



CITY OF ISHPEMING, MICHIGAN

100 East Division Street • Ishpeming, Michigan 49849 • 906-485-1091

MERS Pension Corrective Action Plan (CAP)

Muni-code 522010

Attachment – 5a

Name of Systems	Type of System	Assets	Liabilities	Funded Ratio	ADC	Revenues	ADC/Revenue	CAP Required?
MERS	Pension	\$ 8,482,340	\$16,329,953	51.9%	\$565,838	\$5,619,217	13.3%	Yes
Act 345	Pension	\$ 4,420,761	\$ 6,464,961	68.4%	\$181,160		13.3%	No
TOTAL		\$12,903,101	\$22,794,914		\$746,998	\$5,619,217	13.3%	

Source: Michigan Department of Treasury form 5572 filed for fiscal year 2017 and the City of Ishpeming's unfunded MERS liability is from the City's Audited Financial Statement as of December 31, 2017.

Criteria:

Per Public Act 202 of 2017, 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. The City of Ishpeming received a letter from the Michigan Department of Treasury dated October 1, 2018, stating the City of Ishpeming "is determined to be in underfunded status as defined by MCL 38.2803." Per the above table, as reported on Michigan Department of Treasury Form 5572 filed for fiscal year 2017, the Municipal Employees' Retirement System of Michigan (MERS) is determined to be underfunded, and a corrective action plan must be submitted within 180 days from the date of notification.

Per www.michigan.gov/msb, "Public Act 202 of 2017 requires the Governor to establish a Municipal Stability Board (MSB) to review corrective action plans. Local units of government whose defined benefit retirement systems (both pension and retirement health care) have been determined underfunded by the Treasurer will be required to submit a corrective action plan to the MSB if a waiver is not issued. Corrective action plans may include the development and implementation of corrective options for the local unit of government to address its underfunded status. The MSB will review and vote on the approval of a corrective action plan submitted by local units of government.

The board consists of all of the following members who are appointed by the Governor:



*The City of Ishpeming is an equal opportunity provider/employer.
Auxiliary aids and service are available upon request to individuals with disabilities.*

1
HOME OF THE U.S. SKI AND SNOWBOARD HALL OF FAME

1. One resident of this state representing state officials (serves as Chair)
2. One resident of this state representing local officials
3. One resident of this state representing employees and retirees

The MSB will also monitor each underfunded local unit of government's compliance with the Act, including its adherence to the corrective action plan. At least every two years, the MSB must certify the local unit is in substantial compliance with the Act, if the MSB determines that an underfunded local unit of government is not in substantial compliance, the MSB shall within fifteen days provide notification and report to the local unit of government detailing the reasons for the determination of non-compliance with the corrective action plan. Finally, the Act also requires the MSB to review and annually update a list of best practices and strategies that will assist an underfunded local unit of government in developing a corrective action plan."

Management, in following the Corrective Action Plan Development: Best Practices and Strategies established by the Municipal Stability Board offer the following MERS pension corrective action plan for City Council approval.

1. **Prior Changes Made** (by category of Modern Plan Design, Plan Funding, and Other Considerations):
 - Modern Plan Design:
 - i. The current city manager, along with every city manager dating back to July 2006, has been in a defined contribution plan, but the paperwork had never been submitted to MERS to officially remove the city manager position from the defined benefit pension. On December 5, 2018, the City of Ishpeming Council officially approved removing the city manager position from MERS, and the attached Defined Benefit Plan Adoption Agreement was submitted to MERS. (see Appendix A).
 - Plan Funding:
 - i. One best practice for amortization is to implement a closed amortization period of no more than 20 years. Per the MERS Summary of Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method as of December 31, 2017, "beginning in the December 31, 2016 annual actuarial valuation, the different sources of UAL are amortized over separate closed amortization periods as shown in the table that follows, unless the remaining period on the Initial UAL is longer in which case the longer period is used.

Amortization Periods for Sources of Unfunded Accrued Liability (UAL)
(First Applicable to the December 31, 2016 Annual Actuarial Valuation)

Amortization Period ¹	
Source of UAL	Open Divisions
Initial UAL	21 years ²
Future Active and Inactive Plan Amendments	10 years ³
Future Liability and Asset Gain or Loss	15 years
Future Assumption or Method Changes	15 years
Future Early Retirement Incentives	5 years ³

1-A shorter amortization period may be suggested for poorly funded divisions (subject to MERS CEO and actuary discussion).

2-25 years in the year a municipality first joins MERS, subject to CEO and actuary discussion.

3-Only applies to divisions that are over 100% funded before and after the benefit provision change."

- ii. The City of Ishpeming has always funded, and continues to fund, its annual required contribution, which pays the expected costs of all promised benefits for the annual service cost of active employee benefits plus any unfunded actuarial accrued liabilities.
- iii. In the City of Ishpeming's fiscal year 2019 budget, City Council assigned \$26,458 of fund balance from an insurance dividend received that will be used to make an additional payment to MERS in 2019 above and beyond the annual required contribution **(see Appendix B)**.
- iv. On December 6, 2017, the City of Ishpeming signed letters of agreement with the three Chapter of Local 1282 Michigan Council 25 AFSCME, AFL-CIO unions agreeing that any healthcare savings seen by these union divisions for 2018 shall be used to pay down on the unfunded liability of the MERS pension plan. The savings will not be calculated and known until April 2019 after the 90 day run out on claims processing, but the payment could fall within an estimated range of \$10,000 - \$20,000. **(see Appendix C)**.
- v. The City of Ishpeming has been increasing its employee member contribution rates. The maximum member contribution rate allowed by MERS is 10%.
 - 1. The Division 1 – Clerical & Public Works member contribution rate was 5.35% in 2015, and, under the existing contract, the rate has been increasing annually by 0.02% to its current level of 5.43% to date.
 - 2. The Division 10 – Supervisory member contribution rate has increased from 5% on 10/01/1992 to 7.51% on 05/01/2000 where it remains to date.
 - 3. The Division 11 – Union/Supervisor member contribution rate of 9.70% was established on 05/01/2000 and remains at that rate to date.

- Other Considerations:
 - i. The City of Ishpeming had two enterprise funds as of the fiscal year ended December 31, 2017, that were responsible for approximately 36% of the MERS liability. By not allowing the City of Ishpeming to include the revenue for these enterprise funds on form 5572, the City of Ishpeming is overstating its percentage of ADC to revenues. If the revenues for these funds were included, the ADC to revenues percentage would be reduced from the reported 13.3% down to 7.9%, which would remove the City from the underfunded list. **(see Appendix D)**

2. **Prospective Actions** (by category of Modern Plan Design and Plan Funding):

- Modern Plan Design:
 - i. The existing union contracts do not expire until December 31, 2019; however, the City of Ishpeming held several meetings with the three Chapters of Local 1282 Michigan Council 25, AFSCME, AFL-CIO unions between August 2018 and February 2019 discussing options for reducing the MERS unfunded liability. While no agreement was able to be reached, the following is a summary of the items discussed.
 1. At the October 25, 2018, special council meeting, council approved sending a letter **(see Appendix E)** to the three Chapters of Local 1282 Michigan Council 25, AFSCME, AFL-CIO unions requesting to bridge the MERS plan multiplier from 2.5 to 2.0 and to freeze the final average compensation (FAC). MERS projected these changes would reduce the annual required contribution by \$102,756 per year as follows:

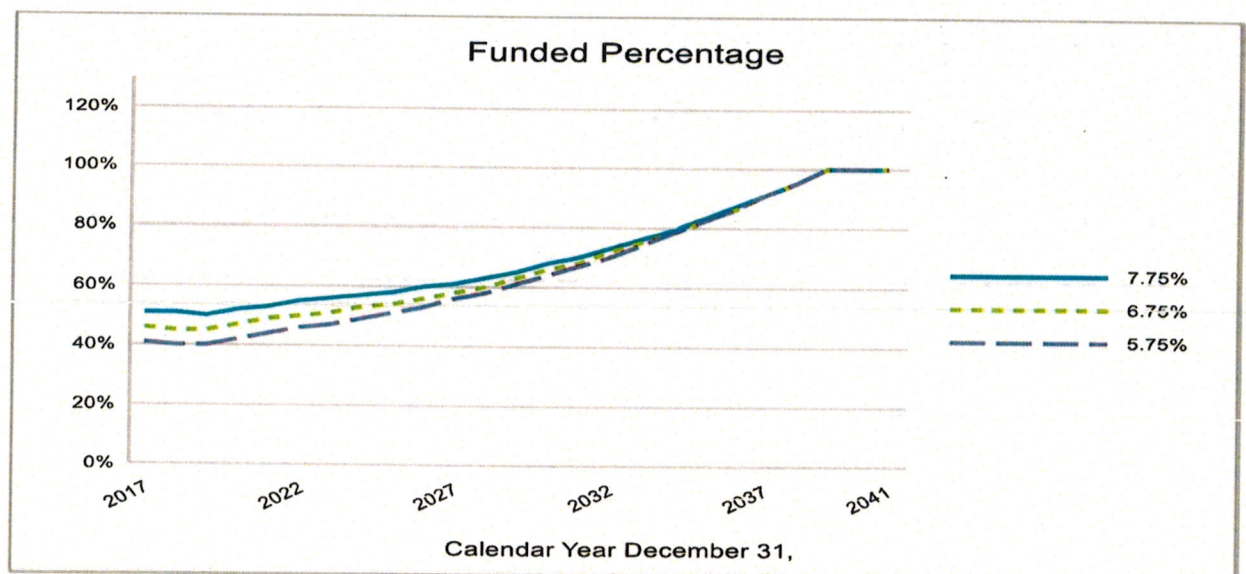
City of Ishpeming (5204) – Divisions 01, 10, 11
Bridge to a 2.0% Multiplier (Frozen FAC) Effective 1/1/2019

Estimated Employer Contribution for the Fiscal Year Beginning in 2019 Division	Current Benefits	Proposed Benefits	Difference
01	\$473,400	\$394,692	(\$78,708)
10	\$92,376	\$80,352	(\$12,024)
11	\$153,216	\$141,192	(\$12,024)
Total	\$718,992	\$616,236	(\$102,756)

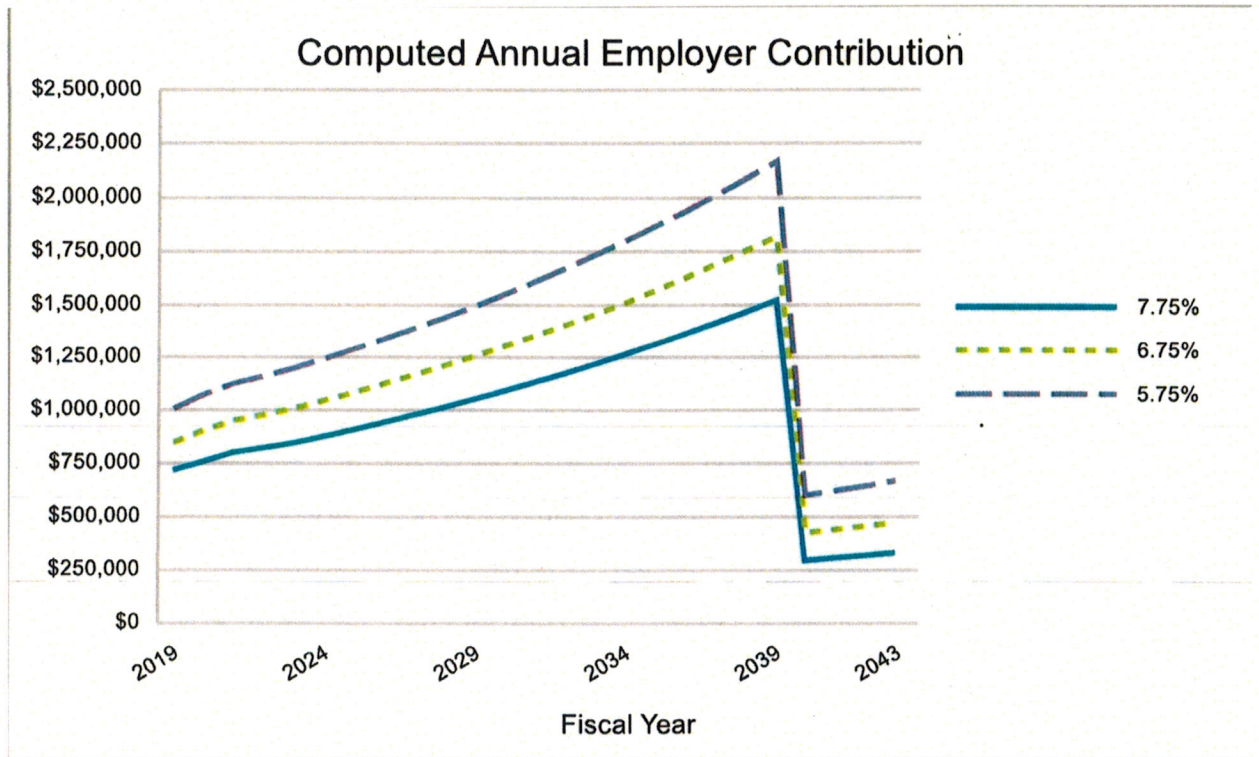
2. At the October 25, 2018, special council meeting, council approved sending a letter **(see Appendix F)** to the three Chapters of Local 1282 Michigan Council 25, AFSCME, AFL-CIO unions requesting to close the MERS defined benefit plan to new hires with the future new hires being enrolled in a MERS defined contribution plan. In the Estimated Projected Employer Contributions and Funded Ratios chart **(see Appendix G)**, MERS

projects that closing the plan to new hires will move the funded ratio to 100% by 2038, and the ARC will peak in 2036 rather than 2040.

3. On December 18, 2018, the three Chapters of Local 1282 Michigan Council 25, AFSCME, AFL-CIO unions countered the two Proposed Letters of Agreement authorized by council on October 25, 2018, as stated in 1 and 2 above, requesting new hires remain in the MERS defined benefit plan with new hires receiving the B-2 with a 2.0 multiplier and the employee member contribution for Division 01 – DPW & Clerical union would increase from 5.43% to 7.0%. At the January 22, 2019, special council meeting, council made a motion to remain firm on closing the MERS defined benefit plan to new hires and to enroll future new hires in a MERS defined contribution plan with an employer contribution of 7%. No acceptance has been made by the unions to date.
 - ii. As no agreement was reached outside of the existing contract period, on February 18, 2019, the City of Ishpeming sent letters (see Appendix H) to the three Chapters of Local 1282 Michigan Council 25, AFSCME, AFL-CIO unions requesting entering negotiations early to have the next union contracts settled well prior to the expiration date of December 31, 2019. Without disclosing the City of Ishpeming's negotiating strategy, it is the intent of the City of Ishpeming to continue to pursue closure of the MERS defined benefit plan to new hires and to enroll future new hires into a MERS defined contribution plan. The City of Ishpeming will also seek to negotiate other options to establish a modern plan design that will assist in reducing the MERS unfunded liability.
- Plan Funding:
 - i. MERS projects in the 12/31/2017 actuarial report that the City of Ishpeming defined benefit plan will reach 60% funded as soon as 2027 and will be 100% percent funded by approximately 2040 as indicated in the following excerpted graph:



- ii. In relation to the Funded Percentage graph above, MERS has also provided a graph detailing the corresponding Annual Required Contributions (ARC) needed to meet those percentage targets (see below Computed Annual Employer Contribution graph). The ARC has increased from approximately \$225,000 in 2013 to approximately \$685,000 in 2019. Looking at the ARC projections, it becomes clear the City of Ishpeming's ARC will grow at a pace exceeding the growth in governmental revenues, which will put a strain on the City of Ishpeming's budget and eventually impact services to residents, unless actions are taken to slow the growth of the MERS unfunded liability.



- iii. Calculate amortization payments on a “level-dollar” amortization schedule through the use of pension obligation bonds. As shown in the graph above, the City of Ishpeming's ARC will grow at a rate unsustainable for the City of Ishpeming's future budget years. Issuing pension bonds seems like the most reasonable solution to fund the MERS pension plan by creating a stable, even payment for the City of Ishpeming as opposed to the increasing ARC above.
1. Public Act 575 of 2018 became effective on December 28, 2018, which allows a city, “by ordinance or resolution of its governing body, and without a vote of its electors, issue a municipal security under this section to pay an amount not to exceed the difference between 95% of the actuarial value of liabilities and 100% of the actuarial or market value of assets ...”
 2. On February 25, 2019, management began discussions with the City of Ishpeming's financial advisors. The City of Ishpeming currently has an “A”

bond rating as required by PA 575 of 2018, Sec. 518(11). On February 27, 2019, a request was made to MERS seeking an amortization schedule necessary to determine the projected net present value savings as required by PA 575 of 2018, Sec. 518(5)(e).

3. As required by PA 575 of 2018, Sec. 518(1), the defined benefit plan must, at a minimum, be closed to new hires in order to qualify for pension obligation bonds. As previously mentioned, the City of Ishpeming is planning on entering early negotiations with the unions and intends to negotiate through the collective bargaining process to close the MERS defined benefit plan to new hires in order to qualify for pension obligation bonds as an option.
4. The City of Ishpeming is also aware that if it qualifies to issue pension bonds, the MERS defined benefit pension plan assets and liabilities are subject to change, and the City of Ishpeming acknowledges that it is possible the unfunded accrued pension liability may increase after the issuance of the municipal security, thereby requiring the City of Ishpeming to make additional actuarially determined amortization payments to the defined benefit plan beyond the principal and interest payments due on the municipal security.

iv. Plan size: 72 members total:

MERS Defined Benefit Plan Participants as of December 31, 2017	
Active Employees	27
Vested Former Employees	4
Retirees and Beneficiaries	41
Total Participants	72

Corrective Action Plan Criteria: The following CAP approval criteria are met:

- **Underfunded Status:** The corrective action plan demonstrates it will reach the PA 202 established funding level of at least 60% funded as demonstrated by the internal analysis found in the CAP.
- **Reasonable Timeframe:** The corrective action plan demonstrates the local unit reaches the PA 202 established funding level of 60% within a reasonable timeframe (2027).
- **Legal and Feasible:** In section 7 of the corrective action plan template, the City of Ishpeming confirms that the plan is legal and feasible because the plan follows all applicable laws, the actions listed are feasible, and the plan is approved by the governing body.
- **Affordable:** The City of Ishpeming confirms in the CAP that the corrective actions listed will allow for the City to make, at a minimum, the annual required contribution payment according to the long-term budget forecast.

Supplemental Information: The City of Ishpeming provides the following supplemental information documenting actions taken and proposed and the impact of its plan changes and lump sum payments on the funding ratio:

1. Appendix A—Defined Benefit Plan Adoption Agreement removing the city manager position from the defined benefit plan.
2. Appendix B—Excerpt of the approved 2019 budget showing assigned funds of \$26,458 for an additional MERS contribution in 2019.
3. Appendix C—Three signed Letters of Agreement with the Chapters of Local 1282 Michigan Council 25 AFSCME AFL-CIO.
4. Appendix D – Revised Form 5572 with the inclusion of the fiscal year 2017 enterprise fund revenues.
5. Appendix E—Proposed Letter of Agreement sent to the three Chapters of Local 1282 Michigan Council 25 AFSCME AFL-CIO requesting bridging benefits for active employees from 2.5 down to 2.0 and freezing the FAC
6. Appendix F—Proposed Letter of Agreement sent to the three Chapters of Local 1282 Michigan Council 25 AFSCME AFL-CIO requesting closing the MERS defined benefit plan to new hires.
7. Appendix G—MERS graph of Estimated Projected Employer Contributions and Funded Ratios if the MERS defined benefit plan was closed to new hires.
8. Appendix H—Three letters dated February 18, 2019, sent to the three Chapters of Local 1282 Michigan Council 25 AFSCME AFL-CIO requesting to begin contract negotiations early.

Defined Benefit Plan Adoption Agreement



1134 Municipal Way Lansing, MI 48917 | 800.767.MERS (6377) | Fax 517.703.9711

www.mersofmich.com

The Employer, a participating municipality or participating court within the state of Michigan, hereby agrees to adopt and administer the MERS Defined Benefit Plan provided by the Municipal Employees' Retirement System of Michigan, as authorized by 1996 PA 220, in accordance with the MERS Plan Document, as both may be amended, subject to the terms and conditions herein.

I. Employer Name City of Ishpeming **Municipality #:** 5204

If new to MERS, please provide your municipality's fiscal year: _____ through _____.
Month Month

II. Effective Date

Check one:

A. ☐ If this is the **initial** Adoption Agreement for this group, the effective date shall be the first day of _____, 20____.

☐ This municipality or division is new to MERS, so vesting credit prior to the **initial** MERS effective date by each eligible participant shall be credited as follows (choose one):

- ☐ All prior service from date of hire
- ☐ Prior service proportional to assets transferred; all service used for vesting
- ☐ Prior service and vesting service proportional to assets transferred
- ☐ No prior service but grant vesting credit
- ☐ No prior service or vesting credit

☐ Link this new division to division number _____ for purposes of determining contributions (Unless otherwise specified, the standard transfer/rehire rules apply)

B. ☒ If this is an **amendment** of an existing Adoption Agreement (Defined Benefit division number 10), the effective date shall be the first day of July, 2006. Please note: You only need to mark **changes** to your plan throughout the remainder of this Agreement.

C. ☐ If this is a **temporary benefit** that lasts 2-6 months, the effective dates of this temporary benefit are from ____/01/____ through ____/____/____ for Defined Benefit division number _____.
Last day of month

Please note: You only need to mark **changes** to your plan throughout the remainder of this Agreement.

D. ☐ If this is to **separate employees** from an existing Defined Benefit division (existing division number(s) _____) into a new division, the effective date shall be the first day of _____, 20____.

E. ☐ If this is to merge division(s) _____ into division(s) _____, the effective date shall be the first of _____, 20____.

Defined Benefit Plan Adoption Agreement

III. Eligible Employees

Only those Employees eligible for MERS membership may participate in the MERS Defined Benefit Plan. A copy of ALL employee enrollment forms must be submitted to MERS. The following groups of employees are eligible to participate:

Supervisory Excluding City Manager [no longer covered by MERS plan]

(Name of Defined Benefit division – e.g. All Full Time Employees, or General after 7/01/13)

☐ Only retirees will be in this division.

To receive one month of service credit (check one):

☐ An employee shall work 10 _____ hour days.

☐ An employee shall work _____ hours in a month.

All employees as classified under eligible employees, whether full or part time, who meet this criteria must be reported to MERS. If you change your current day of work definition to be more restrictive, the new definition only applies to employees hired after the effective date.

To further define eligibility, check all that apply:

☐ **Probationary Periods** are allowed in one-month increments, no longer than 12 months. During this introductory period, the Employer will not report or provide service time for this period, including retroactively. Service will begin after the probationary period has been satisfied.

The probationary period will be _____ month(s).

☐ **Temporary employees** in a position normally requiring less than a total of 12 whole months of work in the position may be *excluded* from membership. These employees must be notified in writing by the participating municipality that they are excluded from membership within 10 business days of date of hire or execution of this Agreement.

The temporary exclusion period will be _____ month(s).

IV. Provisions

Valuation Date: _____, 20____

1. Review the valuation results

It is recommended that your MERS representative presents and explains the valuation results to your municipality before adopting. Please choose one:

☐ Our MERS representative presented and explained the valuation results to the _____

_____ on _____.
(Board, Finance Cmte, etc.) (mm/dd/yyyy)

☐ As an authorized representative of this municipality, I _____ (Name)

_____ waive the right for a presentation of the results.
(Title)

Defined Benefit Plan Adoption Agreement

This Adoption Agreement will be implemented in conjunction with a current actuarial valuation certified by a MERS actuary that sets contribution rates.

Annually, the MERS actuary will conduct an actuarial valuation to determine the employers' contribution rates. Employers are responsible for payment of said contributions at the rate, in the form and at the time that MERS determines.

2. Benefit Multiplier (1%-2.5%, increments of 0.05%) _____ % (max 80% for multipliers over 2.25%)

☐ Check here if multiplier will be effective for existing active members' future service only (Bridged Benefit as of effective date on page 1)

If checked, select one below:

☐ Termination Final Average Compensation (calculated over the members entire wage history)

☐ Frozen Final Average Compensation (FAC is calculated twice, once for the timeframe that matches the original multiplier, and once for the new multiplier)

3. Final Average Compensation (Min 3 yr, increments of 1 yr) _____ years

4. Vesting (5 -10 yrs, increments of 1 yr) _____ years

5. Required employee contribution (Max 10%, increments of 0.01%) _____ %

6. Compensation, for retirement purposes, is defined as base wages and may include any of the following (check any that are applicable):

- ☐ Longevity pay
- ☐ Overtime pay
- ☐ Shift differentials
- ☐ Pay for periods of absence from work by reason of vacation, holiday, and sickness
- ☐ Workers' compensation weekly benefits (if reported and are higher than regular earnings)
- ☐ A member's pre-tax contributions to a plan established under Section 125 of the IRC
- ☐ Transcript fees paid to a court reporter
- ☐ A taxable car allowance
- ☐ Short term or long term disability payments
- ☐ Payments for achievement of established annual (or similar period) performance goals
- ☐ Payment for attainment of educational degrees from accredited colleges, universities, or for acquisition of job-related certifications
- ☐ Lump sum payments attributable to the member's personal service rendered during the FAC period
- ☐ Other: _____
- ☐ Other 2: _____

Defined Benefit Plan Adoption Agreement

7. Normal Retirement Age: _____ (any age from 60 – 70)

8. Unreduced Early Retirement/Service Requirements:

<input type="checkbox"/> Age 50 – 54 _____ Service of either <input type="checkbox"/> 25 or <input type="checkbox"/> 30 years
<input type="checkbox"/> Age 55 – 65 _____ Service between 15 and 30 years _____
<input type="checkbox"/> Service only (must be any number from 20 – 30 years accrued service): _____
<input type="checkbox"/> Age + Service Points (total must be from 70 – 90): _____ points

9. Other

- ☐ Surviving Spouse will receive _____% of Straight Life benefit without a reduction to the participant's benefit
- ☐ Duty death or disability enhancement (add up to additional 10 years of service credit not to exceed 30 years of service)
- ☐ Deferred Retirement Option Program (DROP)
- ☐ Annuity Withdrawal Program (AWP)
- Calculation of the actuarial equivalent of the lump sum distribution made under AWP will be done using:
- ☐ Interest rate for employee contributions as determined by the Retirement Board, or
- ☐ MERS' assumed rate of return as of the date of the distribution.

10. Cost-of-Living Adjustment

<input type="checkbox"/> All current retirees as of effective date	<input type="checkbox"/> Future retirees who retire after effective date
<input type="checkbox"/> Retirees who retire between _____/01/_____ and _____/01/_____ (one time increase only)	
Increase of _____% or \$_____ per month	Increase of _____% or \$_____ per month
Select one: <input type="checkbox"/> Annual automatic increase <input type="checkbox"/> One-time increase	<input type="checkbox"/> Annual automatic increase
Select one: <input type="checkbox"/> Compounding <input type="checkbox"/> Non-compounding	Select one: <input type="checkbox"/> Compounding <input type="checkbox"/> Non-compounding
Employees must be retired _____ months (6-12 months, increments of 1 month)	Employees must be retired _____ months (6-12 months, increments of 1 month)

11. Service Credit Purchase Estimates are:

- ☐ Not permitted
- ☐ Permitted

Defined Benefit Plan Adoption Agreement

V. Appointing MERS as the Plan Administrator

The Employer hereby agrees to the provisions of this *MERS Defined Benefit Plan Adoption Agreement* and appoints MERS as the Plan Administrator pursuant to the terms and conditions of the Plan. The Employer also agrees that in the event of any conflict between the MERS Plan Document and the MERS Defined Benefit Plan Adoption Agreement, the provisions of the Plan Document control.

VI. Modification Of The Terms Of The Adoption Agreement

If the Employer desires to amend any of its elections contained in this Adoption Agreement, including attachments, the Governing Body or Chief Judge, by resolution or official action accepted by MERS, must adopt a new Adoption Agreement. The amendment of the new Agreement is not effective until approved by MERS.

VII. Enforcement

1. The Employer acknowledges that the Michigan Constitution of 1963, Article 9, Section 24, provides that accrued financial benefits arising under a public Employer's retirement plan are a contractual obligation of the Employer that may not be diminished or impaired, and prohibits the use of the Employer's required current service funding to finance unfunded accrued liabilities.
2. The Employer agrees that, pursuant to the Michigan Constitution, its obligations to pay required contributions are contractual obligations to its employees and to MERS and may be enforced in a court of competent jurisdiction;
3. In accordance with the Constitution and this Agreement, if at any time the balance standing to the Employer's credit in the reserve for employer contributions and benefit payments is insufficient to pay all service benefits due and payable to the entity's retirees and beneficiaries, the Employer agrees and covenants to promptly remit to MERS the amount of such deficiency as determined by the Retirement Board within thirty (30) days notice of such deficiency.
4. The Employer acknowledges that wage and service reports are due monthly, and the employee contributions (if any) and Employer contributions are due and payable monthly, and must be submitted in accordance with the MERS Enforcement Procedure for Prompt Reporting and Payment, the terms of which are incorporated herein by reference.
5. Should the Employer fail to make its required contribution(s) when due, the retirement benefits due and payable by MERS on behalf of the entity to its retirees and beneficiaries may be suspended until the delinquent payment is received by MERS. MERS may implement any applicable interest charges and penalties pursuant to the MERS Enforcement Procedure for Prompt Reporting and Payment and Plan Document Section 79, and take any appropriate legal action, including but not limited to filing a lawsuit and reporting the entity to the Treasurer of the State of Michigan in accordance with MCL 141.1544(d), Section 44 of PA 436 of 2012, as may be amended.
6. The Employer acknowledges that changes to the Employer's MERS Defined Benefit Plan must be made in accordance with the MERS Plan Document and applicable law, and agrees that MERS will not administer any such changes unless the MERS Plan Document and applicable law permit same, and MERS is capable of administering same.

Defined Benefit Plan Adoption Agreement

VIII. Execution

Authorized Designee of Governing Body of Municipality or Chief Judge of Court

The foregoing Adoption Agreement is hereby approved by Ishpeming City Council on
the 5th day of December, 2018.
(Name of Approving Employer)

Authorized signature: _____

Karl Lehman

Title: Mayor

Witness signature: _____

Cathy Smith

Received and Approved by the Municipal Employees' Retirement System of Michigan

Dated: _____, 20____ Signature: _____
(Authorized MERS Signatory)

City of Ishpeming
101-General Fund
 Change in Fund Balance
 December 31, 20XX

	2017 Actual	2018		2019 Approved Budget
		*Actual	Budget	
Revenue & Transfers In	\$ 3,275,463	\$ 2,724,801	\$ 2,883,003	\$ 2,829,199
Expense & Transfers out	(3,326,685)	(2,974,715)	(3,051,793)	(3,000,999)
Net Income/(Net Loss)	(51,222)	(249,914)	(168,790)	(171,800)
Beginning Fund Balance	936,884	885,662	885,662	716,872
Ending Fund Balance	\$ 885,662	\$ 635,748	\$ 716,872	\$ 545,072
Fund Balance Detail:				
Non-spendable	\$ 96,099	\$ 96,099	\$ 96,099	\$ 96,099 (1)
Restricted	-	960	960	960 (2)
Committed	-	-	-	- (3)
Assigned	33,000	33,000	33,000	59,458 (4)
Unassigned	756,563	505,689	586,813	388,555 (5)
Ending Fund Balance	\$ 885,662	\$ 635,748	\$ 716,872	\$ 545,072

(1) Inventory & Note Receivable from PCBM Management

(2) Restricted for Welcome Baskets

(3)

(4) \$33,000 CD required to be maintained for DEQ monitoring & \$26,458 assigned for additional MERS contribution

(5) Portion of Fund Balance available for utilization by the City

* - Not final as year-end adjustments not reflected

LETTER OF AGREEMENT
between
THE CITY OF ISHPEMING
and
THE CITY OF ISHPEMING SUPERVISORY EMPLOYEES
CHAPTER OF LOCAL 1282
MICHIGAN COUNCIL 25 AFSCME, AFL-CIO

RE: ARTICLE 32. HEALTH CARE INSURANCE

- This Agreement shall be non-precedent setting and for the year 2018;
- The plan shall remain the same as previous years;
- The plan shall be BCBSM Blue HRA PPO Gold

In 5000/20/1600
Out 10,000/40/3200
\$40 OV, \$40 Chiro (12)
\$60 Spec, \$60 UC, \$250 ER
\$20/\$60/50%/20%/25%
MOPD 3X - \$10

44 North Seamless HRA
In 250/10/1150
Out 500/30/4000
\$20 OV, \$20 Chiro (30)
\$20 Spec, \$20 UC, \$100 ER

Delta Dental
100/75/75 – 50% OS
\$1500 Annual Max Dental
\$1500 Lifetime Max Ortho
Ped Dental 100/80/50 - \$350/\$700

44 North VSP
Signature
12/12/12
\$10/\$25

- The City shall pay 100% of the premiums for 2018;

- The Union shall allow the City to eliminate the "True up" portion of the Healthcare "Wrap plan";
- All savings created by the 3 AFSCME bargaining units by eliminating the 2018 "True up" shall be used to pay down on the unfunded liability of the MERS pension plan.

FOR THE UNION:

FOR THE EMPLOYER:

John M. Thomas 12-8-17
Date

Joseph P. Judice 12-6-17
Date

[Signature] 12/7/17
Date

Jammie Leece 12-6-17
Date

Date

Date

Date

Date

JT/bes:iuoe324aficio

LETTER OF AGREEMENT
between
THE CITY OF ISHPEMING
and
THE CITY OF ISHPEMING CLERICAL EMPLOYEES
CHAPTER OF LOCAL 1282
MICHIGAN COUNCIL 25 AFSCME, AFL-CIO

RE: ARTICLE 35. HEALTH CARE INSURANCE

- This Agreement shall be non-precedent setting and for the year 2018;
- The plan shall remain the same as previous years;
- The plan shall be BCBSM Blue HRA PPO Gold

In 5000/20/1600
Out 10,000/40/3200
\$40 OV, \$40 Chiro (12)
\$60 Spec, \$60 UC, \$250 ER
\$20/\$60/50%/20%/25%
MOPD 3X - \$10

44 North Seamless HRA
In 250/10/1150
Out 500/30/4000
\$20 OV, \$20 Chiro (30)
\$20 Spec, \$20 UC, \$100 ER

Delta Dental
100/75/75 – 50% OS
\$1500 Annual Max Dental
\$1500 Lifetime Max Ortho
Ped Dental 100/80/50 - \$350/\$700

44 North VSP
Signature
12/12/12
\$10/\$25

- The City shall pay 100% of the premiums for 2018;

- The Union shall allow the City to eliminate the "True up" portion of the Healthcare "Wrap plan";
- All savings created by the 3 AFSCME bargaining units by eliminating the 2018 "True up" shall be used to pay down on the unfunded liability of the MERS pension plan.

FOR THE UNION:

FOR THE EMPLOYER:

John M. Thong 12-8-17
Date

Jodi Champion 12-8-17
Date

Date

Date

JT/bes:iuoe324aficio

Joseph Pfendner 12-6-17
Date

Jammi Leece 12-6-17
Date

Date

Date

Appendix C

LETTER OF AGREEMENT
between
THE CITY OF ISHPEMING
and
THE CITY OF ISHPEMING DPW EMPLOYEES'
CHAPTER OF LOCAL 1282
MICHIGAN COUNCIL 25 AFSCME, AFL-CIO

RE: ARTICLE 37. HEALTH CARE INSURANCE

- This Agreement shall be non-precedent setting and for the year 2018;
- The plan shall remain the same as previous years;
- The plan shall be BCBSM Blue HRA PPO Gold

In 5000/20/1600
Out 10,000/40/3200
\$40 OV, \$40 Chiro (12)
\$60 Spec, \$60 UC, \$250 ER
\$20/\$60/50%/20%/25%
MOPD 3X - \$10

44 North Seamless HRA
In 250/10/1150
Out 500/30/4000
\$20 OV, \$20 Chiro (30)
\$20 Spec, \$20 UC, \$100 ER

Delta Dental
100/75/75 – 50% OS
\$1500 Annual Max Dental
\$1500 Lifetime Max Ortho
Ped Dental 100/80/50 - \$350/\$700

44 North VSP
Signature
12/12/12
\$10/\$25

- The City shall pay 100% of the premiums for 2018;

- The Union shall allow the City to eliminate the "True up" portion of the Healthcare "Wrap plan";
- All savings created by the 3 AFSCME bargaining units by eliminating the 2018 "True up" shall be used to pay down on the unfunded liability of the MERS pension plan.

FOR THE UNION:

FOR THE EMPLOYER:

John M. Thomas 12-8-17
Date
J. Thomas 12-07-17
Date

Joseph P. Gardner 12-6-17
Date
Jimmie Lee 12-6-17
Date

Date

Date

Date

Date

JT/bes:iuoe324aficio

Public Act 202 of 2017 Pension Report

Enter Local Unit Name	City of Ishpeming
Enter Six-Digit Municipality Code	522010
Unit Type	City
Fiscal Year (four-digit year only, e.g. 2017)	2017
Contact Name (Chief Financial Officer)	James R. Lampman, CPA
Title if not CFO	Finance Director
CFO (or designee) Email Address	financedirector@ishpemingcity.org
Contact Telephone Number	(906) 485-1091 ext 210

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.

Pension System Name (not division) 1	MERS
Pension System Name (not division) 2	Policemen and Firemen Retirement System
Pension System Name (not division) 3	
Pension System Name (not division) 4	
Pension System Name (not division) 5	

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.

Line	Description	Source of Data	Statute Reference	System 1	System 2 Policemen and Firemen Retirement System	System 3	System 4	System 5
1	Provide the name of your retirement pension system	Most Recent Actuarial Valuation Report	Sec. 5(6)	MERS				
2	Enter retirement pension system's assets (system fiduciary net position ending)	Most Recent Audit Report	Sec. 5(4)(b)	8,482,340	4,420,761			
3	Enter retirement pension system's liabilities (total pension liability ending)	Most Recent Audit Report	Sec. 5(4)(b)	16,329,953	6,464,961			
4	Date (system year ending) of valuation of system's assets and liabilities (e.g. 12/31/2016)	Most Recent Audit Report	Sec. 5(6)	12/31/17	12/31/16			
5	Actuarially Determined Contribution (ADC)	Most Recent Audit Report	Sec. 5(4)(b)	565,838	181,160			
6	Governmental Fund Revenues	Most Recent Audit Report	Sec. 5(4)(b)	9,488,853	5,619,217			
7	Pension Trigger Summary							
8	Is this unit a primary unit (County, Township, City, Village)?	From Municipality		YES	YES	YES	YES	YES
9	Funded ratio	Calculated	Sec. 5(4)(b)	51.9%	68.4%			
10	All systems combined ADC/Governmental fund revenues	Calculated	Sec. 5(4)(b)	7.9%	13.3%	0.0%	0.0%	0.0%
11	Does this system trigger "underfunded status" as defined by PA 202 of 2017?	Primary unit triggers: Less than 60% funded AND greater than 10% ADC/Governmental fund revenues. Non-Primary unit triggers: 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. Act 202 of 2017 also requires the local unit of government to electronically submit the report to its governing body.

Revised to include enterprise fund revenues as follows:

Governmental fund revenues	\$5,619,217
Sewer fund revenues	\$1,886,858
Water fund revenues	\$1,982,778
Total revenues	<u>\$9,488,853</u>

Conclusion: The enterprise funds account for 36% of the MERS unfunded liability. Inclusion of the enterprise fund revenues results in an ADC/revenues of 7.9%, which does not then trigger underfunded status as defined by PA 202 of 2017.

Appendix E

Letter of Agreement

Between

The City of Ishpeming

And

The City of Ishpeming Employees

DPW, Clerical, Supervisor Chapters of Local 1282

MI Council 25, AFSCME, AFL-CIO

The parties agree that the City (also known as the "Employer") and the Union (also known as "Employees") agree to bridge the MERS plan, Divisions 01 and 11, multiplier from 2.5 to 2.0 and to freeze FAC, as of the date of this agreement.

For the Union:

For the Employer:

_____ date: _____

_____ date: _____

_____ date: _____

_____ date: _____

Letter of Agreement

Between

The City of Ishpeming

And

The City of Ishpeming Employees

DPW, Clerical, and Supervisor Chapters of Local 1282

MI Council 25, AFSCME, AFL-CIO

The parties agree that the City (also known as the "Employer") and the Union (also known as "Employees) agree to close the MERS plan, Divisions 01 and 11 to new employees hired after the date of this agreement.

For the Union:

For the Employer:

_____ date: _____

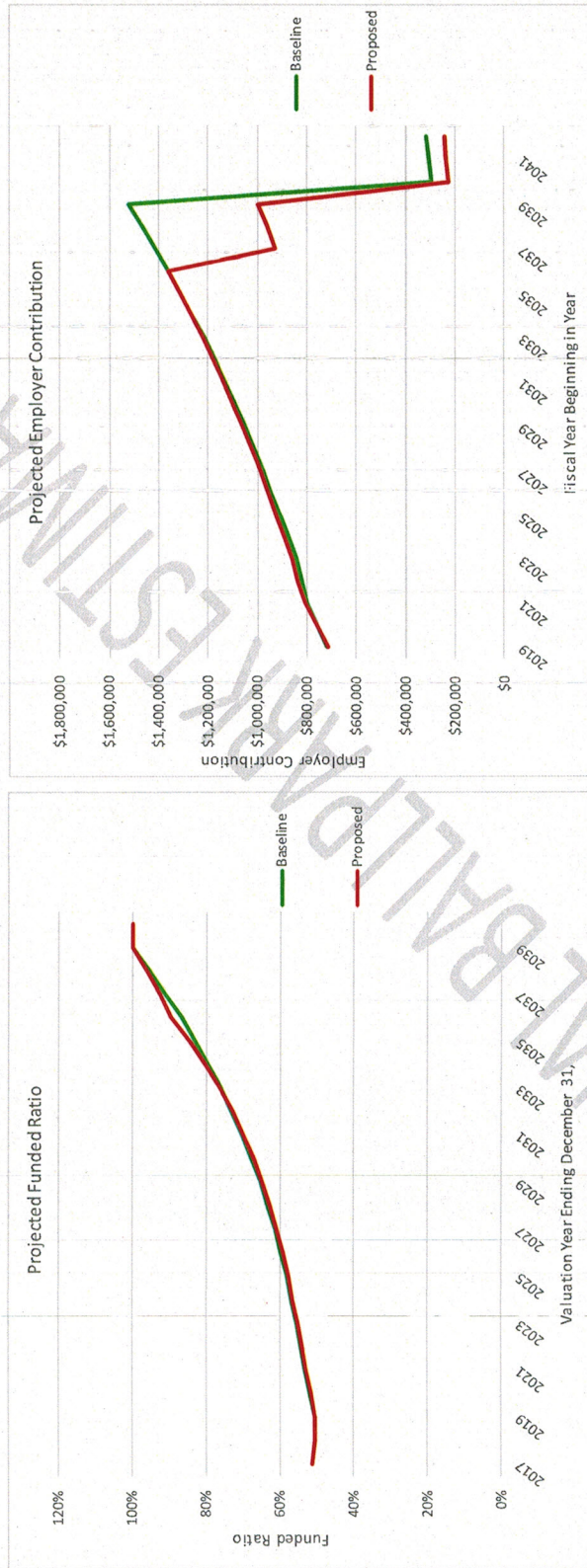
_____ date: _____

_____ date: _____

_____ date: _____

July 12, 2018

City of Ishpeming (5204) - Total of Divisions 01, 10, 11 Estimated Projected Employer Contributions and Funded Ratios

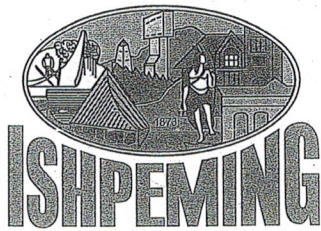


Baseline - Current Benefits

Proposed - Close DB to DC for new hires with 7% Employer DC Contribution (Option B Amortization for Divisions 10 and 11)

Ballpark Estimate Disclosure Statement

This document is not an actuarial report nor are the contribution amounts or rates certified by an actuary. The contribution amounts and rates in this document are estimates (not actual contribution amounts or rates) and are for illustrative purposes only. Neither the employer, nor any other party receiving or reviewing this document may rely on these calculations as indicative of future contribution amounts or rates. By requesting and accepting this document, the employer agrees that MERS shall have no liability arising out of the provision of these amounts and rates, and agrees to indemnify MERS for any liability arising from same due to the provision of this letter or any information therein to any other party or individual. Pursuant to MCL 38.1140h and Section 46 of the MERS Plan Document, there must be a supplemental actuarial analysis conducted before any proposed benefit change is implemented for any currently active or prior employees.



CITY OF ISHPEMING, MICHIGAN

100 East Division Street • Ishpeming, Michigan 49849 • 906-485-1091

February 18, 2019

Mr. John Thomas
Staff Representative
AFSCME Council 25
1034 N. Washington Avenue
Lansing, MI 48906

RE: City of Ishpeming Supervisory Employees Chapter of Local 1282

Dear Mr. Thomas:

The labor agreement between the City of Ishpeming and AFSCME Council 25 for Supervisory Employees will expire on December 31, 2019.

The City would like to begin negotiations early and have the next union contract settled well prior to the expiration date. Please contact the City Manager's office if AFSCME is agreeable and to set up dates.

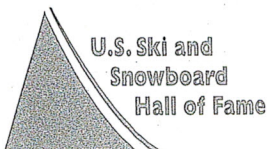
It has been past practice to have a couple of City Council members observe the negotiations. I assume this practice will continue, therefore, I need to coordinate the schedule with the Council representatives as well.

Sincerely,


Mark Slown
City Manager

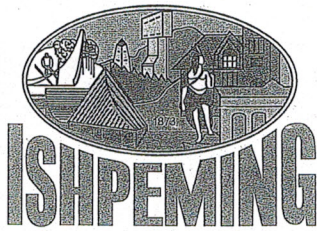
/cas

cc: City Council
Jesse Shirtz, Supervisory Union



*The City of Ishpeming is an equal opportunity provider/employer.
Auxiliary aids and service are available upon request to individuals with disabilities.*

HOME OF THE U.S. SKI AND SNOWBOARD HALL OF FAME



CITY OF ISHPERING, MICHIGAN

100 East Division Street • Ishpeming, Michigan 49849 • 906-485-1091

February 18, 2019

Mr. John Thomas
Staff Representative
AFSCME Council 25
1034 N. Washington Avenue
Lansing, MI 48906

RE: City of Ishpeming Clerical Employees Chapter of Local 1282


Dear Mr. Thomas:

The labor agreement between the City of Ishpeming and AFSCME Council 25 for the Clerical Employees will expire on December 31, 2019.

The City would like to begin negotiations early and have the next union contract settled well prior to the expiration date. Please contact the City Manager's office if AFSCME is agreeable and to set up dates.

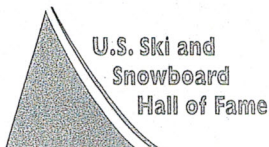
It has been past practice to have a couple of City Council members observe the negotiations. I assume this practice will continue, therefore, I need to coordinate the schedule with the Council representatives as well.

Sincerely,


Mark Slown
City Manager

/cas

cc: City Council
Jodi Champion, Clerical Union



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CITY OF ISHPEMING, MICHIGAN

100 East Division Street • Ishpeming, Michigan 49849 • 906-485-1091

February 18, 2019

Mr. John Thomas
Staff Representative
AFSCME Council 25
1034 N. Washington Avenue
Lansing, MI 48906

RE: City of Ishpeming DPW Employees Chapter of Local 1282

Dear Mr. Thomas:

The labor agreement between the City of Ishpeming and AFSCME Council 25 for the DPW Employees will expire on December 31, 2019.

The City would like to begin negotiations early and have the next union contract settled well prior to the expiration date. Please contact the City Manager's office if AFSCME is agreeable and to set up dates.

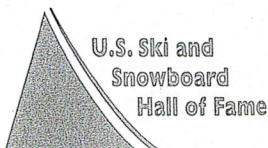
It has been past practice to have a couple of City Council members observe the negotiations. I assume this practice will continue, therefore, I need to coordinate the schedule with the Council representatives as well.

Sincerely,

Mark Slown
City Manager

/cas

cc: City Council
Jon Harnett, DPW Union



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HOME OF THE U.S. SKI AND SNOWBOARD HALL OF FAME