

Economic Vitality Incentive Program/County Incentive Program Certification of Unfunded Accrued Liability Plan

Issued under authority of 2014 Public Act 34. Filing is mandatory to qualify for payments.

Each city/village/township/county applying for Unfunded Accrued Liability Plan payments must:

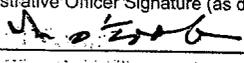
1. Certify to the Michigan Department of Treasury (Treasury) that the local unit listed below has produced and made readily available to the public, an Unfunded Accrued Liability Plan. The plan shall be made available for public viewing in the clerk's office or posted on a publicly accessible Internet site as required by 2014 Public Act 34.
2. Submit to Treasury an Unfunded Accrued Liability Plan, if selecting Option 1 of Part 2 below.

City/village/township: This certification, along with the Unfunded Accrued Liability Plan, **must be received by June 1, 2014**, to receive the June and August payments or on or before July 31, 2014, to receive the August payment. Post mark dates will not be considered. For questions, call (517) 373-2697.

County: This certification, along with the Unfunded Accrued Liability Plan, **must be received by June 1, 2014**, (or the first day of a payment month) in order to qualify for that month's payment. Post mark dates will not be considered. For questions, call (517) 373-2697.

PART 1: LOCAL UNIT INFORMATION			
Local Unit Name City of Escanaba		Local Unit County Name Delta County	
Local Unit Code 21-2010		Contact E-Mail Address jotoole@escanaba.org	
Contact Name James O'Toole	Contact Title City Manager	Contact Telephone Number (906) 786-9402	Extension
Website Address, if plan is available online www.escanaba.org			Date of Last Audited Financial Report 06/30/13

PART 2: STATEMENT OF UNFUNDED ACCRUED LIABILITIES
Indicate the option that pertains to your local unit:
<input checked="" type="checkbox"/> 1. Unfunded Accrued Liabilities Exist A local unit who has unfunded accrued liabilities pertaining to pensions or other post-employment benefits must attach a plan as required by 2014 Public Act 34.
<input type="checkbox"/> 2. No Unfunded Accrued Liabilities Exist A local unit who does not have any unfunded accrued liabilities pertaining to pensions or other post-employment benefits must provide, in the box below, an explanation of why the local unit does not have any unfunded accrued liabilities.

PART 3: CERTIFICATION	
<i>In accordance with 2014 Public Act 34, the undersigned hereby certifies to Treasury that the above mentioned local unit has produced an Unfunded Accrued Liability Plan and has made the plan available for public viewing in the city, village, township or county clerk's office, or has posted the plan on a publicly accessible Internet site. The Unfunded Accrued Liability Plan, if required, is attached to this signed certification.</i>	
Chief Administrative Officer Signature (as defined in MCL 141.422b) 	Printed Name of Chief Administrative Officer (as defined in MCL 141.422b) James O'Toole
Title City Manager	Date 05/01/14

Completed and signed form (including required attachment, if selected option 1) should be e-mailed to: TreasRevenueSharing@michigan.gov

If you are unable to submit via e-mail, fax to (517) 335-3298, or mail the completed form and required attachment (if selected option 1) to:

Michigan Department of Treasury
Office of Revenue and Tax Analysis
PO Box 30722
Lansing MI 48909

TREASURY USE ONLY		
EVIP/CIP Eligible Y N	Certification Received	EVIP/CIP Notes
Final Certification	Plan Received	

Economic Vitality Incentive Program / County Incentive Program

Category 3: Unfunded Accrued Liability Plan

City of Escanaba UAL Plan Overview

EVIP (for eligible cities, villages or townships) and CIP (for eligible counties) are revenue sharing packages for municipalities. They include three categories of eligibility, each with its own set of requirements and deadlines, and offering 1/3 of the total available incentive revenue. By June 1, 2014, you need to submit a plan to address your unfunded liability to Treasury for Category 3 of EVIP. This sample template is meant to assist you in documenting your plan.

When your plan is complete, submit it along with certification form 5074 to the Department of Treasury, using the contact information on the form. The form can be found at http://www.michigan.gov/documents/treasury/5074_434975_7.pdf.

1. MUNICIPALITY INFORMATION

Municipality Name: City of Escanaba

Fiscal Year: 2013/2014

Pension UAL as reported in the most recent actuarial valuation: \$21,489,094

Pension Funded Ratio: 62% and 69% No Pension UAL

OPEB UAL as reported in most recent valuation: N/A

OPEB Funded Ratio: N/A 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 3% to 2.5%
- Removed Cost of Living Increases
- Removed Early Retirement Riders (i.e. 55/25, 50/25)
- Increased Vesting from _____ to _____
- Increased Normal Retirement Age from none to 55
- Other:
Lowered COLA from 1.5% to 1.0%

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.

Effective Date: Fiscal 2012/2013

Adopted a Defined Contribution Plan for New Hires

Effective Date: Various 2005 - 2008

The long term impact of implementing Defined Contribution for new hires is that it eliminates the future accrual of liabilities for those benefits, since Defined Contribution does not have liabilities associated with the benefits.

Adopted a Hybrid Plan for New Hires

Multiplier:

Vesting:

FAC:

Normal Retirement Age:

Once the benefit structure is established, the defined benefit portion may not be increased and is not subject to collective bargaining.

Yes (MERS only) No

Effective Date:

Bridged the Multiplier for Active Employees

Bridged from: _____ multiplier

Bridged to: _____ multiplier

Final Average Compensation used: (check one)

Frozen (biggest impact) Termination

Effective Date:

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?

Escanaba has always contributed the actuarially required contributions and will continue to do so into the future.

Contributed Above the Minimum Required Amount

Extra percentage above minimum:

Lump sum payment into plan:

3. PENSION UAL

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

Implemented Changes to Coverage Levels

Details:

Effective Date:

Increased Co-Payments

Details:

Effective Date:

Modified Eligibility

Reduces the total liability of the plan.

Details:

Within the City's Public Safety Retirement Plan, eligibility was delayed to age 55. Eligibility was previously any age with 25 years service.

Effective Date: Fiscal 2012/2013

Implemented Defined Contribution Style Health Care

(i.e. MERS Health Care Savings Program)

Check all that apply:

- New hires
- Offered conversion/incentive for employees (actives or retirees) to opt out of retiree healthcare

Effective Date:

Eliminated Retiree Health Insurance Coverage

IMPACT

The elimination of OPEB liabilities improves the municipality's overall financial strength.

Details:

Retired employees could previously purchase health ins. at the employee rate. This practice was eliminated in 2011 and resulted in elimination of the associated OPEB liability.

Effective Date:

FUNDING (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: _____

Balance in the 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?

5. OPEB UAL – NO ACTIONS TAKEN

NO ACTIONS HAVE BEEN TAKEN IN THE PAST

PLEASE EXPLAIN WHY NO ACTIONS HAVE BEEN TAKEN

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

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:
30/25 _____ 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 Per MERS _____ years

(MERS last Experience Study was performed in 2009)

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 _____ % funded

7. ACTIONS THAT MAY BE TAKEN

Future actions are subject to the terms of collective bargaining agreements, but consideration will be given to excluding or limiting the amount of overtime and compensatory time which can be included in final average compensation.