



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

September 28, 2018

**Notice of Approval**

Fiscal Year: 2017

Municipality Code: 340100

**Sent Via Email**

Ionia County Road Commission  
pohld@ioniacountyroads.org

Re: Retirement Waiver Application

Dear Administrative Officer or Designee:

Thank you for submitting your retirement waiver application(s) pursuant to Public Act 202 of 2017 (the Act). **Based upon review, your waiver application(s) for MERS of Michigan and Ionia County Road Commission has been approved.** The state treasurer has determined that the underfunded status is adequately being addressed by your local unit of government.

**Therefore, nothing is required of your local government at this time.** Thank you for your commitment to fiscal stability and continued compliance with the Act. We look forward to reviewing your report for Fiscal Year 2018. If you have any questions, please email our office at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov) or visit [Michigan.gov/LocalRetirementReporting](http://Michigan.gov/LocalRetirementReporting).

Sincerely,

Michigan Department of Treasury  
Local Retirement Reporting Team

# ROAD COMMISSION FOR IONIA COUNTY

1712 Boardman Ave. • Ionia, MI 48866 • Phone: (616) 427-1991 • Fax: (616) 427-9518

ALBERT A. ALMY

KARREN D. BOTA

ROBERT G. DUNTON

KEITH E. GASPER

CHARLES G. MINKLEY

DOROTHY G. POHL

PAUL A. SPITZNY, P.E.

## PUBLIC ACT 202 OF 2017 RESOLUTION FOR WAIVER APPLICATION

Motion by Commissioner Bota, supported by Commissioner Gasper, to adopt the following Resolution:

WHEREAS, the Ionia County Road Commission recognizes the requirements of Public Act 202 of 2017; and

WHEREAS, the Board of Ionia County Road Commissioners has completed the Michigan Department of Treasury, Protecting Local Government Retirement and Benefit Act Application for Waiver and Plan; Defined Benefit Pension Retirement Systems because we have already implemented substantial changes to our defined benefit system; and

WHEREAS, the Board of Ionia County Road Commissioners has committed to continuing to pay in the fund at the accelerated rate in order to be fully funded within 17 years;

THEREFORE, BE IT RESOLVED, that the Board of Ionia County Road Commissioners approves the Michigan Department of Treasury, Application for Waiver and Plan dated August 20, 2018.

Roll Call Vote:

Ayes: Gasper, Bota, Dunton, Almy

Nays: None

Absent: Minkley

Motion carried.

### CERTIFICATION

I, Dorothy G. Pohl, Clerk of the Board of Ionia County Road Commissioners, do hereby certify that the above and foregoing is a true and correct copy of an excerpt from the minutes of a meeting of said Board held on August 20, A.D., 2018, as appears of record in the office of said Board; that I have compared the same with the original and it is a true transcript therefrom.

IN WITNESS WHEREOF, I have hereunto set my hand at Ionia, Michigan, this 20<sup>th</sup> day of August A.D., 2018



Dorothy G. Pohl

Clerk of the Board

## Protecting Local Government Retirement and Benefits Act Application for Waiver and Plan: Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

### 1. MUNICIPALITY INFORMATION

Local Unit Name: Ionia County Road Commission Six-Digit Muni Code: 340100  
Defined Benefit Pension System Name: MERS of Michigan  
Contact Name (Administrative Officer): Dorothy G. Pohl  
Title if not Administrative Officer: Managing Director/Clerk  
Email: pohld@ioniacountyroads.org Telephone: 616-527-1700

### 2. GENERAL INFORMATION

**Application for Waiver and Plan:** This Application for Waiver and Plan may be filed by any local unit of government with at least one defined benefit pension retirement system that has triggered a preliminary review of underfunded status. In accordance with Public Act 202 of 2017 (the Act), if the state treasurer determines that the underfunded status is adequately being addressed by the local unit of government, the state treasurer shall issue a waiver of the determination of underfunded status. If requesting a waiver, you must submit a separate and unique application for each underfunded retirement system as determined by the *2017 Retirement System Annual Report (Form 5572)*.

**Due Date:** The local unit of government has **45 days from the date of notification** to complete and file the Application for Waiver and Plan. Failure to file within 45 days will result in a determination of underfunded status for your local unit of government as defined by the Act, and your local unit of government will be required to submit a corrective action plan to the Municipal Stability Board for approval.

**Filing:** This Application for Waiver and 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 Application for Waiver and 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 denial of the waiver application.

The completed application must be submitted via email to [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov). **If you have multiple underfunded retirement systems, you are required to complete separate applications and send a separate email for each underfunded system.** Please attach each application 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: **Waiver-2017, Local Unit Name, Retirement System Name** (e.g. Waiver-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).

**Considerations for Waiver:** A successful Application for Waiver and Plan will demonstrate what your local unit has **already done** to adequately address its underfunded status. Prospective solutions will not be granted merit in determining the outcome of the waiver application (e.g. future amendments to collective bargaining agreements, upcoming millage proposals, potential budget changes, etc.). However, Treasury may consider additional ongoing funding dedicated to your retirement system if those commitments have been formally enacted by the governing body and can be documented. Section three of this waiver application allows the local unit of government to enter a brief description

of prior actions that have already been implemented to adequately address its underfunded status. For purposes of Sec. 6.(1) of the Act, this application will also be considered the plan.

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 actuarially determined contribution 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.

### 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.

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**.*

#### Enter System Design Statement here:

11/1/2016 - Closed DB to New hires and began an accelerated to 15-year amortization schedule. On page 13 of the attached annual actuarial valuation, it shows our funded ratio will be 60% by fiscal year 2030 and 100% by fiscal year 2035.

Increase in Employee contributions to MERS DB plan from 2% to 10% by 10/01/2020. Attachment 7a shows the MERS adoption agreement raising the Employee contribution rate to 8% for August 1, 2018. Page 16 of the current union contract (Attachment 7b) outlines Employee increase to 10% by 10/01/2020.

The Road Commission continues to make monthly payments to MERS at the higher no-phase in rate as the Employee contributions increase. Attachment 7c confirms payment of higher monthly payment.

- 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**.

**Enter Additional Funding Statement here:**

1. Since its original adoption in November 1991, our MERS plan has been extremely underfunded and still we were accepted by MERS to change from Aetna to MERS. Over the years, we followed all of the instruction and requirements from MERS regarding our annual contributions that their actuaries computed on a yearly basis. In 2006, we started questioning the assumptions being used and made the decision to send in more funds than MERS was requiring. The MERS actuaries were the "experts" and we did everything they told us to do. Attachment 7d shows the history of where this got us. The problem has grown over a long period and is going to take a long period to be resolved.
2. Per Policy (Attachment 5a) the Road Commission takes additional unplanned funds such as insurance refunds and audit adjustments and uses them to provided additional lump sum payments (totaling \$1,395,482 from 2010 -2017) to the MERS DB plan. These lump sum payments are in addition to the actuarially required contribution (ARC) of the system. Please see Attachment 5b which shows the breakdown of these lump sum payments.
3. 10/01/2017 the Road Commission established a Surplus Division with MERS into which all lump sum payments are deposited. This keeps the ARC higher as those lump sum payments are not used to calculate ARC. Please see page 17 of the attached annual actuarial valuation which shows breakdown of general and surplus account.

**Other Considerations** – Other considerations may include the following: outdated Form 5572 information, enterprise fund revenue considerations, 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**.

**Sample Statement:** **50%** of our retirement liabilities are attributable to employees within our enterprise divisions as shown in the attached analysis, yet we could not include enterprise revenue as part of our governmental funds. The attached analysis shows that our revenue ratio (ADC / Total Governmental Funds) would only be **5%** when including enterprise funds within the calculation.

**Enter Other Considerations Statement here:**

If Road Commission was considered primary unit of government, percentage ARC/Governmental funds would be 5.1%. Please refer to PA 202 form 5572 for 2017 submitted to you previously for this percentage.

**4. DOCUMENTATION ATTACHED TO THIS WAIVER APPLICATION AND PLAN**

Documentation must be attached as a .pdf to this waiver application. The documentation must demonstrate the prior actions that have already been implemented to adequately address the local unit of government's underfunded status. Please ensure this documentation directly supports and highlights the systems funded ratio as entered in section three of the waiver application above. Please check all documents that are included as part of this application 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".

Continued on Page 4.

**Naming Convention**

**Type of Document**

- Attachment – 1
- Attachment – 1a
- Attachment – 2a
- Attachment – 3a
- Attachment – 4a
- Attachment – 5a
- Attachment – 6a
- Attachment – 7a

**This Waiver Application and Plan (Required)**

**Documentation from the governing body approving the Waiver Application and Plan (Required)**

Actuarial Analysis (annual valuation, supplemental valuation, projection)

Internally Developed Projection Study

Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).

Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)

A plan that the local unit has already approved to address its underfunded status, which includes documentation of prior actions and the positive impact on the system's funded ratio

Other documentation, not categorized above

**5. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF WAIVER APPLICATION AND PLAN**

I Dorothy G. Pohl, as the government's administrative officer (enter title) Managing Director/Clerk (Ex: City/Township Manager, Executive director, Chief Executive Officer, etc.) approve this Application for Waiver and Plan. We are requesting a waiver of underfunded status, because we have already implemented substantial changes to our retirement system as described above.

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

The Retirement Pension System listed below will achieve a funded status of at least 60% by the Fiscal Year listed below.

Retirement Pension System Name: MERS of Michigan Fiscal Year: 2030

Signature: Dorothy G. Pohl

Date: 8-27-2018