

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Saginaw County Road Commission Six-Digit Muni Code: 730100

Retirement Health Benefit System Name: Saginaw County Road Commission OPEB Plan

Contact Name (Administrative Officer): Mike Girard

Title if not Administrative Officer: Director of Finance & Benefits

Email: girardm@scrc-mi.org

Telephone: (989) 399-3759

#### 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](mailto: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**.*

1. Benefit levels of the retired membership mirrors the current collective bargaining agreement.
2. Mandated by Act51 to comply with the hard caps or 80-20 (currently use hard caps). See Attachment
3. May 1, 2010 all 65+ retirees were moved to a Medicare Advantage plan.
4. December 27, 2011 all new hires no longer eligible for post-employment benefits.
5. December 27, 2011 all future bargaining retirees no longer have life insurance.

- 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.*

July 2008 the MERS Retiree Health Funding Vehicle was set up. First payment of \$60000.00 was made in December of 2018. (See Attachment)

- 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**.*

Plan is closed. In the 2015 actuarial there were 146 members, 2018 the plan has 130. The youngest is 33 and the oldest is 98. The average age is 65. The plan has 60 people under the age of 65, and 71 older than 65. Only 12 are below the age of 45. (See attachment)

**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**.*

Currently interested in pursuing the negotiation of a monthly stipend for retirees over the age of 65. The stipend would be deposited into their health care savings program, to purchase supplemental Medicare insurance through the marketplace. This change wouldn't take place before the next contact beginning 1-1-2022.

**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.*

Saginaw County Road Commission will pay \$10,000.00 per month (\$120,000.00 annually) to the MERS trust. This is in addition to the Pay-Go method. Additionally will redirect any refunds received from the Michigan County Road Commission Self Insurance Pool (MCRCSIP). Over the past five years we received over \$580,000.00 in refunds. These are not budgeted or guaranteed. We received refunds all but one of the last five years. (See attached)

**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**.*

The requirement is to be 40% funded in the next 30 years. Currently due to closing the plan and the funding to be implemented we will be within the guidelines. In 30 years the plan will only have 19 people below the age of 80. Current Pay-Go cost are \$990,000.00 per year. I anticipate the UAAL to decrease with the next valuation. It will take about 25 years to become 40% funded.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Saginaw County Road Commission 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

Attachment – 1

**This Corrective Action Plan (Required)**

Attachment – 1a

**Documentation from the governing body approving this Corrective Action Plan (Required)**

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)**

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).

Attachment – 4a

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

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

Attachment – 6a

Other documentation, not categorized above



1A

## BOARD OF COUNTY ROAD COMMISSIONERS OF SAGINAW COUNTY, MICHIGAN

At a meeting of the Board of County Road Commissions of Saginaw County, Michigan, held at 3020 Sheridan Avenue, in the City of Saginaw, Michigan on

### Regular Meeting, Monday, the 11<sup>th</sup> of March 2019

Present Commissioners: Sangster, Adams, Crannell (arrived at 8:35 a.m.) & Hare

Absent Commissioners: Kestner

**TIME: 8:30 a.m.** The regular meeting was called to order: Vice Chairperson Sangster presiding. All present as before: Managing Director Borchard, Director of Finance & Benefits Girard, Director of Engineering/Deputy Managing Director Wisniewski, Director of Maintenance Medina, and Board Secretary Gaiser.

The Pledge of Allegiance was recited in unison.

Commissioner Hare moved to approve the agenda with one addition. Seconded by Commissioner Adams.

Ayes 3 Nays 0

Commissioner Adams moved to approve the minutes of the regular meeting of February 26, 2019. Seconded by Commissioner Hare.

Ayes 3 Nays 0

Commissioner Hare moved to receive the accounts payable and payroll vouchers, including electronic deposits. Seconded by Commissioner Adams.

Ayes 3 (Adams, Hare, Sangster) Nays 0

**PUBLIC COMMENTS:** None

**UNFINISHED BUSINESS:** None

### **NEW BUSINESS:**

Director of Engineering/Deputy Managing Director Wisniewski discussed the Preliminary Plat for North Meadows II & King Farms in Tittabawassee Township and recommended approval.

Commissioner Hare moved to approve the Preliminary Plat for North Meadows II & King Farms in Tittabawassee Township. Seconded by Commissioner Adams.

Ayes 3 (Hare, Sangster, Adams) Nays 0

Director of Engineering/Deputy Managing Director Wisniewski recommended for approval the Resolution to Implement a Local Pavement Warranty Program.

Commissioner Adams offered the following resolution and moved for adoption:

WHEREAS, The Michigan Legislature created a requirement (MCL 247.662, 247.663) as part of the Transportation Funding Package of 2015 that requires each county road agency to adopt a Local Agency Pavement Warranty Program that was approved by the Michigan Department of Transportation in 2018;

WHEREAS, the Saginaw County Road Commission adopted the Michigan Local Agency Pavement Warranty Program on February 26, 2019;

WHEREAS, the Saginaw County Road Commission agrees to consider a local pavement warranty on each project that includes \$2 million or more in paving-related items *and* includes any state or federal funds;

WHEREAS, the Local Agency Pavement Warranty Program law requires each county road agency to report annually on each project that includes \$2 million or more in paving-related items *and* includes any state or federal funds, whether or not a warranty was utilized in the project;

WHEREAS, the Saginaw County Road Commission agrees to implement the Michigan Local Agency Pavement Warranty Program consistent with the Guidelines for Local Agency Pavement Warranty Program document that was approved by the Michigan Department of Transportation in 2018; and which Saginaw County Road Commission adopted Implementation Policy defines the Saginaw County Road Commission's intent of its pavement warranty program;

NOW THEREFORE BE IT RESOLVED, the Saginaw County Road Commission hereby agrees to implement the Local Agency Pavement Warranty Program and annually report in accordance with the law.

Seconded by Commissioner Hare.  
Ayes 4 (Hare, Sangster, Adams, Crannell) Nays 0

Director of Engineering/Deputy Managing Director Wisniewski requested approval of, and the Vice Chairman to sign, the 2018 County Certification Maps.

Commissioner Adams moved to approve and have the Vice Chairman sign the 2018 County Certification Maps. Seconded by Commissioner Crannell.  
Ayes 4 (Sangster, Adams, Crannell, Hare) Nays 0

Director of Finance & Benefits Girard discussed, and recommended approval of the Corrective Action Plan as presented.

Commissioner Hare moved to approved to Corrective Action Plan as presented. Seconded by Commissioner Adams.  
Ayes 4 (Adams, Crannell, Hare, Sangster) Nays 0



**General Reports of Officers were given by:** Board Secretary Gaiser, Director of Finance & Benefits Girard; Director of Maintenance Medina, Director of Engineering/Deputy Managing Director Wisniewski, and Managing Director Borchard.

**Commissioners' Comments:** None

**Extended Public Comments:** None

There being no further business, Commissioner Hare moved to adjourn. Seconded by Commissioner Crannell. Motion Carried. **TIME: 9:04 a.m.**

CHAIRPERSON

BOARD SECRETARY

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Deb Kestner

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Kathryn Gaiser



## Payment of Retiree Premiums

Year	Plan Members	Estimated Rates	Current Premium	RHFV Balance
2016	142	\$5,409	\$768,091	\$0
2017	135	\$6,511	\$878,962	\$0
2018	130	\$6,384	\$829,933	\$60,000
2019	127	\$6,703	\$851,306	\$293,000
2020	123	\$6,600	\$811,800	\$513,650
2021	120	\$6,798	\$855,360	\$665,333
2022	115	\$7,342	\$885,298	\$934,599
2023	109	\$7,562	\$906,237	\$1,217,329
2024	106	\$7,789	\$951,798	\$1,514,196
2025	104	\$8,023	\$1,008,547	\$1,825,905
2026	102	\$8,263	\$1,068,284	\$2,043,201
2027	100	\$8,511	\$1,089,231	\$2,381,361
2028	99	\$8,767	\$1,121,472	\$2,726,429
2029	94	\$9,030	\$1,107,425	\$3,088,750
2030	88	\$9,300	\$1,078,208	\$3,369,188
2031	84	\$9,579	\$1,070,366	\$3,763,647
2032	82	\$9,867	\$1,097,126	\$4,177,829
2033	81	\$10,163	\$1,137,933	\$4,386,721
2034	75	\$10,468	\$785,078	\$4,606,057
2035	66	\$10,782	\$711,595	\$4,836,360
2036	61	\$11,105	\$677,417	\$5,078,178
2037	58	\$11,438	\$663,424	\$5,332,087
2038	56	\$11,781	\$659,764	\$5,598,691
2039	53	\$12,135	\$643,152	\$5,878,625
2040	51	\$12,499	\$637,449	\$6,172,557
2041	48	\$12,874	\$617,950	\$6,481,184
2042	46	\$13,260	\$609,968	\$6,805,244
2043	45	\$13,658	\$614,609	\$7,145,506
2044	42	\$14,068	\$590,844	\$7,502,781
2045	39	\$14,490	\$565,100	\$7,877,920
2046	36	\$14,924	\$537,280	\$8,271,816
2047	34	\$15,372	\$522,654	\$8,685,407
2048	31	\$15,833	\$490,834	\$9,119,677
2049	28	\$16,308	\$456,634	\$9,575,661

Hello, 730401MG

Saginaw County Road Commission

# Plan Summary

## ☰ Alerts

⊕ Manage Alert Settings

12/28/2018

Upload of Other

10/19/2018

Reporting Enhancements

## ☰ Plan Balances

⊕ Plan Features

Plan Balance : ⊕ \$63,141

Number of Investments : ⊕ 13

## ☰ Go to Participant

Enter PartId

GO

⊕ Click here for name search

⊕ Activity summary

⊕ Investment Change

## ☰ Contribution Deposit

⊕ Contribution details

Here are the most recent contributions received by source.

Source	Trade Date	Amount
Employer	12/31/2018	\$60,000.00

**BUDGET WORKSHEET for FISCAL YEAR 2019**

(Entire Year)  
**PASS-THROUGH**

11A

**REVENUES**

**FY TO DATE**

**JAN-DEC**

**Federal Revenues**

501 (510.071R)	Federal (STP) Primary - Rural		
501 (510.071U)	Federal (STP) Primary - Urban	\$ 1,050,000.00	
501 (510.072U)	Federal (STP) Local - Urban		
502 (510.072R)	Federal (STP) Local - Rural	\$ 680,000.00	
501 (510.091)	Federal Highway Safety (TED)		
510F (510F.08)	Federal Aid - Flap	\$ 480,000.00	
501 ( 510.05L&P)	Federal Critical Bridge		
501	Fed Category "D" - Rural - Primary		
501	EDA Grant		
510.17	High Risk Rural Roads		
510F.03	Safety	\$ 620,000.00	
511.18(force acct)	Trans. Comm. & Sys. Pres.		
511 071U	STP Force Account		
521	NON-ROAD RELATED PROJECTS		
<b>TOTAL FEDERAL REVENUES</b>		<b>\$ 2,830,000.00</b>	

**State Revenues**

539 (551)	State "D" Funds (TED) - Rural Primary		
539 (547.01&.02)	State Critical Bridge	\$ 2,826,250.00	
549.02	State Aid - Category A - Primary		
549.03	State Aid - Category A - Local		
560	Scrap Tire Revenue	\$ 180,000.00	
560.02	Local Agency Revenue		
560.05	State Grant	\$ 1,125,000.00	
560.04	Saw Grant		
539 (554)	State - State Special Funds		
<b>Total State Revenue (less MVHF)</b>		<b>\$ 4,131,250.00</b>	

**Motor Vehicle Highway Funds-(546)**

539 (546 .01)	Engineering	\$ 10,000.00	
539 (546 .02/023)	Primary Road Funds	\$ 11,530,000.00	
540 (546 .03/033)	Local Road Funds	\$ 5,800,000.00	
541 (546 .04/043)	Primary Urban Funds	\$ 1,220,000.00	
542 (546 .05/053)	Local Urban Funds	\$ 640,000.00	
<b>Total MVHF</b>		<b>\$ 19,200,000.00</b>	
<b>TOTAL ALL STATE REVENUES</b>		<b>\$ 23,331,250.00</b>	

**Other Government Revenues**

580.06 (583.06)	Other Revenues	\$ -	
583.04	Township Revenue, incl. projects, gravel, brine, signals, etc.	\$ 2,750,000.00	
580 (583 .06CO)	County Contributions	\$ 165,000.00	
583 (583.01 & .05)	Contributions - Cities, Schools & Villages	\$ 20,000.00	
<b>Total Other Government Revenues</b>		<b>\$ 2,935,000.00</b>	

**Other Revenue**

664 (665 & 666)	Interest Earned & Accrued	\$ 25,000.00	
672	Special Assessments	\$ 57,400.00	
693 .0#	Sale of Fixed Assets	\$ 73,000.00	
674	Contributions, Public Sources	\$ -	
675	Contributions, Private Sources	\$ -	
691	Purchase Discounts	\$ 500.00	
697	Lease Proceeds	\$ -	
698	Proceeds from Sale of Bonds	\$ -	
<b>Total Other Revenue</b>		<b>\$ 155,900.00</b>	

600	Charges for Services	\$ 120,000.00	
687 (677 & 687)	Sundries Revenue	\$ 20,000.00	
676	Sign Damage Receipts	\$ 5,000.00	
<b>Total Charges</b>		<b>\$ 145,000.00</b>	

**GRAND TOTAL REVENUES \$ 29,397,150.00**

<b>EXPENDITURES</b>		<b>FY TO DATE</b>	<b>(Entire Year)</b>
<b>Primary Road</b>		<b>JAN-DEC</b>	<b>PASS-THROUGH</b>
451	Primary Road Construction/Capacity Improv.	\$ 1,300,000.00	
452	Primary Bridge Construction/Capacity Improv.		
459	Primary Rd. - Preservation/Struct. Improv.	\$ 6,160,031.00	
460	Primary Brdg. - Preservation/Struct. Improv.	\$ 2,328,000.00	
465	Primary - OTHER Preserv./Struct. Improv.		
466	Primary Road Maint., (plus any projects such as	\$ 4,417,000.00	
474	Primary Drain Assessments	\$ 60,000.00	
<b>TOTAL PRIMARY RD EXPENDITURES:</b>		<b>\$ 14,265,031.00</b>	<b>\$ -</b>

<b>Local Road</b>			
481	Local Rd Constr./Cap. Improv. (Subdivisions)		
482	Local Bridge Construction/Capacity Improv.		
489	Local Rd./Preservation/Structural Improv.	\$ 4,630,000.00	
490	Local Brdg./Preservation/Structural Improv.	\$ 1,649,500.00	
496	Local Road Maint., (plus any projects such as	\$ 5,096,000.00	
504	Local Drain Assessments	\$ 200,000.00	
<b>TOTAL LOCAL RD EXPENDITURES:</b>		<b>\$ 11,575,500.00</b>	<b>\$ -</b>

<b>Equipment</b>		
510 (\$100K Mo. Depr)	Equipment Expense Direct	\$ 2,200,000.00
511	Equipment Expense Indirect	\$ 900,000.00
512	Equipment Expense Operating	\$ 400,000.00
664 (Eq. Col.)	Equipment Rental Credits	\$ (4,000,000.00)
<b>TOTAL EQUIPMENT EXPENDITURES:</b>		<b>\$ (500,000.00)</b>

<b>Distributive</b>		
513	Operating Distributive	\$ 3,600,000.00
514	Administrative Operating Distributive	\$ 700,000.00
515	Management & Administrative	\$ 555,000.00
516	Engineering	\$ 460,000.00
<b>Total Distributive Expenditures</b>		<b>\$ 5,315,000.00</b>
519	Maintenance for other Govts.	\$ 40,000.00
521	Non-Road Related Projects	\$ 100,000.00

\* Included in #4, #

<b>Total Expenditures BEFORE CAPITAL OUTLAY &amp; DEBT SERVICE</b>	<b>\$ 30,795,531.00</b>
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<b>Capital Expenditures</b>		
900 & 970	Capital Outlay	\$ 2,083,805.00
989	Assets Contributed by Others	
	Sale of Land	
	Trade In Allowance	\$ (73,000.00)
	Gain or Loss on Equipment Disposal	
(Incl. \$100K/mo.)	Depreciation Credits	\$ (1,200,000.00)
<b>Total Capital Outlay</b>		<b>\$ 810,805.00</b>

<b>Debt Service</b>		
991	Debt Service (Principle) Lease	\$ 125,500.00
995	Debt Service Interest Exp.) Lease	\$ 16,100.00
991	Bond (Principle)	\$ 400,000.00
995	Bond (Int. Exp. - 2.2%)	\$ 17,600.00
<b>Total Debt Service</b>		<b>\$ 559,200.00</b>

<b>GRAND TOTAL EXPENDITURES:</b>	<b>\$ 32,165,536.00</b>
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<b>Revenues over (under) Expenditures</b>	<b>\$ (2,768,386.00)</b>
---	--------------------------

FY2017	Fund Balance, December 31, 2017	\$ 9,561,311.00
FY2018	Fund Balance, December 31, 2018 Est	\$ 11,311,311.00
FY2019	Fund Balance	\$8,542,925.00

\*\*Note\*\*

1.125M of Fund Balance is Earmarked for 2019 Projects

6A

Michigan Department  
Of Transportation  
2067 (12/14)

**PUBLIC ACT 51, SECTION 18j, MCL 247.668j  
Annual Certification of Employee-related  
Conditions**

CERTIFICATION YEAR 2018

COUNTY ROAD AGENCY NAME Saginaw County Road Commission

Beginning September 30, 2015, and annually each September 30 thereafter, certification must be made for compliance to Section 18j(1) of Public Act 51 of 1951, MCL 248.668j(1). A local road agency must certify that it has (a) developed an employee compensation plan for its employees as described OR (b) the local road agency must certify that medical benefits are offered to its employees or elected public officials in compliance with the publicly funded health insurance contribution act, 2011 PA 152, MCL 15.561 to 15.569, or, that it does not offer medical benefits to its employees or elected public officials.

Compliance with (1)(a)  
I certify compliance with MCL 247.668j(1)(a).  
Our compensation plan for employees meets the minimum criteria of MCL 247.668j (a)(i - iv).

Compliance with (1)(b)  
I certify compliance with MCL 247.668J(1)(b), and as such, offer one of the following:

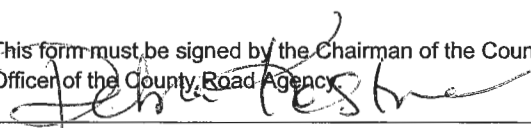

I certify that medical benefits are offered to employees or elected public officials in compliance with the publicly funded health insurance contribution act, 2011 PA 152; or

I certify that the local road agency has exempted itself from the publically funded health insurance contribution act, 2011 PA 152; or

I certify that medical benefits are not offered to employees or elected public officials.

Non-compliance with (1)(a) or (1)(b)  
I certify that we are not in compliance with MCL 247.668j(1).  
I understand that failure to comply with certification of (a) or (b) of MCL 247.668j(1) may result in the withholding of all or part of the distributions made to this local road agency from the Michigan Transportation Fund.

This form must be signed by the Chairman of the County Road Commission or the County Executive and the Chief Financial Officer of the County Road Agency.

			
SIGNATURE		SIGNATURE	
PRINTED NAME Deb Kestner		PRINTED NAME Mike Girard	
TITLE Board Chair	DATE 9-25-18	TITLE Finance Director	DATE 9-25-18

**Due Each September 30**

Return the completed form to:

Michigan Department of Transportation, Financial Operations Division, P.O. Box 30050, Lansing, MI 48909, OR

Email to: MDOT-Outreach@michigan.gov, OR

Fax to: (517) 373-6266



UB

Membership in Plan	
Year	Projected Members
2015	146
2018	130
2023	109
2028	99
2033	81
2038	56
2043	45
2048	31
2053	19

2015 & 2018 are actual. 2023 and beyond is anyone under 85. All members will be 65 or older in 2050.

## Age Data

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#	Born	Age	2023	2028	2033	2038	2043	2048	2053
1	1986	33	38	43	48	53	58	63	68
2	1983	36	41	46	51	56	61	66	71
3	1981	38	43	48	53	58	63	68	73
4	1978	41	46	51	56	61	66	71	76
5	1977	42	47	52	57	62	67	72	77
6	1977	42	47	52	57	62	67	72	77
7	1977	42	47	52	57	62	67	72	77
8	1976	43	48	53	58	63	68	73	78
9	1976	43	48	53	58	63	68	73	78
10	1976	43	48	53	58	63	68	73	78
11	1975	44	49	54	59	64	69	74	79
12	1975	44	49	54	59	64	69	74	79
13	1974	45	50	55	60	65	70	75	80
14	1972	47	52	57	62	67	72	77	82
15	1972	47	52	57	62	67	72	77	82
16	1971	48	53	58	63	68	73	78	83
17	1970	49	54	59	64	69	74	79	84
18	1970	49	54	59	64	69	74	79	84
19	1970	49	54	59	64	69	74	79	84
20	1969	50	55	60	65	70	75	80	85
21	1968	51	56	61	66	71	76	81	86
22	1967	52	57	62	67	72	77	82	87
23	1967	52	57	62	67	72	77	82	87
24	1966	53	58	63	68	73	78	83	88
25	1966	53	58	63	68	73	78	83	88
26	1966	53	58	63	68	73	78	83	88
27	1965	54	59	64	69	74	79	84	89
28	1965	54	59	64	69	74	79	84	89
29	1965	54	59	64	69	74	79	84	89
30	1965	54	59	64	69	74	79	84	89
31	1965	54	59	64	69	74	79	84	89
32	1964	55	60	65	70	75	80	85	90
33	1964	55	60	65	70	75	80	85	90
34	1963	56	61	66	71	76	81	86	91
35	1963	56	61	66	71	76	81	86	91
36	1962	57	62	67	72	77	82	87	92
37	1961	58	63	68	73	78	83	88	93
38	1961	58	63	68	73	78	83	88	93
39	1961	58	63	68	73	78	83	88	93
40	1961	58	63	68	73	78	83	88	93
41	1960	59	64	69	74	79	84	89	94
42	1959	60	65	70	75	80	85	90	95
43	1959	60	65	70	75	80	85	90	95

#	Born	Age	2023	2028	2033	2038	2043	2048	2053
44	1958	61	66	71	76	81	86	91	96
45	1958	61	66	71	76	81	86	91	96
46	1957	62	67	72	77	82	87	92	97
47	1957	62	67	72	77	82	87	92	97
48	1957	62	67	72	77	82	87	92	97
49	1956	63	68	73	78	83	88	93	98
50	1956	63	68	73	78	83	88	93	98
51	1956	63	68	73	78	83	88	93	98
52	1956	63	68	73	78	83	88	93	98
53	1955	64	69	74	79	84	89	94	99
54	1955	64	69	74	79	84	89	94	99
55	1955	64	69	74	79	84	89	94	99
56	1955	64	69	74	79	84	89	94	99
57	1954	65	70	75	80	85	90	95	100
58	1954	65	70	75	80	85	90	95	100
59	1954	65	70	75	80	85	90	95	100
60	1954	65	70	75	80	85	90	95	100
61	1953	66	71	76	81	86	91	96	101
62	1953	66	71	76	81	86	91	96	101
63	1953	66	71	76	81	86	91	96	101
64	1953	66	71	76	81	86	91	96	101
65	1953	66	71	76	81	86	91	96	101
66	1952	67	72	77	82	87	92	97	102
67	1952	67	72	77	82	87	92	97	102
68	1952	67	72	77	82	87	92	97	102
69	1952	67	72	77	82	87	92	97	102
70	1952	67	72	77	82	87	92	97	102
71	1952	67	72	77	82	87	92	97	102
72	1952	67	72	77	82	87	92	97	102
73	1952	67	72	77	82	87	92	97	102
74	1952	67	72	77	82	87	92	97	102
75	1951	68	73	78	83	88	93	98	103
76	1951	68	73	78	83	88	93	98	103
77	1951	68	73	78	83	88	93	98	103
78	1951	68	73	78	83	88	93	98	103
79	1951	68	73	78	83	88	93	98	103
80	1950	69	74	79	84	89	94	99	104
81	1950	69	74	79	84	89	94	99	104
82	1949	70	75	80	85	90	95	100	105
83	1949	70	75	80	85	90	95	100	105
84	1949	70	75	80	85	90	95	100	105
85	1949	70	75	80	85	90	95	100	105
86	1949	70	75	80	85	90	95	100	105
87	1948	71	76	81	86	91	96	101	106
88	1948	71	76	81	86	91	96	101	106
89	1947	72	77	82	87	92	97	102	107
90	1947	72	77	82	87	92	97	102	107

#	Born	Age	2023	2028	2033	2038	2043	2048	2053
91	1947	72	77	82	87	92	97	102	107
92	1946	73	78	83	88	93	98	103	108
93	1945	74	79	84	89	94	99	104	109
94	1945	74	79	84	89	94	99	104	109
95	1945	74	79	84	89	94	99	104	109
96	1945	74	79	84	89	94	99	104	109
97	1945	74	79	84	89	94	99	104	109
98	1945	74	79	84	89	94	99	104	109
99	1945	74	79	84	89	94	99	104	109
100	1944	75	80	85	90	95	100	105	110
101	1944	75	80	85	90	95	100	105	110
102	1944	75	80	85	90	95	100	105	110
103	1944	75	80	85	90	95	100	105	110
104	1944	75	80	85	90	95	100	105	110
105	1943	76	81	86	91	96	101	106	111
106	1942	77	82	87	92	97	102	107	112
107	1942	77	82	87	92	97	102	107	112
108	1942	77	82	87	92	97	102	107	112
109	1941	78	83	88	93	98	103	108	113
110	1939	80	85	90	95	100	105	110	115
111	1938	81	86	91	96	101	106	111	116
112	1938	81	86	91	96	101	106	111	116
113	1937	82	87	92	97	102	107	112	117
114	1937	82	87	92	97	102	107	112	117
115	1937	82	87	92	97	102	107	112	117
116	1937	82	87	92	97	102	107	112	117
117	1936	83	88	93	98	103	108	113	118
118	1936	83	88	93	98	103	108	113	118
119	1935	84	89	94	99	104	109	114	119
120	1935	84	89	94	99	104	109	114	119
121	1935	84	89	94	99	104	109	114	119
122	1934	85	90	95	100	105	110	115	120
123	1934	85	90	95	100	105	110	115	120
124	1933	86	91	96	101	106	111	116	121
125	1932	87	92	97	102	107	112	117	122
126	1932	87	92	97	102	107	112	117	122
127	1932	87	92	97	102	107	112	117	122
128	1930	89	94	99	104	109	114	119	124
129	1928	91	96	101	106	111	116	121	126
130	1921	98	103	108	113	118	123	128	133

## MCRCSIP Refunds

Date	Amount
September 2014	\$138,614.72
September 2015	\$140,051.00
September 2016	\$0.00
September 2017	\$236,180.00
September 2018	\$73,463.00
Total	<hr/> \$588,308.72
Average	\$117,661.74



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<b>Retiree Health Funding Vehicle Projections</b>				
<b>Date</b>	<b>Pmt Description</b>	<b>Amount</b>	<b>Interest</b>	<b>Balance</b>
12/30/2018	Contribution	\$ 60,000.00	\$ 3,000.00	\$ 63,000.00
06/01/2019	Contribution	\$ 120,000.00		\$ 183,000.00
09/01/2019	MCRCSIP	\$ 110,000.00		\$ 293,000.00
01/01/2020	Contribution	\$ 120,000.00	\$ 20,650.00	\$ 433,650.00
09/01/2020	MCRCSIP	\$ 80,000.00		\$ 513,650.00
01/01/2021	Contribution	\$ 120,000.00	\$ 31,682.50	\$ 665,332.50
09/01/2021	MCRCSIP	\$ -		\$ 665,332.50
01/01/2022	Contribution	\$ 120,000.00	\$ 39,266.63	\$ 824,599.13
09/01/2022	MCRCSIP	\$ 110,000.00		\$ 934,599.13
01/01/2023	Contribution	\$ 120,000.00	\$ 52,729.96	\$ 1,107,329.08
09/01/2023	MCRCSIP	\$ 110,000.00		\$ 1,217,329.08
01/01/2024	Contribution	\$ 120,000.00	\$ 66,866.45	\$ 1,404,195.54
09/01/2024	MCRCSIP	\$ 110,000.00		\$ 1,514,195.54
01/01/2025	Contribution	\$ 120,000.00	\$ 81,709.78	\$ 1,715,905.31
09/01/2025	MCRCSIP	\$ 110,000.00		\$ 1,825,905.31
01/01/2026	Contribution	\$ 120,000.00	\$ 97,295.27	\$ 2,043,200.58
09/01/2026	MCRCSIP	\$ -		\$ 2,043,200.58
01/01/2027	Contribution	\$ 120,000.00	\$ 108,160.03	\$ 2,271,360.61
09/01/2027	MCRCSIP	\$ 110,000.00		\$ 2,381,360.61
01/01/2028	Contribution	\$ 120,000.00	\$ 125,068.03	\$ 2,626,428.64
09/01/2028	MCRCSIP	\$ 100,000.00		\$ 2,726,428.64
01/01/2029	Contribution	\$ 120,000.00	\$ 142,321.43	\$ 2,988,750.07
09/01/2029	MCRCSIP	\$ 100,000.00		\$ 3,088,750.07
01/01/2030	Contribution	\$ 120,000.00	\$ 160,437.50	\$ 3,369,187.57
09/01/2030	MCRCSIP	\$ -		\$ 3,369,187.57
01/01/2031	Contribution	\$ 120,000.00	\$ 174,459.38	\$ 3,663,646.95
09/01/2031	MCRCSIP	\$ 100,000.00		\$ 3,763,646.95
01/01/2032	Contribution	\$ 120,000.00	\$ 194,182.35	\$ 4,077,829.30
09/01/2032	MCRCSIP	\$ 100,000.00		\$ 4,177,829.30
01/01/2033	Interest		\$ 208,891.46	\$ 4,386,720.76

# Saginaw County Road Commission Other Post-Employment Benefits Plan

## Accounting Report

for the Period Ending December 31, 2018  
under GASB Statement 74 & 75



Report presented by:



March 2019

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## INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared in order to provide the information necessary to comply with Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75. This information may, at the discretion of management of the plan sponsor and its auditor, be used for the preparation of its financial statements. The calculations herein have been made based on our understanding of GASB 74 and 75, and may be inappropriate for other purposes.

The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, other assumptions are also reasonable and appropriate and their use would produce different results.

This report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared on the basis of participant data and asset values as reported to us by the plan sponsor. Watkins Ross relied upon the data as submitted, and has no reason to believe that any information, which would have a material effect on the results of this valuation, was not considered in the preparation of the report.

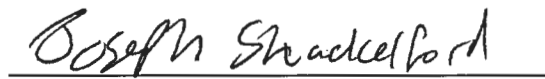
The actuary certifying this report represents himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

**Prepared by:**



Glen W. Bradley  
Senior Pension Analyst

**Certified by:**



Joseph Shackelford, ASA, MAAA  
Health Actuary



## PLAN DESCRIPTION

### Summary of Significant Accounting Policies

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Saginaw County Road Commission Other Post-Employment Benefits Plan and additions to/deductions from the Road Commission's fiduciary net position have been determined on the same basis as they are reported by the Saginaw County Road Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Plan Description

**Saginaw County Road Commission Other Post-Employment Benefits Plan** is a single employer plan established and administered by **Saginaw County Road Commission** and can be amended at its discretion.

### Benefits Provided

A summary of plan provisions is available on page 12.

### Summary of Plan Participants

As of December 31, 2018, Retirement Plan membership consisted of the following:

	Union	Managers	Commissioners	Total
Retirees and Survivors <sup>1</sup>	72	22	4	98
Active Plan Members	<u>31</u>	<u>9</u>	<u>0</u>	<u>40</u>
Total	103	31	4	138

### Contributions

The Saginaw County Road Commission OPEB was established and is being funded under the authority of the Road Commission and under agreements with the unions representing various classes of employees. The plan's funding policy is that the employer will fund the plan on a pay-as-you-go basis. Currently, benefit payments are made from general operating funds. There are no long term contracts for contributions to the plan.

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<sup>1</sup> Includes covered spouses

## ASSUMPTIONS AND METHODS

The Road Commission's OPEB liability was measured as of December 31, 2018.

### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.03%
20-year Aa Municipal bond rate	3.00%
Mortality	RP-2014 adjusted to 2006, Total Data Set, Headcount-weighted, MP-2018 no pre-retirement mortality

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return(%)
Total Market Portfolio	50	5.25
Global fixed income	50	1.80

The sum of each target allocation times its long-term expected real rate is 5.25%.  
The long-term expected rate of return after including inflation is 6.03%.

### Discount Rate

The discount rate used to measure the total OPEB liability was **3.00%**. The assets are not projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

## OPEB LIABILITY

### Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance at December 31, 2017</b>	\$25,452,191	\$0	\$25,452,191
<b>Changes during the Year</b>			
Service Cost	344,702		344,702
Interest	761,217		761,217
Experience (Gains)/Losses	719,423		719,423
Change in plan terms	0		0
Change in actuarial assumptions	3,037,369		3,037,369
Contributions to OPEB trust		60,000	(60,000)
Contributions/benefit paid from general operating funds		845,994	(845,994)
Net Investment Income		0	0
Benefit Payments; Including Refunds of Employee Contributions	(845,994)	(845,994)	0
Administrative Expenses		0	0
Other Changes		0	0
<b>Total Changes</b>	<b>4,016,717</b>	<b>60,000</b>	<b>3,956,717</b>
<b>Balance at December 31, 2018</b>	<b>\$29,468,908</b>	<b>\$60,000</b>	<b>\$29,408,908</b>

### Net OPEB Liability – Discount and Trend Rate Sensitivities

The following presents the net OPEB liability (NOL) of the Road Commission, calculated using trend and discount rates 1% higher and lower than base assumptions:

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$34,124,950	\$29,468,908	\$25,734,105
Plan Fiduciary Net Position	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Net OPEB Liability	\$34,064,950	\$29,408,908	\$25,674,105
Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$25,598,942	\$29,468,908	\$34,308,993
Plan Fiduciary Net Position	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Net OPEB Liability	\$25,538,942	\$29,408,908	\$34,248,993

## OPEB LIABILITY

### OPEB Expense

#### Components of Road Commission's OPEB Expense for the Fiscal Year Ending December 31, 2018

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending 12/31/2018
Service Cost	\$344,702
Interest on Total OPEB Liability	761,217
Experience (Gains)/Losses	349,234
Changes of Assumptions	1,474,451
Changes in plan terms	0
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	0
Investment Earnings (Gains)/Losses	0
Administrative Expenses	0
Other Changes in Fiduciary Net Position	<u>0</u>
<b>Total OPEB Expense</b>	<b>\$2,929,604</b>

### OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of December 31, 2018 is \$60,000

### Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	370,189	0
Changes of Assumptions	1,562,918	0
Investment Earnings (Gains)/Losses	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$1,933,107</b>	<b>\$0</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount Recognized
2019	\$1,823,685
2020	109,421
2021	0
2022	0
2023	0
Thereafter	0



## OPEB LIABILITY

### Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability December 31, 2017	\$25,452,191
Total OPEB expense	2,929,604
Contributions	(905,994)
Change in deferred outflows of resources	1,933,107
Change in deferred inflows of resources	<u>0</u>
<b>Net OPEB Liability December 31, 2018</b>	<b>\$29,408,908</b>

### Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$11,283,775
Inactive participants receiving benefits	<u>18,185,133</u>
Total	\$29,468,908



## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Changes in Net OPEB Liability and Related Ratios

	Fiscal Year Ending 12/31/2018
<b>Total OPEB Liability</b>	
Service Cost	\$344,702
Interest	761,217
Changes of Benefit Terms	0
Difference between Expected and Actual Experience	719,423
Change of Assumptions	3,037,369
Benefit Payments (Including Refunds of Employee Contributions)	(845,994)
Net Change in Total OPEB Liability	4,016,717
Total OPEB Liability – Beginning	25,452,191
Total OPEB Liability – Ending (a)	29,468,908
<b>Plan Fiduciary Net Position</b>	
Contributions to OPEB trust	60,000
Contributions/benefit payments made from general operating funds	845,994
Net Investment Income	0
Benefit Payments (Including Refunds of Employee Contributions)	(845,994)
Administrative Expenses	0
Other	0
Net Change in Fiduciary Net Position	60,000
Plan Fiduciary Net Position – Beginning	0
Plan Fiduciary Net Position – Ending (b)	60,000
<b>Net OPEB Liability – Ending (a)-(b)</b>	<b>\$29,408,908</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.20%
Covered Employee Payroll	\$4,414,057
Net OPEB Liability as Percentage of Payroll	666.3%

### Schedule of Employer Contributions

	Fiscal Year Ending December 31,	
	<u>2019</u>	<u>2018</u>
Service cost	\$415,305	\$355,043
Amortization of unfunded liability	4,720,317 <sup>1</sup>	3,625,828
Actuarially Determined Employer Contribution	\$5,135,622	\$3,980,871
Employer Contribution (benefit payments)	TBD	905,994
Contribution Deficiency/(Excess)	TBD	3,074,877
Covered Employee Payroll	Not avail	\$4,414,057
Contribution as a Percentage of Covered Payroll	Not avail	90.19%

<sup>1</sup> Based on 8-year, level dollar, amortization of unfunded liability; alternative funding scenarios could be considered

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### State of Michigan Public Acts 530 and 202 Information

Financial information	2018
Assets (Fiduciary net position)	60,000
Liabilities (Total OPEB Liability)	29,468,908
Funded ratio for the Plan Year	0.20%
Actuarially Recommended Contribution (ARC) with 30-year amortization period	1,615,773
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
Membership	2018
Active members	40
Retirees and Beneficiaries	34
Premiums paid on behalf of the retirants	845,994
Actuarial Assumptions	2018
Actuarially assumed rate of investment return	6.03%
Discount rate	3.00%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	30 years
Is each division closed to new employees	No
Healthcare inflation assumption (see page 10 of this report)	
Uniform Assumptions	2018
Actuarial value of assets using uniform assumptions	60,000
Actuarial accrued liability using uniform assumptions	29,468,908
Funded ratio using uniform assumptions	0.20%
Annual Required contribution (ARC) using uniform assumptions	1,885,461
Information for Summary Report (minimum required contribution) <sup>1</sup>	2018
Retiree insurance premiums for the year (1)	845,994
Normal cost as a percent of covered payroll (2)	9.13%
Covered payroll for employees hired after June 30, 2018 (3)	N/A
Normal cost for employees hired after June 30, 2018 (4) = (2)X(3)	N/A
Minimum required contribution under PA 202 (1) + (4)	845,994

<sup>1</sup> Senate Bill 686 requires that a local unit must contribute at least both of the following – Normal cost for employees first hired after June 30, 2018 and retiree premiums due to retirants in the retirement system; In order to obtain 40% funding, higher contributions may be needed.

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Assumptions and methods for Calculation of Actuarially Determined Contribution

**Valuation date** December 31, 2018

**Actuarial Methods**

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

**Actuarial Assumptions**

**Discount rate** – 3.00% for December 31, 2018 liability and 2018 contribution

Rationale – Average effective rate consisting of long term return on assets and 20-year Aa Municipal Bond

**20-year Aa Municipal Bond Rate** – 3.00%

Rationale – December 31, 2018 bond rate

**Salary scale** – 2.00%

Rationale – Expected future pay increases provided by client

**Return on plan assets** – 6.03%

Rationale – Consistent with plan investment experience

**Mortality rates** – RP-2014 adjusted to 2006, Total Data Set, Headcount-weighted, MP-2018 no pre-retirement mortality

Rationale – Contemporary table consistent with Uniform Assumptions under Public Act 202

**Utilization** – 100% of covered employees at the valuation date will elect coverage at retirement; actual coverage used for non-active

Rationale – historical

**Turnover rates** - Sample rates below

Rationale – Based on rates of termination assumed by MERS in the valuation of the pension plan

Service	Rate
0	0.200
5	0.065
10	0.050
15	0.037
20	0.030
25	0.027
30	0.026
35+	0.000

**Marital assumption** – Current marital status assumed at retirement age

Rationale – Consistent with current employer demographic

**Age of Spouse** – Actual age is used for spouses of current retirees and active employees

Rationale – Actual data available



## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Retirement Rates- Rates Below

Age	Rate	Age	Rate
50	0.20	61	0.22
51	0.20	62	0.22
52	0.20	63	0.22
53	0.20	64	0.25
54	0.20	65	0.25
55	0.20	66	0.25
56	0.20	67	0.26
57	0.21	68	0.28
58	0.21	69	0.30
59	0.21	70+	1.00
60	0.21		

Rationale – Rates based on the retirement assumption applicable to participants with a MERS pension benefit multiplier of 2.5% or less.

**Implicit subsidy** – Equal to the expected annual claims less the annual per person premium.

Rationale – Based on age-weighting of actives and pre-65 retirees and the premium rates in effect.

**Medical Trend** – Pre-Medicare, 8.5% graded down to 4.5% by 0.25% per year; Post-Medicare, 7.0% graded down to 4.5% by .25% per year

Rationale – Consistent with Uniform Assumptions under Public Act 202

### Annual per-capita costs valued

#### Medical

The below rates were developed based on the premium rates charged to the employer and the current population of covered actives and pre-65, including covered spouses and dependents.

Age	Employee		Spouse	
	Males	Females	Males	Females
30-34	2,287.47	5,121.33	3,202.44	7,169.80
35-39	2,772.70	5,321.13	3,881.74	7,449.52
40-44	3,388.40	5,728.88	4,743.71	8,020.36
45-49	4,350.69	6,287.50	6,090.91	8,802.42
50-54	5,765.58	7,103	8,071.74	9,944.10
55-59	8,256.93	8,742.15	11,559.59	12,238.90
60-64	11,449.61	10,670.81	16,029.30	14,938.99
65+	4,667.64	4,667.64	4,667.64	4,667.64

## **SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

Covered dependents up to age 26 are assumed to generate claims at the following annual rate of \$1,019.85 for males and \$2,311.02 for females.

### **HRA Contribution**

The road commission indicated that, on average, HRA contributions towards copays and deductibles beyond a \$1,500 single / \$3,000 double or family limit are equal to 13% of the premium for the level of coverage elected. Annual costs were equal to 13% of the annual medical premiums, assumed to increase with pre-65 medical trend rates.

### **Life Insurance**

Costs valued were equal to \$2.50 per \$1,000 of coverage per year, based on current coverage for retirees and presumed coverage for future retirees.

### **Dental**

The premiums for dental coverage are assumed to cover the full true cost of this benefit and were valued as the annual expected claim cost.

### **Data Collection**

Date and form of data - All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross

### **Assumption changes since prior valuation**

- The interest rate used changed from 3.16% at 12/31/2017 (4.0% at 12/31/2015) to 3.00%
- The mortality rates table used changed from 2015 IRS Funding schedule to RP-2014 adjusted to 2006 Total Data Set, Headcount-weighted, MP-2018 no pre-retirement mortality
- Medical trend rates changed from Pre-65 Medical & HRA Contribution: 8.0% in 2016 graded down 0.5% per year to an ultimate rate of 5.0% and Post-65 Medical: 5.0% in all years to Pre-Medicare Medical & HRA Contribution: 8.5% graded down to 4.5% by 0.25% per year; Post-Medicare: 7.0% graded down to 4.5% by .25% per year

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Difference between Actual and Expected Experience

Year	Difference between expected and actual Experience	Recognition period (years)	Amount Recognized in Year Ended December 31,					Deferred Outflow of Resources	Deferred Inflow of Resources
			2018	2019	2020	2021	2022		
2018	719,423	2.06	349,234	349,234	20,954	-	-	370,189	-
Net recognized in OPEB expense			\$ 349,234	\$ 349,234	\$ 20,954	\$ -	\$ -	\$ 370,189	\$ -

### Schedule of Changes in Assumptions

Year	Changes in Assumptions	Recognition period (years)	Amount Recognized in Year Ended December 31,					Deferred Outflow of Resources	Deferred Inflow of Resources
			2018	2019	2020	2021	2022		
2018	3,037,369	2.06	1,474,451	1,474,451	88,467	-	-	1,562,918	-
Net recognized in OPEB expense			\$ 1,474,451	\$ 1,474,451	\$ 88,467	\$ -	\$ -	\$ 1,562,918	\$ -

### Schedule of Differences between Projected and Actual Earnings on OPEB Plan Investments

None

### Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended December 31,			
	2019	2020	2021	2022
Total Deferred Outflow/(Inflow) of Resources	\$ 1,823,685	\$ 109,421	\$ -	\$ -



## SUMMARY OF PLAN PROVISIONS

### Union Employees

#### Eligibility Requirements

Attainment of the earlier of (1), (2) or (3):

- (1) Age 50 and 25 years of service
- (2) Age 55 and 15 years of service
- (3) Age 60 and 10 years of service

Employees hired on or after December 27, 2011 are no longer eligible for medical, dental or life insurance benefits in retirement.

#### Summary of Benefits

Covered Life	Medical	HRA	Dental	Life Insurance
Employee	Lifetime	Up to retiree age 65	Lifetime	\$15,000 before age 65; \$9,750 from 65-69; \$6,300 ages 70+
Spouse	Lifetime	Up to retiree age 65	Lifetime	None
Dependent	Until age 26	Up to retiree age 65	Until age 26	None

#### Retiree Contribution

Dental premiums, life insurance premiums and stipends for retirees opting out of medical coverage are fully paid by the Road Commission.

Union retirees hired on or after February 9, 2004 pay a percentage of their medical premiums based on their service at retirement as shown in the schedule below:

Service at Retirement	Service-based Contribution	Service at Retirement	Service-based Contribution
10	50%	16	20%
11	45%	17	15%
12	40%	18	10%
13	35%	19	5%
14	30%	20+	0%
15	25%		

If healthcare premiums exceed the hard caps as set by the State of Michigan under MCL 15.563, retirees must contribute the cost of the medical premiums in excess of the hard caps. The hard caps effective January 1, 2016 are shown below.

Coverage Level	Hard Cap
Single	\$6,685.17
Double	13,980.75
Family	18,232.31

## SUMMARY OF PLAN PROVISIONS

### Managers

#### Eligibility Requirements

Attainment of the earliest of (1), (2) or (3)<sup>1</sup>:

- (1) 20 years of service at any age
- (2) Age 55 and 15 years of service
- (3) Age 60 and 6 years of service

Attainment of the earliest of (1), (2) or (3)<sup>2</sup>:

- (1) Age 50 and 25 years of service
- (2) Age 55 and 15 years of service
- (3) Age 60 and 10 years of service

Employees hired on or after December 27, 2011 are no longer eligible for medical, dental or life insurance benefits in retirement.

#### Summary of Benefits

Covered Life	Medical	HRA	Dental	Life Insurance
Employee	Lifetime	Up to retiree age 65	Lifetime	\$50,000 before age 65; \$32,500 from 65-69; \$21,000 ages 70+
Spouse	Lifetime	Up to retiree age 65	Lifetime	None
Dependent	Until age 26	Up to retiree age 65	Until age 26	None

#### Retiree Contribution

Dental premiums, life insurance premiums and stipends for retirees opting out of medical coverage are fully paid by the Road Commission.

If healthcare premiums exceed the hard caps as set by the State of Michigan under MCL 15.563, retirees must contribute the cost of the medical premiums in excess of the hard caps. The hard caps effective January 1, 2016 are shown below.

Coverage Level	Hard Cap
Single	\$6,685.17
Double	13,980.75
Family	18,232.31

<sup>1</sup> Only the following managers are eligible for the provisions below: Dennis Borchard, Jennifer Brieske, Dan Medina, Rob Hudec, Mike Girard, Tom Luck and Scott Hare

<sup>2</sup> Remaining managers not eligible for the early retirement provisions follow the same eligibility requirements as union employees.

## SUMMARY OF PLAN PROVISIONS

### Commissioners

#### Eligibility Requirements

Attainment of the earliest of (1), (2) or (3):

- (1) Age 50 and 25 years of service
- (2) Age 55 and 15 years of service
- (3) Age 60 and 6 years of service

Employees hired on or after January 1, 2010 are no longer eligible for medical, dental or life insurance benefits in retirement.

#### Summary of Benefits

Covered Life	Medical	HRA	Dental	Life Insurance
Employee	Lifetime	Up to retiree age 65	Lifetime	\$50,000 before age 65; \$32,500 from 65-69; \$21,000 ages 70+
Spouse	Lifetime	Up to retiree age 65	Lifetime	None
Dependent	Until age 26	Up to retiree age 65	Until age 26	None

#### Retiree Contribution

Dental premiums, life insurance premiums and stipends for retirees opting out of medical coverage are fully paid by the Road Commission.

If healthcare premiums exceed the hard caps as set by the State of Michigan under MCL 15.563, retirees must contribute the cost of the medical premiums in excess of the hard caps. The hard caps effective January 1, 2016 are shown below.

Coverage Level	Hard Cap
Single	\$6,685.17
Double	13,980.75
Family	18,232.31

## SUMMARY OF PLAN PROVISIONS

### Monthly Medical Premiums

Coverage Level	Medical (Pre-65)	Medical (Post-65)	Dental	Opt-Out Stipend
Single	\$431.66	395.86	\$36.61	\$100
Double	\$1,035.98	791.72	\$67.29	\$200
Family	\$1,294.98	N/A	\$122.30	\$200

### HRA Contributions

The Road Commission reimburses pre-65 retirees for deductibles and copays in excess of \$2,000 per year for single coverage or in excess of \$4,000 per year for double coverage. The employer estimates that the average cost of reimbursements is equal to 13% of the premium for the selected coverage level.

### Monthly Life Insurance Premiums

The Road Commission pays \$2.50 per month per \$1,000 of coverage provided for retiree life insurance.

## GLOSSARY

A number of special terms and concepts are used in connection with OPEB plans and the OPEB accounting report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

**Accrued Benefit** - Each participant has an accrued benefit under the plan. This is the amount of monthly benefit already earned. It is based on past employment with the Employer and is payable at normal retirement.

**Actuarial Cost Method** - This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

**Amortization** – The difference between actual and expected investment returns, the difference between actual and expected experience, and the impact of any plan or assumption changes will be amortized and paid over future years.

**Depletion Date (Cross-over Point)** – The projected date (if any) where plan assets, including future contributions, are no longer sufficient to pay Projected Benefit Payments to current members.

**Long-term expected rate of return** – The rate of return based on the nature and mix of current and expected plan investments and over the time period from when an employee is hired to when all benefits to the employee have been paid.

**Market Value of Assets** – The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

**Measurement Date** – The date the Total OPEB Liability, Fiduciary Net Position, and Net OPEB Liability are determined.

**Net OPEB Liability (NOL)** – The Total OPEB Liability less the Plan Fiduciary Net Position.

**Plan Fiduciary Net Position** – The market value of plan assets as of the measurement date.

**OPEB Expense (OE)** – The change in the Net OPEB Liability (NOL) recognized in the current measurement period. Changes to the NOL not fully recognized in a given year's OPEB expense will be maintained as deferred inflows and deferred outflows. These will be recognized incrementally in the OPEB expense over time.

**Present Value** - The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

**Present Value of Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current accrued benefits.

## GLOSSARY

**Present Value of Vested Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current vested benefits.

**Projected Benefit Obligation** - The value of benefits earned to the measurement date, but based on anticipated salary levels at retirement, computed in accordance with Generally Accepted Accounting Principles (GAAP) accounting rules.

**Projected Benefit Payments** – All benefits projected to be payable to current active and inactive participants as a result of their past service and their expected future service.

**Real Rate of Return** – The rate of return on an investment after the adjustment to eliminate inflation.

**Service Cost** - The value of benefits earned during the current year computed in accordance with GAAP accounting rules.

**Single Equivalent Discount Rate** – The single rate that gives the same total present value as discounting the Projected Benefit Payments with the long-term expected rate of return until the Depletion Date and discounting any remaining Projected Benefit Payments with the yield on a 20-year AA/Aa tax-exempt municipal bond index.

**Total OPEB Liability (TOL)** – The actuarial present value of the accrued benefit determined under the Entry Age actuarial cost method calculated using the blended Single Equivalent Discount Rate.