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TO: City Council

FROM: Tom Crawford, Chief Financial Officer

CC: Howard Lazarus, City Administrator  
John Fournier, Assistant City Administrator

DATE: November 1, 2018

SUBJECT: Pension/OPEB Reporting to the State

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In 2017 the State of Michigan passed Public Act 202 which seeks to provide best practice options to Michigan's local units of government so they may sustain fiscally stable retirement systems, protect benefits for retirees, and provide high-quality public services to residents. Starting with FY2019, the Act will require a standard set of assumptions be utilized for reporting purposes to the State. However, the FY2018 report attached utilizes the existing assumptions from the City's retirement system.

The pension system is 86% funded and has annual contributions as a percentage of governmental fund revenues of 8.6%.

The retiree healthcare plan (VEBA) is 66% funded and has annual contributions as a percentage of governmental fund revenues of 7.1%.

Starting with next year's report to the State a standard set of assumptions, as established by the State Treasurer, will be utilized for State reporting purposes. Based on the results of this report, if plans are considered underfunded by statute criteria, municipalities will be required to submit a Corrective Action Plan. The requirement for Pension systems is a funded ratio of less than 60% and annual contributions of greater than 10% of selected revenues. The requirement for retiree healthcare plans is a funded ratio of less than 45% and annual contributions of greater than 12% of selected revenues.

At this time, Ann Arbor's plans are estimated to exceed the minimum levels established plan for next year and are projected to remain so.