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


1. MUNICIPALITY INFORMATION
   Local Unit Name: City of Hazel Park
   Six-Digit Muni Code: 632070
   Defined Benefit Pension System Name: City of Hazel Park Retirement System (MERS)
   Contact Name (Administrative Officer): Edward Klobucher
   Title if not Administrative Officer: City Manager
   Email: eklobucher@hazelpark.org
   Telephone: 248-546-4060

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. DESCRIBING 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**.

In 2006, the City moved to the **Municipal Employees’ Retirement System (MERS)** as a means to strengthen the City’s funding position and create a more consistent return on investment. For all new hires hired in after July 1, 2006, with additional modifications in July 2011, the system’s multipliers change for various unions: from 3.0 to 2.0 for Police; 2.8 to 2.0 for Fire; 2.2 to 2.0 for Clerical, which reduces to 1.5 when combined with social security; 2.2 to 2.0, which reduces to 1.5 when combined with social security for Teamsters; and 2.2 to 1.5 for Dispatchers. See attachment 1-1 for further discussion.

- **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**.

- **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 meets all required obligations as determined by the **Municipal Employees’ Retirement System (MERS)**. All payments are made timely and in-full.

**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.

☐ 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.

☒ 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 Hazel Park continues to create innovative ways to raise revenues, while controlling expenditures. The City has proactively embraced the State’s position on medical marijuana, and in the spring of 2018, began to create ordinances and regulations to allow for aspects of the medical marijuana industry to be performed within city limits. See attachment 1-1 for further discussion.
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 Hazel Park
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**

☑ Attachment – 1
   Type of Document: This Corrective Action Plan Form (Required)

☑ Attachment – 1a
   Type of Document: Documentation from the governing body approving this Corrective Action Plan (Required)

☑ Attachment – 2a
   Type of Document: 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
   Type of Document: 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
   Type of Document: Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)

☐ Attachment – 5a
   Type of Document: 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
   Type of Document: 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

- **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

**Edward Klobucher**, 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 City of Hazel Park Retirement System (MERS) **(Insert Retirement Pension System Name) will achieve a funded status of at least 60% by Fiscal Year 2032 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 11.9.18
City of Hazel Park
Pension Retirement System (MERS)

Description of Prior Actions:

System Design Changes:

In 2006, the City moved to the Municipal Employees’ Retirement System (MERS) as a means to strengthen the City’s funding position and create a more consistent return on investment. For all new hires hired in after July 1, 2006, with additional modifications in July 2011, the system’s multipliers change for various unions; from 3.0 to 2.0 for Police; 2.8 to 2.0 for Fire; 2.2 to 2.0 for Clerical, which reduces to 1.5 when combined with social security; 2.2 to 2.0, which reduces to 1.5 when combined with social security for Teamsters; and 2.2 to 1.5 for Dispatchers. Additionally, the City lengthened the required number of years worked for vested employees, mandating an age-minimum for retirement for Clerical and Teamsters unions. Finally, the City has moved various employees to defined contribution and hybrid plans when possible.

On page 14 of the City’s 2017 annual valuation, Attachment-2a, it shows the City will be 60% funded under various rates of return by fiscal year 2032 and continues to increase in funding percentage until approximately 2041 when the City reaches 100%.

Category of Prospective Actions:

Other considerations:

The City of Hazel Park continues to create innovative ways to raise revenues, while controlling expenditures. The City has proactively embraced the State’s position on medical marijuana, and in the spring of 2018, began to create ordinances and regulations to allow for aspects of the medical marijuana industry to be performed within city limits. This has and will continue to bring in additional revenues to the City that the administration has indicated can be earmarked for additional pension payments, when appropriate and needed to meet funding requirements. This will allow the City to reach required funding status before the predicted fiscal year 2032. Additionally, the City meets with MERS representatives and union groups yearly to discuss creative ways to mitigate the growing pension costs, including bridging of benefits. The City holds the right to open any union contract to negotiate potential changes to the pension system.
CITY OF HAZEL PARK
RESOLUTION 11-18-004

PA 202 Corrective Action Plan

BE IT RESOLVED, that the City Council hereby approves the Corrective Action Plan for the City of Hazel Park Retirement System (MERS); and

RESOLVED: That the City Council hereby approves the Corrective Action Plan for the City of Hazel Park Retiree Health program; and

RESOLVED: That the City Manager is directed to implement the Corrective Action Plan consistent with legal authority.

Yea: Aubry, Holland, LeCureaux, Sullivan, Webb

Nays: None

Absent: None

Abstain: None

CERTIFICATE OF ADOPTION

I, James Finkley, Clerk of the City of Hazel Park do hereby certify that the foregoing is a true and complete copy of a Resolution duly made and passed by the Hazel Park City Council at a meeting held on the 13th day of November, 2018. In witness whereof I have hereto set my hand and affixed the seal of the City of Hazel Park this 13th day of November, 2018.

James Finkley
City Clerk
Notes:
All projected funded percentages are shown with no phase-in.

Notes:
All projected contributions are shown with no phase-in.