

STATE OF MICHIGAN
COUNTY OF OAKLAND
CITY OF WALLED LAKE

A RESOLUTION FOR THE CITY OF WALLED LAKE'S
RETIREE HEALTH CARE PLAN TO BE SUBMITTED TO THE
MICHIGAN DEPARTMENT OF TREASURY AS REQUIRED
UNDER PUBLIC ACT 202 OF 2017 FOR APPROVAL OF A
CORRECTIVE ACTION PLAN

RESOLUTION 2020-27

At a Regular Meeting of the City Council of the City of Walled Lake, Oakland County, Michigan, held electronically pursuant to Governor Whitmer's Executive Order 2020-154, on the 18th day of August at 7:30 p.m.

WHEREAS, the City currently has a closed Retirement Health Care Other Post-Employment Benefits (OPEB) Plan, with nine (9) retirees and four (4) surviving spouses receiving benefits, and another two (2) retirees who are not eligible at this time; and

WHEREAS, the City currently makes benefit payments from general operating funds and has no long-term contracts for contributions to the plan; and

WHEREAS, the OPEB Plan is a single employer plan established and administered by the City of Walled Lake and can be amended at its discretion, with no legally required reserves; and

WHEREAS, the State of Michigan Department of Treasury (Treasury) has implemented Public Act 202 of 2017, known as Protecting Local Government Retirement and Benefits Act, requiring local units of government to annually calculate and report each retirement system funding ratio using Form 5572 Local Government Retirement System Annual Report; and

WHEREAS, if a local government determines their OPEB funding ratio to be below forty percent (40%) and has a greater than twelve percent (12%) actuarially determined contribution (ADC), then a corrective action plan (CAP) is required to be submitted to Treasury; and

WHEREAS, the City has submitted the required Local Government Retirement System Annual Report (Form 5572) for 2019 which reported a funded liability ratio of 0% and an ADC of 26.5%; and

WHEREAS, the City was notified by Treasury that a CAP must be submitted detailing steps the City will take to improve the outstanding liability status.

NOW, THEREFORE BE IT RESOLVED, by the Council of the City of Walled Lake, County of Oakland, State of Michigan that:

Section 1. The Council does hereby approve the Corrective Action Plan as outlined in the Attachment A Michigan Department of Treasury's form 5597: Protecting Local Government Retirement and Benefits Act, Corrective Action Plan for Retirement Benefit Systems for Fiscal Year End 2019.

Section 2. The Council authorizes the City Administrator to submit said Corrective Action Plan to the Michigan Department of Treasury.

Motion to approve Resolution was offered by Lublin and seconded by Owsinek.

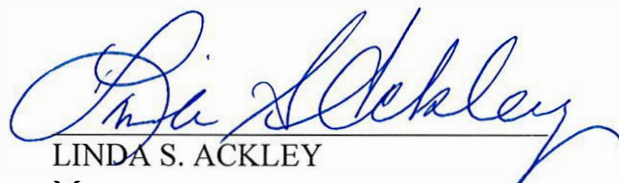
AYES: (6) Lublin, Owsinek, Woods, Ambrose, Costanzo, Ackley
NAYS: (0)
ABSENTS: (1) Loch
ABSTENTIONS: (0)

RESOLUTION DECLARED ADOPTED.

STATE OF MICHIGAN)
)SS
COUNTY OF OAKLAND)



JENNIFER A. STUART
City Clerk



LINDA S. ACKLEY
Mayor

Protecting Local Government Retirement and Benefits Act Corrective Action Plan Monitoring: Application for Certification of Compliance

Issued under the authority of Public Act 202 of 2017

LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Walled Lake Six-Digit Muni Code: 632240
Defined Benefit Retirement System Name: Walled Lake Retiree Health Care Plan
System Type: Pension Retirement Health Care (OPEB)
Contact Name (Administrative Officer): Chelsea Pesta
Title (if not Administrative Officer): Finance Director Telephone: 248-624-4847
Email (Communication will be sent here): finance@walledlake.com
Fiscal Year System was Determined to be Underfunded: 2019

I. GENERAL INFORMATION

Corrective Action Plan Monitoring: The Municipal Stability Board (the Board) shall monitor each underfunded local government's compliance with Public Act 202 of 2017 (the Act) and any approved corrective action plan (CAP). 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.

Due Date: The local government has **90 days from the date the CAP Monitoring Form is sent** to return the form to the Board.

Filing: The submitted monitoring form must demonstrate through distinct supporting documentation that the local government is addressing its underfunded status in accordance with its CAP and the Act. Consistent with the Board's best practices document, supporting documentation utilized should include a projection within their annual valuation that includes, but is not limited to, actuarially determined contributions (ADC), retirement benefit payments, assets, liabilities, and discount rates.

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

The subject line of each email should be in the following format: **Corrective Action Plan Monitoring, Local Government Name, Retirement System Name, System Type** (e.g. Corrective Action Plan Monitoring, City of Lansing, Employee Retirement System, Pension). 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 form.

Municipal Stability Board: The Board shall certify and vote whether each local government is compliant with their CAP and the Act. If a CAP is certified as compliant, the Board will continue to monitor the CAP and review the local government's compliance with the Act not less than every two years.

Review Process: After receiving your submitted CAP monitoring form, Treasury will provide it to the Board to review and certify the local government for compliance with the Act.

CAP Monitoring Approval Criteria: A CAP may be certified as compliant by meeting the Board approved CAP monitoring criteria. In general, certification of compliance by the Board will occur if a local government is able to demonstrate through distinct supporting documentation that the CAP addresses:

- 1) **Underfunded Status:** The local government continues to address underfunded status in a reasonable timeframe (60% funded for pension systems or 40% funded for OPEB systems OR; if the local government is a city, village, township, or county, the ADC as a percentage of governmental fund revenues is less than 10% for pensions or 12% for OPEB);
- 2) **Substantial Changes:** The actions documented in the CAP remain substantially the same, OR alternative actions have been implemented to address underfunded status;
- 3) **Sustainability:** The local government and the Board certify that the projected payments remain sustainable and affordable both now and into the future.

Certification of Compliance: Following a review of the monitoring process for each CAP, the Board will certify a local government as one of the following:

- *Compliant:* A local government certified as compliant has met all published criteria from the Board.
- *Complaint with Conditions:* A local government certified as compliant with conditions has met the published criteria, but the Board has determined that the local government's plan(s) may not be sustainable or the Board is unable to reasonably confirm future sustainability. With this certification, the local government will have until the next monitoring period to address the stated concerns regarding the plan(s).
- *Noncompliant:* A local government certified as noncompliant failed to meet one or more of the Board's published criteria for monitoring certification of compliance or failed to file the monitoring form. If voted noncompliant, the Board shall notify the local government within 15 days, detailing the reasons for the determination for noncompliance. The local government has 60 days to address the determination of noncompliance.

2. UNDERFUNDED STATUS CERTIFICATION

Previously, local governments demonstrated that they would be addressing their underfunded status within a reasonable timeframe in accordance with the Board's Corrective Action Plan Development: Best Practices and Strategies guide. The purpose of this section is for the local government to certify that their plan is still addressing its underfunded status within this approved timeframe.

Please check the applicable answer:

- I. Referencing supporting documentation, is the local government addressing its underfunded status in the same timeframe or less than the CAP?

- Yes, we are addressing underfunded status by fiscal year 2030 as originally approved.**
- No, underfunded status will be now be addressed by fiscal year _____, which is within the Board's required timeframe.**

Required timeframe: As general guidance, a local government with a severely underfunded pension system (45% funded or less) should reach a funded ratio of 60% within 20 years of the original determination of underfunded status. A local government with a severely underfunded retirement health care system (25% funded or less) should reach a funded ratio of 40% within 30 years of the original determination of underfunded status.

If no, provide additional explanation:

3. SUBSTANTIAL CHANGES CERTIFICATION

The Board recognizes that as a local government implements the prospective actions in their CAP, specific solutions may need to be adjusted to continue to address its underfunded status. This section asks the local government to certify that the corrective actions documented in the plan to address underfunded status remain substantially the same.

Please check the applicable answer:

Does the CAP remain substantially the same as the originally approved submission?

- Yes**
- No** (If no, please complete a revised Form 5597 for OPEB or Form 5598 for pension and attach to this form)

Please check all that apply:

Actions Implemented from CAP – What actions included in the CAP has the local government implemented?

Sample Statement: In **June 2019**, our local government began making additional payments of \$100,000 per year above its ADC to the **General Employees' Retirement System**, as stated in our CAP. Page 8 of our actuarial valuation (attachment 2a) shows our pension will be **62% funded by fiscal year 2028**.

The city continues to meet its annual obligations to retirees and maintains a defined contribution retirement plan for all new employees.

The city continues discussions to buy out retirees and otherwise to reduce the monthly benefits.

Actions Not Implemented from CAP – What corrective actions has the local government failed to implement since the plan was approved?

Sample Statement: In the **June 2019** contract negotiations, our local government sought to lower the system's multiplier for current employees from 2.5X to 2X for the **General Employees' Retirement System**. We were able to negotiate to a 2.25X multiplier. On page 8 of our actuarial valuation (attachment 2a), it shows we will be **62% funded by fiscal year 2028 instead of 2024**, as outlined in our CAP. The revised fiscal year remains within the Board's required timeline.

Additional Actions Approved – What additional actions has the local government implemented or planned to implement to supplement the CAP since the plan was originally approved? (**Provide proof of governing body approval for all additional actions**)

Sample Statement: Since our local government was unable to lower the multiplier to 2X as outlined in our CAP, we implemented additional actions to address our underfunded status within the Board's required timeframe. Beginning in **fiscal year 2020**, we 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 fiscal year 2028** as shown on page 8 of the actuarial analysis (attachment 2a).

4. SUSTAINABILITY CERTIFICATION

The local government must certify the plan is still affordable through detailed supporting documentation. This includes documentation that the local government's retirement costs are not increasing at a rate greater than what can be afforded through reasonable revenue growth. Retirement costs also must not have substantially increased above the original projection in the CAP.

The Board recommends that supporting documentation include a projection of all annual retirement payments (Pension ADC(s) + OPEB Benefit Payment(s) + all additional contributions) as a percentage of projected governmental fund revenues over the next five years. A local government should project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation. This analysis may include projected enterprise funds specifically allocated to pay retirement costs.

What is the highest combined annual retirement payment as a percentage of your projected governmental revenues over the next five fiscal years? (Examples and Worksheet)

Fiscal year: 2022

1. Total pension ADC(s): 1180853
2. Total OPEB benefit payment(s): 110785
3. Total additional contributions for pension: 29700
4. Total additional contributions for OPEB: 0
5. Total governmental fund revenues: 7059831
6. Enterprise funds used to pay retirement costs (if applicable): 0

Total percentage [(Payments #1-4)/(Revenues #5-6)]: 16.7%

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

- Yes (Explain and list actions implemented or planned to implement to address increased payments)
 No

Utilizing a projection of all annual retirement payments, do the approved corrective actions listed in this plan allow for the local government to continue to make, at a minimum, the ADC payment for the defined benefit pension system(s) and/or any applicable statutorily required payments for retirement health benefit system(s), according to your long-term budget forecast? Note: For retirement health benefit systems, local governments are required to make all retiree premium payments, as well as any applicable normal cost payments for employees first hired after June 30, 2018 in accordance with Section 4(1) of Public Act 202 of 2017.

- Yes
 No (Explain and list actions implemented or planned to implement to address increased payments)

5. REQUIRED DOCUMENTATION

Documentation should be attached as a PDF with this monitoring form. The documentation should detail and confirm the claims made in this document regarding the CAP that is being implemented to adequately address the local government's underfunded status. Please check all documents that are included as part of this form and attach in successive order as provided below. When attaching documents, please use the naming convention below:

Naming Convention

Type of Document

Attachment – 1

(Required) This CAP monitoring form;

Attachment – 2a

(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 Act's required funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC as a percentage of governmental revenues will be less than the Act's requirements. The Board recommends that supporting documentation show a projection for the duration of the CAP that includes, but is not limited to, assets, liabilities, funded ratios, normal cost payments (if applicable), actuarial assumptions, and retiree benefit payments, using reasonable calculations;

Attachment – 2b

(Required) An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which projects all annual retirement payments (Pension ADC(s) + OPEB Benefit Payments(s) + all additional contributions) as a percentage of projected governmental fund revenues over the next five fiscal years. A local government should project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation. This analysis may include projected enterprise funds specifically allocated to pay retirement costs;

Attachment – 3

(Required if applicable) Documentation from the governing body approving additional corrective actions including documentation of commitment to additional payments or actions not previously included in the CAP (e.g. resolution, ordinance);

Attachment – 4

(Required if applicable) In the event that the previous plan is no longer substantially in effect, a separate CAP to address its underfunded status which includes documentation of prior actions, prospective actions, governing body approval, and the positive impact on the system's funded ratio;

Attachment – 5

Other documentation not categorized above.

6. CORRECTIVE ACTION PLAN CRITERIA

Please confirm that each of the CAP monitoring criteria listed below have been satisfied when submitting this document. Specific detail on CAP criteria can be found in the Corrective Action Plan Monitoring: Policy and Procedures document.

CAP Monitoring Criteria

Description

- | | |
|--|---|
| <input type="checkbox"/> Underfunded Status | The local government certifies that there is adequate supporting documentation showing that the CAP will continue to address the local government's underfunded status in a reasonable timeframe; |
| <input type="checkbox"/> Substantial Changes | The local government certifies that the corrective actions documented in the CAP remain substantially the same OR; the local government has implemented or planned to implement additional actions to continue to address their underfunded status; |
| <input type="checkbox"/> Sustainability | The CAP continues to allow the local government to make all required annual retirement payments, without increasing to a level that is unsustainable. |

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

I, L. Dennis Whitt, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** City Manager approve this *Corrective Action Plan Monitoring: Application for Certification of Compliance* and will continue to implement the actions of the CAP.

I confirm to the best of my knowledge that because of the actions referenced within this form, one of the following statements will occur:

- The Walled Lake Retiree Health Care **(insert retirement system name)** will achieve a funded status (60% for pension or 40% for OPEB) by fiscal year 2030 as demonstrated by required supporting documentation listed in Section 5.

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

- The ADC for all defined benefit pension or retirement health benefit (OPEB) systems as a percentage of governmental fund revenues will be less than the Act's underfunded status threshold (10% for pension or 12% for OPEB) by fiscal year _____ as demonstrated by required supporting documentation listed in Section 5.

Signature: _____

Date: 2/3/2022

2019 Unfunded Liability at time of GAP	1,649,315.00
Goal	40%
Funding or Payments Goal	659,726.00
Unfunded Goal	989,589.00

Actuary Calculations				Goal Achieved of 60% Reduction in Liability	
30-Jun	Projected lives	Projected Benefit	2.18% Discount rate 388.5 avg monthly benefit 1,594,997 Present value		2.18% Discount rate 388.5 avg monthly benefit 915,726 Goal Achieved FY2033
2021	21.0000	97,902			
2022	23.7633	110,785			
2023	23.2926	108,590			
2024	22.7863	106,230			
2025	22.2429	103,697			
2026	21.6614	100,986			
2027	21.0413	98,095			
2028	20.3825	95,023			
2029	19.6856	91,774			
2030	18.9519	88,354		88,354	40% reduction from 2019 achieved
2031	18.1835	84,771		84,771	
2032	17.3826	81,038		81,038	
2033	16.5519	77,165		77,165	
2034	15.6944	73,167		73,167	
2035	14.8137	69,061		69,061	
2036	13.9140	64,867		64,867	
2037	13.0006	60,609		60,609	
2038	12.0797	56,316		56,316	
2039	11.1580	52,018		52,018	
2040	10.2422	47,749		47,749	
2041	9.3387	43,537		43,537	
2042	8.4541	39,413		39,413	
2043	7.5946	35,406		35,406	
2044	6.7673	31,549		31,549	
2045	5.9788	27,873		27,873	
2046	5.2351	24,406		24,406	
2047	4.5410	21,170		21,170	
2048	3.9001	18,182		18,182	
2049	3.3143	15,451		15,451	
2050	2.7846	12,982		12,982	
2051	2.3113	10,775		10,775	
2052	1.8939	8,829		8,829	
2053	1.5307	7,136		7,136	
2054	1.2195	5,685		5,685	
2055	0.9570	4,461		4,461	
2056	0.7392	3,446		3,446	
2057	0.5617	2,618		2,618	
2058	0.4193	1,955		1,955	
2059	0.3072	1,432		1,432	
2060	0.2204	1,028		1,028	
2061	0.1547	721		721	
2062	0.1060	494		494	
2063	0.0709	330		330	
2064	0.0462	215		215	
2065	0.0292	136		136	
2066	0.0179	83		83	
2067	0.0107	50		50	
2068	0.0062	29		29	
2069	0.0035	16		16	
2070	0.0019	9		9	
		1,987,617		1,074,537	

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)				
2021					\$6,921,403			
2022	\$1,040,268	\$29,800	\$110,785		\$7,059,831		16.7%	
2023	\$1,015,848	\$10,000	\$108,590		\$7,201,028		15.8%	-3.9%
2024	\$1,040,000	\$10,000	\$106,230		\$7,345,048		15.7%	1.9%
2025	\$1,070,000	\$10,000	\$103,697		\$7,491,949		15.8%	2.4%
2026	\$1,090,000	\$10,000	\$100,986		\$7,641,788		15.7%	1.5%

Projected Annual Revenue Growth (Please select)	2%
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Average Annual Retirement Cost Increase	0.5%
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