

Economic Vitality Incentive Program / County Incentive Program
Category 3: Unfunded Accrued Liability Plan

1. MUNICIPALITY INFORMATION

Municipality Name: Shiawassee County
Fiscal Year: ending December 31, 2014
Pension UAL as reported in the most recent actuarial valuation: 23,140,736
Pension Funded Ratio: 61.9% No Pension UAL
OPEB UAL as reported in most recent valuation: 4,196,432
OPEB Funded Ratio: 0% No OPEB UAL

2. PENSION UAL – ACTIONS TAKEN

You may have a pension UAL only if you offer a defined benefit and/or a hybrid plan.

PLAN DESIGN CHANGES (CHECK IF APPLICABLE)

STRATEGY

Adopted a Lower Tier of Benefits for New Hires (check all that apply):

- Lowered multiplier from _____ to _____
- Removed Cost of Living Increases
- Removed Early Retirement Riders (i.e. 55/25, 50/25)
- Increased Vesting from _____ to _____
- Increased Normal Retirement Age from _____ to _____
- Other:

IMPACT

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

In May 2014 the Board of Commissioners approved a resolution to exempt temporary employees (hired for less than twelve months) from belonging to the retirement system. This limits the number of new hires that are entitled to the defined benefit plan in the future.

Also, for current and future employees, most defined benefit divisions opened after 1996 require an annual adoption of a Cost of Living Increase. The County discontinued approving annual COLAs after 2008 for these divisions.

FUNDING (CHECK ALL THAT APPLY)

STRATEGY

Contributed the Annual Required Contribution to Fund the Plan

IMPACT

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

How will this action continue to be implemented and maintained?

Shiawassee County annually funds the required contribution for our retirement plans.

We have also implemented employee contributions for new hires for some of our AFSCME, Probate Court Association, and Non Represented Employees. This is an ongoing process with our bargaining units.

While this does not affect the unfunded accrued liability, it does reduce the county portion of the cost.

Contributed Above the Minimum Required Amount

Extra percentage above minimum:

Lump sum payment into plan:
\$25,000

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

How will this action continue to be implemented and maintained?

The Shiawassee County Board of Commissioners approved an additional payment at the May 15, 2014 Board meeting. This payment will be submitted soon.

An annual analysis will be done to determine if a contribution above the minimum required amount will be made.

3. PENSION UAL – NO ACTIONS TAKEN

NO ACTIONS HAVE BEEN TAKEN IN THE PAST

PLEASE EXPLAIN WHY NO ACTIONS HAVE BEEN TAKEN

Shiawassee County is investigating changes to our retirement plan.

Discussions are in progress at the Board of Commissioners level to implement a hybrid plan for new hires. During the May 15, 2014 meeting, the Commissioners discussed implementation of this plan on the June 2014 Board of Commissioners agenda.

4. OPEB UAL – ACTIONS TAKEN

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

PLAN DESIGN CHANGES (CHECK ALL THAT APPLY)

STRATEGY

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

Contributions made to the Trust this year:
\$12,000

Balance in the Trust: In process of opening
Trust

Effective Date:

IMPACT

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

How will this action continue to be implemented and maintained?

The Shiawassee County Board of Commissioners approved the establishment of an OPEB governmental trust under section 115 of the Internal Revenue Code at the May 15, 2014 Board of Commissioners meeting. A payment was approved at the same meeting.

Annual analysis will be made to determine contributions to be made.

5. OPEB UAL – NO ACTIONS TAKEN

NO ACTIONS HAVE BEEN TAKEN IN THE PAST

PLEASE EXPLAIN WHY NO ACTIONS HAVE BEEN TAKEN

Shiawassee County does not offer county paid health insurance to all employees. Law Enforcement retirees are eligible for single coverage at County cost until they reach eligibility for Medicare. After Medicare eligibility, the employee pays full cost of continued County coverage.

We do offer all eligible retirees to continue coverage but the cost is paid by the retiree and not paid by the county.

We recognize this is a liability and do plan on continuing to address it in the future.

6. OTHER ACTIONS THAT DO NOT QUALIFY FOR EVIP

STRATEGY

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

Issued the bond at: (check one)

Actuarial Value Market Value

Bond Amount: _____

IMPACT

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

How will this action continue to be implemented and maintained?

POLICIES/BEST PRACTICES (CHECK ALL THAT APPLY)

STRATEGY

- Limited Final Average Compensation
- Base wages only or (check all that apply)
 - Excluded or limited overtime
 - Excluded or limited PTO payouts
 - Excluded or limited sick leave payouts

IMPACT

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

Amortization of UAL – open DB Plan

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

Current Amortization Policy:
26 years

Is this amortization shrinking?

Yes No

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

Regular Actuarial Experience Study

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

Last study performed: 2009

Scheduled every 5 years

(MERS performs an experience study every 5 years)

Benefit Increases Policy

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

Required to be 100 % funded

7. ACTIONS THAT MAY BE TAKEN

To reduce our unfunded accrued liability in the future, plan design modifications may be made for new hires, including: retirement eligibility and vesting requirements, multipliers, cost-of-living increases, removal of early retirement riders, and increases to the retirement age. In addition, plan changes are being investigated for new hires, including adopting a hybrid plan.

Best practice policies include investigating limiting what is included in the final average compensation calculation. Our retirement system (Municipal Employers Retirement System) has established policies such as reducing the amortization period to pay off unfunded liabilities, performing a regular actuarial experience study, and creating policies on when benefit increases can be made based upon funding levels.

Funding strategies may also be made for both the retirement unfunded accrued liability and the OPEB liability, including contributing more than the minimum required contribution.