

# **Economic Vitality Incentive Program FY 2014 Unfunded Liability Plan**

## **Charter Township of Clinton Macomb County, MI Unit Code: 501040**

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**Liability Type:** Pension - Clinton Township Fire & Police Pension System

**System Description:** Defined benefit pension system established under Act 345 of 1937 to provide retirement benefits to police and firefighting personnel.

**System Funding Status:**

As of March 31, 2013:

Valuation Assets	\$113,485,366
Actuarial Accrued Liability	\$126,309,250
Unfunded Liability	\$12,823,884
Funding Ratio	89.8%

**Previous Actions Taken:**

- Pension benefit accrual rate for IAFF Fire Fighter members hired after April 1, 2011 is reduced from 2.8% to 2% of final average compensation.
  - Estimated Savings: 28.6% reduction in normal cost liability for each new hire.
- Pension benefit accrual rate for POAM Police Officer members hired after April 1, 2011 is reduced from 2.8% to 2% of final average compensation.
  - Estimated Savings: 28.6% reduction in normal cost liability for each new hire
- Pension contribution for POAM Patrol Officers increased to 8.14% from 6.14% effective 4/1/2011.
  - Estimated Savings: 2% of payroll
- Pension contribution for POLC Command Officers increased to 10% from 7% effective 4/1/2011.
  - Estimated Savings: 3% of payroll

**Maintenance and Continuation of Previous Actions Taken:**

1. The Township will continue to fully fund the actuarially required contribution.
2. Maintain current benefit levels in collective bargaining agreements until they expire.

**Additional Actions That Could Be Implemented:**

1. Implementation of defined contribution pension system for new hires. This action would require negotiation with various bargaining units.
2. Set aside additional funding above required actuarial contribution annually.

**Liability Type:** Pension - General Employees

**Description:** Defined benefit pension system established with Municipal Employees' Retirement System (MERS) to provide retirement benefits to general government Township personnel.

**Funding Status:**

As of December 31, 2012:

Valuation Assets	\$44,809,311
Actuarial Accrued Liability	\$64,580,306
Unfunded Liability	\$19,770,995
Funding Ratio	69%

**Previous Actions Taken:**

- Pension benefit accrual rate for UAW Professional Water Workers members hired after April 1, 2010 is reduced from 2.5% to 2% of final average compensation.
  - Pension benefit accrual rate for UAW Technical Office Professionals members hired after April 1, 2010 is reduced from 2.5% to 2% of final average compensation.
  - Pension benefit accrual rate for AFSCME Supervisory members hired after April 1, 2010 is reduced from 2.5% to 2% of final average compensation.
  - Pension benefit accrual rate for AFSCME Mid-Management members hired after April 1, 2010 is reduced from 2.5% to 2% of final average compensation.
  - Pension benefit accrual rate for AFSCME DPW members hired after April 1, 2010 is reduced from 2.5% to 2% of final average compensation.
  - Pension benefit accrual rate for AFSCME Appraiser members hired after April 1, 2011 is reduced from 2.5% to 2% of final average compensation.
  - Pension benefit accrual rate for AFSCME Building Inspector members hired after April 1, 2011 is reduced from 2.5% to 2% of final average compensation.
- Estimated Savings For All Changes: 20% reduction in normal cost liability for each new hire.

**Maintenance and Continuation of Previous Actions Taken:**

1. The Township will continue to fully fund the actuarially required contribution.
2. Maintain current benefit levels in collective bargaining agreements until they expire.

**Additional Actions That Could Be Implemented:**

1. Implementation of defined contribution pension system for new hires. This action would require negotiation with various bargaining units.
2. Set aside additional funding above required actuarial contribution annually.

**Liability Type:** Other Post Employment Benefits – All Qualifying Employees

**Description:** Defined benefit post-retirement health trust established under PA 149 of 1999 and Section 115 of the Internal Revenue Code to provide retiree health care benefits to qualifying employees.

**Funding Status:**

As of September 1, 2012:

Valuation Assets	\$23,271,604
Actuarial Accrued Liability	\$83,194,819
Unfunded Liability	\$59,923,215
Funding Ratio	27.9%

**Previous Actions Taken:**

- Effective July 2000, the Township established the Public Employee Health Care Fund authorized by PA 149 of 1999 for the accumulation of funds to provide for the funding of retiree health care benefits.
  - Estimated Savings: Indeterminate – PA 149 allowed for greater flexibility regarding fund investments.
- Effective September 2012, the Township established the Retiree Health Care Trust authorized by IRC 115 for the purpose of funding required retiree health care benefits.
  - Estimated Savings: Indeterminate – The Trust is required to provide for employee contributions for retiree health care.
- Effective January 1, 2010, Medicare eligible retirees were moved from traditional fee-for-service health care plans into a Medicare Advantage Plan.
  - Estimated Savings: \$600,000 - \$700,000 annually
- Effective April 2011, general employees began contributing \$15 per pay into the Retiree Health Care Trust.
  - Estimated Savings: \$390 annual decrease in cost per eligible employee.
- General employees hired after April 1, 2011 are enrolled in a defined contribution retiree health care account with a 6% of base wage contribution by the Township and are ineligible for post-employment benefits provided by the Retiree Health Care Trust.
  - Estimated Savings: 69% reduction in new hire costs.
- Effective April 2011, public safety employees began contributing \$35 per pay into the Retiree Health Care Trust.
  - Estimated Savings: \$910 annual decrease in cost per eligible employee.

- Public safety employees hired after April 1, 2011 are required to contribute 6% of base wage into the Retiree Health Care Trust.
  - Estimated Savings:

**Maintenance and Continuation of Previous Actions Taken:**

1. The Township will continue to fully fund the actuarially required contribution for all OPEB.
2. Maintain current benefit levels in collective bargaining agreements until they expire.

**Additional Actions That Could Be Implemented:**

1. Change retiree health care plans for current and future retirees.
2. Elimination of defined benefit retiree health care, dental and optical coverage for public safety new hires and implement defined contribution system with retiree health savings accounts. This action would require negotiation with various bargaining units.