

Public Act 202 of 2017 Pension Report

Enter Local Unit Name	City of Burton	Instructions/Questions: For a list of detailed instructions on how to complete and submit this form, visit michigan.gov/LocalRetirementReporting . For questions, please email LocalRetirementReporting@michigan.gov . Return this original Excel file. Do not submit a scanned image or PDF.
Enter Six-Digit Municode	252005	
Unit Type	City	
Fiscal Year (four-digit year only, e.g. 2018)	2018	
Contact Name (Chief Administrative Officer)	Karen Moffitt	
Title if not CAO	Controller	
CAO (or designee) Email Address	k.moffitt@burtonmi.gov	
Contact Telephone Number	810-743-1500 ext. 1201	

Pension System Name (not division) 1	Municipal Employees' Retirement System	If your pension system is separated by divisions, you would only enter one system. For example, one could have different divisions of the same system for union and non-union employees. However, these would be only one system and should be reported as such on this form.
Pension System Name (not division) 2		
Pension System Name (not division) 3		
Pension System Name (not division) 4		
Pension System Name (not division) 5		

Line	Description	Source of Data	Statute Reference	System 1	System 2	System 3	System 4	System 5
1	Provide the name of your retirement pension system	Calculated From Above	Sec. 5(6)	Municipal Employees'				
2	Enter retirement pension system's assets (system fiduciary net position)	Most Recent Audit Report	Sec. 5(4)(b)	24,585,698				
3	Enter retirement pension system's liabilities (total pension liability)	Most Recent Audit Report	Sec. 5(4)(b)	51,207,551				
4	Date (system year ending) of valuation of system's assets and liabilities (e.g. 12/31/2017)	Most Recent Audit Report	Sec. 5(6)	12/31/17				
5	Actuarially Determined Contribution (ADC)	Most Recent Audit Report	Sec. 5(4)(b)	1,844,876				
6	Governmental Fund Revenues	Most Recent Audit Report	Sec. 5(4)(b)	19,526,626				
7	Pension Trigger Summary							
8	Is this unit a primary unit (County, Township, City, Village)?	From Municode		YES	YES	YES	YES	YES
9	Funded ratio	Calculated	Sec. 5(4)(b)	48.0%				
10	All systems combined ADC/Governmental fund revenues	Calculated	Sec. 5(4)(b)	9.4%	0.0%	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)	NO	NO	NO	NO	NO

By emailing this report to the Michigan Department of Treasury, the local unit of government acknowledges that this report is complete and accurate in all known respects. Public Act 202 of 2017 also requires the local unit of government to electronically submit the report to its governing body.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

Public Act 530 of 2016 Summary Report of Pension Plans
A separate form must be filed for each pension plan for local units with multiple defined benefit pension plans.
Printed copies of this form will not be accepted.

Local Unit Name	City of Burton
Municode	25-2-005
Valuation Period Ending Date	12/31/2017

PA 530 of 2016

Section 13

Descriptive Information

(3)(h)(i)(i) System Name.....	MERS of Michigan
(3)(h)(i)(ii) Investment Fiduciaries.....	MERS of Michigan
(3)(h)(i)(iii) System Service Providers.....	MERS of Michigan, CBIZ Retirement Plan Services (actuary)

Financial Information

(3)(h)(i)(iv) Assets.....	\$ 24,585,698
(3)(h)(i)(iv) Liabilities.....	\$ 51,207,551
(3)(h)(i)(iv) Change in Net Assets for the Plan Year.....	\$ 4,271,564
(3)(h)(i)(v) Funded Ratio for the Plan Year.....	48.01%

Investment Performance

(3)(h)(i)(vi) 1 Year.....	13.20%
(3)(h)(i)(vi) 3 Year.....	7.45%
(3)(h)(i)(vi) 5 Year.....	8.67%
(3)(h)(i)(vi) 7 Year.....	8.03%
(3)(h)(i)(vi) 10 Year.....	5.56%

Administrative Expenditures

(3)(h)(i)(vii) Board Member Professional Training and Education.....	
(3)(h)(i)(vii) Board Member Travel Expenditures.....	
(3)(h)(i)(vii) All Other Administrative Expenditures.....	0.19%

Investment Expenditures

(3)(h)(i)(vii) Board Member Professional Training and Education.....	
(3)(h)(i)(vii) Board Member Travel Expenditures.....	
(3)(h)(i)(vii) All Other Investment Expenditures.....	0.13%
(3)(h)(i)(vii) Total Administrative and Investment Expenditures	\$ 0

(3)(h)(i)(viii) Has the itemized budget been attached?.....	Yes
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The following information is contained in the actuarial valuation reports that are completed for each pension system.

(3)(h)(i)(ix, A)	Active Members.....	81
(3)(h)(i)(ix, B)	Retirees and Beneficiaries.....	86
(3)(h)(i)(ix, C)	Average Annual Retirement Allowance.....	\$ 37,600
(3)(h)(i)(ix, D)	Total Annual Retirement Allowances Being Paid.....	\$ 3,233,627
(3)(h)(i)(ix, E)	Valuation Payroll.....	\$ 4,534,987
(3)(h)(i)(ix, F)	Employer's Computed Normal Cost of Benefits Expressed as a Percentage of Valuation Payroll.....	4.66%
(3)(h)(i)(ix, G)	Employer's Total Contribution Expressed as a Percentage of Valuation Payroll.....	49.33%
(3)(h)(i)(ix, H)	Weighted Average of Member Contributions, if any.....	11.75%
(3)(h)(i)(ix, I)	Actuarial Assumed Rate of Investment Return.....	7.75%
(3)(h)(i)(ix, J)	Actuarial Assumed Rate of Long-Term Wage Inflation.....	3.75%
(3)(h)(i)(ix, K)	Smoothing Method.....	5 years
(3)(h)(i)(ix, L)	Amortization Method and Period Utilized for Funding the System's Unfunded Actuarial Accrued Liability, if any.....	Level percent of payroll
(3)(h)(i)(ix, M)	System's Actuarial Cost Method.....	Entry Age Normal
(3)(h)(i)(ix, N)	Whether System Membership is Open or Closed to Specific Groups of Employees.....	Open
(3)(h)(i)(ix, O)	Actuarial Assumed Rate of Health Care Inflation	N/A

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: City of Burton Six-Digit Muni Code: 252005

Defined Benefit Pension System Name: Municipal Employees' Retirement System

Contact Name (Administrative Officer): Paula Zelenko

Title if not Administrative Officer: Mayor

Email: p.zelenko@burtonmi.gov Telephone: (810) 743-1500

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**.*

The system's multiplier for current employees for all divisions was lowered from 2.5X to 1.5X (bridged with frozen FAC), compensation was defined as base wages only (not including overtime, longevity, etc. as defined previously), and COLA was frozen. This was effective 3/1/17 for division 11 (Attachment 6a), 9/1/17 for division 12 (Attachment 6b), and 7/1/18 for divisions 10 and 20 (Attachments 6c and 6d). (continued on next page)

- 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 provided a lump sum payment of \$1 million to the Municipal Employees' Retirement System in December 2014, 2015 and 2016, \$976,000 in 2017 and \$1 million is budgeted for 2018. These lump sum payments are in addition to the actuarially determined contribution (ADC) of the system. A Defined Benefit Surplus Division was adopted 12/1/17 which allows for these additional payments to apply directly to the UAL (continued on next page)

- 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's funded ratio increased from 43% to 47% with the 2017 annual actuarial valuation (Attachment 2a, page 5). An actuarial analysis of our plan was prepared on 9/27/18 taking into consideration changes made subsequent to the 2017 annual actuarial valuation. It is estimated that the overall funded level of our plan will increase 2 percentage points and reach a 60% funded level about a year earlier, or between 12/31/26 and 12/31/28 (Attachment 2b).

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.

Correction Action Plan
Defined Benefit Pension Retirement System
November 2018

System Design Changes (continued)

A new division 13 was created for all new hires with lower benefits (1.5X multiplier, base wages only, no COLA) effective 3/1/17 for division 11, 9/1/17 for division 12 and 7/1/18 for new hires in divisions 10 and 20 (Attachment 6e). Non-union administrative employees were bridged from a defined benefit plan with a 2.5X multiplier to a defined contribution plan with a 15% contribution on December 1, 2016 (Attachment 6f). Effective July 1, 2018 the City will no longer allow the purchase of additional service credit (Attachment 6g). The City's funded ratio increased from 43% to 47% with the 2017 annual actuarial valuation (Attachment 2a, page 5) with a few of these changes and is estimated to increase another 2 percentage points and reach a 60% funded level about a year earlier, or between 12/31/26 and 12/31/28, with the additional changes (Attachment 2a page 14 and Attachment 2b).

Additional Funding (continued)

without reducing the annual employer contribution rates. See Attachment 3a for documentation confirming these payments and Attachment 6h for the Defined Benefit Surplus Division addition document.

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**.

- 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.

The City plans to continue to provide an additional lump sum payment of \$1 million annually to the Municipal Employees' Retirement System until the plan has reached a 60% funded level, unless future state or tax revenue is significantly reduced. As shown on page 14 of Attachment 2A, it is estimated that the retirement system's funded ratio will reach 60% by 2027 (in 10 years) 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 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 is following the MERS best practices: implementing a fixed amortization policy; conducting an experience study every 5 years; showing market volatility scenarios; establishing a minimum funding threshold; requiring 100% funding before a plan can make benefit enhancements; providing actuarial reporting; and mitigating pension spiking.

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 Burton 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
<input checked="" type="checkbox"/> Attachment – 1	This Corrective Action Plan Form (Required)
<input checked="" type="checkbox"/> Attachment – 1a	Documentation from the governing body approving this Corrective Action Plan (Required)
<input checked="" type="checkbox"/> Attachment – 2a, 2b	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)
<input checked="" 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 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, 6b, 6c, 6d, 6e, 6f, 6g, 6h	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 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? |
| <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 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 Paula Zelenko, as the government's administrative officer (*enter title*)
Mayor (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 2028 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



Date 11/05/2018