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	Local Unit County Name
Livingston County	Livingston County
Local Unit Code	**Contact E-Mail Address**
470000	bpeters@livgov.com

Contact Name	Contact Title	Contact Telephone Number	Extension
Belinda M. Peters	County Administrator	(517) 540-8710	

Website Address, if plan is available online	Date of Last Audited Financial Report
www.livgov.com	12/31/12

PART 2: STATEMENT OF UNFUNDED ACCRUED LIABILITIES

Indicate the option that pertains to your local unit:

☒ **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)	Printed Name of Chief Administrative Officer (as defined in MCL 141.422b)
Belinda M. Peters	Belinda M. Peters
Title	**Date**
County Administrator	05/27/14

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	Certification Received	EVIP/CIP Notes
Y N		
Final Certification	**Plan Received**	

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

Livingston County 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: Livingston County

Fiscal Year: January to December, 2014

Pension UAL as reported in the most recent actuarial valuation: $28,279,871

Pension Funded Ratio: 74% No Pension UAL ☐

OPEB UAL as reported in most recent valuation: $10,283,928

OPEB Funded Ratio: 54% 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 2.25 to 2.00
- ☐ 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:

The above multiplier reduction applies to newly hired employees in some bargaining units. In addition, all units who participate in the DB plans ratified contracts agreeing to contribute 5% of MERS eligible compensation to costs of the plan.

Effective Date: 12/31/11

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.

☑ **Adopted a Defined Contribution Plan for New Hires**

Effective Date: 2003 (Ambulance & 911)

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: 1.25

Vesting: 6 years

FAC: 3 years

Normal Retirement Age: 60

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: 8/31/09 nonunion; 1/1/11 court

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?** Livingston County has funded and will continue to budget for and fund the annual required contribution as required by MERS.
☑ **Contributed Above the Minimum Required Amount** ☐ Extra percentage above minimum: _____ ☑ Lump sum payment into plan: $5.0M total for 2011-2014	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?** Additional payments of $1.0 million were deposited into our employees' retirement system in each of fiscal years 2011, 2012, and 2013. An additional payment of $2.0 million was deposited in 2014. These actions demonstrate Livingston County's diligent approach to reducing unfunded pension liabilities and will continue to be a priority as the budget allows.

3. PENSION UAL – NO ACTIONS TAKEN

NO ACTIONS HAVE BEEN TAKEN IN THE PAST

PLEASE EXPLAIN WHY NO ACTIONS HAVE BEEN TAKEN

N/A

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:** In 2003, the non-union defined benefit health insurance was decreased from a 100/0 plan to a 90/10 plan. In 2010, it was transitioned to a 80/20 plan. Nonunion members and their spouses no longer receive prescription drug coverage after age 65. **Effective Date:** 01/01/2009	Implementing changes to coverage and benefit levels reduces the total liability of the plan.
☑ **Increased Co-Payments** **Details:** Non-union retirees contribute to the cost of coverage based on years of service. In 2010, Lieutenant retirees began contributing the same percentage as actives. **Effective Date:** 2003 and 2010	Reduces the total liability of the plan.

☑ **Modified Eligibility**

Reduces the total liability of the plan.

Details:

In 2010, all nonunion employees in the defined benefit plan who were not eligible to retire were converted to a defined contribution plan.

Effective Date: 2010

☑ **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: 2004 and 2010

☑ **Eliminated Retiree Health Insurance Coverage for New Hires**

Eliminates OPEB liability for new hires.

Details:

2/03 - Retiree healthcare benefits are no longer available to new nonunion hires. 06/30/11 - DB retiree healthcare plans are closed to new hires from all employee groups.

Effective Date: 2/2003 and 06/2011

FUNDING (CHECK ALL THAT APPLY)

STRATEGY

IMPACT

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

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

Contributions made to the Trust this year: $0

Balance in the Trust: $17,259,172

Effective Date: 2003-current

How will this action continue to be implemented and maintained?

In 2003, the retiree health care trust was created to begin funding retiree healthcare obligations. The trust is currently 54% funded, and annual contributions will continue to be a priority as the budget allows. When a contribution is not feasible, the County will pay current claims but will not draw from the Trust.

5. OPEB UAL – NO ACTIONS TAKEN

NO ACTIONS HAVE BEEN TAKEN IN THE PAST

PLEASE EXPLAIN WHY NO ACTIONS HAVE BEEN TAKEN

N/A

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: 12/31/12

Scheduled every 1 MERS/2 OPEB 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).

7. Future Actions That May Be Taken to Reduce UALs

- Offer hybrid pension plan for new hires in all open DB units
- Make additional payments to pension plan and OPEB Trust Fund
- Limit final average compensation
- Further pension and OPEB plan modifications