



“The Victorian Port City”

Unfunded Accrued Liability Plan



June, 2014



Unfunded Accrued Liability Plan

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Unfunded Accrued Liability Plan

Introduction

Welcome to the City of Manistee *Unfunded Accrued Liability Plan*. As part of Governor Snyder's and the Legislature's initiative to reform local government and revamp statutory state revenue sharing, communities are required to produce this document in order to receive this State funding.

Beyond the statutory requirement, these documents will be useful to assist citizens in understanding the City's past and planned efforts in these areas.

The statute; Public Act 34 of 2014, specifically states:

(5) Category 3, unfunded accrued liability plan, requires each eligible city, village, township, or county to certify by June 1, or the first day of a payment month for this category, that it has complied with 1 of the following:

(a) An eligible city, village, township, or county with unfunded accrued liabilities as of its most recent audited financial report related to employee pensions or other post-employment benefits shall submit a plan to lower all unfunded accrued liabilities. The plan shall include a listing of all previous actions taken to reduce its unfunded accrued liabilities; a detailed description of how it will continue to implement and maintain previous actions taken; and a listing of additional actions it could take. If no actions have been taken to reduce its unfunded accrued liabilities, it shall provide a detailed explanation of why no actions have been taken and a listing of actions it could implement to reduce unfunded accrued liabilities. Actuarial assumption changes and issuance of debt instruments shall not qualify as a new proposal. The unfunded accrued liabilities plan shall be made available for public viewing in the city, village, township, or county clerk's office or posted on a publicly accessible Internet site. The city, village, township, or county shall certify with the department of treasury that its plan is publicly accessible.

(b) Any city, village, township, or county that does not have unfunded accrued liabilities as of its most recent audited financial report related to employee pensions or other post-employment benefits shall certify to the department of



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treasury by June 1, or the first day of a payment month for this category, that it does not have unfunded accrued liabilities. The certification shall include an explanation of why the city, village, township, or county does not have unfunded accrued liabilities. The department shall develop a certification process and method for cities, villages, townships, or counties to follow.

Types of Unfunded Accrued Liabilities

An unfunded accrued liability is the difference between accrued liabilities and the value of assets accumulated to finance that obligation. The City of Manistee has two types of unfunded accrued liabilities: pension and retiree healthcare. As of June 30, 2013 the liabilities were:

Type of Liability	Amount	Funded %
Pension	\$ 250,527	98%
Retiree Healthcare	\$ 72,974	Pay as You Go

Previous Actions Taken to Lower Unfunded Liabilities

The City of Manistee has four union and two non-union employee groups. Pension benefit levels are slightly different for each group.

Regarding pensions, the City has taken the following actions to minimize and/or reduce unfunded liabilities:

1. Maintained employee contributions at 4% of pay.
2. No COLA benefit provision.
3. Reduced the multiplier from 2.0% to 1.5% for new hires in the USW group as of July 1, 2011.
4. Capped employer contributions at 10% of base salary for new hires in the USW group as of July 1, 2012
5. At times, funded the higher of the normal cost or the actuarially calculated minimum contribution.

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Regarding retiree healthcare, the City has taken the following action to reduce unfunded liabilities:

1. Capped employer contribution for health care at \$250 per month, or 50% of premium, whichever is less, from retirement until Medicare eligibility.
2. No obligation after eligible for Medicare.

How Will Manistee Continue to Implement and Maintain Previous Actions Taken

The City has and will continue to fund, at a minimum, the required annual pension costs. In addition, we will hold firm on not reducing required employee contributions, or raising benefits without the employees covering 100% of the additional costs. The City has always managed its pensions and OPEB benefits responsibly, as can be seen by the relatively small unfunded liabilities.

Additional Actions that Could Be Implemented

The City of Manistee could take one or more of the following actions to reduce unfunded accrued liabilities, subject to collective bargaining negotiations where applicable.

1. Increase required employee contributions (current and/or new hires).
2. Decrease multiplier for new hires.
3. Close DB division(s) and require all new employees to go into a DC plan.
4. Eliminate employer funding of retiree healthcare for new employees.