

Economic Vitality Incentive Program/County Incentive Program Certification of Unfunded Accrued Liability Plan

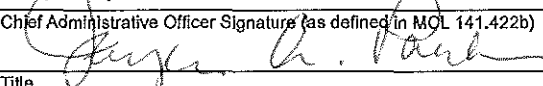
Issued under authority of 2014 Public Act 34. Filing is mandatory to qualify for payments.

Each city/village/township/county applying for Unfunded Accrued Liability Plan payments must:

1. Certify to the Michigan Department of Treasury (Treasury) that the local unit listed below has produced and made readily available to the public, an Unfunded Accrued Liability Plan. The plan shall be made available for public viewing in the clerk's office or posted on a publicly accessible Internet site as required by 2014 Public Act 34.
2. Submit to Treasury an Unfunded Accrued Liability Plan, if selecting Option 1 of Part 2 below.

City/village/township: This certification, along with the Unfunded Accrued Liability Plan, must be received by June 1, 2014, to receive the June and August payments or on or before July 31, 2014, to receive the August payment. Post mark dates will not be considered. For questions, call (517) 373-2697.

County: This certification, along with the Unfunded Accrued Liability Plan, must be received by June 1, 2014, (or the first day of a payment month) in order to qualify for that month's payment. Post mark dates will not be considered. For questions, call (517) 373-2697.

PART 1: LOCAL UNIT INFORMATION			
Local Unit Name City of Allen Park		Local Unit County Name Wayne County	
Local Unit Code 82-2-010		Contact E-Mail Address sbird@cityoffallenpark.org	
Contact Name Sandra Bird	Contact Title Finance Director	Contact Telephone Number (313) 928-3236	Extension
Website Address, if plan is available online http://cityoffallenpark.org			Date of Last Audited Financial Report 06/30/13
PART 2: STATEMENT OF UNFUNDED ACCRUED LIABILITIES			
Indicate the option that pertains to your local unit:			
<input checked="" type="checkbox"/> 1. Unfunded Accrued Liabilities Exist A local unit who has unfunded accrued liabilities pertaining to pensions or other post-employment benefits must attach a plan as required by 2014 Public Act 34.			
<input type="checkbox"/> 2. No Unfunded Accrued Liabilities Exist A local unit who does not have any unfunded accrued liabilities pertaining to pensions or other post-employment benefits must provide, in the box below, an explanation of why the local unit does not have any unfunded accrued liabilities.			
PART 3: CERTIFICATION			
In accordance with 2014 Public Act 34, the undersigned hereby certifies to Treasury that the above mentioned local unit has produced an Unfunded Accrued Liability Plan and has made the plan available for public viewing in the city, village, township or county clerk's office, or has posted the plan on a publicly accessible Internet site. The Unfunded Accrued Liability Plan, if required, is attached to this signed certification.			
Chief Administrative Officer Signature (as defined in MCL 141.422b) 		Printed Name of Chief Administrative Officer (as defined in MCL 141.422b) Joyce A. Parker	
Title Emergency Manager		Date 05/05/14	

Completed and signed form (including required attachment, if selected option 1) should be e-mailed to: TreasRevenueSharing@michigan.gov

If you are unable to submit via e-mail, fax to (517) 335-3298, or mail the completed form and required attachment (if selected option 1) to:

Michigan Department of Treasury
Office of Revenue and Tax Analysis
PO Box 30722
Lansing MI 48909

TREASURY USE ONLY		
EVIP/CIP Eligible Y N	Certification Received	EVIP/CIP Notes
Final Certification	Plan Received	

Economic Vitality Incentive Program / County Incentive Program

Category 3: Unfunded Accrued Liability Plan

Sample Template

EVIP (for eligible cities, villages or townships) and CIP (for eligible counties) are revenue sharing packages for municipalities. They include three categories of eligibility, each with its own set of requirements and deadlines, and offering 1/3 of the total available incentive revenue. By June 1, 2014, you need to submit a plan to address your unfunded liability to Treasury for Category 3 of EVIP. This sample template is meant to assist you in documenting your plan.

1. MUNICIPALITY INFORMATION	
Municipality Name:	City of Allen Park
Fiscal Year:	2013
Pension UAL as reported in the most recent actuarial valuation:	28,541,459
Pension Funded Ratio: 71.8%	No Pension UAL <input type="checkbox"/>
OPEB UAL as reported in most recent valuation:	139,884,352
OPEB Funded Ratio: 0%	No OPEB UAL <input type="checkbox"/>
2. PENSION UAL – ACTIONS TAKEN	
You may have a pension UAL only if you offer a defined benefit and/or a hybrid plan.	
PLANNED STRATEGIC CHANGES (CHECK ALL THAT APPLY)	
STRATEGY <input type="checkbox"/> Adopted a Lower Tier of Benefits for New Hires (check all that apply): <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Lowered multiplier from <u>2.9</u> to <u>2.0</u> <input type="checkbox"/> Removed Cost of Living Increases <input type="checkbox"/> Removed Early Retirement Riders (i.e. 55/25, 50/25) <input checked="" type="checkbox"/> Increased Vesting from <u>10</u> to <u>25</u> <input checked="" type="checkbox"/> Increased Normal Retirement Age from <u>52</u> to <u>55</u> <input checked="" type="checkbox"/> Other: Employee contributions increased from 6% to 7% (Fire and General) and from 6% to 8% (Police) 	IMPACT The long term impact of implementing a lower tier of benefits for new hires is that it reduces the future liability accrual because future benefits will be lower, and therefore less expensive, than the previous benefits offered.
Effective Date: 01/01/2013	

Adopted a Defined Contribution Plan for New Hires

Effective Date: 4/1/2005 (General)

The long term impact of implementing Defined Contribution for new hires is that it eliminates the future accrual of liabilities for those benefits, since Defined Contribution does not have liabilities associated with the benefits.

Adopted a Hybrid Plan for New Hires

Multiplier:

Vesting:

FAC:

Normal Retirement Age:

Once the benefit structure is established, the defined benefit portion may not be increased and is not subject to collective bargaining.

Yes (MERS only) No

Effective Date:

The long term impact of implementing a Hybrid Plan for new hires is that it reduces the future liability accrual because future benefits will be lower, and potentially less expensive, than the previous benefits.

Bridged the Multiplier for Active Employees

Bridged from: _____ multiplier

Bridged to: _____ multiplier

Final Average Compensation used: (check one)

Frozen (biggest impact) Termination

Effective Date:

The impact for bridging a multiplier for active employees is immediate and not only reduces future liabilities, but also may reduce existing liabilities. Past service remains at the previous multiplier and all future service accrues at the new, reduced multiplier. New hires would receive the new bridged multiplier.

STRATEGY

Contributed the Annual Required Contribution to Fund the Plan

IMPACT

The actuarial determined minimum contribution is comprised of two pieces: **Employer Normal Cost** (present value of benefits allocated to the current plan year less any employee contribution), and **Amortization Payment of Unfunded Accrued Liability** (payment to reduce any shortfall between liability for past service and assets). Making the required minimum payments into the plan contributes towards the unfunded accrued liability.

How will this action continue to be implemented and maintained?

The City will annually budget for the annual required contribution to fund the plan.

Contributed Above the Minimum Required Amount

Extra percentage above minimum:

Lump sum payment into plan:

Additional payments made into the plan go toward funding the unfunded accrued liability. In addition, those extra dollars are invested and have the ability to recognize market returns.

How will this action continue to be implemented and maintained?

3. PENSION UAL – NO ACTIONS TAKEN

NO ACTIONS HAVE BEEN TAKEN IN THE PAST

PLEASE EXPLAIN WHY NO ACTIONS HAVE BEEN TAKEN

N/A

4. OPEB UAL – ACTIONS TAKEN

You may have an OPEB UAL only if you offer retiree health insurance, or other post-employment benefits.

REPORT DESIGN CHANGES (CHECK ONE THAT APPLIES)

STRATEGY

Implemented Changes to Coverage Levels

Details:

Post 65 Year Olds - Transitioned from BCBS Traditional and PPO 1 plans to BSBS Medicare Advantage plan. Pre-65 Year Olds - Transitioned from BCBS Traditional, PPO 1, and HAP plans to BCBS Community Blue PPO 2 plan exclusively.

Effective Date: 07/01/2013

IMPACT

Implementing changes to coverage and benefit levels reduces the total liability of the plan.

Increased Co-Payments

Details:

All retirees transitioned to \$10/20/30 drug tier plan across the board. Prior to transition drug copays were \$1, \$3, \$5, \$5/10 and \$10/20/30.

Effective Date: 07/01/2013

Reduces the total liability of the plan.

Modified Eligibility

Reduces the total liability of the plan.

Details:

Effective Date:

Implemented Defined Contribution Style Health Care
(i.e. MERS Health Care Savings Program)

Eliminates OPEB liability for new hires. If active employees opt out, it reduces the current liabilities.

Check all that apply:

New hires

Offered conversion/incentive for employees
(actives or retirees) to opt out of retiree healthcare

Effective Date: 07/01/2013

Eliminated Retiree Health Insurance Coverage for New Hires

Eliminates OPEB liability for new hires.

Details:

Police and Fire new hires no longer eligible for retiree health insurance.

Effective Date: 07/01/2013

FUNDING (CHECK ALL THAT APPLY)

STRATEGY

Established a qualified medical trust - OPEB Trust
(i.e. MERS Retiree Health Funding Vehicle)

Contributions made to the Trust this year:

Balance in the Trust: _____

Effective Date:

IMPACT

Assets in a qualified medical trust can be used to offset OPEB liability.

How will this action continue to be implemented and maintained?

5. OPEB UAL – NO ACTIONS TAKEN

NO ACTIONS HAVE BEEN TAKEN IN THE PAST

PLEASE EXPLAIN WHY NO ACTIONS HAVE BEEN TAKEN

N/A

6. OTHER ACTIONS THAT DO NOT QUALIFY FOR EVIP

STRATEGY

Closed the Defined Benefit Plan and Issued a Pension Obligation Bond to Fund the Plan

Issued the bond at: (check one)

Actuarial Value Market Value

Bond Amount: _____

IMPACT

The proceeds of the bond are deposited and potentially will fully fund the unfunded accrued liability of the Plan. There is no guarantee that future unfunded liabilities may not occur.

How will this action continue to be implemented and maintained?

POLICIES/BEST PRACTICES (CHECK ALL THAT APPLY)

STRATEGY

Limited Final Average Compensation

Base wages only or (check all that apply)

Excluded or limited overtime

Excluded or limited PTO payouts

Excluded or limited sick leave payouts

IMPACT

Limiting what is included in someone's final average compensation reduces the benefit amounts, therefore decreasing total liability. It also mitigates Final Average Compensation (FAC) padding/spiking, which could lead to the immediate development of UAL.

Amortization of UAL – open DB Plan

Decreasing the period in which UAL is spread over expedites the payoff.

Current Amortization Policy:

15-PoliceFinalForm.doc years

Is this amortization shrinking?

Yes No

(MERS shrinks the amortization schedule by 1 year, every year)

Regular Actuarial Experience Study

Regularly performing an actuarial experience study provides Plan oversight, governance and due diligence to ensure experience is close to assumptions.

Last study performed: _____

Scheduled every _____ years

(MERS performs an experience study every 5 years)

Benefit Increases Policy

By limiting when benefit increases can be done, this reduces the risk of developing UAL due to granting benefit enhancements that have not yet been paid for and/or prefunded.

Required to be _____% funded

7. ACTIONS THAT MAY BE TAKEN

To reduce Unfunded Accrued Liability in the future, plan design modifications may be made for new hires, including: retirement eligibility and vesting requirements, multipliers, cost-of-living increases, removal of early retirement riders, and increases to the retirement age. In addition, plan changes could be made for new hires, including adopting a hybrid or defined contribution plan. For active employees, bridging the current multiplier to a lower multiplier for future service could also be implemented.

Funding strategies may also be made, including: contributing the annual required contribution to the plan (required by the State Constitution), and contributing more than the minimum required contribution.

Best practice policies include: limiting what is included in the final average compensation calculation, reviewing/reducing the amortization period to pay off unfunded liabilities, performing a regular actuarial Experience Study, and creating a policy on when benefit increases can be made.

If retiree healthcare is offered, and there is OPEB unfunded liabilities, future actions that could be taken include: plan design modifications (i.e. changes to coverage levels, increased co-payments, eligibility modifications), plan type changes (i.e. implementing a defined contribution style health care), and funding strategies (i.e. establishing an OPEB trust and funding it).

**City of Allen Park
OPEB Comparison Analysis**

Fiscal Year Ending 2012 - Valuation Date 12/31/2011	
Annual OPEB Cost	* 8,920,461.00
Employer Contributions - Costs paid for Retirees	3,146,929.00
OPEB Obligation - End of Year	20,792,374.00
Actuarial Accrued Liability	139,884,352.00
Amortization Period	30 years
Investment Rate Return	4.0%
Payroll Growth	4.0%
Actuarial Value of Assets	-
(no pre-funding at this time)	

Fiscal Year Ending 2013 (Interim Year)	
Interest on Net OPEB Obligation	* 831,695.00
Annual OPEB Cost	* 9,483,198.00
Employer Contributions - Costs paid for Retirees	3,154,563.00
OPEB Obligation - End of Year	27,121,009.00
Actuarial Accrued Liability	Not Reported
Amortization Period	30 years
Investment Rate Return	4.0%
Payroll Growth	4.0%
Actuarial Value of Assets	-
(no pre-funding at this time)	

Fiscal Year Ending 2014 - Valuation Date 12/31/13	
Annual OPEB Cost	** 5,796,433.00
Est. Employer Contributions - Costs paid for Retirees	3,400,000.00
OPEB Obligation - End of Year	29,517,442.00
Actuarial Accrued Liability	93,108,019.00
Amortization Period	30 years
Investment Rate Return	3.5%
Payroll Growth	2.0%
Actuarial Value of Assets	-
(no pre-funding at this time)	

Fiscal Year Ending 2015 - Interim Year	
Interest on Net OPEB Obligation	** -
Est. Annual OPEB Cost	** 5,782,378.00
Est. Employer Contributions - Costs paid for Retirees	3,300,000.00
OPEB Obligation - End of Year	31,999,820.00
Actuarial Accrued Liability	Not Reported
Amortization Period	30 years
Investment Rate Return	3.5%
Payroll Growth	2.0%
Actuarial Value of Assets	-
(no pre-funding at this time)	

Summary Schedule of Employer Contributions:					
Year Ending	2011	2012	2013	2014	2015
Annual OPEB Cost	8,240,408	8,920,461	9,483,198	5,796,433	5,782,378
Employer Contributions	-	3,146,929	3,154,563	3,400,000	3,300,000
Percentage Contributed	38.80%	35.30%	33.30%	58.70%	57.10%
Net OPEB Obligation	15,018,842	20,792,374	27,121,009	29,517,442	31,999,820

**City of Allen Park
Pension Comparison Analysis**

Fiscal Year Ending 2012 - Valuation Date 12/31/2011

Actuarial Cost Method	Entry Age
Amortization Method-Police/Fire	Level Percent
Amortization Method-General AFSCME	Level Dollar
Investment Rate Return	7.5%
Payroll Growth	4.0%
Asset Valuation Method	4-yr smoothed mkt.

Fiscal Year Ending 2013 - Valuation Date 12/31/2012

Actuarial Cost Method	Entry Age
Amortization Method-Police/Fire	Level Percent
Amortization Method-General AFSCME	Level Dollar
Investment Rate Return	7.5%
Payroll Growth	4.0%
Asset Valuation Method	4-yr smoothed mkt.

Fiscal Year Ending 2014 - Valuation Date 12/31/13

In Process

Police/Fire Union Contract changes effective 7/1/13 reduced the employer contribution rate from 36.53% to 29.78%, generating a savings of approx. \$ 601,045

The Union Contract changes included increases in eligibility age and years of service, 10% pay decreases and elimination of overtime wages in the pensionable wage calculation.

Summary Schedule of Employer Contributions:		
Year Ending	2012	2013
Annual Recommended Contributions	2,971,831	4,032,651
Employer Contributions	2,971,831	1,310,580 **
Percentage Contributed	100.00%	32.50%
Actuarial Accrued Liability	29,732,001	28,541,459

** In April, 2014, the City applied for a State loan to repay the unfunded employer contribution