



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

March 1, 2018

Preliminary Review of Underfunded Status

Fiscal Year: 2017

MuniCode: 332010

Report ID Number: 76909

Sent Via Email

City of East Lansing

jfeldpa@cityofeastlansing.com

RE: Retirement System Annual Report

Dear Administrative Officer or Designee:

Based upon review of your *2017 Retirement System Annual Report* (Form 5572) and pursuant to Public Act 202 of 2017 (the Act), one (or more) of your retirement systems has triggered a preliminary review of underfunded status. Unless you apply for a waiver within 45 days and your application is granted, your local unit of government will receive a determination of underfunded status.

How to Apply for a Waiver of Underfunded Status

In accordance with the Act, you may apply for a waiver of underfunded status for each applicable system. The attached Application for Waiver and Plan has a cover sheet with detailed instructions on how to complete the application. The completed application is due back to the Department of Treasury (Treasury) by **April 16, 2018**, via email to LocalRetirementReporting@Michigan.gov.

If you have multiple underfunded retirement systems, you are required to complete separate applications for each system and send a separate email for each system. Please attach each application as a separate PDF document in addition to all applicable supporting documentation. The subject line of the email should be in the following format: **Waiver-2017, Local Unit Name, Retirement System Name** (e.g. Waiver-2017, City of Lansing, Employees' Retirement System Pension Plan). The following conditions are essential for your waiver application to be considered for approval:

- Your Application for Waiver and Plan - before it is sent to Treasury - has been approved by your administrative officer and governing body. Documentation from

your governing body approving the Application for Waiver and Plan must also be attached as a PDF document.

- Your Application for Waiver and Plan shall not include prospective plans or solutions (e.g. future CBA amendments, upcoming millage proposals, potential budget changes, etc.). Your plan must demonstrate prior actions that your local unit has already implemented to adequately address its underfunded status. However, Treasury may consider additional ongoing funding dedicated to your retirement system if those commitments have been formally enacted by the governing body and can be documented.

If the state treasurer determines that the underfunded status is adequately being addressed by the local unit of government, the state treasurer shall issue a waiver of the determination of underfunded status.

After receiving your Application for Waiver and Plan, Treasury will send a letter informing your local unit of government if the waiver is granted. If the waiver is not granted, Treasury will provide a notification detailing the reasons for denial.

Next Steps: If a Waiver is Denied or you Do Not apply for a Waiver

- The Municipal Stability Board (the Board) will provide a notification to the local unit of government detailing the determination of underfunded status. Within this notification the Board will also request a corrective action plan.
- After receipt of notification from the Board, the underfunded local unit shall develop and submit to the Board for approval a corrective action plan for the local unit of government. The local unit of government is responsible for determining the components of the corrective action plan. The governing body of the local unit of government must approve the corrective action plan before submission to the Board.
- The corrective action plan must be submitted to the Board within 180 days after the determination of underfunded status. 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.
- The Board must approve or reject a corrective action plan within 45 days after it is submitted.

Early submission of your Application for Waiver and Plan allows greater opportunity for conversation and clarification with Treasury, and is strongly encouraged. Thank you for your continued compliance with the requirements of the Act. If you have any questions, please email our office at LocalRetirementReporting@michigan.gov or visit Michigan.gov/LocalRetirementReporting for step-by-step reporting instructions and helpful FAQs.

Sincerely,

Michigan Department of Treasury
Local Retirement Reporting Team

Enclosed:

- Application for Waiver and Plan: Defined Benefit Pension Retirement Systems (Form 5583)
- Application for Waiver and Plan: Retirement Health Benefit Systems (Form 5584)