



Crawford County Road Commission

Donald A. Babcock, Managing Director
Crawford County Road Commission

Corrective Action Plan
Retirement/Post Employment Health Benefits
12-19-2022

The Crawford County Road Commission submits the following Corrective Action Plan for the Municipal Stability Board's review and approval.

The previous plan submitted by the Crawford County Road Commission was to ensure the Road Commission reached a minimum of 40% funding of the Retirement system Prior to 2029. As indicated in the attached MERS Annual Actuarial Valuation Report, the current funded percentage is at 45% for 2022.

Recently the Crawford County Road Commission has taken measures via Collective Bargaining Agreement (attached), to reduce future liabilities to the Retirement plan and Health Care post-employment benefits.

- New hires after April 1, 2022, shall no longer be eligible to receive Health Care after retirement.
- New hires after April 1, 2022, shall no longer be enrolled in the MERS B-4 defined benefit plan.
- New hires after April 1, 2022, shall be enrolled in MERS 457 plan in which the employer will match up to 5% of their wage.

It is the goal of the Crawford County Road Commission to reach 100% funding as soon as practicable. Attached please find an Annual Actuarial Valuation Report provided by MERS. Page 12 of this report indicates the drastic reduction of Employer Contributions within a 16-year period. And reaching near 100% funding within the same period. Of course, this depends on rates of returns and other assumptions as well.

To ensure that the goals are met for 100% retirement funding and to provide funding for new hires, future retiree benefits. The Crawford County Road Commission shall be making additional contributions to the Trust funds of \$160,000.00/year (\$40,000/quarter). This commitment shall continue until the next Actuarial experience study is conducted. At that time, the existing corrective action plan will be reviewed and updated to meet perspective goals.

This Corrective Action plan has been approved by the Crawford County Board of Road Commissioners on December 22, 2022. (see attached resolution).

Donald A. Babcock, Managing Director

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Crawford County Road Commission

Donald A. Babcock, Managing Director

CRAWFORD COUNTY ROAD COMMISSION CORRECTIVE ACTION PLAN AUTHORIZATION RESOLUTION

WHEREAS, the Crawford County Board of Road Commissioners have approved the proposed Corrective Action Plan pursuant to Public Act 202 of 2017 and;

WHEREAS, the Crawford County Board of Road Commissioners, have demonstrated their commitment to providing 100% funding of the MERS B-4 Defined Contribution Plan and;

WHEREAS, the Crawford County Road Commission is committed to eventually fund its plan so that retiree benefits can be paid directly from the MERS Trust instead of general operating funds and;

WHEREAS, the Crawford County Road Commission shall be contributing an additional \$160,000.00 per year into the MERS Trust, to ensure that financial goals are achieved and;

THEREFORE BE IT RESOLVED, the Crawford County Crawford Board of Road Commissioners approve the Proposed Corrective Action plan and authorize the Managing Director to submit same on the behalf of the Crawford County Road Commission.

Moved by Chairman Halstead

Second by Commissioner Hanson

Ayes 4

Date: December 22, 2022

Nays 0

CERTIFIED RESOLUTION

I, Leann Neilson, Board Clerk of the Crawford County Road Commission, certify that the foregoing is a true and correct copy of the resolution duly adopted by Crawford County Road Commission Board, on the 22nd day of December, in the year 2022, and that the same now has been executed in multiple originals and an original appears of record in its official minutes.

Leann Neilson
Leann Neilson, Clerk of the Board

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017 (the Act).

I. LOCAL GOVERNMENT INFORMATION

Local Government Name: Crawford County Road Commission Six-Digit Muni Code: 200100
Retirement Health Benefit System Name: MERS Retiree Health Funding Vehicle
Contact Name (Administrative Officer): Donald A. Babcock
Title if not Administrative Officer: Managing Director Telephone: (989) 348-2281
Email (Communication will be sent here): dabcrawford1215@gmail.com
Fiscal Year System was Determined to be Underfunded: 2017

2. GENERAL INFORMATION

Corrective Action Plan: An underfunded local government shall develop and submit for approval a corrective action plan for the local government. The local government shall determine the components of the corrective action plan. This corrective action plan shall be submitted by any local government with at least one 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 government is a city, village, township, or county, the actuarially determined contribution (ADC) for all of the retirement health systems of the local government is greater than 12% of the local government's annual governmental fund revenues, based on the most recent fiscal year.

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

Filing: Per Sec. 10(1) of the Act, this corrective action plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this corrective action plan and attach the documentation as a separate PDF document.** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a disapproval of the corrective action plan.

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

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

The subject line of the email(s) should be in the following format: **Corrective Action Plan-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan-2019, 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 Board shall review and vote on the approval of a corrective action plan submitted by a local government. If a corrective action plan is approved, the Board will monitor the corrective action plan and report on the local government's compliance with the Act not less than every two years.

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

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

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

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

3. 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.

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

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local government done to improve its underfunded status, and which attachment(s) supports your actions).

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

Category of Prior Actions:

- System Design Changes** - System design changes may include the following: 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, 2019**, the local government entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for health care. 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, 2019**.*

In 2015, the Crawford County Road Commission was forced to make changes to our retiree Health Care for retirees between ages 55 and 65 years of age. Due to the rising cost of Health Care, we could no longer offer retirees Health Insurance through the Road Commission, but instead, gave the Retirees a MERS Health Care Savings Account vehicle. This reduced the Road Commission's liability from the full cost of a Health Care plan to a monthly sum ranging between \$240-\$1100. Future liability was also addressed in the latest collective bargaining agreement, approved on April 1, 2022. Employees hired after April 1st, 2022, are not eligible for Retiree Health benefits.

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

Sample Statement: *The local government created a qualified trust to receive, invest, and accumulate assets for retirement health care on **June 23, 2016**. The local government adopted a policy to change its funding methodology from Pay-Go to full funding of the ADC. Furthermore, the local government committed to contributing **\$500,000** annually, in addition to the ADC 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 ADC and additional **\$500,000** for the next five years.*

The Crawford County Road Commission has established a governmental Trust under Section 115 of the Internal Revenue Code to hold asset of the Retiree Health Funding Vehicle (RHFV). In the past the Crawford County Road Commission has contributed an additional \$100,000.00 per year into the RHFV. This is in addition to existing monthly premiums for Retirement plan. The updated Corrective Action plan will increase the additional contribution to \$160,000.00 per year. \$40,000/quarter.

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

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2017**. Attached is an updated actuarial valuation from **2019** that shows our funded ratio has improved to **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 government do to improve its underfunded status, and which attachment(s) supports your actions).

Category of Prospective Actions:

- System Design Changes** - System design changes may include the following: 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 government will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2020** contract negotiations, the local government will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for health care. 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 2030** if these changes were adopted and implemented by **fiscal year 2021**.*

The following changes have been implemented to reduce future liabilities to the Crawford County Road Commission, per the recently adopted Collective Bargaining Agreement. Effective April 1, 2022. New Hires shall not be eligible to receive the existing MERS Plan B-4. Effective April 1, 2022. New hires shall be enrolled in MERS 457 plan. The employer match will be up 5%. This would be a reduction of approximately 37% for the Employer contribution per employee. Employees hired after April 1, 2022, shall not be eligible for retiree health benefits.

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

Sample Statement: *The local government will create a qualified trust to receive, invest, and accumulate assets for retirement health care by **December 31, 2020**. The local government will adopt a policy to change its funding methodology from Pay-Go to full funding of the ADC by **December 31, 2020**. Additionally, beginning in fiscal year 2021, the local government will contribute **\$500,000** annually in addition to the ADC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2023**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ADC and additional **\$500,000** for the next five years.*

The Road Commission had an OPEB report completed by Watkins Ross (see attached). page 8 of that report is regarding the Actuarially Determined Contribution (ADC). Per the report it indicates the additional amount to be between \$149,858 to \$154,896.00. The Road Commission shall be increasing the contribution to the Trust to \$160,000/year in Lieu of the \$100,000/year existing.

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

Sample Statement: *Beginning in **fiscal year 2020**, the local government will begin amortizing the unfunded portion of the health care 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 **2023** as shown in the attached actuarial analysis on page **13**.*

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for your local government to make, at a minimum, the 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, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

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

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

Naming Convention:

Type of Document:

Attachment – 1

This corrective action plan (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 (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 40% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 12% of governmental fund revenues, as defined by the Act (required);

Attachment – 3a

Documentation of additional payments in past years that are 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 government has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio;

Attachment – 6a

Other documentation, not categorized above.

7. CORRECTIVE ACTION PLAN CRITERIA

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

Corrective Action Plan Criteria:

Description:

Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local government is a city, village, township, or county, how and when the ADC of all retirement health care systems will be less than 12% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe?

Legality

Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included?

Affordability

Do the corrective action(s) listed allow the local government to make the retiree health care premium payment, as well as normal cost payments for new hires now and into the future without additional changes to this corrective action plan?

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

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

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

The Municipal Employee's Retirement System of Michigan **(insert retirement health system name)** will achieve a funded status of at least 40% by fiscal year 2022 as demonstrated by the required supporting documentation listed in Section 6.

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

The ADC for all the retirement health benefit systems of the local government will be less than 12% of the local government's annual governmental fund revenues by fiscal year _____ as demonstrated by required supporting documentation listed in Section 6.

Signature:



Date: 12/19/2022