

BOARD OF TRUSTEES

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Gary Wall
Township Supervisor

5200 Civic Center Drive
Waterford, Michigan 48329-3773
Telephone: (248) 674-6201 Fax: (248) 674-5451
gwall@waterfordmi.gov

MEMO

DATE: March 18, 2019
TO: Waterford Township Board of Trustees
FROM: Gary Wall, Waterford Township Supervisor 
RE: Public Act 202 of 2017 Corrective Action Plan (CAP)

Public Act 202 of 2017 was titled 'Protecting Local Government Retirement and Benefits Act.' This act requires Waterford to report to the State Treasurer the status of its two pension systems and its retiree health care system. Form 5572 was filed on time and Waterford's pension systems both were found to be in compliance with the standards laid out in the public act. PA 202 requires a minimum 60% funded level standard for pension systems. Both of Waterford's Pension Systems are well above the minimum funded level. Additionally, both of these systems are closed to new hires.

In contrast, Waterford's Retiree Health Care System is only 6.1% funded. This category of employee benefits historically has been on a 'pay as you go' format and a trust to prefund this benefit was created in 2008. PA 202 requires this type of system to be funded at a 40% level to be in compliance with the standards laid out in the public act. Because the Retiree Health Care System is underfunded a Corrective Action Plan (CAP) needs to be submitted to the State of Michigan by the local governing body by the end of March 2019. To that end, we assembled a team of board members, finance staff, and outside professionals to assist with this study. Attached is Waterford's (CAP) along with State Form 5597. Additionally, you will see two actuarial projections. These projections were helpful in that they allowed the team to measure the status and direction of Waterford's system and the amount of change needed to put our municipality on a pathway to meet the new state guidelines.

As presented, this situation is very critical and needs to be addressed wholeheartedly. I feel that the Board should create a task force to meet throughout the year, every year, on this topic. This topic has and will continue to be an area of great financial importance to our municipality and deserves our utmost attention.

Recommended Board Action:

At this time, I would ask for a motion to approve Waterford's Corrective Action Plan (CAP) for the Retiree Health Care System as attached to this memo in conformance with Public Act 202 of 2017 and authorize the Township Supervisor to sign State Form 5597 on behalf of the Township Board.

With us there are no boundaries

March 26, 2019

To: Michigan Department of Treasury
From: Kim Markee, Waterford Township Clerk
Re: Waiver Application for Public Act 202 of 2017, Form 5597

At a regularly scheduled Waterford Township Board Meeting on March 25, 2019, the Trustees voted unanimously to authorize the Township Supervisor to sign The State of Michigan Form 5597. This form is being submitted to meet The State of Michigan's Corrective Action Plan (CAP) requirements for its health care system with respect to Public Act 202 of 2017.

By submitting the CAP form 5597, the Board acknowledges the financial requirements will continue to need additional resources and the utmost due diligence in the short, intermediate, and long term future to address this issue. A dedicated team has been diligently working on the plan, and will continue monitoring it as we go forward.

In advance of approved minutes being available I am providing this document to accompany the CAP for The Charter Township of Waterford.

Kindest Regards,



Kim Markee

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

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION

Local Unit Name: Waterford Township Six-Digit Muni Code: 631220

Retirement Health Benefit System Name: Post Retirement Health Care Fund

Contact Name (Administrative Officer): Gary Wall, Township Supervisor

Title if not Administrative Officer: _____

Email: bmillier@waterfordmi.gov and ddiederich@waterfordmi.gov Telephone: (248) 674-6209

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 retirement health benefit system that has been determined to have an underfunded status. Underfunded status for a retirement health system is defined as being less than 40% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annual required contribution (ARC) for all of the retirement health systems of the local unit of government is greater than 12% 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 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 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 40% 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 retirement healthcare systems will be less than 12% 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 OPEB)

Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

Municipal Stability Board: The 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) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

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. 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 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: Changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

Please see Attachment 6a

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

Sample Statement: *The local unit created a qualified trust to receive, invest, and accumulate assets for retirement healthcare on **June 23, 2016**. The local unit of government has adopted a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC). Additionally, the local unit has committed to contributing **\$500,000** annually, in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2022**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years.*

Please see Attachment 6a

- 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 **42%** as indicated on page **13**.*

Please see Attachment 6a

4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prospective actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local 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: Changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

Sample Statement: *The local unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system would be **40%** funded by **fiscal year 2020** if these changes were adopted and implemented by **fiscal year 2019**.*

Please see Attachment 6a

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

Sample Statement: *The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **\$500,000** annually in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2022**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years.*

Please see Attachment 6a

- 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 healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42%** by **2022** as shown in the attached actuarial analysis on page **13**.*

None

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Waterford Township to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

- Yes
 No
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

Type of Document

- | | |
|---|---|
| <input checked="" type="checkbox"/> Attachment – 1 | This Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input checked="" type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> Attachment – 5a | 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 |
| <input checked="" type="checkbox"/> Attachment – 6a | 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

Description

- | | |
|--|---|
| <input checked="" type="checkbox"/> Underfunded Status | Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues? |
| <input checked="" type="checkbox"/> Reasonable Timeframe | Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)? |
| <input checked="" type="checkbox"/> 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? |
| <input checked="" type="checkbox"/> Affordability | Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires 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

I, Gary Wall, as the government's administrative officer (insert title) Township Supervisor (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 Post Retirement Health Care Fund (Insert Retirement Healthcare System Name) will achieve a funded status of at least 40% by Fiscal Year 2048 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 retirement healthcare systems of _____ (Insert local unit name) will be less than 12% 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 _____

Gary Wall

Date _____

3/26/2019

**Waterford Township Retiree Health Trust
Projections -- Scenario 1: Baseline
Based on the December 31, 2016 Actuarial Valuation**

Requested By: Ms. Barb Miller
Assistant Budget Director

Date: February 27, 2019

Submitted By: Kenneth G. Alberts and Brad Lee Armstrong, ASA, EA, FCA, MAAA
Gabriel, Roeder, Smith & Company

Background

This report contains the results of projections of assets, benefits, liabilities and funded status. The future contributions shown in the projections are based on amounts provided by the township as possible contributions. The starting point of the projections is the results of the most recent funding valuation of the Retiree Health Trust, as of December 31, 2016.

The purpose of the projections is to show how the funded status and pay-as-you-go contributions might evolve over time if experience is exactly as assumed, in order to assist the Township in its efforts to review the funding policy and develop a corrective action plan to submit to the State Treasurer, as required by P.A. 202.

Valuation Data, Methods and Assumptions

The date of this valuation was December 31, 2016. Projections do not predict the result of future actuarial valuations or future experience. (Future activities can affect future valuation results in an unpredictable manner). Rather, projections give an indication of the trend of results based on certain projection assumptions.

The figures shown in this report should be used in conjunction with the December 31, 2016 actuarial valuation.

The projections start with the liability, normal cost and benefit stream calculations from the valuation and used roll forward techniques to model future results. Liabilities, normal costs and benefits streams were the same as those used in the December 31, 2016 valuation with the exception of the following:

- Liabilities, normal cost and benefit payments for the life insurance benefit were removed, since the Township indicated that the life insurance benefit was not part of the trust.

Assumptions and methods were the same as those used in the December 31, 2016 valuation. In particular:

The assumed rate of investment return was 6.50%.

The assumed rate of wage inflation was 2.50%.

The valuation method was the entry age actuarial cost method.

**Waterford Township Retiree Health Trust
Projections -- Scenario 1: Baseline
Based on the December 31, 2016 Actuarial Valuation**

The following special circumstances/assumptions were used specifically for the projections:

- No new hires were assumed to enter into the plan (only the Police group is open and the Township indicated there were no new hires between the valuation date and July 1, 2018 -- the date that the Township is required to start contributing at least normal cost for new hires).
- Future active member contributions were ignored (only the Police actives contribute to the plan and they currently only contribute 1% of pay).

Brad Lee Armstrong is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

A brief summary of the data used in this valuation is presented below.

Group	Number	Covered Pay	Average Age
Actives	223	14,194,380	47.4
Terminated Potentially Deferred	36	N/A	
Retirees and Beneficiaries	283	N/A	

Scenarios to project:

Scenario 1: Baseline -- Assumes no change in projected benefits and no change in current funding policy; (current funding policy assumes that the Township will continue to pay all benefits from sources outside the trust for the foreseeable future and will contribute some amounts in excess of the pay-go-benefit in the amounts provided by the Township).

Scenario 2: Alternate -- Assumes an across the board reduction in benefits of 5%; contributions (as provided by the Township) in excess of pay-go amounts for the next 5 years and paying some benefits from the trust after 5 years (initial amount is the amount of benefits in excess of \$9.8 million, adjusted annually).

Waterford Township Retiree Health Trust Projections Based on the December 31, 2016 Actuarial Valuation

Scenario 1: Baseline

	Actuarial Accrued Liability	Present Value of Future Normal Cost	Present Value of Future Benefits
From Report	153,892,087	23,588,021	177,480,108
Life Insurance	741,696	44,738	786,434
Net as of 12/31/2016	153,150,391	23,543,283	176,693,674
	Loaded		176,693,674

Assumed Earnings	6.50%	Projected Earnings	6.50%
Normal Cost Load	0.0000%	Price Inflation	2.50%
AAL Load	0.0000%	PVFB Test	5 PVFB Test
Benefit Load	0.01%		

Calendar Year	Projected Actuarial Accrued Liability BOY	Estimated Normal Cost	Estimated Benefit Payments	Calendar Year	Assets BOY	Contributions Above PayGo	Funded Status	Percent of Benefits Paid from Trust	Total Employer Contributes (PayGo Benefits + Contributes To Trust)	
									2018 \$	2019 Dollars
1	160,030,599	\$ 2,728,778	\$ 6,256,843	2018	\$ 13,729,495	\$ 1,258,200	8.58%	0.0%	\$ 6,256,843	\$ 6,256,843
2	166,791,666	\$ 2,670,693	\$ 6,816,678	2019	\$ 15,920,360	\$ 2,006,400	9.55%	0.0%	\$ 6,816,678	\$ 6,816,678
3	173,354,516	\$ 2,605,486	\$ 7,423,113	2020	\$ 19,025,765	\$ 1,031,250	10.98%	0.0%	\$ 7,423,113	\$ 7,423,113
4	179,650,825	\$ 2,522,346	\$ 8,062,894	2021	\$ 21,326,678	\$ 850,000	11.87%	0.0%	\$ 8,062,894	\$ 8,062,894
5	185,610,348	\$ 2,432,680	\$ 8,729,577	2022	\$ 23,590,102	\$ 750,000	12.71%	0.0%	\$ 8,729,577	\$ 8,729,577
6	191,176,697	\$ 2,331,316	\$ 9,502,346	2023	\$ 25,897,450	\$ 500,000	13.55%	0.0%	\$ 9,502,346	\$ 9,502,346
7	196,202,763	\$ 2,194,221	\$ 10,339,296	2024	\$ 28,096,778	\$ 350,000	14.32%	0.0%	\$ 10,339,296	\$ 10,339,296
8	200,550,319	\$ 2,023,948	\$ 11,091,672	2025	\$ 30,284,264	\$ -	15.10%	0.0%	\$ 11,091,672	\$ 11,091,672
9	204,228,304	\$ 1,839,786	\$ 11,710,774	2026	\$ 32,252,742	\$ -	15.79%	0.0%	\$ 11,710,774	\$ 11,710,774
10	207,316,399	\$ 1,676,966	\$ 12,328,377	2027	\$ 34,349,170	\$ -	16.57%	0.0%	\$ 12,328,377	\$ 12,328,377
11	209,799,832	\$ 1,514,288	\$ 12,919,017	2028	\$ 36,581,866	\$ -	17.44%	0.0%	\$ 12,919,017	\$ 12,919,017
12	211,667,273	\$ 1,353,762	\$ 13,447,575	2029	\$ 38,959,687	\$ -	18.41%	0.0%	\$ 13,447,575	\$ 13,447,575
13	212,944,971	\$ 1,213,896	\$ 14,129,026	2030	\$ 41,492,067	\$ -	19.48%	0.0%	\$ 14,129,026	\$ 14,129,026
14	213,458,130	\$ 1,097,533	\$ 14,674,085	2031	\$ 44,189,051	\$ -	20.70%	0.0%	\$ 14,674,085	\$ 14,674,085
15	213,322,065	\$ 995,437	\$ 15,193,098	2032	\$ 47,061,340	\$ -	22.06%	0.0%	\$ 15,193,098	\$ 15,193,098
16	212,536,178	\$ 884,998	\$ 15,717,922	2033	\$ 50,120,327	\$ -	23.58%	0.0%	\$ 15,717,922	\$ 15,717,922
17	211,043,625	\$ 784,265	\$ 16,083,951	2034	\$ 53,378,148	\$ -	25.29%	0.0%	\$ 16,083,951	\$ 16,083,951
18	208,972,363	\$ 707,025	\$ 16,259,326	2035	\$ 56,847,727	\$ -	27.20%	0.0%	\$ 16,259,326	\$ 16,259,326
19	206,505,772	\$ 635,978	\$ 16,447,384	2036	\$ 60,542,830	\$ -	29.32%	0.0%	\$ 16,447,384	\$ 16,447,384
20	203,611,460	\$ 574,806	\$ 16,293,066	2037	\$ 64,478,114	\$ -	31.67%	0.0%	\$ 16,293,066	\$ 16,293,066
21	200,625,144	\$ 472,133	\$ 16,237,352	2038	\$ 68,669,191	\$ -	37.04%	0.0%	\$ 16,237,352	\$ 16,237,352
22	197,448,715	\$ 396,647	\$ 16,083,763	2039	\$ 73,132,689	\$ -	40.11%	0.0%	\$ 16,083,763	\$ 16,083,763
23	194,192,618	\$ 315,874	\$ 16,262,773	2040	\$ 77,886,313	\$ -	43.51%	0.0%	\$ 16,262,773	\$ 16,262,773
24	190,626,217	\$ 253,201	\$ 16,125,675	2041	\$ 82,948,924	\$ -	47.35%	0.0%	\$ 16,125,675	\$ 16,125,675
25	186,559,907	\$ 184,851	\$ 16,166,275	2042	\$ 88,340,604	\$ -	51.61%	0.0%	\$ 16,166,275	\$ 16,166,275
26	182,306,091	\$ 138,623	\$ 16,295,297	2043	\$ 94,082,743	\$ -	61.85%	0.0%	\$ 16,295,297	\$ 16,295,297
27	177,663,344	\$ 115,817	\$ 16,303,252	2044	\$ 100,198,121	\$ -	68.03%	0.0%	\$ 16,303,252	\$ 16,303,252
28	172,537,961	\$ 93,230	\$ 16,169,174	2045	\$ 106,710,999	\$ -	75.03%	0.0%	\$ 16,169,174	\$ 16,169,174
29	167,047,683	\$ 74,922	\$ 16,029,991	2046	\$ 113,647,214	\$ -	82.98%	0.0%	\$ 16,029,991	\$ 16,029,991
30	161,315,596	\$ 60,317	\$ 15,902,906	2047	\$ 121,034,283	\$ -		0.0%	\$ 15,902,906	\$ 15,902,906
	155,335,664	\$ 60,317	\$ 15,902,906	2048	\$ 128,901,511	\$ -		0.0%	\$ 15,902,906	\$ 15,902,906

Waterford Township Retiree Health Trust Projections Based on the December 31, 2016 Actuarial Valuation

Scenario 2: Alternate

	Actuarial Accrued Liability		Present Value of Future Normal Cost		Present Value of Future Benefits	
	From Report	Life Insurance	Normal Cost	Loaded	Future Benefits	Future Benefits
Net as of 12/31/2016	153,892,087	741,696	23,588,021	44,738	177,480,108	786,434
	153,150,391		23,543,283		176,693,674	
						167,858,990

Assumed Earnings	6.50%	Projected Earnings	6.50%
Normal Cost Load	-5.0000%	Price Inflation	2.50%
AAL Load	-5.0000%	PVFB Test	
Benefit Load	-5.00%	22 PVFB Test	

Calendar Year	Projected Actuarial Liability BOY	Estimated Normal Cost	Estimated Benefit Payments	Calendar Year	Assets BOY	Contributions Above PayGo	Funded Status	Percent of Benefits Paid from Trust	Total Employer Contributes (PayGo Benefits + Contributes To Trust)	
									Future Dollars	2019 Dollars
1	152,029,631	2,592,399	5,943,407	2018	13,729,495	1,258,200	9.03%	0.0%	7,201,607	8,481,597
2	158,453,295	2,537,159	6,475,197	2019	15,920,360	2,006,400	10.05%	0.0%	8,481,597	7,885,368
3	164,888,749	2,475,212	7,051,252	2020	19,025,765	1,031,250	11.55%	0.0%	8,082,502	8,098,973
4	170,671,098	2,396,229	7,658,984	2021	21,326,678	850,000	12.50%	0.0%	9,042,268	8,396,645
5	176,333,618	2,311,046	8,292,268	2022	23,590,102	750,000	13.38%	0.0%	9,526,326	8,630,381
6	181,622,752	2,214,750	9,026,326	2023	25,897,450	500,000	14.26%	0.0%	9,921,350	8,769,027
7	186,398,764	2,084,510	9,821,350	2024	28,096,778	100,000	15.07%	0.0%	10,400,000	8,749,158
8	190,530,355	1,922,750	10,536,035	2025	29,396,511	-	15.41%	6.6%	10,660,000	8,749,158
9	194,026,019	1,747,797	11,124,123	2026	30,556,904	-	15.75%	6.5%	10,926,500	8,749,158
10	196,961,450	1,593,118	11,710,787	2027	31,513,027	-	16.00%	9.0%	11,199,663	8,749,158
11	199,322,627	1,438,573	12,271,839	2028	32,236,473	-	16.17%	11.0%	11,479,654	8,749,158
12	201,098,793	1,286,074	12,773,919	2029	32,771,086	-	16.30%	12.3%	11,766,645	8,749,158
13	202,314,892	1,153,201	13,421,232	2030	32,994,159	-	16.31%	14.5%	12,060,812	8,749,158
14	202,804,895	1,042,657	13,938,987	2031	32,980,220	-	16.26%	15.6%	12,362,332	8,749,158
15	202,678,350	945,665	14,432,000	2032	32,760,489	-	16.16%	16.4%	12,671,390	8,749,158
16	201,934,702	840,748	14,930,532	2033	32,328,063	-	16.01%	17.2%	12,988,175	8,749,158
17	200,519,964	745,052	15,278,226	2034	31,800,385	-	15.86%	17.1%	13,312,879	8,749,158
18	198,555,695	671,674	15,444,815	2035	31,359,531	-	15.79%	14.8%	13,645,701	8,749,158
19	196,216,105	604,179	15,623,452	2036	31,150,686	-	16.10%	9.3%	13,986,844	8,749,158
20	193,470,436	546,066	15,476,865	2037	31,687,323	-	16.62%	6.0%	14,336,515	8,749,158
21	190,637,603	496,818	15,423,942	2038	32,784,772	-	17.47%	3.8%	14,694,928	8,749,158
22	187,624,429	448,527	15,258,941	2039	34,314,763	-	18.60%	2.5%	15,062,301	8,749,158
23	184,535,842	376,815	15,278,047	2040	36,151,476	-	19.96%	0.0%	15,438,858	8,749,158
24	177,295,134	300,080	15,448,090	2041	38,501,321	120,999	21.72%	0.0%	15,824,830	8,749,158
25	173,259,699	175,609	15,356,426	2042	41,128,777	468,404	23.74%	0.0%	16,220,451	8,749,158
26	168,855,153	131,692	15,478,985	2043	44,285,535	741,466	26.23%	0.0%	16,625,962	8,749,158
27	163,992,510	110,026	15,486,541	2044	47,929,279	1,139,421	29.23%	0.0%	17,041,611	8,749,158
28	158,783,639	88,569	15,226,969	2045	52,220,552	1,682,432	32.89%	0.0%	17,467,651	8,749,158
29	153,345,483	71,176	15,226,969	2046	57,351,138	2,240,682	37.40%	0.0%	17,904,343	8,749,158
30	147,672,337	57,301	15,106,250	2047	63,391,320	2,798,092	42.93%	0.0%		
				2048						

Waterford Township Retiree Health Trust Projections Based on the December 31, 2016 Actuarial Valuation

Comments

Comment 1 — Projection results are based on assumptions and methods disclosed in the December 31, 2016 actuarial valuation. Future employer contribution amounts were provided by the Township.

Comment 2 — Both Retirement Systems adopted new assumptions effective for the respective December 31, 2017 pension funding valuation. We expect the Retiree Health Trust Board to adopt those assumptions for use with the December 31, 2018 Retiree Health Trust funding valuation. Projection results will be different under the different sets of assumptions.

Comment 3 — Asset values are based off the starting valuation as of December 31, 2017. No actual market experience after December 31, 2017 has been reflected in the assumptions.

Comment 4 — The alternate projection scenario shows the estimated projection results if future benefits are reduced 5% across the board. This is a general reduction and not determined by any specific change in benefits. In order to achieve this reduction, the Plan Sponsor would need to adopt benefit changes.

Comment 5 — Calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

Comment 6 — If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the authors of the report prior to making such decision.

Comment 7 — No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them.

Waterford Township Retiree Health Trust Projections Based on the December 31, 2016 Actuarial Valuation

Comments (Concluded)

Comment 8 — The reader of this report should keep in mind that actuarial calculations are mathematical estimates based on current data and assumptions about future events (which may or may not materialize). Please note that actuarial calculations can and do vary from one valuation year to the next. As a result, the cost impact of a benefit change may fluctuate over time, as the demographics of the group changes.

Comment 9 — This report is the result of 1) the development of a projection tool that allows GRS to vary certain inputs and shows projected results; 2) live scenario testing with the Township and certain Township advisors; and 3) certain decisions made during the live scenario testing.

**Charter Township of Waterford
Corrective Action Plan for Other Postemployment Benefits Plan**

3. Description of Prior Actions

System Design Changes

The Charter Township of Waterford (the "Township") has been negotiating with its bargaining units to close the other postemployment benefits (OPEB) plan to new hires and instead make them eligible for retiree health savings accounts. The OPEB plan was closed to general new hires as of 1/1/2016. For fire, the plan was closed to new hires as of 2/1/2012 and for dispatch, it was closed to new hires as of 7/4/2016. The only unit whose new hires are still eligible for the plan is police. The Township is currently in negotiations with that union group.

Additional Funding

In addition to funding benefit payments on a pay-as-you-go (paygo) basis, the Township has set aside an additional amount for OPEB each year beginning in 2000. A trust was created in 2008 and the contributions for that year (including all amounts set aside since 2000) was \$5,671,874. Since 2008, the Township has made the following contributions to the trust:

2009	\$33,500
2010	33,600
2011	29,200
2012	26,100
2013	34,300
2014	76,200
2015	535,000
2016	802,538
2017	851,400
2018	1,258,200

The Township has never made a withdrawal from the trust. As of 12/31/2018, total assets in the trust were \$13,729,495.

Other Considerations

A portion of the OPEB liability can be attributed to the employees of the Water and Sewer Fund, an enterprise Fund of the Township. It is estimated that the Township can use the resources of this fund to pay for 8-10% of the total OPEB costs. This has been factored into the prospective actions section below.

The Township has also made many plan design changes over the past 5 to 6 years including but not limited to changing to Medicare Advantage for retirees, changing to the Medicare Advantage Part D for prescriptions for retirees, and retiree health care mirroring.

4. Description of Prospective Actions

System Design Changes

The Township has formed a committee of elected officials, management, and third-party consultants to identify and analyze potential system design changes. The third-party consultants include benefits consultants, the Township's auditors, and our actuary. The committee has been meeting since December 2018. While it is too soon to disclose any planned changes, the Township is confident that significant cost-saving opportunities will be identified in the coming months. The Township will then pursue an implementation plan, including collective bargaining, when required.

The committee is also exploring revenue-generating options that would create additional resources that could be used for OPEB.

Additional Funding

The Township has worked with our actuary to devise a funding plan that achieves a 40% funding level within the next 30 years (Please see Attachment 2a. For purposes of the CAP, the Township is choosing to follow the second scenario laid out in this attachment). To the extent it is financially feasible, the Township will continue to make benefit payments on a paygo basis while making additional funding contributions to the trust. The projected contributions for the next six years are as follows:

2019	\$2,006,400
2020	1,031,250
2021	850,000
2022	750,000
2023	500,000
2024	100,000

The Township went to great lengths to ensure the projected contributions were financially feasible and consistent with the projections prepared by our budget department (See Attachment 6b for the Township's projection of the General, Police and Fire Funds. Additional OPEB contributions will be made by the Library, Parks and Recreation, and Water and Sewer Funds). As the paygo benefits increase, the Township is forced to reduce the additional funding contributions. For the years 2025-2041, the projected benefit payments are expected to exceed the Township resources available, so a portion of benefit payments are projected to be paid from the trust, but the trust assets are never fully depleted. It is projected that in 2042, benefit payments will subside to an amount that can be paid by the Township without using trust assets. At that time, the Township will resume making additional funding contributions to the trust. It is projected that by the end of 2048, the OPEB plan will be 43% funded.

The only projected change in the expenses/liability is an overall 5% reduction. The Township believes that this is a very conservative estimate based on the options being explored by the committee described above. Given the options identified by the committee are still being evaluated, the Township thought it was appropriate to include only a conservative estimate at this time. Details of the proposed decreases are not included in the CAP as they are subject to collective bargaining. Negotiations with certain units are currently underway and potential changes to other groups will be subject to future negotiations. The Township has chosen not to supply those details at this time to maintain the integrity of the bargaining process.

Waterford Township
Combined General, Fire, and Police (all amounts are in thousands of dollars)

	Projected future operating results				
	2018 (est)	2019	2020	2021	2022
Revenue					
Property taxes	\$ 18,955	\$ 19,580	\$ 20,109	\$ 20,591	\$ 21,044
Revenue from approved public safety SAD	-	6,231	6,400	6,553	6,697
Licenses and permits	539	552	566	580	595
Federal grants	3,434	3,436	3,438	3,440	3,443
State shared revenue and grants	6,241	6,397	6,557	6,721	6,889
Charges for service	10,599	11,098	11,622	12,171	12,746
Fines and forfeitures	1,360	1,394	1,428	1,464	1,501
Investment income	128	182	182	182	182
Special assessments	533	522	536	549	561
Other revenue	1,909	1,956	2,005	2,055	2,107
Total revenue	43,698	53,988	55,555	57,083	58,603
Expenditures					
Salaries and wages	20,848	21,264	21,689	22,123	22,565
Health insurance	3,172	3,267	3,365	3,466	3,570
Retirement	3,175	3,271	3,500	3,675	3,823
Retiree health insurance	5,737	6,081	6,506	7,157	8,015
OPEB contribution	-	775	825	681	601
FICA	1,597	1,630	1,670	1,710	1,750
All other personnel costs	2,677	2,744	2,812	2,883	2,955
All other operating costs	6,200	6,355	6,514	6,677	6,844
Transfers to other funds (netted)	565	855	700	600	450
Capital outlay/construction	765	1,450	1,600	1,450	1,450
Motor Pool	-	-	100	150	200
Additional public safety expenses	-	6,000	6,320	6,454	6,630
Debt service/issuance	192	132	132	134	92
Total expenditures	44,928	53,824	55,733	57,160	58,945
(Shortfall) Surplus	(1,230)	164	(178)	(77)	(342)
Fund Balance - Beginning of year	13,581	12,351	12,515	12,337	12,260
Fund Balance - End of year	\$ 12,351	\$ 12,515	\$ 12,337	\$ 12,260	\$ 11,918