

## RESOLUTION 2013 – 26

### UNFUNDED PENSION LIABILITY PLAN

Minutes of a regular meeting of the City of St. Louis, City Council, held on November 19, 2013 at the City Hall, in the City of St. Louis, County of Gratiot at 7:30 a.m.

PRESENT: Mayor James C. Kelly, George T. Kubin, Melissa A. Allen, Jerry L. Church, William E. Shrum

ABSENT: None

The following preamble and resolution was offered by Kubin, and supported by Shrum:

**WHEREAS**, the Saint Louis City Council in 1999 implemented a defined contribution retirement plan for City employees hired after June 1, 1999 to replace a former defined benefit retirement plan offered to employees hired previous to June 1, 1999, and

**WHEREAS**, the Saint Louis City Council agreed to continue the defined benefit retirement plan for those eligible employees hired and participating in the defined benefit retirement plan prior to June 1, 1999 until the date of the employee's retirement, and

**WHEREAS**, as time passed since June 1, 1999, the City has found that the defined benefit retirement plan for eligible employees already retired and continuing to retire subsequent to June 1, 1999 began to cause an unfunded pension liability, and

**WHEREAS**, the City commenced making additional contributions over and above contributions required as determined by the City's actuaries such that it has built a net pension asset of \$416,478 as of June 30, 2013 according to audit City financial statements, and

**WHEREAS**, City Council members Allen and Church agreed to serve on a committee with City Manager McConkie and Finance Director Marr in July 2013 to review unfunded pension liabilities and make recommendations to the Council on what actions should be taken to reduce unfunded liabilities prepare a plan to achieve compliance with Section 952 of Act 59, Michigan Public Acts of 2013, and

**WHEREAS**, on July 31, 2013 the Committee met with Michael Strader, MERS Regional Manager to review the most recent actuarial report, gain a better understanding of the report findings and review the impact of the Committee's suggestions intended to reduce the City's unfunded liability, and

**WHEREAS**, the Committee again met to review and finalize the proposed plan in November 2013 prior to the plan being presented to the City Council for consideration

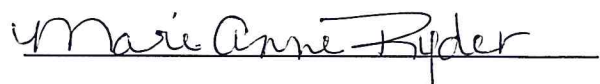
**NOW THEREFORE BE IT RESOLVED** by the City Council adopts the following as its "Unfunded Pension Liability Plan" such to comply with Section 952 of Act 59, Michigan Public Acts of 2013 :

1. The City of Saint Louis shall deposit with MERS a sum of \$248,139.00 to fund 100% of the unfunded liability of; Division 2 - Police and Fire \$108,493.00; and Division 10 - City Manager \$139,646.00 Defined Benefit Retirement Plan according to the most recent December 31, 2012 Annual Actuarial Valuation Report. Sums to be deposited shall be deposited prior to December 31, 2013 so as to be reflected in the actuarial for December 31, 2013. Sums for this deposit shall come from the following funds in amounts depicted below:
  - a. General \$129,439.90
  - b. Electric \$ 41,893.80
  - c. Sewer \$ 38,402.65
  - d. Water \$ 38,402.65
2. It is expected that the City will realize savings resulting from returns on investment that historically are greater in MERS investments than the City historically realizes from investment returns on City funds. Investment of net pension assets and the additional deposit above total \$664,617 which would generate an estimated investment return of \$28,479 based on MERS return on investment for the calendar year end December 31, 2012. The same \$664,617 if invested with other City funds would generate \$199 at our current return on investment rate of 0.03%, potentially saving the City \$28,280 in future unfunded liability.
3. Plan for continued funding of Unfunded Liability will be as follows:
  - a. At a minimum the actuarial required contribution must be made.
  - b. Until 100% funding has been achieved and maintained, an amount should be budgeted each year in addition to the required contribution such that total contribution plus investment income equals or exceeds anticipated annual benefit payments.
  - c. In addition, annual fund surplus should be contributed until the funding percentage is at 100%. Surplus is to be determined as follows:
    - i. A surplus will be considered to exist in the General Fund if the "unassigned" portion of fund balance is in excess of 35% of the next fiscal year anticipated expenditures.
    - ii. A surplus will be considered to exist in Utility Funds after all reserves, designations and working capital requirements have been met.
4. No additional actions can be taken legally to reduce Unfunded Liability.

Ayes: Kubin, Shrum, Allen, Church, Kelly

Nays: None

RESOLUTION DECLARED ADOPTED this 19<sup>th</sup> day of November, 2013.



Mari Anne Ryder, City Clerk

I hereby certify that the foregoing constitutes a true and complete copy of a resolution adopted by the City Council of the City of Saint Louis, County of Gratiot, Michigan, at a regular meeting held November 19, 2013.

A handwritten signature in cursive script that reads "Mari Anne Ryder". The signature is written in black ink and is positioned above a horizontal line.

Mari Anne Ryder, City Clerk

