

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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: MISSAUKEE COUNTY ROAD COMMISSION Six-Digit Muni Code: 570100

Retirement Health Benefit System Name: PRIORITY/MEDICARE ESSENTIAL

Contact Name (Administrative Officer): LYNN MULDER

Title if not Administrative Officer: OFFICE MANAGER/BOARD CLERK

Email: lynn@mcrs-roads.com Telephone: 231-839-4361

2. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

3. DESCRIPTION OF PRIOR ACTIONS

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

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

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

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

Category of Prior Actions:

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

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

See attached (6a) - (3) System Design Changes for Retirees Hired Before 7/1/1984:

1. Discontinued 100% funding of retiree health care by Road Commission for all retirees and spouses until death (6a1)
2. Changed health insurance plan to combination Priority/Medicare plan for retirees over age 65 (6a2)
3. Increase deductibles and co-payments on Priority/Medicare plan which resulted in lower premiums (6a3)

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

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

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

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

4. DESCRIPTION OF PROSPECTIVE ACTIONS

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

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

Category of Prospective Actions:

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

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

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

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

The Missaukee County Road Commission has created a qualified medical trust to receive, invest and accumulate assets for retiree healthcare. From 2019 through 2023 the Road Commission will begin contributing \$145,000 annually to the trust. We estimate that by 2024 the plan will be 40% funded and by 2036 it will be 100% funded. The Road Commission will continue to pay the healthcare premiums out of the general fund until the plan achieves 100% funded status. See attachment 2a for funding projections.

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

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

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

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

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention

Type of Document

- | | |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1 | This Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input checked="" type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> Attachment – 5a | A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio |
| <input checked="" type="checkbox"/> Attachment – 6a | Other documentation, not categorized above |

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria	Description
<input checked="" type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input checked="" type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (<u>see CAP criteria issued by the Board</u>)?
<input checked="" type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input checked="" type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan?

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

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

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

- The Priority/Medicare Essential Plan (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2024 as demonstrated by required supporting documentation listed in section 6.

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

- The ARC for all of the retirement healthcare systems of _____ (Insert local unit name) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

Signature Lynn Mulder

Date 3/20/19

MISSAUKEE COUNTY ROAD COMMISSION

1199 N. MOREY ROAD – P.O. BOX A

LAKE CITY, MI 49651

PHONE: 231-839-4361 · FAX: 231-839-5381

March 20, 2019

To Whom It May Concern:

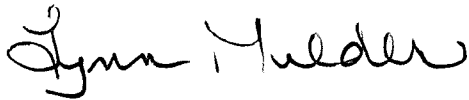
I certify that the following is a true copy of the portion of the official minutes of the Missaukee County Road Commission Board meeting held March 20, 2019:

CORRECTIVE ACTION PLAN-RETIREMENT HEALTH BENEFIT SYSTEMS

Attachment 1a: Motion was made by Comm. Lutke, supported by Comm. Norman to approve the corrective action plan as submitted by Clerk Mulder.
Motion passed 3-0.

Attachment 4a: Motion by Comm. Norman, supported by Comm. Lutke to contribute \$145,000 annually from 2019 through 2023 to the qualified medical trust, which is estimated to fund the plan at 40% by 2024 and 100% by 2036. The Road Commission will continue to pay the healthcare premiums out of the general fund until the plan achieves 100% funded status.
Motion passed 3-0

Sincerely,



Lynn Mulder, Secretary

Board of Missaukee County Road Commissioners

2a

MISSAUKEE COUNTY ROAD COMMISSION

2019 Funding Projection (Based on 12/31/18 Actuarial Valuation)

Prepared by Watkins Ross Retirement Plan Consultants, Actuaries & Administrators

Discount 3%

Return 3%

Year ending	Liability	Assets at End of Year	Contribution During Year	+Benefit Pymts During Year	= Total Contribution	Funded Percentage
12/31/2018	2,151,488					
12/31/2019		147,159	145,000	103,504	248,504	6.84%
12/31/2020			145,000	112,387	257,387	0.00%
12/31/2021			145,000	120,196	265,196	0.00%
12/31/2022			145,000	124,076	269,076	0.00%
12/31/2023			145,000	119,808	264,808	0.00%
12/31/2024	1,953,363	804,725		124,954	124,954	41.20%
12/31/2025	1,898,208	828,867		128,554	128,554	43.67%
12/31/2026	1,833,921	853,733		132,907	132,907	46.55%
12/31/2027	1,767,511	879,345		133,570	133,570	49.75%
12/31/2028	1,700,703	905,725		132,485	132,485	53.26%
12/31/2029	1,628,552	932,897		132,883	132,883	57.28%
12/31/2030	1,552,125	960,884		132,327	132,327	61.91%
12/31/2031	1,469,568	989,711		134,964	134,964	67.35%
12/31/2032	1,386,987	1,019,402		132,817	132,817	73.50%
12/31/2033	1,305,468	1,049,984		129,611	129,611	80.43%
12/31/2034	1,226,430	1,081,484		123,367	123,367	88.18%
12/31/2035	1,149,683	1,113,928		119,015	119,015	96.89%
12/31/2036	1,075,948	1,147,346		112,822	112,822	106.64%

6a

**CORRECTIVE ACTION PLAN
MISSAUKEE COUNTY ROAD COMMISSION**

SYSTEM DESIGN CHANGES – PRIOR ACTIONS

Priority/Medicare Essential Insurance for All Employees Hired Before 7/1/1984

1.

Previous to July 1, 1984, all retirees (administrative and drivers) received health care benefits after retirement for the retiree and their family, paid fully by the Road Commission, until the death of the retiree. Beginning with the agreement of the Employee's Association entered into on July 1, 1984, employees hired before July 1, 1984 will continue to receive health insurance benefits after retirement for them and their family until the death of the retiree and paid fully by the Road Commission. Employees hired after July 1, 1984 did not receive retirement health care benefits.

2.

In 2011, the Road Commission was paying for full benefits through Priority Health for all retirees that qualified, even if they were age 65 and on Medicare. The plan was changed to a combination Priority/Medicare plan where premiums were considerably less.

3.

In September, 2016, the Road Commission changed from the Priority Health/Medicare "Enhanced" health plan to the "Essential" plan with the renewal of September 1, 2016 which again reduced the monthly premium substantially. We are currently paying for 12 retirees and there is only one employee left that was hired before July 1, 1984 who will be added to that plan at his retirement.