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

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: City of Battle Creek Six-Digit Muni Code: 132020

Defined Benefit Pension System Name: Municipal Employees' Retirement System of Michigan

Contact Name (Administrative Officer): Rebecca L. Fleury

Title if not Administrative Officer: City Manager

Email: rlfleury@battlecreekmi.gov Telephone: (269) 966-3378

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 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 unit of government is a city, village, township, or county, the annually required contribution (ARC) for all of the defined benefit pension retirement systems of the local unit of government is greater than 10% 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). 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 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.*** 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 60% 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 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 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

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 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) 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 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. 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.

- **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: 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, 2017**. On page **8** of the attached actuarial supplemental valuation, it shows our funded ratio will be **60%** by fiscal year **2020.***

All divisions with the exception of the general non-union and Commission appointed were changed to a lower tier of benefits (from 2.5 to 1.5 multiplier or to a Hybrid plan) for new hires in 2010, 2011 and 2012 (see attached 12/31/17 MERS Actuarial Valuation Table 2 - Attachment 6a). The general non-union division eliminated the inclusion of vacation payout upon retirement in final average compensation in 2010.(continued-Attachment 6b-Item 1)

☒ **Additional Funding –** Additional funding may include the following: Voluntary contributions above the actuarially determined contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: *The local unit provided a lump sum payment of **$1 million** to the **General Employees' Retirement System** on **January 1, 2017**. This lump sum payment was in addition to the actuarially determined contribution (ADC) of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2025**. Please see page **10** of the attached enacted budget, which highlights this contribution of **$1 million**.*

The City of Battle Creek created a surplus division at MERS and funded it with a lump sum contribution of $289,601.89 in December 2017. This payment was in addition to the actuarially determined contribution (ADC). In November 2018 the City made an additional contribution of $103,531.43 in addition to the actuarially determined contribution (ADC). Prior year contributions are shown on Table 5 from the 12/31/17 MERS valuation(attachment 3a).

☒ **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 **62%** as indicated on page **13**.*

The City of Battle Creek has enterprise funds with MERS pension liabilities of $24.7 million recorded. Inclusion of the enterprise fund revenues in the calculation for determination of underfunded status would have resulted in the ADC/Revenues percentage of 9.7%. This result would have shown the MERS plan did not meet the criteria of underfunded.

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 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: 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 2018*** *contract negotiations, the local unit 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 2020*** *if these changes were adopted and implemented by* ***fiscal year 2019.***

Increases in employee contributions over a 5 year period have been targeted. Subject to the negotiation process, these targets will be considered as the City begins the negotiation process with 4 bargaining units that have contracts expiring 6/30/19. Non-bargained units (non union and Commission appointed) will implement the increases effective 7/1/19. See the attached Estimated Projected ....Funded Ratios from MERS dated 11/30/18 (attachment 6b - item 2).

☒ **Additional Funding –** Additional funding may include the following: voluntary contributions above the actuarially determined contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: Beginning in **fiscal year 2019,** *the local unit 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 actuarially determined contribution (ADC) of the system. The additional contribution will increase the retirement system's funded ratio to* ***61% by 2025****. 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.*

Effective 7/1/19 the City will provide additional annual employer contributions as shown on the attached Estimated Projected Employer Contributions and Funded Ratios schedule prepared by MERS dated 11/30/18. These additional employer contributions are the result of targeted increases in employee contributions with no corresponding decrease in the employer contribution. This ballpark estimated actuarial projection shows the 60% funded ratio at 6/30/20.

☒ **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 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* ***2022*** *as shown in the attached actuarial analysis on page* ***13****.*

The City of Battle Creek convened a Legacy Cost Committee in September 2015. This committee has been tasked with recommending creative solutions for employee retirement benefits that will reduce liabilities in the long run, recommending best practices in regards to pension, and maintaining a benefit package that will (continued-6b item 3)

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) City of Battle Creek to make, at a minimum, the annual required contribution payment for the defined benefit pension 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**
☒ Attachment – 1	**This Corrective Action Plan Form (Required)**
☒ Attachment – 1a	**Documentation from the governing body approving this Corrective Action Plan (Required)**
☒ Attachment – 2a	**An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 60% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 10% of governmental fund revenues, as defined by the Act. (Required)**
☒ Attachment – 3a	Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
☒ Attachment – 4a	Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)
☐ Attachment – 5a	A separate corrective action plan that the local 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
☒ 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
☒ 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 unit is a city, village, township, or county, how and when the ARC of all pension systems will be less than 10 percent of governmental fund revenues?
☒ Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
☒ 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?
☒ Affordability	Do the corrective action(s) listed allow the local unit to make the annual required contribution payment for the pension system 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 Rebecca L. Fleury, as the government's administrative officer *(enter title)* City 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 Municipal Employees' Retirement System **(Insert Retirement Pension System Name)** will achieve a funded status of at least 60% by Fiscal Year 2020 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 defined benefit pension retirement systems of ____________ **(Insert local unit name)** will be less than 10% 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 Rebecca L. Fleury Date 12/19/18

Attachment 1a (p 1 of 2)

CITY OF
Battle Creek
MICHIGAN

Resolution NO. 40

A Resolution approving a Corrective Action Plan for the City of Battle Creek's MERS Defined Benefit Pension Retirement System as required under Public Act 202 of 2017.

BATTLE CREEK, MICHIGAN - 12/18/2018

Resolved by the Commission of the City of Battle Creek:

That, the attached Form 5598 - Protecting Local Government Retirement and Benefits Act Corrective Action Plan for the City of Battle Creek MERS Defined Benefit Pension Retirement System is approved.

I, Victoria Houser, City Clerk of the City of Battle Creek, hereby certify the above and foregoing is a true and correct copy of a Resolution adopted by the Battle Creek City Commission at a Regular meeting held on December 18, 2018.

Victoria L. Houser

Victoria Houser

Battle Creek City Commission
12/18/2018
Action Summary

Staff Member: Linda A. Morrison, Finance Director

Department: Finance

SUMMARY

A Resolution approving a Corrective Action Plan for the City of Battle Creek's MERS Defined Benefit Pension Retirement System as required under Public Act 202 of 2017.

BUDGETARY CONSIDERATIONS

The approval of the Corrective Action Plan is also a commitment to contribute the additional annual employer payments as shown on the MERS Estimated Projected Employer Contributions that is Attachment 2a in the attached CAP. Future annual budget preparations will include these annual additional employer contributions.

HISTORY, BACKGROUND and DISCUSSION

In September 2015 a Legacy Cost Committee was convened by City Manager Rebecca Fleury to begin a community conversation regarding the City of Battle Creek's legacy costs (pension and retiree health care). A cross-sectional group of committee members began discussing the three components that make up the City's liabilities for legacy costs; MERS pension, Police & Fire pension, and retiree health care (also known as Other Post Employment Benefits – OPEB). The Legacy Cost Committee objectives include: using creative solutions for retirement benefits that will reduce liabilities in the long run; suggest best practices in regards to the retiree health insurance as well as pension; create a sound funding policy over and above the minimum annual requirement payments; all the while maintaining a benefit package that will allow the City to attract and retain talented employees.

Since 2015, Committee members have reviewed changes previously made to these programs in the City's efforts to control costs and future liabilities. Experts in the field came to committee meetings to speak and answer questions. Shortly after the Committee began its work the State of Michigan began a process that resulted in Senate Bill No. 686 on December 20, 2017, which created the **Protecting Local Government Retirement and Benefits Act**, Public Act 202 of 2017 (referred to as PA 202). PA 202 included new reporting requirements for retirement systems and retiree health care plans. In January 2018, the City filed Form 5572 – Public Act 202 of 2017 Pension Report and Public Act 202 of 2017 Health Care (OPEB) Report. Based on the Form 5572 and the guidelines set by PA202, the City's MERS Pension plan was identified as underfunded (57.5% funded with a threshold of underfunded = 60%). In April, 2018, City staff prepared Form 5583 – Application for Waiver and Plan: Defined Benefit Pension Retirement Systems for the MERS plan. The City Commission, with Resolution number 121 dated 4/10/18, approved this application as required under PA 202. In May, 2018, the Michigan Department of Treasury denied the waiver application and has required the City to prepare a Corrective Action Plan (CAP). As part of the development of the CAP, recommendations from the Legacy Cost Committee were requested during its December 3, 2018 meeting in order to meet the December 28, 2018 submittal deadline.

The CAP includes descriptions of prior actions (Page 2 – item 3) and descriptions of prospective actions (Page 3 – item 4). Prospectively it

The CAP includes descriptions of prior actions (Page 2 – item 3) and descriptions of prospective actions (Page 3 – item 4). Prospectively it includes targets for five year increases in employee contributions with no corresponding decreases in employer contributions (subject to negotiation for all except the non-represented group). An actuarial analysis for these prospective actions was received from MERS on November 30, 2018 to show these actions will achieve the required 60% funding percentage for the MERS pension plan in the fiscal year ending 6/30/20. The analysis was reviewed by the Legacy Cost Committee and was recommended for inclusion in the attached Corrective Action Plan.

DISCUSSION OF THE ISSUE

POSITIONS

ATTACHMENTS:

File Name	Description
City of Battle Creek Proposed Corrective Action Plan - MERS Defined Benefit Pension Retirement System.pdf	City of Battle Creek proposed Corrective Action Plan - MERS Defined Benefit Pension Retirement System

Attachment 2a

City of Battle Creek (1302) - All Divisions
Estimated Projected Employer Contributions and Funded Ratios

		Modified Baseline - Member Rate Changed to 5% for Division 01, and 3.5% for Division 14 and 19				Scenario 1 - Starting 7/1/19, Increase Member Rates by 1% Each Year until Reaching 10% for Division 01, 7% for Division 10, 11, 12, 14, 5% for Division 15, 17, 18, 19, 20, and Contribute Excess Amounts from Modified Baseline as Additional to Divisions until Reaching 100% Funded					
Valuation Year Ending 12/31	Fiscal Year Beginning in Year	Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual Employer Contribution	Actuarial Accrued Liability	Valuation Assets	Funded %	Required Annual DB Employer Contribution	Additional Annual DB Employer Contribution	Total Annual Employer Contribution
2017	2019	147,730,090	88,146,249	60%	$5,860,788	147,528,913	88,146,249	60%	$5,710,000	$150,000	$5,860,000
2018	2020	150,400,000	89,200,000	59%	$6,170,000	150,300,000	89,500,000	60%	$5,820,000	$310,000	$6,130,000
2019	2021	153,000,000	89,500,000	58%	$6,490,000	152,900,000	90,000,000	59%	$6,000,000	$430,000	$6,430,000
2020	2022	155,500,000	92,800,000	60%	$6,600,000	155,400,000	93,500,000	60%	$5,980,000	$520,000	$6,500,000
2021	2023	157,800,000	96,000,000	61%	$6,710,000	157,800,000	97,200,000	62%	$5,960,000	$590,000	$6,550,000
2022	2024	160,000,000	98,500,000	62%	$6,910,000	160,000,000	100,200,000	63%	$6,080,000	$610,000	$6,690,000
2023	2025	161,900,000	100,900,000	62%	$7,130,000	162,000,000	103,200,000	64%	$6,230,000	$630,000	$6,860,000
2024	2026	163,700,000	103,300,000	63%	$7,350,000	163,800,000	106,200,000	65%	$6,380,000	$640,000	$7,020,000
2025	2027	165,300,000	105,800,000	64%	$7,590,000	165,500,000	109,400,000	66%	$6,530,000	$660,000	$7,190,000
2026	2028	166,900,000	108,500,000	65%	$7,800,000	167,100,000	112,800,000	67%	$6,640,000	$680,000	$7,320,000
2027	2029	168,300,000	111,300,000	66%	$8,060,000	168,700,000	116,300,000	69%	$6,800,000	$700,000	$7,500,000
2028	2030	169,800,000	114,500,000	67%	$8,340,000	170,200,000	120,200,000	71%	$6,970,000	$720,000	$7,690,000
2029	2031	171,200,000	118,000,000	69%	$8,630,000	171,800,000	124,400,000	72%	$7,150,000	$750,000	$7,900,000
2030	2032	172,700,000	121,900,000	71%	$8,930,000	173,400,000	129,000,000	74%	$7,340,000	$770,000	$8,110,000
2031	2033	174,200,000	126,300,000	73%	$9,260,000	175,100,000	134,100,000	77%	$7,530,000	$800,000	$8,330,000
2032	2034	175,800,000	131,300,000	75%	$9,590,000	176,900,000	139,700,000	79%	$7,740,000	$830,000	$8,570,000
2033	2035	177,600,000	136,900,000	77%	$9,810,000	178,800,000	146,000,000	82%	$7,810,000	$850,000	$8,660,000
2034	2036	179,600,000	143,400,000	80%	$10,160,000	181,100,000	153,100,000	85%	$8,010,000	$880,000	$8,890,000
2035	2037	181,800,000	150,700,000	83%	$10,540,000	183,600,000	161,000,000	88%	$8,230,000	$920,000	$9,150,000
2036	2038	184,400,000	158,900,000	86%	$10,930,000	186,400,000	169,800,000	91%	$8,450,000	$0	$8,450,000
2037	2039	187,300,000	168,200,000	90%	$11,330,000	189,600,000	179,600,000	95%	$5,470,000	$0	$5,470,000
2038	2040	190,600,000	178,700,000	94%	$2,560,000	193,300,000	190,000,000	98%	$1,450,000	$0	$1,450,000
2039	2041	194,400,000	190,600,000	98%	$2,660,000	197,400,000	199,600,000	101%	$1,510,000	$0	$1,510,000
2040	2042	198,800,000	199,200,000	100%	$2,770,000	202,200,000	206,500,000	102%	$1,580,000	$0	$1,580,000

Notes: The phase-in was excluded for ballpark and comparison purposes.
The assumed future annual investment return is 7.75%.
The long term cost of benefits is the new hire employer normal cost of 6.21% of pay in the baseline, and the new hire employer normal cost of 3.90% of pay in the proposed scenario.
Additional contributions were determined by estimating the employer cost savings between the baseline and proposed employee rate tables provided by the employer.

Ballpark Estimate Disclosure Statement

This document is not an actuarial report nor are the contribution amounts or rates certified by an actuary. The contribution amounts and rates in this document are estimates (not actual contribution amounts or rates) and are for illustrative purposes only. Neither the employer, nor any other party receiving or reviewing this document may rely on these calculations as indicative of future contribution amounts or rates. By requesting and accepting this document, the employer agrees that MERS shall have no liability arising out of the provision of these amounts and rates, and agrees to indemnify MERS for any liability arising from same due to the provision of this letter or any information therein to any other party or individual. Pursuant to MCL 38.1140h and Section 46 of the MERS Plan Document, there must be a supplemental actuarial analysis conducted before any proposed benefit change is implemented for any currently active or prior employees.

Attachment 3a

Flow of Valuation Assets

Table 5

Year Ended 12/31	Employer Contributions		Employee Contributions	Investment Income (Valuation Assets)	Benefit Payments	Employee Contribution Refunds	Net Transfers	Valuation Asset Balance
	Required	Additional						
2007	$ 2,931,754		$ 541,549	$ 6,363,231	$ (4,584,252)	$ (97,397)	$ 0	$ 83,685,510
2008	2,968,152		551,782	3,716,560	(5,114,794)	(48,257)	0	85,758,953
2009	2,959,132		552,800	3,637,611	(5,698,007)	(39,591)	0	87,170,898
2010	2,868,331		453,617	4,281,248	(6,516,632)	(59,121)	49,333	88,247,674
2011	4,106,953	$ 0	420,760	3,474,621	(7,369,893)	(49,719)	(2,802,205)	86,028,191
2012	3,425,331	133,259	396,893	3,504,637	(8,079,082)	(11,672)	26,998	85,424,555
2013	3,646,578	1,904,258	398,173	5,034,108	(8,415,175)	(38,371)	1	87,954,127
2014	3,776,984	0	419,888	4,832,408	(8,762,592)	(13,880)	198,983	88,405,918
2015	4,004,442	99,850	443,676	4,113,925	(9,048,762)	(56,391)	52,309	88,014,967
2016	4,353,308	16,169	487,265	4,189,261	(9,572,000)	(8,787)	39,636	87,519,819
2017	5,035,846	346,606	546,536	5,040,598	(9,983,596)	(65,125)	2	88,440,686

Notes:

Transfers in and out are usually related to the transfer of participants between municipalities, and to employer and employee payments for service credit purchases (if any) that the governing body has approved.

Additional employer contributions, if any, are shown separately starting in 2011. Prior to 2011, additional contributions are combined with the required employer contributions.

The investment income column reflects the recognized investment income based on Valuation Assets. It does not reflect the market value investment return in any given year.

The Valuation Assets include assets from Surplus divisions, if any.

Benefit Provisions

Table 2

01 - Gnrl NonUn.: Open Division

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	4%	3%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

10 - General AFSCME: Closed to new hires, linked to Division 18

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	2.75%	2.75%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

11 - Gnl Transit: Closed to new hires, linked to Division HA

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	2.50%	2.50%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

Table 2 (continued)

12 - Gnrl BCSA: Closed to new hires, linked to Division 20

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	5.16%	5.16%
RS50% Percentage:	50%	50%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

13 - Gnl Housing: Closed to new hires

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	1.50%	1.50%
DC Plan for New Hires:	12/1/2013	12/1/2013
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

14 - SEIU Local: Closed to new hires, linked to Division 19

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	3%	3%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

Table 2 (continued)

15 - City Mngr.: Open Division

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	50/25 55/15	50/25 55/15
Early Retirement (Reduced):	-	-
Final Average Compensation:	3 years	3 years
Employee Contributions:	0%	0%
RS50% Percentage:	50%	50%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

16 - Cntrl Disp.: Closed to new hires

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	7.20%	7.20%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

17 - Corr.Offrcs: Open Division

	2017 Valuation	2016 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years
Employee Contributions:	3.12%	3.12%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

Table 2 (continued)

18 - General AFSCME after 12/1/10: Open Division, linked to Division 10

	2017 Valuation	2016 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)	1.50% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	2.50%	2.50%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

19 - Gen. SEIU hired after 7/1/2011: Open Division, linked to Division 14

	2017 Valuation	2016 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)	1.50% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years
Employee Contributions:	3%	3%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

20 - Gen. BCSA hired after 1/1/2012: Open Division, linked to Division 12

	2017 Valuation	2016 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)	1.50% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	2.50%	2.50%
Act 88:	Yes (Adopted 7/10/1973)	Yes (Adopted 7/10/1973)

HA - GNL Trans hired after 3/1/10: Open Division, linked to Division 11

	2017 Valuation	2016 Valuation
Benefit Multiplier:	Hybrid Plan - 1.25% Multiplier	Hybrid Plan - 1.25% Multiplier
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	-	-
Final Average Compensation:	3 years	3 years
Employee Contributions:	0%	0%
Act 88:	Yes (Adopted 7/10/1983)	Yes (Adopted 7/10/1983)

ATTACHMENT 6b (the fillable PDF did not allow enough space; these are the continued explanations)

ITEM 1: Table 2 (attachment 6a) also reflects increases in employee contributions; the increase to 5% for general non-union was effective 7/1/18 and is not shown in the Table 2. This increase was not offset with a corresponding decrease in the City's contribution.

ITEM 2: These increased employee contributions will not be reduced when the plan reaches the 60% funded threshold, and these increased employee contributions do not have a corresponding reduction in the employer contribution. The calculated additional employer annual contributions is shown on Attachment 2a.

ITEM 3: allow the City to attract and retain talented employees. It is this committees' recommendations that were submitted to MERS to calculate funding percentage changes and additional employer contributions.