Michigan Department of Treasury
5074 (Rev. 03-14)

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 Cass County	Local Unit County Name Cass County
Local Unit Code 140000	Contact E-Mail Address rogerf@cassco.org

Contact Name	Contact Title	Contact Telephone Number	Extension
Roger Fraser	County Administrator	(269) 445-4420	

Website Address, if plan is available online	Date of Last Audited Financial Report 05/30/14

PART 2: STATEMENT OF UNFUNDED ACCRUED LIABILITIES

Indicate the option that pertains to your local unit:

[X] **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.

[ ] **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

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.

Chief Administrative Officer Signature (as defined in MCL 141.422b) Roger Fraser	Printed Name of Chief Administrative Officer (as defined in MCL 141.422b) Roger Fraser
Title County Administrator	Date 5/30/14

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

(Insert Municipality Name Here) 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: Cass County

Fiscal Year: 9/30/13

Pension UAL as reported in the most recent actuarial valuation: 4,162,770

Pension Funded Ratio: 82% No Pension UAL ☐

OPEB UAL as reported in most recent valuation:

OPEB Funded Ratio: 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.

Effective Date:

☐ **Adopted a Defined Contribution Plan for New Hires** **Effective Date:**	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:**	The long term impact of implementing a Hybrid Plan for new hires is that it reduces the future liability accrual because future benefits will be lower, and potentially less expensive, than the previous benefits.
☐ **Bridged the Multiplier for Active Employees** Bridged from: _____ multiplier Bridged to: _____ multiplier Final Average Compensation used: (check one) Frozen (biggest impact) ☐ Termination ☐ **Effective Date:**	The impact for bridging a multiplier for active employees is immediate and not only reduces future liabilities, but also may reduce existing liabilities. Past service remains at the previous multiplier and all future service accrues at the new, reduced multiplier. New hires would receive the new bridged multiplier.

FUNDING (CHECK ALL THAT APPLY)

STRATEGY	IMPACT
☑ **Contributed the Annual Required Contribution to Fund the Plan**	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?** Cass county currently has one division contributing 8% as the employee contribution, all other divisions are at 5%. Over the next 3 years, we intend to have most or all divisions contributing 8%.
☐ **Contributed Above the Minimum Required Amount** ☐ Extra percentage above minimum: _____ ☐ Lump sum payment into plan: _____	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?**

3. PENSION UAL – NO ACTIONS TAKEN

NO ACTIONS HAVE BEEN TAKEN IN THE PAST

PLEASE EXPLAIN WHY NO ACTIONS HAVE BEEN TAKEN

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	IMPACT
☐ **Implemented Changes to Coverage Levels** **Details:** **Effective Date:**	Implementing changes to coverage and benefit levels reduces the total liability of the plan.
☐ **Increased Co-Payments** **Details:** **Effective Date:**	Reduces the total liability of the plan.

☐ **Modified Eligibility**

Reduces the total liability of the plan.

Details:

Effective Date:

☐ **Implemented Defined Contribution Style Health Care**
(i.e. MERS Health Care Savings Program)

Eliminates OPEB liability for new hires. If active employees opt out, it reduces the current liabilities.

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 for New Hires**

Eliminates OPEB liability for new hires.

Details:

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

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**

Current Amortization Policy:
26 years

Is this amortization shrinking?

Yes ☑ No ☐

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

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

☐ **Regular Actuarial Experience Study**

Last study performed: 2009

Scheduled every 5 years

(MERS last Experience Study was performed in 2009)

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

☐ **Benefit Increases Policy**

Required to be _____% funded

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.

7. ACTIONS THAT MAY BE TAKEN

To reduce 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 could be made for new hires, including adopting a hybrid or defined contribution plan. For active employees, bridging the current multiplier to a lower multiplier for future service could also be implemented.

Funding strategies may also be made, including: contributing the annual required contribution to the plan (required by the State Constitution), and contributing more than the minimum required contribution.

Best practice policies include: limiting what is included in the final average compensation calculation, reviewing/reducing the amortization period to pay off unfunded liabilities, performing a regular actuarial Experience Study, and creating a policy on when benefit increases can be made.

If retiree healthcare is offered, and there is OPEB unfunded liabilities, future actions that could be taken include: plan design modifications (i.e. changes to coverage levels, increased co-payments, eligibility modifications), plan type changes (i.e. implementing a defined contribution style health care), and funding strategies (i.e. establishing an OPEB trust and funding it).