four divisions, however it only included the City's General Governmental Revenues as the source of funds available to fund the liability. Staff performed an analysis of where the liability is actually paid from and determined that 48% of the liability is from the General Governmental Revenues, with the remaining 52% being paid from the City's Utility Funds (Electric, Water and Wastewater). The revenues from these three funds needs to be included in the analysis to determine the City's ability to meet the liability. The funding ratio using just the General Governmental Revenues is 18.7%, however that ratio decreases to 6.6% when the utility revenues are included. The criteria to trigger Treasury's "underfunded status" is less than 60% funded (we are 42.2% funded) AND greater than a 10% calculated ratio, which we are not at when including utility fund revenues. See Attachment #4.

The Community Engagement and Finance Division (CEFD) contact:

- On 4/8/2021 Treasury contacted the local government to request a full pension valuation and OPEB documentation for the sustainability section.

Treasury Recommendation
Ogemaw County Road Commission OPEB Corrective Action Plan (CAP) Monitoring Compliance
Certification
Primary Government 650100

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$6,818,368	\$11,754,098	58.0%	\$398,488	\$7,087,843	5.6%	YES
OPEB	OPEB	\$82,393	\$455,743	18.1%	\$49,431		0.7%	YES
Total		\$6,900,761	\$12,209,841		\$447,919	\$7,087,843	6.3%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Ogemaw County Road Commission OPEB corrective action plan monitoring certification of compliance submitted by Ogemaw County Road Commission. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, Ogemaw County Road Commission is addressing underfunded status by fiscal year 2028 as projected in originally approved plan.

The Road Commission's pension corrective action plan was approved by the Municipal Stability Board one month after the request for the corrective action plan was received. Therefore, it was not included in this monitoring submission.

Substantial Changes

CAP Changes Implemented:

- The Road Commission has made \$25,000 contributions annually since 2018, totalling \$75,000.

CAP Changes Not Implemented:

- None Listed.

Additional Changes Implemented

- None Listed.

Revised Corrective Action Plan Submitted? No

Treasury Recommendation
Ogemaw County Road Commission OPEB Corrective Action Plan (CAP) Monitoring Compliance
Certification
Primary Government 650100

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2024
- Percentage of Revenues: 07.2%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **Yes**
 - While the Road Commission noted that their costs did not increase by an average amount greater than 5%; Treasury's review found that the average annual amount increases by 5.2% over the next five fiscal years. While the Road Commission's projections shows them reaching 40% by 2028/2029, this is based on a static liability over the life of this projection. The liability may be subject to increased uncertainty since the system remains open to new hires, and thus may be more likely to increase over this period.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Open

Plan size: members 33

- Inactive employees or beneficiaries currently receiving benefits: **7**
- Inactive employees entitled to but not yet receiving benefits: **0**
- Active employees: **26**

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - Ogemaw County Road Commission has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - Ogemaw County Road Commission has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - Ogemaw County Road Commission has partially met the Board's published monitoring criteria for sustainability.

Treasury Recommendation
Ogemaw County Road Commission OPEB Corrective Action Plan (CAP) Monitoring Compliance
Certification
Primary Government 650100

- Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Supplemental Information:

The Road Commission submitted supporting documentation that their OPEB Trust will be 40% funded between 2028-2029. Additionally, they submitted documentation showing their OPEB benefit payment projections for FY2020 - FY 2029. In that timeframe, the benefits are the highest in 2025 at \$57,864. This is approximately 20% higher than the Road Commission's FY2020 payment, which is an increase of about 4% per year.

Valuation of Assets Fiscal Year 2017	\$	21,052
Actuarial Accrued Liability	\$	719,652
Annual Required Contribution	\$	69,163
Funded Percentage		2.93%
Long Term Expected Rate of Return		5.75%

Fiscal Year	Beginning Balance	Additional Contribution	Interest	Ending Balance	Percent Funded
2017	21,052			21,052	2.93%
2018	21,052		5,744	26,796	3.72%
2019	26,796	25,000	2,978	54,774	7.61%
2020	54,774	25,000	4,587	84,361	11.72%
2021	84,361	25,000	6,288	115,650	16.07%
2022	115,650	25,000	8,087	148,737	20.67%
2023	148,737	25,000	9,990	183,727	25.53%
2024	183,727	25,000	12,002	220,729	30.67%
2025	220,729	25,000	14,129	259,858	36.11%
2026	259,858	25,000	16,379	301,237	41.86%
2027	301,237	25,000	18,759	344,996	47.94%
2028	344,996	25,000	21,275	391,271	54.37%
2029	391,271	25,000	23,936	440,206	61.17%
2030	440,206	25,000	26,749	491,956	68.36%
2031	491,956	25,000	29,725	546,681	75.96%
2032	546,681	25,000	32,872	604,552	84.01%
2033	604,552	25,000	36,199	665,751	92.51%
2034	665,751	25,000	39,718	730,470	101.50%

Treasury Recommendation
Ogemaw County Road Commission OPEB Corrective Action Plan (CAP) Monitoring Compliance
Certification
Primary Government 650100

FYE	Expected net retiree medical benefit payment
2020	47,542
2021	43,885
2022	40,079
2023	45,228
2024	51,172
2025	57,864
2026	55,088
2027	51,218
2028	49,549
2029	38,609

The Community Engagement and Finance Division (CEFD) contact:

- None.

Treasury Recommendation
City of Rogers City Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 712020

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$11,147,736	\$11,973,434	93.1%	\$0	\$2,492,315	0.0%	YES

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the MERS Pension corrective action plan monitoring certification of compliance submitted by City of Rogers City. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Rogers City is addressing underfunded status by fiscal year 2020 as projected in originally approved plan.

Substantial Changes

CAP Changes Implemented:

- In Spring 2019, through the collective bargaining process, the City of Rogers City closed its pension program to all employees hired on or after July 1, 2019. New employees are enrolled in a 401A plan. Further, the City issued pension bonds in September 2019, increasing pension assets by \$5,751,164.95 in the process. These actions brought our pension funded ratio from 47% on 12/31/18 to 92% on 12/31/19, per MERS.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- Although unrelated to this Corrective Action Plan, it is worth noting that in Spring 2019, through the collective bargaining process, the City eliminated its OPEB program, further reducing long-term legacy cost liability. No current retirees are drawing on our OPEB program and no existing or future employees are eligible for OPEB through the City of Rogers City. In addition, through the collective bargaining process, the City placed caps on sick-time payouts where none at previously existed, further decreasing legacy cost liabilities.

Treasury Recommendation
City of Rogers City Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 712020
Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2020
- Percentage of Revenues: 6.0%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- No

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- Yes

System Status for All Divisions: Closed

Plan size: members 54

- Inactive employees or beneficiaries currently receiving benefits: **27**
- Inactive employees entitled to but not yet receiving benefits: **8**
- Active employees: **19**

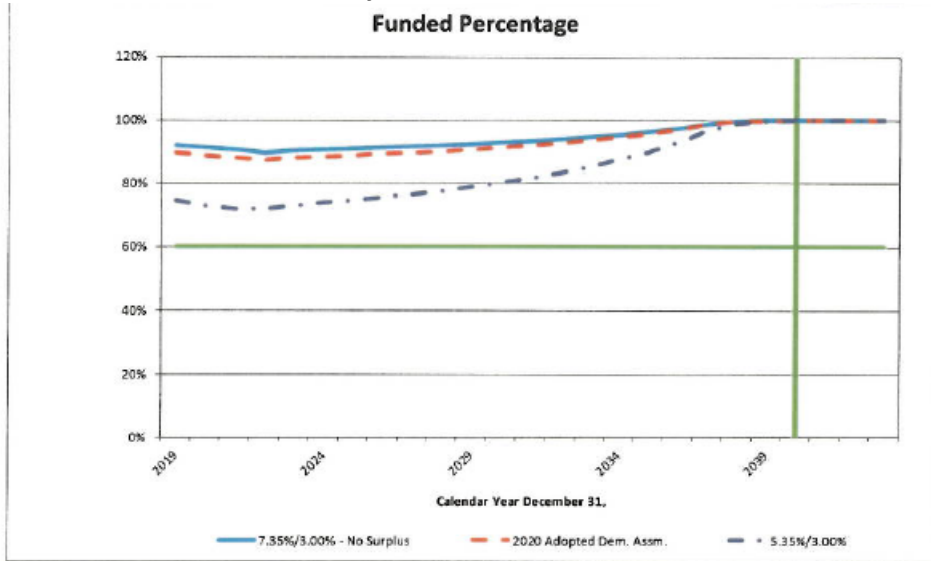
Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Rogers City has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Rogers City has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of Rogers City has met the Board's published monitoring criteria for sustainability.

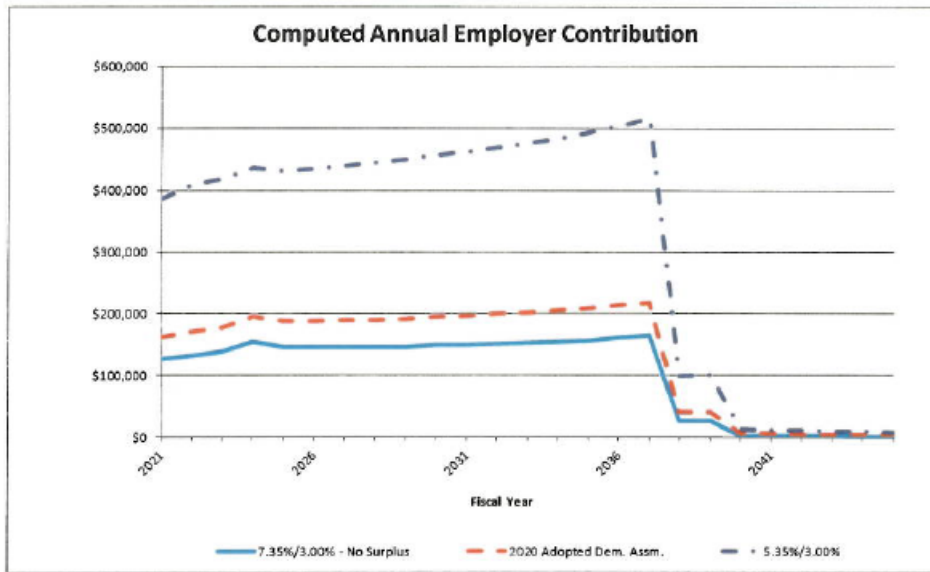
Supplemental Information:

The City issued pension obligation bonds and is now 92% funded. It is recommended that they be considered for removal from corrective action by the Board.

Treasury Recommendation
City of Rogers City Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 712020



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.

Treasury Recommendation
City of Rogers City Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 712020

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

[Instructions](#)

Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)			
2019					\$2,006,217		
2020	\$118,730	\$0	\$0	\$0	\$2,046,341	\$26,952	6%
2021	\$48,156	\$0	\$0	\$0	\$2,087,268	\$10,931	2%
2022	\$127,344	\$0	\$0	\$0	\$2,129,014	\$28,907	6%
2023	\$133,000	\$0	\$0	\$0	\$2,171,594	\$30,191	6%
2024	\$140,000	\$0	\$0	\$0	\$2,215,026	\$31,780	6%

Projected Annual Revenue Growth (Please select)	2%
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The Community Engagement and Finance Division (CEFD) contact:

- None.

Treasury Recommendation
City of Sault Ste Marie Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 172010

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$20,660,210	\$32,542,203	63.5%	\$760,842	\$18,543,784	13.0%	NO
Firemen and Policemen Retirement System	Pension	\$16,417,441	\$32,495,876	50.5%	\$1,657,100		YES	
Total		\$37,077,651	\$65,038,079		\$2,417,942	\$18,543,784	13.0%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Firemen and Policemen Retirement System Pension corrective action plan monitoring certification of compliance submitted by City of Sault Ste Marie. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of Sault Ste Marie is addressing underfunded status by fiscal year 2022 as projected in originally approved plan.

By adopting a closed amortization period of 20 years in 2017, the pension board has addressed the unfunded liability in a plan with the expectation for it to be fully paid in 2037. With an average gain in funding status of roughly 2.5%, the City expects to be above 60% by 2022 understanding that drastically unexpected returns may impact the time line.

Substantial Changes

CAP Changes Implemented:

- The City's taxable value has gradually increased over the last 5 year, consistent with actions proposed in approved CAP. The City's pension millage has steadily increased to offset the slow increase in taxable value.
- Pension board assumptions have remained in line with actuary's recommendations and the Treasurer's uniform assumptions. With each year the board reviews any updates and recommendations from its actuary and implements changes as needed.

Treasury Recommendation
City of Sault Ste Marie Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 172010

CAP Changes Not Implemented:

- The City was unable to implement system design changes listed in the CAP, specifically noted "continue to negotiate toward less costly benefit packages". For many years, management has experienced difficulty finding qualified staff to fill vacancies in public safety. The city notes that the combination of negative public sentiment toward police during 2020 and the complexities of COVID-19 impacting first responders have not lessened the challenge. College graduates for these professions are down in numbers across the country. With good benefit provisions being a vital strength of a local government as an employer, further reductions to pension benefits were not agreed upon in the most recent contract negotiations.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2025
- Percentage of Revenues: 13.3%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **Yes**
 - The City answered no to this question; however, Treasury's review shows that retirement costs are increasing at a rate of 5.4% per year. The large average annual increase appears primarily due to a 14% increase in FY 2023.
 - Employer's contribution to the police and firefighters pension is funded by a dedicated millage under Act 345. With that all increases are fully supported by the taxpayers. Increases are covered either by an increase to taxable value or increases in the millage. The millage is calculated annually after presentation of the annual actuarial valuation dated as of the end of the prior fiscal year which includes the ADC. Millage rates have increased from 5.3323 in 2017 to 6.1812 in 2021. The City recognizes the impact of growth in the community and makes an effort to welcome business that helps provide the foundation for increases to taxable values.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Open

Treasury Recommendation
City of Sault Ste Marie Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 172010

Plan size: members 102

- Inactive employees or beneficiaries currently receiving benefits: **61**
- Inactive employees entitled to but not yet receiving benefits: **2**
- Active employees: **39**

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of Sault Ste Marie has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of Sault Ste Marie has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of Sault Ste Marie has partially met the Board's published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Supplemental Information:

The City provided an overview of their taxable value and Act 345 millage from the last several years to demonstrate the millage's role in adjusting for smaller than hoped for taxable value increases. Additionally, chart showing the projected asset value increase was provided showing that the pension system is projected to reach 60% of current liabilities within 4 years. If liabilities continue to increase, the date to reach 60% may increase. Finally, the City provided a sustainability projection showing that their retirement costs as a percentage of revenue will peak in approximately 2025, and while these costs are increasing at a rate greater than an average of 5% per year, their combined costs as a percent of revenue is only 13%. The Police and Fire pension system increases by 57% (3.0%) over the next 19 years before decreasing significantly.

Treasury Recommendation
City of Sault Ste Marie Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 172010

Single Discount Rate Development Projection of Plan Fiduciary Net Position

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.00%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	\$ 16,417,441	\$ 1,624,125	\$ 1,960,639	\$ 27,395	\$ 1,136,699	\$ 17,190,231
2	17,190,231	1,822,323	2,032,597	26,559	1,195,167	18,148,566
3	18,148,566	1,878,049	2,115,975	25,718	1,261,328	19,146,250
4	19,146,250	1,920,715	2,201,847	25,188	1,329,698	20,169,628
5	20,169,628	1,973,023	2,254,176	24,793	1,401,347	21,265,029
6	21,265,029	2,019,187	2,310,930	24,405	1,477,674	22,426,555
7	22,426,555	2,050,760	2,386,931	23,671	1,557,477	23,624,191
8	23,624,191	2,082,684	2,468,268	22,863	1,639,639	24,855,383
9	24,855,383	2,110,902	2,564,754	21,825	1,723,510	26,103,216
10	26,103,216	2,149,414	2,629,181	21,135	1,809,990	27,412,305
11	27,412,305	2,196,753	2,678,458	20,709	1,901,574	28,811,465
12	28,811,465	2,242,720	2,733,837	20,147	1,999,211	30,299,412
13	30,299,412	2,297,696	2,765,268	19,865	2,104,187	31,916,161
14	31,916,161	2,351,918	2,804,320	19,484	2,217,895	33,662,170
15	33,662,170	2,399,384	2,861,306	18,777	2,339,812	35,521,284
16	35,521,284	2,446,211	2,919,217	17,943	2,469,597	37,499,932
17	37,499,932	2,490,641	2,984,972	16,953	2,607,403	39,596,051
18	39,596,051	2,525,560	3,077,089	15,549	2,752,212	41,781,185
19	41,781,185	2,550,486	3,200,879	13,605	2,901,836	44,019,024
20	44,019,024	290,101	3,326,795	11,500	2,976,449	43,947,279

Taxable Value

Tax Year	Taxable Value
2016	274,496,535
2017	277,636,006
2018	285,419,554
2019	285,634,686
2020	290,516,557

Pension Mills

FYE	mills
2017	5.3323
2018	5.4502
2019	6.0766
2020	6.1390
2021	6.1812

Treasury Recommendation
City of Sault Ste Marie Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 172010

Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet								
Instructions								
Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2020					\$21,267,804			
2021	\$2,657,671				\$21,905,838		12.1%	
2022	\$2,704,425				\$22,563,013		12.0%	1.8%
2023	\$3,092,323				\$23,239,904		13.3%	14.3%
2024	\$3,188,049				\$23,937,101		13.3%	3.1%
2025	\$3,290,715				\$24,655,214		13.3%	3.2%
								5.6%
Projected Annual Revenue Growth (Please select)	3%							

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD contacted the local government to request MERS valuation to validate sustainability.

Treasury Recommendation
City of St Clair Shores General Employees OPEB Corrective Action Plan (CAP) Monitoring
Compliance Certification Primary Government 502090

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Police and Fire Retirement System	Pension	\$101,374,664	\$175,746,192	57.7%	\$5,708,757	\$62,243,258	13.8%	NO
Employees' Retirement System	Pension	\$39,443,783	\$67,257,800	58.6%	\$2,893,132			NO
Police and Fire Retiree Health Care Plan	OPEB	\$17,632,402	\$75,693,849	23.3%	\$5,910,237		15.8%	YES
General Retiree Health Care Plan	OPEB	\$8,904,250	\$53,605,099	16.6%	\$3,945,591			YES
Total		\$167,355,099	\$372,302,940		\$18,457,717		\$62,243,258	29.6%

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the General Employees Retiree Health Care Trust OPEB corrective action plan monitoring certification of compliance submitted by City of St Clair Shores. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of St Clair Shores is addressing underfunded status by fiscal year 2040 as projected in originally approved plan.

The corrective action plan was approved under the premise that the plan will be funded by 2040. The City stated on their monitoring form that they were address the plan in the same time frame; however, they stated they would be funded by 2046, not 2040. The actuarial projection provided shows the City reaching funded status by 2040 utilizing pay-go and interest earnings alone.

Treasury Recommendation
City of St Clair Shores General Employees OPEB Corrective Action Plan (CAP) Monitoring
Compliance Certification Primary Government 502090

Substantial Changes

CAP Changes Implemented:

- The design changes that were in progress before PA 202 have all been implemented. Additional funding was made in all years beginning with 2017 and has continued. (Treasury has verified that the local government is paying the pay-go amount, but could not verify additional payments.)

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- The City is changing their 65+ retirees to a Medicare Advantage plan. This has an estimated savings of \$400,000/year in retiree insurance. This will be effective May 1, 2021.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2020
- Percentage of Revenues: 24.2%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **No**
 - Treasury recreated the sustainability worksheet, as there were a few errors in the data that was reported. The City included the OPEB ADC rather than the pay-go payment amount and listed its general fund revenues rather than governmental revenues. The City did not document any additional contributions in the sustainability worksheet for their OPEB system. The City's projections for pension only included the UAL portion of the ADC, which will underestimate the cost. With the information provided, the projected retirement costs will likely continue to increase beyond the next five years above the 24.2% shown in 2020.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Closed

Treasury Recommendation
City of St Clair Shores General Employees OPEB Corrective Action Plan (CAP) Monitoring
Compliance Certification Primary Government 502090

Plan size: members 284

- Inactive employees or beneficiaries currently receiving benefits: **189**
- Inactive employees entitled to but not yet receiving benefits: **18**
- Active employees: **77**

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of St Clair Shores has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - City of St Clair Shores has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - City of St Clair Shores has partially met the Board's published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Supplemental Information:

The City provided a projection of their funding progress. This projection shows them reaching 40% funded in 2040, primarily based on the earnings from their accrued assets. Pay-go costs increase by 59% over the next 15 years (2.9%/year).

Treasury Recommendation
City of St Clair Shores General Employees OPEB Corrective Action Plan (CAP) Monitoring
Compliance Certification Primary Government 502090
City of St. Clair Shores General Retiree Health Care Plan Projection Schedule

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection						Unfunded Liability (EOY)	Funded Percentage
	Normal Cost	Benefit Payments	5.00% Interest	AAL EOY	Pay-Go Employer Contribution ⁽¹⁾	Additional Employer Contribution	Benefit Payments	Administrative Expenses	5.00% Interest	Asset Value EOY ⁽²⁾		
				(a)						(b)	(c) = (a) - (b)	(d) = (b) / (a)
7/1/2016 - 6/30/2017				\$61,886,932	\$2,770,090	\$0	\$2,765,348	\$4,742	\$314,364	\$6,287,278	\$55,599,554	10.16%
7/1/2017 - 6/30/2018	\$789,162	\$2,765,348	\$3,045,545	62,956,291						6,601,642	56,354,649	10.49%
7/1/2018 - 6/30/2019	734,411	2,966,760	3,092,687	63,816,629	2,971,146	0	2,966,760	4,386	330,082	6,931,724	56,884,905	10.86%
7/1/2019 - 6/30/2020	684,229	3,081,695	3,131,626	64,550,789	3,085,764	0	3,081,695	4,069	346,586	7,278,310	57,272,479	11.28%
7/1/2020 - 6/30/2021	640,317	3,231,686	3,163,545	65,122,965	3,235,500	0	3,231,686	3,814	363,916	7,642,226	57,480,739	11.74%
7/1/2021 - 6/30/2022	601,573	3,373,804	3,187,688	65,538,422	3,377,388	0	3,373,804	3,584	382,111	8,024,337	57,514,085	12.24%
7/1/2022 - 6/30/2023	560,642	3,491,628	3,204,540	65,811,976	3,494,928	0	3,491,628	3,300	401,217	8,425,554	57,386,422	12.80%
7/1/2023 - 6/30/2024	522,769	3,635,080	3,213,740	65,913,405	3,638,097	0	3,635,080	3,017	421,278	8,846,832	57,066,573	13.42%
7/1/2024 - 6/30/2025	479,445	3,787,510	3,213,977	65,819,318	3,790,268	0	3,787,510	2,758	442,342	9,289,174	56,530,144	14.11%
7/1/2025 - 6/30/2026	432,988	3,906,438	3,205,189	65,551,057	3,908,939	0	3,906,438	2,501	464,459	9,753,633	55,797,424	14.88%
7/1/2026 - 6/30/2027	389,381	3,999,728	3,188,494	65,133,204	3,997,979	0	3,995,728	2,251	487,862	10,241,315	54,891,889	15.72%
7/1/2027 - 6/30/2028	347,078	4,098,530	3,164,018	64,545,770	4,100,533	0	4,098,530	2,003	512,066	10,753,381	53,792,389	16.66%
7/1/2028 - 6/30/2029	308,707	4,128,498	3,132,958	63,858,937	4,130,282	0	4,128,498	1,784	537,669	11,291,050	52,567,887	17.68%
7/1/2029 - 6/30/2030	276,045	4,184,514	3,096,427	63,046,896	4,186,116	0	4,184,514	1,602	564,553	11,855,603	51,191,293	18.80%
7/1/2030 - 6/30/2031	241,989	4,269,540	3,052,881	62,072,106	4,270,942	0	4,269,540	1,402	592,780	12,448,383	49,623,723	20.05%
7/1/2031 - 6/30/2032	202,945	4,311,245	3,002,151	60,965,958	4,312,413	0	4,311,245	1,168	622,419	13,070,802	47,895,156	21.44%
7/1/2032 - 6/30/2033	167,487	4,335,110	2,945,378	59,743,713	4,336,073	0	4,335,110	963	653,540	13,724,342	46,019,371	22.97%
7/1/2033 - 6/30/2034	139,435	4,386,939	2,882,293	58,378,503	4,387,748	0	4,386,939	809	686,217	14,410,559	43,967,944	24.68%
7/1/2034 - 6/30/2035	115,327	4,421,767	2,812,577	56,884,640	4,422,439	0	4,421,767	672	720,528	15,131,087	41,753,553	26.60%
7/1/2035 - 6/30/2036	91,385	4,413,473	2,737,498	55,300,051	4,414,004	0	4,413,473	531	756,554	15,887,641	39,412,410	28.73%
7/1/2036 - 6/30/2037	68,637	4,399,026	2,658,063	53,627,725	4,399,427	0	4,399,026	401	794,382	16,682,023	36,945,702	31.11%
7/1/2037 - 6/30/2038	50,615	4,387,390	2,574,289	51,865,240	4,387,689	0	4,387,390	299	834,101	17,516,124	34,349,116	33.77%
7/1/2038 - 6/30/2039	37,529	4,346,923	2,486,841	50,042,687	4,347,147	0	4,346,923	224	875,806	18,391,930	31,650,757	36.75%
7/1/2039 - 6/30/2040	27,375	4,267,023	2,397,436	48,200,475	4,267,188	0	4,267,023	165	919,597	19,311,527	28,888,948	40.07%
7/1/2040 - 6/30/2041	19,724	4,179,265	2,307,304	46,348,238	4,179,384	0	4,179,265	119	965,576	20,277,103	26,071,135	43.75%
7/1/2041 - 6/30/2042	13,643	4,110,648	2,216,236	44,467,469	4,110,731	0	4,110,648	83	1,013,855	21,290,958	23,176,511	47.88%
7/1/2042 - 6/30/2043	8,648	4,027,070	2,124,138	42,573,185	4,027,124	0	4,027,070	54	1,064,548	22,355,506	20,217,679	52.51%
7/1/2043 - 6/30/2044	5,320	3,920,075	2,031,984	40,690,414	3,920,110	0	3,920,075	35	1,117,775	23,473,281	17,217,133	57.69%
7/1/2044 - 6/30/2045	3,130	3,808,407	1,940,549	38,825,686	3,808,428	0	3,808,407	21	1,173,664	24,646,945	14,178,741	63.48%
7/1/2045 - 6/30/2046	1,947	3,707,549	1,849,774	36,969,858	3,707,562	0	3,707,549	13	1,232,347	25,879,292	11,090,566	70.00%

⁽¹⁾ Includes benefit payments and administrative expenses.

⁽²⁾ Projected values with the exception of the June 30, 2017 value.

Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet								
<u>Instructions</u>								
Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2019					62,243,258			
2020	\$8,601,889	\$0	\$6,779,199	\$0	\$63,488,123		24.2%	
2021	\$7,599,703		\$7,204,899	\$0	\$64,757,886		22.9%	-3.7%
2022	\$7,783,520		\$7,632,106	\$0	\$66,053,043		23.3%	4.1%
2023	\$7,973,771		\$8,049,796	\$0	\$67,374,104		23.8%	3.9%
2024	\$8,089,873		\$8,434,673	\$0	\$68,721,586		24.0%	3.1%
Projected Annual Revenue Growth (Please select)	2%						Average Annual Retirement Cost Increase	1.9%

The Community Engagement and Finance Division (CEFD) contact:

- On 4/6/2021 Treasury left a message asking for how the City came up with their pension numbers for the sustainability section and for clarification on if they are making additional payments. On 4/8/2021 Treasury spoke with the City.

Treasury Recommendation
City of St Clair Shores Police & Fire OPEB Corrective Action Plan (CAP) Monitoring Compliance
Certification Primary Government 502090

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
Police and Fire Retirement System	Pension	\$101,374,664	\$175,746,192	57.7%	\$5,708,757	\$62,243,258	13.8%	NO
Employees' Retirement System	Pension	\$39,443,783	\$67,257,800	58.6%	\$2,893,132			NO
Police and Fire Retiree Health Care Plan	OPEB	\$17,632,402	\$75,693,849	23.3%	\$5,910,237	\$62,243,258	15.8%	YES
General Retiree Health Care Plan	OPEB	\$8,904,250	\$53,605,099	16.6%	\$3,945,591			YES
Total		\$167,355,099	\$372,302,940		\$18,457,717	\$62,243,258	29.6%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Police & Fire Retiree Health Care Trust OPEB corrective action plan monitoring certification of compliance submitted by City of St Clair Shores. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, City of St Clair Shores is addressing underfunded status by fiscal year 2038 as projected in originally approved plan.

The corrective action plan was approved under the premise that the plan will be funded by 2038. The City stated on their monitoring form that they were address the plan in the same time frame; however, they stated they would be funded by 2046, not 2038. The actuarial projection provided shows City reaching funded status by 2038 utilizing pay-go and interest earnings alone.

Treasury Recommendation
City of St Clair Shores Police & Fire OPEB Corrective Action Plan (CAP) Monitoring Compliance
Certification Primary Government 502090

Substantial Changes

CAP Changes Implemented:

- Design changes agreed upon prior to 202 have all been implemented. Additional funding was made in all years starting in 2017 and have continued. Treasury has verified that the City is paying the paygo amount, but could not verify additional payments.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- They City is changing their 65+ retirees to a Medicare Advantage plan. This has an estimated savings of \$400,000/year in retiree insurance. This will be effective May 1, 2021.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2020
- Percentage of Revenues: 24.2%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **No**
 - Treasury recreated the sustainability worksheet, as there were a few errors in the data that was reported. The City included the OPEB ADC rather than the pay-go payment amount and listed its general fund revenues rather than governmental revenues. The City did not document any additional contributions in the sustainability worksheet for their OPEB system. The City's projections for pension only included the UAL portion of the ADC, which will underestimate the cost. With the information provided, the projected retirement costs will likely continue to increase beyond the next five years above the 24.2% shown in 2020.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Open

Plan size: members 335

- Inactive employees or beneficiaries currently receiving benefits: **201**
- Inactive employees entitled to but not yet receiving benefits: **2**
- Active employees: **132**

Treasury Recommendation

City of St Clair Shores Police & Fire OPEB Corrective Action Plan (CAP) Monitoring Compliance Certification

Primary Government 502090

Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - City of St Clair Shores has met the Board's published monitoring criteria for underfunded status.

- Substantial Changes:
 - City of St Clair Shores has met the Board's published monitoring criteria for substantial changes.

- Sustainability:
 - City of St Clair Shores has partially met the Board's published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Supplemental Information:

The City provided a projection showing that their retirement system would reach 40% funded in FY 2038. This projection shows the pay-go payment increasing by 114% over the next 25 years (4.5%).

Treasury Recommendation
City of St Clair Shores Police & Fire OPEB Corrective Action Plan (CAP) Monitoring Certificate
Certification Primary Government 502090

City of St. Clair Shores Police and Fire Retiree Health Care Plan Projection Schedule

Fiscal Year	Actuarial Accrued Liability (AAL) Projection				Market Value of Asset Projection							Unfunded Liability (EOY)	Funded Percentage
	Normal Cost	Benefit Payments	6.00% Interest	AAL EOY	Employee Contribution	Pay-Go Employer Contribution ⁽¹⁾	Additional Employer Contribution	Benefit Payments	Administrative Expenses	6.00% Interest	Asset Value EOY ⁽²⁾		
7/1/2016 - 6/30/2017				\$78,421,990							\$12,494,721	(c) = (a) - (b)	(d) = (b) / (a)
7/1/2017 - 6/30/2018	\$1,496,345	\$3,136,165	\$4,656,841	81,439,011	\$111,759	\$3,141,571	\$0	\$3,136,165	\$5,406	\$752,987	13,359,467	\$65,927,269	15.93%
7/1/2018 - 6/30/2019	1,459,154	3,421,875	4,828,317	84,304,607	109,616	3,427,106	0	3,421,875	5,231	804,809	14,273,892	68,079,544	16.40%
7/1/2019 - 6/30/2020	1,409,559	3,688,427	4,990,906	87,016,645	107,243	3,693,435	0	3,688,427	5,008	859,604	15,240,739	71,775,906	17.51%
7/1/2020 - 6/30/2021	1,363,296	3,964,596	5,144,096	89,559,441	106,084	3,969,399	0	3,964,596	4,803	917,581	16,264,404	73,295,037	18.16%
7/1/2021 - 6/30/2022	1,316,911	4,250,118	5,286,852	91,913,086	105,468	4,254,718	0	4,250,118	4,600	978,982	17,348,854	74,564,232	18.88%
7/1/2022 - 6/30/2023	1,279,946	4,550,424	5,418,100	94,060,708	105,303	4,554,868	0	4,550,424	4,444	1,044,044	18,498,201	75,562,507	19.67%
7/1/2023 - 6/30/2024	1,249,933	4,792,246	5,538,921	96,057,316	105,249	4,796,576	0	4,792,246	4,330	1,113,004	19,716,454	76,340,862	20.53%
7/1/2024 - 6/30/2025	1,211,000	5,012,865	5,651,044	97,906,495	105,182	5,017,053	0	5,012,865	4,188	1,186,097	21,007,733	76,598,762	21.46%
7/1/2025 - 6/30/2026	1,164,779	5,214,293	5,754,674	99,611,655	104,792	5,218,316	0	5,214,293	4,023	1,263,562	22,376,087	77,235,568	22.46%
7/1/2026 - 6/30/2027	1,111,892	5,379,907	5,850,524	101,194,164	103,551	5,383,744	0	5,379,907	3,837	1,345,626	23,825,264	77,368,900	23.54%
7/1/2027 - 6/30/2028	1,058,540	5,537,283	5,939,245	102,654,666	102,475	5,540,936	0	5,537,283	3,653	1,432,545	25,360,284	77,294,382	24.70%
7/1/2028 - 6/30/2029	1,025,643	5,684,732	6,021,543	104,017,120	102,536	5,688,271	0	5,684,732	3,539	1,524,648	26,987,468	77,029,652	25.95%
7/1/2029 - 6/30/2030	997,585	5,802,507	6,098,979	105,311,177	102,839	5,805,947	0	5,802,507	3,440	1,622,288	28,712,595	76,598,582	27.26%
7/1/2030 - 6/30/2031	967,223	5,859,402	6,174,043	106,593,041	103,063	5,862,722	0	5,859,402	3,327	1,725,803	30,541,461	76,051,580	28.65%
7/1/2031 - 6/30/2032	938,886	5,926,498	6,248,134	107,853,563	103,490	5,929,729	0	5,926,498	3,224	1,835,547	32,480,498	75,373,065	30.12%
7/1/2032 - 6/30/2033	913,102	6,044,574	6,319,512	109,041,603	104,135	6,047,702	0	6,044,574	3,128	1,951,908	34,536,541	74,505,062	31.67%
7/1/2033 - 6/30/2034	864,848	6,218,561	6,384,224	110,072,114	101,273	6,221,509	0	6,218,561	2,948	2,075,186	36,713,000	73,359,114	33.35%
7/1/2034 - 6/30/2035	783,365	6,371,073	6,439,137	111,923,543	93,214	6,373,719	0	6,371,073	2,646	2,205,536	39,011,750	71,911,793	35.17%
7/1/2035 - 6/30/2036	694,027	6,518,531	6,483,223	111,582,262	83,942	6,520,851	0	6,518,531	2,321	2,343,187	41,438,879	70,143,383	37.14%
7/1/2036 - 6/30/2037	575,440	6,725,999	6,513,107	111,944,810	69,900	6,727,887	0	6,725,999	1,888	2,488,399	43,997,178	67,947,632	39.30%
7/1/2037 - 6/30/2038	443,032	6,983,103	6,523,344	111,928,083	52,832	6,984,511	0	6,983,103	1,408	2,641,393	46,691,403	65,236,680	41.72%
7/1/2038 - 6/30/2039	342,306	7,200,406	6,512,939	111,582,922	39,896	7,201,457	0	7,200,406	1,051	2,802,664	49,533,963	62,048,959	44.39%
7/1/2039 - 6/30/2040	255,881	7,396,174	6,483,887	110,926,516	28,850	7,396,928	0	7,396,174	754	2,972,891	52,535,704	58,390,812	47.36%
7/1/2040 - 6/30/2041	175,895	7,574,285	6,435,872	109,964,998	19,186	7,574,783	0	7,574,285	498	3,152,709	55,707,599	54,257,399	50.66%
7/1/2041 - 6/30/2042	116,441	7,721,530	6,373,071	108,732,980	12,498	7,721,853	0	7,721,530	323	3,342,825	59,062,922	49,570,058	54.32%
7/1/2042 - 6/30/2043	75,689	7,819,646	6,295,044	107,284,067	7,933	7,819,850	0	7,819,646	204	3,544,010	62,614,865	44,569,202	58.36%
7/1/2043 - 6/30/2044	48,578	7,878,236	6,205,576	105,659,985	4,944	7,878,362	0	7,878,236	126	3,757,038	66,376,847	39,283,138	62.82%
7/1/2044 - 6/30/2045	30,971	7,925,526	6,106,212	103,871,642	3,053	7,925,604	0	7,925,526	78	3,982,701	70,362,501	33,509,041	67.74%
7/1/2045 - 6/30/2046	19,035	7,924,546	5,998,588	101,964,719	1,812	7,924,592	0	7,924,546	46	4,221,810	74,586,223	27,378,496	73.15%

⁽¹⁾ Includes benefit payments and administrative expenses.
⁽²⁾ Projected values with the exception of the June 30, 2017 value.

Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet								
Instructions								
Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2019					62,243,258			
2020	\$8,601,889	\$0	\$6,779,199	\$0	\$63,488,123		24.2%	
2021	\$7,599,703		\$7,204,899	\$0	\$64,757,886		22.9%	-3.7%
2022	\$7,783,520		\$7,632,106	\$0	\$66,053,043		23.3%	4.1%
2023	\$7,973,771		\$8,049,796	\$0	\$67,374,104		23.8%	3.9%
2024	\$8,089,873		\$8,434,673	\$0	\$68,721,586		24.0%	3.1%
Projected Annual Revenue Growth (Please select)	2%						Average Annual Retirement Cost Increase	1.9%

The Community Engagement and Finance Division (CEFD) contact:

- On 4/6/2021 Treasury left a message asking for how the City came up with their pension numbers for the sustainability section and for clarification on if they are making additional payments. On 4/8/2021 Treasury spoke with the City.

**Treasury Recommendation
Tawas Police Authority Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 357514**

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$616,769	\$1,215,684	50.7%	\$43,500	\$574,414	7.6%	YES

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the Tawas Police Authority Pension corrective action plan monitoring certification of compliance submitted by Tawas Police Authority. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, Tawas Police Authority is addressing underfunded status by fiscal year 2026 as projected in originally approved plan.

Substantial Changes

CAP Changes Implemented:

- The Tawas Police Authority Board reviews the MERS actuarial results annually to confirm that the plan will reach 60% by 2024. The Board will continue to make monthly payments to meet that funding level.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2024
- Percentage of Revenues: 14.0%

Treasury Recommendation

Tawas Police Authority Pension Corrective Action Plan (CAP) Monitoring Compliance Certification Primary Government 357514

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- Yes
 - While the local government stated the projected annual payments do not increase by an amount greater than an average of 5% per years over the next five fiscal years, according to the pension valuation, the annual payments increase from \$43,500 in FY2020 to \$63,000 in FY24. This is approximately 9% a year. Even with this increasing cost, the projected retirement costs as a percentage of revenue is only 14% for FY21-FY24.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- Yes

System Status for All Divisions: Closed

Plan size: members 8

- Inactive employees or beneficiaries currently receiving benefits: **4**
- Inactive employees entitled to but not yet receiving benefits: **3**
- Active employees: **1**

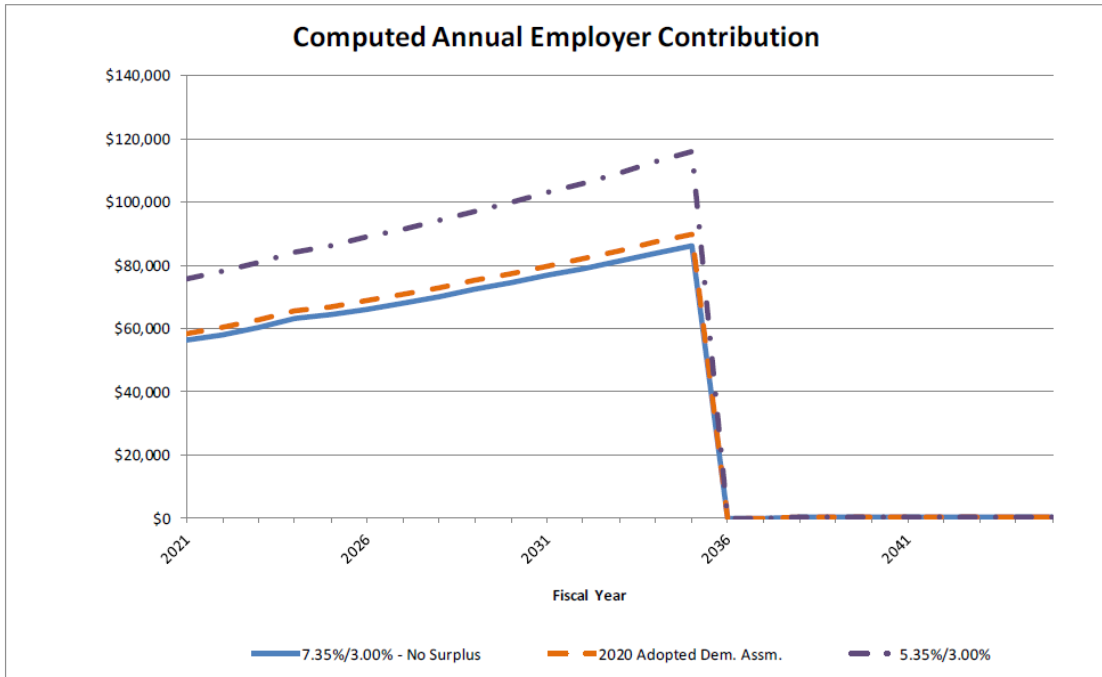
Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - Tawas Police Authority has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - Tawas Police Authority has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - Tawas Police Authority has partially met the Board's published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

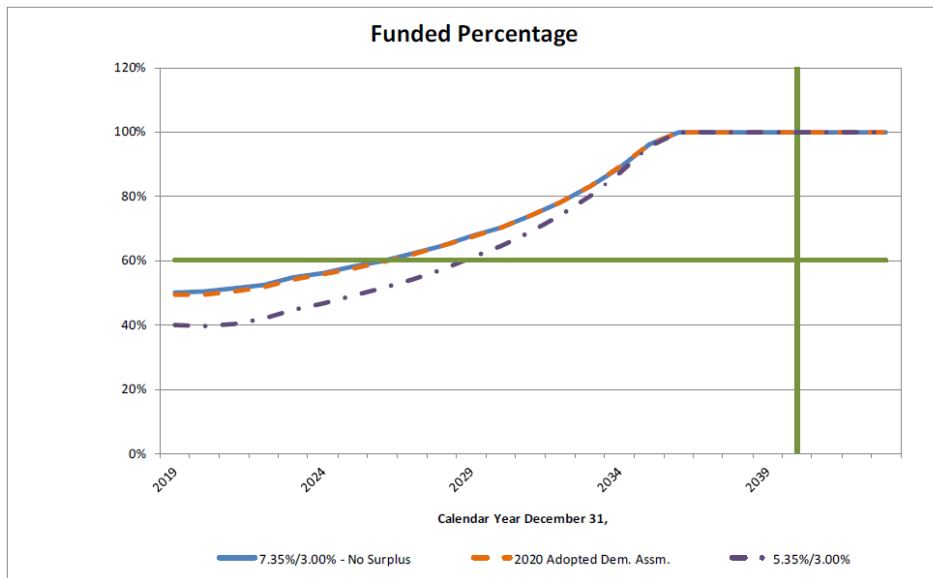
Supplemental Information:

The Tawas Police Authority's plan is to continue to address their underfunded status by 2024. The Authority's annual employer contributions are expected to increase by approximately 50% between 2021 and 2036, which is about 3% per year.

**Treasury Recommendation
Tawas Police Authority Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 357514**



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



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.

Treasury Recommendation
Tawas Police Authority Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 357514

Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet							
Instructions							
Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)			
2020	\$43,500	\$24,000			\$578,172		12%
		\$24,000			\$589,735		14%
2022	\$58,000	\$24,000			\$601,530		14%
2023	\$62,000	\$24,000			\$613,560		14%
2024	\$63,000	\$24,000			\$625,832		14%
Projected Annual Revenue Growth (Please select)	2%			0.448275862	0.089655172		

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reached out 4/9 because the City of Tawas and East Tawas are in the process of dissolving their police authority. The City of Tawas noted that both cities are planning on following the corrective action plan at this time.

Treasury Recommendation
Village of Holly Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 633050

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$7,305,708	\$15,436,405	47.3%	\$631,401	\$4,170,173	15.1%	YES
Village of Holly OPEB	OPEB	\$400,284	\$659,606	60.7%	\$36,653		0.9%	NO
Total		\$7,705,992	\$16,096,011		\$668,054	\$4,170,173	16.0%	

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the MERS Pension corrective action plan monitoring certification of compliance submitted by Village of Holly. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- Yes, Village of Holly is addressing underfunded status by fiscal year 2024 as projected in originally approved plan.

Substantial Changes

CAP Changes Implemented:

- Beginning in fiscal year 2019, the Village made additional annual payments of \$75,000 to the Employees' Retirement System above their ADC.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Sustainability

Highest combined annual employer contribution over the next 5 years?

Treasury Recommendation
Village of Holly Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 633050

- Fiscal Year: 2024
- Percentage of Revenues: 22.5%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **No**
 - The Village included all enterprise fund revenues rather than those revenues used specifically for retirement costs. A review of their audit indicated that approximately 40% of the net pension and OPEB liabilities were attributable to enterprise funds, so that amount was used instead.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Open

Plan size: members 66

- Inactive employees or beneficiaries currently receiving benefits: **35**
- Inactive employees entitled to but not yet receiving benefits: **8**
- Active employees: **23**

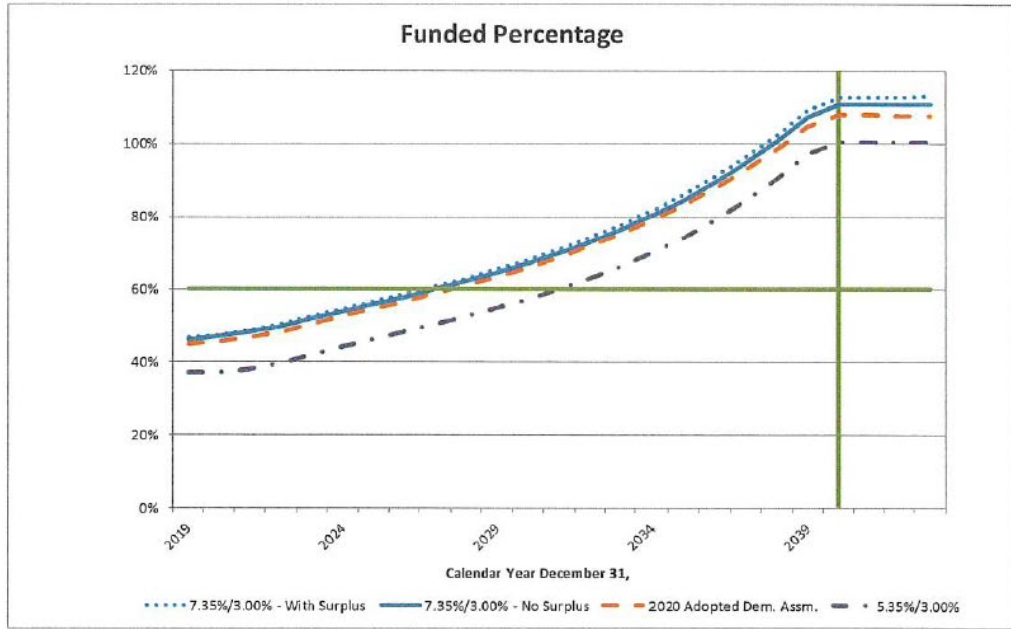
Corrective Action Plan Monitoring Criteria:

- Underfunded Status:
 - Village of Holly has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - Village of Holly has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - Village of Holly has partially met the Board's published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

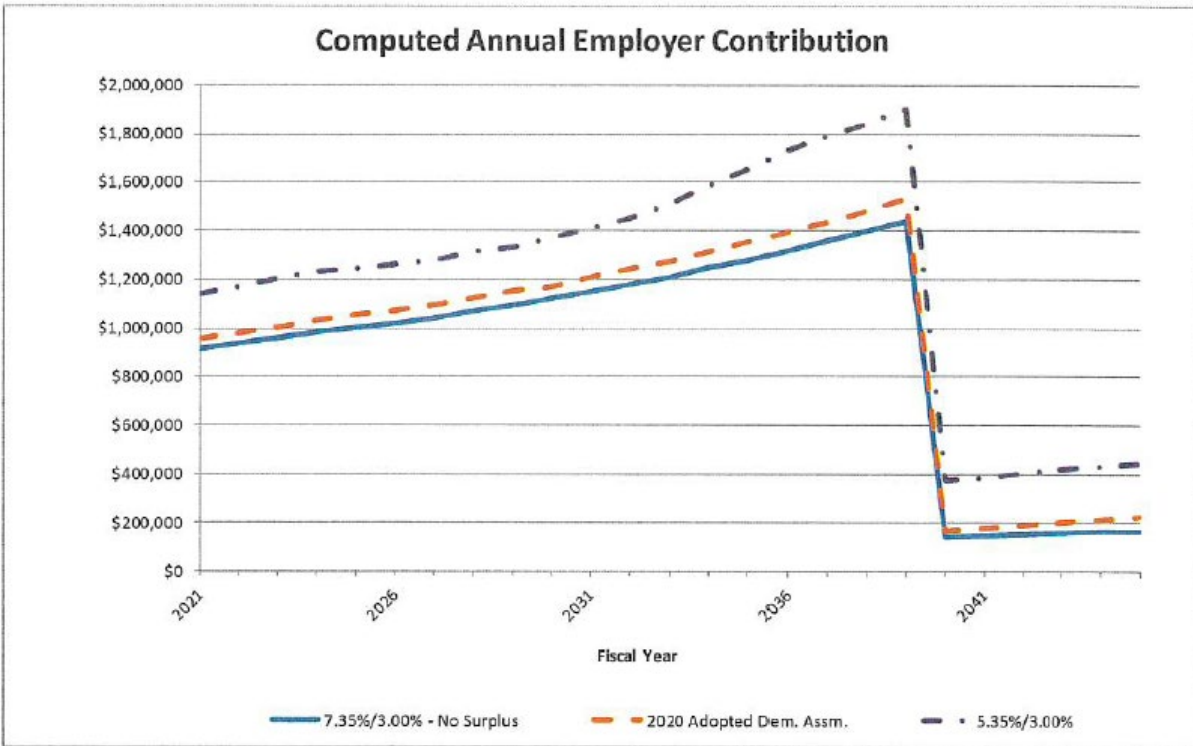
Supplemental Information:

The Village provided their MERS valuation that shows they will reach 60% funded status in 2027. Additionally, their valuation showed that their MERS annual employer cost will increase about 70% from fiscal year 2021 to 2039. This is about 4% per year.

Treasury Recommendation
Village of Holly Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 633050



Treasury Recommendation
Village of Holly Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 633050



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

Instructions

Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2020					\$4,170,173			
2021	\$913,140	\$75,000	\$39,585		\$4,253,576	\$381,090	22.2%	
2022	\$936,000	\$75,000	\$42,554		\$4,338,648	\$391,422	22.3%	2.5%
2023	\$959,000	\$75,000	\$45,533		\$4,425,421	\$401,813	22.4%	2.5%
2024	\$986,000	\$75,000	\$48,493		\$4,513,929	\$413,797	22.5%	2.8%
2025	\$1,000,000	\$75,000	\$51,402		\$4,604,208	\$420,561	22.4%	1.5%
								2.3%
Projected Annual Revenue Growth (Please select)	2%							

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD emailed them 1/4/2021 to get their OPEB valuation and the dollar amount the enterprise funds used to pay for retirement benefits. A reminder was sent on 3/31/2021.

Treasury Recommendation
Village of L'Anse Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 073020

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP required?
MERS	Pension	\$3,463,547	\$7,453,928	46.5%	\$453,516	\$2,092,013	21.7%	YES

Source: Retirement Report Fiscal Year 2020, Audited Financial Statements

Staff Recommendation:

Compliance for the MERS Pension corrective action plan monitoring certification of compliance submitted by Village of L'Anse. If voted as compliant by the Board, Treasury and the Board will continue to monitor them for compliance per Public Act 202 of 2017 and continued implementation of their corrective action plan.

Underfunded Status

Is the local government addressing underfunded status according to originally approved plan?

- No, underfunded status will now be addressed by fiscal year 2028, which is within the Board's required timeframe.

The Village stated they were reaching funded status in the same year, but they have moved the funded status year from 2027 to 2028. This remains in the Board's approved timeframe.

Substantial Changes

CAP Changes Implemented:

- Beginning in reporting year 2019, the Village began making additional payments of \$50,000 per year above the ADC, as stated their CAP. The Village provided a valuation showing they will be 60% funded by reporting year 2028.

CAP Changes Not Implemented:

- None listed.

Additional Changes Implemented

- None listed.

Revised Corrective Action Plan Submitted? No

Treasury Recommendation
Village of L'Anse Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 073020

Sustainability

Highest combined annual employer contribution over the next 5 years?

- Fiscal Year: 2024
- Percentage of Revenues: 20.7%

Do the projected annual payments increase by an amount greater than an average of 5% per year over the next five fiscal years?

- **Yes**
 - Treasury corrected the sustainability worksheet and updated the projected contributions as percentage of revenues to 20.7%. The annual retirement cost does increase by an average greater than 5% (5.5%); therefore, Treasury is marking them as partially sustainable. The Village states that they have budgeted decreases in other expense areas in order to increase contributions to defined benefit retirement system to come into compliance by reporting period 2028.

Do the approved corrective actions listed in this plan allow for the local government to continue to make all required retirement payments?

- **Yes**

System Status for All Divisions: Open

Plan size: members 43

- Inactive employees or beneficiaries currently receiving benefits: **22**
- Inactive employees entitled to but not yet receiving benefits: **2**
- Active employees: **19**

Corrective Action Plan Monitoring Criteria:

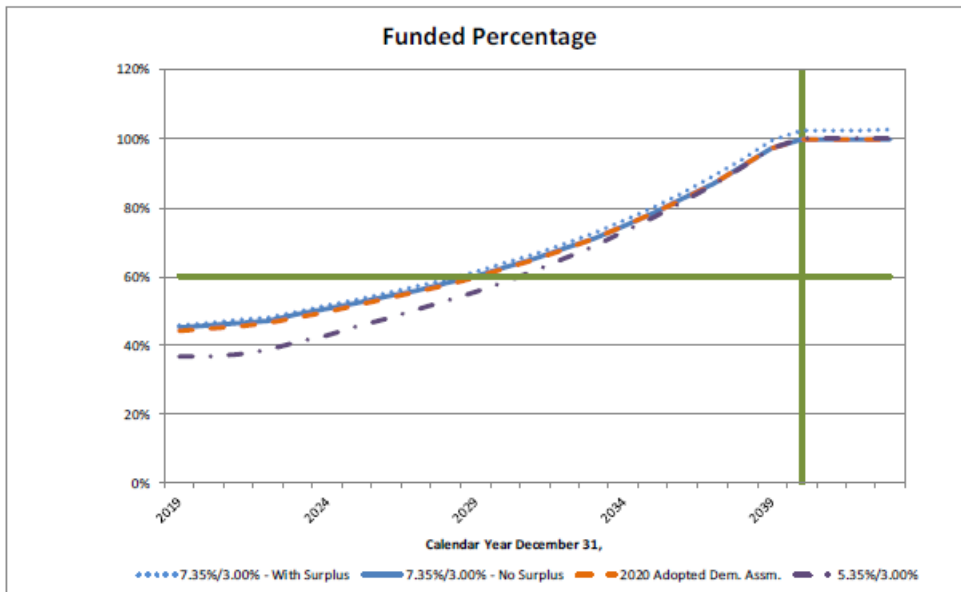
- Underfunded Status:
 - Village of L'Anse has met the Board's published monitoring criteria for underfunded status.
- Substantial Changes:
 - Village of L'Anse has met the Board's published monitoring criteria for substantial changes.
- Sustainability:
 - Village of L'Anse has partially met the Board's published monitoring criteria for sustainability.
 - Current or future payments are greater than 22% or projected payments are increasing at a rate greater than 5% per year.

Treasury Recommendation
Village of L'Anse Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 073020

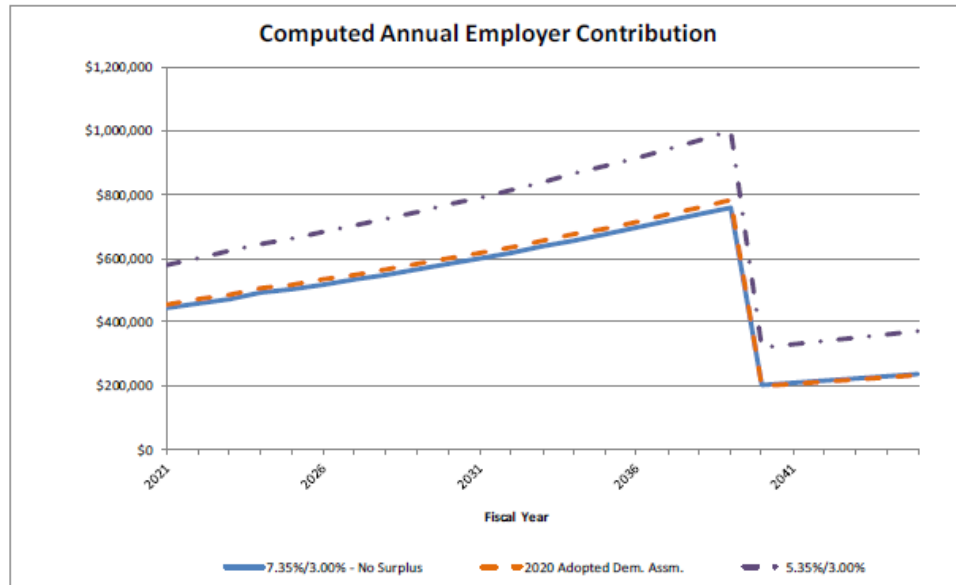
Supplemental Information:

The Village appears to be following their corrective action plan. In our review of the corrective action plan, it was noted that the Village was going to attempt to make system design changes for new hires during collective bargaining in 2019. On the corrective action plan monitoring form, nothing is noted regarding the outcome of those attempts. Treasury contacted the Village on 4/1/2021 regarding the outcome of 2019 collective bargaining. The Village responded that system design changes for new hires was brought up at the 2019 bargaining table, and will be brought up in the future, though the discussions did not lead to a change in the current contract. According to the 2019 valuation, the Village is 46% funded and will reach 60% funded between FY2029 and FY2031.

Additionally, the Village's valuation includes their projected annual employer contribution which increases approximately 65% between 2021 and 2040, which is about 3% a year.



Treasury Recommendation
Village of L'Anse Pension Corrective Action Plan (CAP) Monitoring Compliance Certification
Primary Government 073020



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.

Corrective Action Plan Monitoring Certification of Compliance: Section 4 Sustainability Certification Worksheet								
<u>Instructions</u>								
Fiscal Year	Pension Payments		OPEB Payments		Projected (Actual) Governmental Revenues	Projected Enterprise Funds used for Retirement Costs	Projected Retirement Contributions as a Percent of Revenues	Annual Retirement Cost Increase
	Total Pension ADC (All Systems)	Additional Pension Contributions (All Systems)	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)				
2019					\$2,092,013			
2020	\$388,764	\$50,000			\$2,133,853	\$251,688	18.4%	
2021	\$444,048	\$50,000			\$2,176,530	\$284,195	20.1%	12.6%
2022	\$458,000	\$50,000			\$2,220,061	\$292,399	20.2%	2.8%
2023	\$474,000	\$50,000			\$2,264,462	\$301,807	20.4%	3.1%
2024	\$493,000	\$50,000			\$2,309,751	\$312,979	20.7%	3.6%
Projected Annual Revenue Growth (Please select)	2%							

The Community Engagement and Finance Division (CEFD) contact:

- The CEFD reach out on 4/1/21 regarding collective bargaining negotiations in 2019.

**MUNICIPAL STABILITY BOARD
RESOLUTION 2021-14**

APPROVAL OF BOARD REMOVAL FROM CORRECTIVE ACTION

WHEREAS, the Michigan legislature passed the Protecting Local Government Retirement and Benefits Act, MCL 38.2801 et. seq. (the “Act”), creating the Municipal Stability Board (the “Board”) for the purpose of reviewing and approving corrective action plans submitted by local units of government addressing the underfunded status of their municipal retirement systems (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 Board passed Resolution 2020-11 adopting the Corrective Action Plan Monitoring Policy and Procedures (the “Monitoring Procedures”);

WHEREAS, the Board passed “Requirements for Removal from Underfunded Status and Corrective Action Plan Monitoring” adopting the Requirements for Removal from Underfunded Status and Corrective Action Plan Monitoring (the “Removal Requirements”);

WHEREAS, the Board has previously approved Corrective Action Plans for the local units of government outlined on the attached Exhibit A (the “Local Governments”), all of which are now subject to the Monitoring Procedures;

WHEREAS, Treasury has verified the Local Governments are no longer underfunded local units of government for purposes of the Act.

NOW, THEREFORE, BE IT RESOLVED, the Local Governments have sufficiently met the Removal Requirements;

BE IT FURTHER RESOLVED, the Local Governments are released from the Monitoring Procedures and their approved Corrective Action Plans.

Ayes:

Nays:

Recused:

Lansing, Michigan

April 21, 2021



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: April 21, 2021 **Resolution 2021-14 Exhibit A**

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Board Removal from the Corrective Action Process and the Purview of Board

Suggested Action: The Board motions to remove the local governments listed below from the corrective action process and the purview of the Board following the local government submission of the Corrective Action Plan Monitoring: Application for Certification of Compliance (Form 5720), showing that each local government now meets the Board's established criteria for removal from underfunded status and purview of the Board.

- I. City of Burton
 - a. Pension – Failed to trigger as underfunded in last two retirement system annual report (Form 5572) submissions
- II. City of Grosse Pointe Farms
 - a. General Employees OPEB – Failed to trigger as underfunded in last two Form 5572 submissions
 - b. Public Safety OPEB - Failed to trigger as underfunded in last two Form 5572 submissions
- III. City of Rogers City
 - a. Pension – Most recent Form 5572 submission shows pension funded ratio at 93.1%.

Requirements for Removal from Underfunded Status and Corrective Action Plan

Monitoring: The local government may be removed during the CAP monitoring process if the underfunded system has failed to trigger as underfunded during the last two annual Form 5572 submissions. Alternatively, the local government may be removed during the CAP monitoring process if the underfunded system(s) funded ratio is at least 5% greater than the Act's designated minimum funded ratio in the most recent Form 5572 submission (e.g. an OPEB system is 45% funded when underfunded status is below 40%).

The Board may vote to release these local governments from the CAP process and purview of the Board, thereby removing underfunded status.

**MUNICIPAL STABILITY BOARD
RESOLUTION 2021-15**

APPROVAL OF REQUEST TO REMOVE FROM CORRECTIVE ACTION

WHEREAS, the Michigan legislature passed the Protecting Local Government Retirement and Benefits Act, MCL 38.2801 et. seq. (the “Act”), creating the Municipal Stability Board (the “Board”) for the purpose of reviewing and approving corrective action plans submitted by local units of government addressing the underfunded status of their municipal retirement systems (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 Board passed “Requirements for Removal from Underfunded Status and Corrective Action Plan Monitoring” adopting the Corrective Action Plan Monitoring Removal Policy and Procedures (the “Monitoring Procedures”);

WHEREAS, The Board has previously approved Corrective Action Plans for the local units of government outlined on the attached Exhibit B (the “Local Governments”), all of which are now subject to the Monitoring Procedures;

WHEREAS, the Local Governments have submitted requests to be released from the Board’s Monitoring Procedures;

WHEREAS, Treasury has verified the Local Governments are no longer underfunded local units of government for purposes of the Act.

NOW, THEREFORE, BE IT RESOLVED, the Local Governments are released from the Monitoring Procedures and their approved Corrective Action Plans.

Ayes:

Nays:

Recused:

Lansing, Michigan

April 21, 2021



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: April 21, 2020 **Resolution 2021-15 Exhibit B**

TO: The Municipal Stability Board (the Board)

FROM: Community Engagement and Finance Division, Department of Treasury

SUBJECT: Requests for Release from the Corrective Action Process and the Purview of Board

Suggested Action: The Board motions to remove the local governments listed below from the corrective action process and the purview of the Board for subsequently filing the Retirement System Annual Report (Form 5572), showing that each local government now meets the funding requirements established under PA 202 of 2017 (the Act). Furthermore, each local government has requested removal from underfunded status per the Board's approved procedures.

- I. City of Clawson
 - a. Pension - Most recent retirement submission (Form 5572) shows 95.0% funded
- II. Richfield Township
 - a. OPEB - Most recent retirement submission (Form 5572) shows 26.7% funded, with an actuarially determined contribution (ADC) as a percent of revenues of 2.4%

Requirements for Removal from Underfunded Status and Corrective Action Plan

Monitoring: A local government in corrective action for failure to meet the Act's funding requirements may request to be released by the Board from the corrective action plan process and purview of the Board if a subsequent year's Form 5572 shows that they now meet the Act's funding requirements. The Board may vote to release these local governments from the CAP process and purview of the Board, thereby removing underfunded status.

Brousseau, Nicholas (TREASURY)

From: Michael Smith <msmith@cityofclawson.com>
Sent: Tuesday, April 13, 2021 12:00 PM
To: LocalRetirementReporting
Cc: Kelly Rau
Subject: Corrective Action Plan Removal Request

CAUTION: This is an External email. Please send suspicious emails to abuse@michigan.gov

Good afternoon,

I have been advised this morning to provide an email request regarding our CAP with the Michigan Treasury Department. I am writing to request that the City of Clawson be removed from the Corrective Action Plan monitoring with the State Treasury. At this time the City is well over the 60% funding threshold for our pension system (we are around 93% funded) and we request to be removed from that status with the State.

Should you need anything further please let me know. Thank you for your time in this matter.

Regards,

--

Michael Smith

City Manager | City of Clawson
425 N. Main Street | Clawson, MI | 48017
(W) 248-435-4500 ext. 111 | (C) 248-234-3584
www.cityofclawson.com



Richfield Township

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JOSEPH M. MADORE
Supervisor

TERI WEBBER
Clerk

MATT MORRIS
Treasurer

KEITH PYLES
Trustee

SHERRY MARDEN
Trustee

March 26, 2021

To: Municipal Stability Board members

Re: Richfield Township 25-1160 P.A. 202 reporting

Dear Board members,

When our form 5572 was completed in 2020 our numbers now show that we are no longer in an underfunded status for either our pension or health plans. It is this reason that I did not submit the CAP report as in the past as I thought we would no longer need to submit that report based on our funding status.

We will be having a new actuarial evaluation done in 2021 and with some of the changes in staffing and changes in our benefits from the last evaluation that happened, I believe our funding situation will only improve going forward.

In our 2020 C.B.A. with our office staff we eliminated retiree health for any future employees hired after 2020. In the last 5 years we have also had one employee that was just months away from qualifying for the retiree health benefit, resign due to health reasons. She already had a health plan available to her from her husband's employer (Ford Motor Co.) so luckily, her choice still left her in an insured position. Unfortunately, we have also lost 2 of our 8 retirees/spouses sooner than expected in the last 3-5 years.

Although I will not know what effect these changes will have for sure until we complete the actuarial evaluation, these changes are reducing our liability going forward. We will also only have one employee retire eligible for retiree health benefits in the next 15 years. This will mean that we have a lot of time for our continued contributions to our pension and retiree health fund to grow.

So, today I am respectfully requesting that due to our no longer being in an "underfunded status" for either of our plans, that we be allowed to be removed from the local retirement reporting corrective action plan requirements of P.A. 202.

Of course, we will continue to file our form 5572 in December again this year and in the future.

Thank you for your consideration of our request and I hope to hear from you soon.

Joseph M. Madore
Richfield Township Supervisor