Wexford County

BOARD OF COMMISSIONERS

Gary Taylor, Chair

NOTICE OF MEETING

The Wexford County Board of Commissioners will hold a regular meeting on Wednesday, September 16, 2020 beginning at 4:00 p.m. in the Commissioners' Room of the Historic Courthouse in Cadillac, MI, 49601.

TENTATIVE AGENDA

In compliance with the Americans with Disabilities Act, persons with physical limitations that may tend to restrict access to or participation in this meeting should contact the County Administrator's office (231-779-9453) at least twelve (12) hours prior to the scheduled start of the meeting.

WEXFORD COUNTY BOARD OF COMMISSIONERS

Regular Meeting *Wednesday, September 2, 2020

Meeting called to order at 4:00 p.m. by Chairman Taylor.

Roll Call: Present- Commissioners Joe Hurlburt, Michael Musta, Ben Townsend, Mike Bengelink, Mike Bush, Gary Taylor, Julie Theobald, and Judy Nichols.

Absent- Brian Potter.

Pledge of Allegiance.

Additions/Deletions to the Agenda- *None.*

Approval of the Agenda

MOTION by Comm Musta, seconded by Comm Bush to approve the agenda.

All in favor.

Employee Recognition-

Rob Kulpa was present to receive his award for 10 years of service with the County. Mr. Kulpa has been employed at Wexford County Friend of the Court since September 2010.

Presentation and Reports- *None.*

Public Comment- *None.*

Consent Agenda

1. Approval of the August 19, 2020, Regular Meeting Minutes
2. Appointment to the Veterans Services Committee

MOTION by Comm Theobald, seconded by Comm Bush to approve the Consent Agenda.

All in favor.

Agenda Items

1. Resolution 20-20 Supporting Secondary Road Patrol Grant Application

   MOTION by Comm Musta, seconded by Comm Nichols to approve Resolution 20-20 Supporting Secondary Road Patrol Grant Application for the period of October 1, 2020 to September 30, 2021 in the amount of $32,190 and authorize the Chairman of the Board to sign the application on behalf of the County.

   Roll call: Motion passed unanimously.

2. Canteen Services Inc. Agreement

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MOTION by Comm Bengelink seconded by Comm Theobald to approve the Canteen Services, Inc. Food Service Agreement for the period of three years beginning August 31, 2020 and authorize the Chairman of the Board to sign the agreement on behalf of the County.

One Commissioner questioned if there were any issues with this company. It was explained that the Jail has not had any issues with their service.

Roll Call: Motion passed 8-0.

3. Flu Immunizations
   MOTION by Comm Theobald, seconded by Comm Bush to approve Cadillac Family Physicians to provide on-site flu immunizations for Wexford County and the County to pay the full $30.00 for any Wexford County employee or official whose cost is not covered by insurance.

   Roll Call: Motion passed unanimously.

4. Veterans Serving Veteran's Request for Octagon Building Funds
   MOTION by Comm Nichols, seconded by Comm Theobald to approve releasing all funds from Fund 499 to the Veterans Serving Veterans, Inc. Community Foundation's Octagon Building Fund.

   Roll Call: Motion passed 8-0.

5. CDBG Grant-Letter of Interest Response
   MOTION by Comm Theobald, seconded by Comm Nichols to approve Wexford County proceed with the process to obtain CDBG reimbursement of COVID expenditures and authorize the Chairman of the Board to sign the Letter of Interest on behalf of the County.

   Roll Call: Motion passed unanimously.

6. Plexi-glass Partitions for the Commissioners Desks
   MOTION by Comm Nichols, seconded by Comm Bengelink to approve the purchase of Plexi-glass partitions for the Commissioners' desks and authorize the Administrator to purchase the partitions at a not-to-exceed amount of $2,000.

   One Commissioner asked if Adam Kerr would be doing the work. Mr. Kerr explained he would be able to do the work, and he was working to try and come up with a solution on putting them in place.

DRAFT

Another Commissioner asked if the cost would be covered under any grants. Administrator Koch explained she is looking at all options but unsure at this time.

Roll Call: Motion passed 5-3, with Commissioners Musta, Theobald, and Taylor voting against the motion.

Administrator's Report-
Administrator Koch informed the Board that the Circuit Court Administrator has found an appointment software that departments can take advantage of. The COVID screening questionnaire can potentially be wrapped into this software as well.

She also informed the Board that the revenue sharing is still not available.

Correspondence-

1. 2020 Wage & Salary Survey

Public Comments-
Kathy Adams, Cherry Grove Township Supervisor, came to the Board for partnering with them for assessing. Joe Porterfield and his team are wonderful to work with.

Liaison Reports-

Comm Nichols attended the District 10 Health Department meeting. All of that is available online.

Comm Hurlburt attended the Road Commission meeting.

Board Comments

Comm Townsend commented on the survey email all members received from Norma Kijorski regarding Northern Lakes Community Mental Health. He asked all to participate. He also commented on the training all employees received from IT Right. It took him 8 times to pass and he jokingly stated that it does not take 30 minutes like it states.

Comm Bengelink thanked Kathy Adams for her service to the township. He commented that he needed to take the test 12 times from IT Right. He also read a quote from Ronald Reagan.

Comm Bush is open for jury selection at the courthouse. He doesn't like the idea of citizens sitting at the Commissioner's desks.

Comm Nichols took the test also, and it took her 50 minutes. It is going to haunt her for the rest of her life.

Chairman's Comments

Comm Taylor thanked everyone for coming.

DRAFT

Adjourn

MOTION by Comm Hurlburt, seconded by Comm Bush to adjourn at 4:16 p.m.

All in favor.

Gary Taylor, Chairperson	Alaina Nyman, County Clerk

DRAFT

J.1.

BOARD OF COMMISSIONERS AGENDA ITEM

FROM: Administration

FOR MEETING DATE: September 16, 2020

SUBJECT: POAM 9-1-1 Central Dispatch Agreement

SUMMARY OF ITEM TO BE PRESENTED:

A final version of the dispatch agreement, which will include language regarding vacation carryover hours that mirrors the Letter of Understanding approved by the Board of Commissioners on July 1, 2020, will be available on Monday.

Labor counsel is preparing a motion through which the Board can approve the revised language.

J.2.

BOARD OF COMMISSIONERS AGENDA ITEM

FROM: Executive Committee

FOR MEETING DATE: September 16, 2020

SUBJECT: Memorandum of Understanding (MOU) – Front End Loader

SUMMARY OF ITEM TO BE PRESENTED:

The County and the Northern District Fair Association, NDFA, are parties to an MOU regarding the payments for the front end loader used at the Wexford Civic Center which was purchased in June of 2018. The Fair Board agreed to buy a half interest in the loader, at $11,000. See attached agreement.

In 2019, NDFA requested a change in the date of the payments due to the County from July 1, 2019 and July 1, 2020 to September 15, 2019 and September 15, 2020. A MOU was signed by both parties and is attached for review.

Since the disruption by COVID-19, NDFA determined that the fair should be canceled for this year. Since there is no fair, finances have been reduced significantly. The County and the NDFA have always had a good working relationship and a new draft MOU requesting the second payment of $6,000 due on September 15, 2021 is attached for review.

RECOMMENDATION:

The Executive Committee recommends the full board approve the draft MOU reflecting the change in the second payment date of September 15, 2021.

ORIGINAL

MEMORANDUM OF UNDERSTANDING

This Memorandum is made and entered into on the date set forth below, by and between the County of Wexford (County) and Northern District Fair Association (NDFA).

1) The County and NDFA are parties to an Agreement for the Purchase and Sale of Interest in Front End Loader dated June 20, 2018.

2) NDFA is requesting a change in the date of the payments due to the County by NDFA from July 1, 2019 and July 1, 2020 to September 15, 2019 and September 15, 2020.

3) The parties intend by this Memorandum of Understanding to confirm that the cooperation of the County in undertaking this request does not waive or release either NDFA or the County from any of their respective obligations under, or the right of the other party to future enforcement of breaches of, the Warranty Deed dated July 26, 1974.

Dated: 5/15/2019

COUNTY OF WEXFORD
BOARD OF COMMISSIONERS

Gary Taylor
Gary Taylor, Chairperson

Dated: 5/15/2019

Alaina M Nyman
Alaina M. Nyman, County Clerk

NORTHERN DISTRICT FAIR
ASSOCIATION

Dated: 5/16/2019

By: Ted Meyer
Ted Meyer, Chairperson

MEMORANDUM OF UNDERSTANDING

This Memorandum is made and entered into on the date set forth below, by and between the County of Wexford (County) and Northern District Fair Association (NDFA).

1) The County and NDFA are parties to an Agreement for the Purchase and Sale of Interest in Front End Loader dated June 20, 2018.

2) NDFA submitted the first installment on September 5, 2019 in the amount of $5,000 leaving a balance of $6,000 due on September 15, 2020.

3) Beginning March of 2020, the COVID-19 pandemic altered how businesses operated and the Governor of Michigan enacted the MI Safe Start Plan which prohibited public gatherings.

4) The NDFA determined it was in the best interest of the public not to hold its annual fair. Without the revenue from the annual fair, NDFA is unable to fulfill its payment obligation.

5) The County is extending the due date of the September 15, 2020 payment to September 15, 2021. This extension of the second and final payment is the result of the disruption by COVID-19.

6) The parties intend by this Memorandum of Understanding to confirm that the cooperation of the County in undertaking this request does not waive or release either NDFA or the County from any of their respective obligations under, or the right of the other party to future enforcement of breaches of, the Warranty Deed dated July 26, 1974.

COUNTY OF WEXFORD
BOARD OF COMMISSIONERS

Dated: ____________________ ________________________________
Gary Taylor, Chairperson

Dated: ____________________ ________________________________
Alaina M. Nyman, County Clerk

NORTHERN DISTRICT FAIR ASSOCIATION

Dated: ____________________ By: ________________________________
Name, Title

DRAFT

BOARD OF COMMISSIONERS AGENDA ITEM

FROM: Finance Committee
FOR MEETING DATE: September 10, 2020
SUBJECT: MERS Additional Voluntary Contribution

SUMMARY OF ITEM TO BE PRESENTED:

Similar to many other counties and municipalities, Wexford County's pension obligations have increased. This is due to reasons that include the 2011 elimination of the defined benefit pension to new employees, an aging workforce, longer life expectancies, the 2008 recession, and other actuarial calculations.

The funded ratio of a pension plan is, quoting the County's December 31, 2019 Annual Actuarial Valuation Report, "the percentage of the dollar value of the actuarial accrued liability that is covered by the actuarial value of assets." The County's current funded ratio is 65%. As of the end of 2019, our valuation assets are $21,235,684 and our unfunded accrued liabilities are $11,682,183. Increasing the County's funded ratio has been noted as a priority by the Finance Committee. Current projections from MERS (Municipal Employees' Retirement System of Michigan) expect that the County will be 100% funded in 2039. This will require annual increases in payments.

The County's policy E-8.2 Fund Balance requires that the fund balance of the general fund "shall not be less than 30 percent of the annual general fund operating budget." Our 2019 audit states a fund balance that, after removing the fund balances of the six special funds that are added to the general fund balance, is 45.2% of the 2020 general fund operating budget. The final 2020 budget for the general fund is $13,922,747.

In light of anticipated reduced revenues from the State of Michigan in 2021, an additional voluntary contribution to MERS of the full difference between the 30% and 45.2% amount is not recommended. However, an additional contribution of approximately half that difference would assist with increasing the County's funded ratio while also maintaining a general fund balance that will help us through what could well be a financially difficult time.

If the Committee wishes to recommend the Board make an additional contribution, another decision is how to implement the payment. There are two basic options; 1) Payment directly to divisions will increase the funded ratio while decreasing monthly contributions. 2) Payment to a surplus division will increase the funded ratio, but will not decrease monthly contributions. However, using a surplus fund will help the County be fully funded much sooner. Please see pages 18 & 19 of the following booklet "Managing UAL."

RECOMMENDATION:

The Finance Committee suggests the BOC approve two equal 2020 payments for a total of 7.125% of the 2020 amended General Fund budget for an additional voluntary contribution to MERS in the surplus division.

MERS®
Municipal Employees' Retirement System

Managing UAL

Closing the Gap in Unfunded Accrued Liability

www.mersofmich.com

What is UAL?

In a defined benefit pension plan or retiree health care plan, ***unfunded accrued liability (UAL)*** is the difference between the estimated cost of future benefits that have been accrued to date, and the assets that have been set aside to pay for them.

This difference is represented by the municipality's pension funded level, which is reported in the ***Annual Actuarial Valuation*** the municipality receives each year. To learn more about your valuation, or to explore ways to reduce UAL, contact your MERS Regional Manager by visiting *www.mersofmich.com* or by calling 800.767.6377.

Managing UAL

There are several ways a municipality can address unfunded accrued liability, including:

– REDUCE LIABILITY

Reduce or eliminate liability by offering a lower tier of benefits or different plan type for new hires.

Reduce the liability for existing employees by "bridging" their benefits to a lower tier and freezing final average compensation.

Eliminate future liability by closing or freezing the Defined Benefit Plan and offering a Defined Contribution Plan.

+ INCREASE ASSETS

Paying more than the required minimum contributions.

Bonding to fully fund the plan.

Cost sharing with employees.

Things to Consider

1. PURPOSE

Why do you offer your employees a retirement plan?

For example: recruitment, retention, union negotiation, portability or security for your retirees. Compare your purpose for current employees to your purpose for future employees. Has the purpose changed?

2. BENEFIT

Be sure to ***understand the benefit*** your retirees receive compared to any change in the proposed benefit for a current or new employee. Then evaluate if the current proposed benefits fulfill the purpose.

3. COST

When comparing the costs of your current and proposed retirement plans, ensure you're comparing apples to apples. The long term cost of a defined benefit plan that is fully funded is the ***Normal Cost***. The Normal Cost can be found on Table 1 of your Annual Actuarial Valuation.

4. CASH FLOW URGENCY

Consider your budget goal for both your current and proposed retirement plans. Do you have an immediate cost savings need or is this change aimed at longer term impact?

Bridged Multiplier

Bridging the multiplier reduces the benefit multiplier for existing employees on a going-forward basis while leaving earned benefits unchanged.

HOW DOES IT WORK?

- The first part of the bridge is the current benefit structure already adopted.
- The second part of the bridge allows for the benefit multiplier to be changed on a going-forward basis, impacting only future service.
- At the employee's retirement, the two parts are combined to complete the retirement benefit.

Calculating the Final Average Compensation (FAC):

- You have the option to use a Frozen FAC for the first part of the bridge. This means the FAC for Part 1 of the benefit will be calculated at the time of the bridge and will not be affected by future pay increases. Choosing this option will typically provide the greatest cost impact.
- If FAC is not frozen, termination FAC will be used to calculate Part 1 of the benefit. Termination FAC calculates the FAC *throughout* the employee's career.

Part 1

Final Average Compensation (May choose Frozen FAC) X Pre-Bridge Service Credit X Original Benefit Multiplier = Part 1 Benefit

\+

Part 2

Final Average Compensation X Post-Bridge Service Credit X New Benefit Multiplier = Part 2 Benefit

$ Total Retirement Benefit

EMPLOYEE BENEFIT EXAMPLE

Bob worked for 15 years when his employer decides to bridge from a 2.5% benefit multiplier to 1.5% with a frozen FAC. For the first 15 years, Bob's FAC is calculated at $40,000 with a 2.5% multiplier. Bob works another 10 years at the 1.5% benefit multiplier and when he retires his FAC is calculated at $50,000. Bob's benefit will look like the following:

Calculated With Frozen FAC

Frozen FAC $40,000	X	Pre-Bridge Service Credit 15 years	X	Original Benefit Multiplier 2.5%	=	$15,000
						+
FAC $50,000	X	Post-Bridge Service Credit 10 years	X	New Benefit Multiplier 1.5%	=	$7,500
						$22,500 Annually/ $1,875 Monthly

If Termination FAC was selected for Part 1 instead of Frozen, Bob's FAC at retirement will be used for both parts of the bridge and his total benefit would be **$26,250 annually**.

If Bridged Benefits had not been adopted, Bob would have accrued all 25 years at 2.5% and his retirement benefit would have been **$31,250 annually**.

BENEFIT COST EXAMPLE

Bob's municipality has 29 employees, a current annual payroll of $1,532,757, a monthly contribution of $23,867 and a 2.5% benefit multiplier. Below are the results of their bridging from a 2.5% benefit multiplier to a 1.5% benefit multiplier:

Frozen FAC Calculation for Part 1 of the Bridge

	Current Benefits	Proposed Benefits	Difference
Actuarial Accrued Liability	$9,615,809	$8,416,803	($1,199,006)
Division Percent Funded	73.1%	83.5%	10.4%
Employer Contribution	$286,404	$128,604	($157,800)

Termination FAC Calculation for Part 1 of the Bridge

	Current Benefits	Proposed Benefits	Difference
Actuarial Accrued Liability	$9,615,809	$9,316,155	($299,654)
Division Percent Funded	73.1%	75.4%	2.3%
Employer Contribution	$286,404	$198,936	($87,468)

CASH FLOW IMPACT

Implementing Bridged Benefits may provide immediate contribution rate relief by changing the Normal Cost moving forward (also UAL contributions in some cases). The impact will vary depending on each specific plan's details (provisions, demographics, etc.).

Bridged COLA

Bridging the Cost of Living Adjustment (COLA) eliminates the COLA on future service credit for participants. Going forward, the COLA will only be applied to the portion of the benefit earned before the bridge. This is known as the COLA Base.

HOW DOES IT WORK?

The FAC is frozen as of the date of the bridge for purposes of calculating the COLA Base.

COLA Base is Calculated as of the Bridge Date

FAC as of Bridge Date **X** Service Credit as of Bridge Date **X** Benefit Multiplier **=** COLA Base

The annual COLA is determined by applying the COLA percentage (typically 2.5%) to the COLA Base only.

Calculating the Annual COLA

COLA Base **X** COLA % **=** Annual COLA

At termination, the annual retirement benefit is calculated using the full termination FAC and service credit.

Calculating the benefit in the first year

FAC as of Termination Date **X** Service Credit as of Termination Date **X** Benefit Multiplier **=** First Year Benefit

The Annual COLA is applied to the annual benefit of participants beginning with the January after a retiree has been on pension payroll at least 6 months.

Applying the annual COLA

First Year Benefit **+** Annual COLA **=** Second Year Benefit

Second Year Benefit **+** Annual COLA **=** Third Year Benefit

Third Year Benefit **+** Annual COLA **=** Fourth Year Benefit

FOR EXAMPLE

Bob has worked and earned service credit for 20 years when his employer adopted the bridged COLA, which will reduce the COLA from 2.5% to 0% going forward. His FAC from his date of hire to the effective date of bridge is determined to be $50,000.

Bob continues to work for his employer for 10 more years, earning a total of 30 years of service credit. At that time, his FAC from his date of hire to his date of termination is determined to be $75,000. The benefit multiplier is 2.0%.

Bob's retirement benefit will be calculated as follows:

COLA Base is Calculated as of the Bridge Date

Frozen FAC	x	Service Credit	x	Benefit Multiplier	=	COLA Base
$50,000		20 years		2.0%		$20,000

Calculating the Annual COLA

COLA Base	x	COLA %	=	Annual COLA
$20,000		2.5%		$500

Calculating the First Year Benefit

Termination FAC	x	Service Credit	x	Benefit Multiplier	=	Annual Benefit
$75,000		30 years		2.0%		$45,000

Applying the annual COLA

First Year Benefit $45,000	+	COLA $500	=	Second Year Benefit $45,500
Second Year Benefit $45,500	+	COLA $500	=	Third Year Benefit $46,000
Third Year Benefit $46,000	+	COLA $500	=	Fourth Year Benefit $46,500

BENEFIT COST EXAMPLE

Bob's municipality has six active employees, a current annual payroll of $197,502, a monthly contribution of $24,636 and a 2.5% non-compound COLA for future retirees. Below are the results of their bridging the COLA from 2.5% to 0% using frozen FAC:

	2.5% COLA	Bridged to 0.0% COLA	Difference
Active Participant Actuarial Accrued Liability	$298,535	$280,414	**($18,121)**
Total Actuarial Accrued Liability	$861,613	$843,492	**($18,121)**
Division % Funded	95.2%	97.3%	**2.1%**
Annual Employer Contribution	$24,636	$18,516	**($6,120)**
Monthly Employer Contribution	$2,053	$1,543	**($510)**

CASH FLOW IMPACT

Implementing a Bridged COLA may provide immediate contribution rate relief by reducing the Normal Cost and contributions toward UAL moving forward. The impact will vary depending on each specific plan's details.

Demographic factors to look for in your own plan to gauge potential cost savings:

- **A high ratio of Active Participant Liability to Total Actuarial Accrued Liability –** A Bridged COLA will only affect liability for active participants, therefore the greater the number of active participants in your plan, the greater the potential savings.
- **A young active participant population –** Bridged COLA adoptions create more savings if done earlier rather than later in a participant's career.

Lower Defined Benefit for New Hires

Offering a lower tier of benefits to new hires can help lower future liability while keeping benefits the same for current employees. This option maintains the Defined Benefit Plan, but with lower plan provisions for new hires after a specified date.

HOW DOES IT WORK?

- New hires, transfers, and rehires are covered by a different tier of Defined Benefit Plan retirement benefits.
- Current division is closed and new hires are enrolled in the new division with lower tier of benefits.
- Accelerated funding may not be required with this change.
- The closed division can be billed as a flat dollar amount or as a “blended” rate of the two divisions.

There are a variety of options available for your new plan for new hires, including: benefit multiplier, employee contributions, vesting, early retirement, etc. Your MERS Regional Manager can help you determine the best options for your new plan, whether it’s changing the final average compensation or increasing your vesting schedule. We can work together to determine the best solution for your needs.

To show you the financial cost and savings of your new plan, we’ll run actuarial reports for your municipality, giving you a clearer picture and helping you understand the impact it can have. Your MERS Regional Team will be available throughout the process to help you review the results of the reports and discuss your options.

FOR EXAMPLE

A municipality is adopting a lower Defined Benefit Plan for new hires after August 1 in the General Division. The municipality currently has a benefit multiplier of 2.25% for active employees. They want to change the benefit multiplier to 1.50% for anyone hired after August 1. In addition, the FAC will be raised to five years with a 10-year vesting schedule.

Current plan for anyone hired before August 1	New plan for anyone hired after August 1
Tier I	**Tier II**
2.25% Multiplier	1.50% Multiplier
FAC 3	FAC 5
Vesting 6 years	Vesting 10 years
15.22% Normal Cost	6.95% Normal Cost

RESULTS

The General Division is closed to new hires and the new lower Defined Benefit Plan Normal Cost is 6.95%*, a long-term savings of 8.27%* of payroll. All new hires, transfers, and rehires will be enrolled in the new lower Defined Benefit Plan (Tier II).

* Assumes average new hire age of 35. Payroll and impacts vary by municipality.

CASH FLOW IMPACT

Implementing a lower Defined Benefit Plan is a long-term cost savings approach because future benefits will be lower and less expensive than what was previously offered. How quickly savings are realized depends on how soon new hires are enrolled in the plan.

Defined Contribution

MERS Defined Contribution Plan is a qualified retirement plan under Section 401(a) of the Internal Revenue Code. Each participant has a plan account to which contributions are made and assets are invested. When an employee retires, their benefits are based on the total amount of money in the account. As a qualified plan, participants are not taxed on employer contributions or earnings until assets are withdrawn.

HOW DOES IT WORK?

- The Defined Benefit Plan's funded level must meet the minimum requirement before closing to Defined Contribution.
- An actuarial report provides the cost impact of closing the Defined Benefit Plan.
- New hires, transfers, and rehires are covered by the MERS Defined Contribution Plan.
  - Current employees may be given a one-time option to switch plans, if the municipality meets minimum funding levels.
  - Employers may opt to freeze the Defined Benefit plan and move current employees into the Defined Contribution Plan.
- Once closed, the Defined Benefit Plan will be billed as a flat dollar amount.

How is a 401(a) different than a 401(k)?

By law, all public sector plans are required to be a 401(a) defined contribution plan, which is different than the private-sector counterpart, the 401(k). The IRS states that 401(a) defined contribution plans require all eligible employees be enrolled into the plan, with a set contribution rate for all participants. With the more familiar 401(k) plans, participation is voluntary, and participants may increase, decrease, start or stop contributions at any time.

For more flexible contribution options, you can pair a traditional 401(a) plan with the *MERS 457 Supplemental Retirement Program*, which enables employers to require participation in the plan, while providing participants with 401(k)-like flexibility to individually control additional contributions.

CASH FLOW IMPACT

Closing a Defined Benefit Plan and implementing a Defined Contribution Plan for new hires may not provide immediate cost savings. The accrued benefits of the active participants remaining in the Defined Benefit Plan are unaffected and will continue to accrue. You will continue to contribute a Normal Cost payment, plus any payment toward UAL. The payment toward UAL will not go away by closing the plan.

To compare your long term cost savings, you compare the Normal Cost of the Defined Benefit Plan (found on Table 1 of your AAV) to your proposed employer contribution of the Defined Contribution Plan. This will give you a better idea of the ultimate, long-term costs.

In addition, a projection study is required for groups moving from a Defined Benefit Plan to a Defined Contribution Plan. The results of the study may indicate that an accelerated amortization and funding schedule is required to ensure adequate funding of the closed plan.

Hybrid Plan

MERS Hybrid Plan is two plans in one — offering the security of a defined benefit and the flexibility and investment choice of a defined contribution.

At retirement, employees receive a lifetime benefit and a separate account of their invested assets.

HOW DOES IT WORK?

- The current Defined Benefit Plan is closed, and new hires, transfers and rehires are covered by the Hybrid Plan:
  - Current employees may be given a one-time option to switch plans, if the municipality meets minimum funding levels.
  - Employers may opt to freeze the Defined Benefit plan and move current employees into the Hybrid Plan.
- The closed Defined Benefit division is billed as a flat dollar amount, or you may choose to blend the rates of the Defined Benefit divisions by combining the assets and liabilities of both divisions and calculating one rate.
- The Defined Benefit portion of the Hybrid Plan has a select menu of provision options and requires an actuarial report to calculate the cost.
- The Defined Contribution portion allows both employer and employee contributions as a fixed percentage of pay.

Part I – Defined Benefit

Final Average Compensation X Service Credit X Benefit Multiplier = $ Annual Benefit

+

Part II – Defined Contribution

Employer Contributions + Employee Contributions + Earnings or Losses in the Market - Fees = $ Account Balance

$ Total Retirement Benefit

FOR EXAMPLE

A municipality is adopting a Hybrid Plan for new hires after August 1. The Employer Normal Cost is currently 9.81%. Below is an example of their current plan, and the new Hybrid Plan.

Defined Benefit Plan
2.25% Multiplier
FAC 3
10 year vesting
9.81% Normal Cost

Hybrid Plan	
Part I	1.50% Multiplier
	FAC 3
	6 year vesting
	6.27% Normal Cost
Part II	Employer contribution 1%
	Employee contribution 5%
	6 year vesting

RESULTS

The Defined Benefit Plan is closed and all new hires, transfers, and rehires are enrolled in the Hybrid Plan. The new cost for the municipality is 6.27% (Normal Cost for the Defined Benefit portion) plus the 1% employer contribution to the Defined Contribution portion, totaling 7.27%. This reflects a long-term savings of 2.54% (9.81% minus 7.27%) of payroll.

CASH FLOW IMPACT

Implementing a Hybrid Plan for new hires is a long-term cost savings approach because it reduces the future accrual of liabilities. Future benefits will be lower, and potentially less expensive than the previous benefits. How quickly savings are realized depends on how soon new hires are enrolled in the plan.

Defined Benefit Plan Freeze

Unlike a closed plan, which affects only new hires while current employees continue to accrue service credit under the existing defined benefit plan, a defined benefit plan "freeze" affects both new-hires and existing employees and immediately transitions all employees to a new plan type.

HOW DOES IT WORK?

As of the date that a Defined Benefit Plan is frozen, the following will occur:

- Current Defined Benefit participants do not accrue additional defined benefit service credit, final average compensation (FAC) is frozen, and ALL employees are in the Defined Contribution or Hybrid Plan after the effective date.
  - An employee's FAC will be calculated based on the highest wages earned prior to the plan freeze.
  - Employees will continue to earn service time to fulfill vesting and/or early retirement requirements.
  - Employees will not accrue additional service credit as part of the benefit formula used to calculate their defined benefit.
- Groups that are at least 80% funded can choose to allow existing employees the option to convert the value of their accrued defined benefit plan service credit into their new defined contribution plan (or the defined contribution portion of their hybrid plan account).
- Freezing a defined benefit plan eliminates the Normal Cost of the plan going forward, but it does not eliminate the UAL.

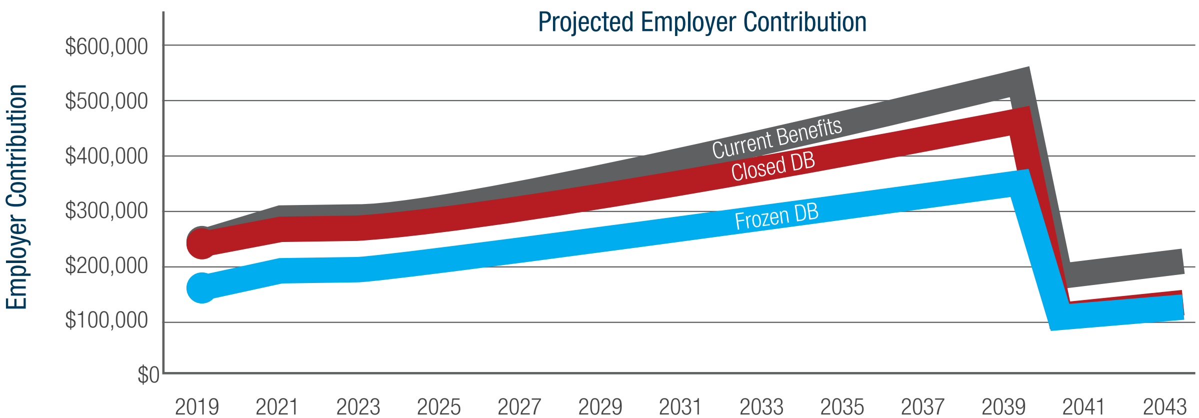
BENEFIT COST EXAMPLE

A municipality is moving to a Defined Contribution Plan with a 6% employer contribution and can choose to either close the existing Defined Benefit Plan to new hires, or freeze the existing Defined Benefit Plan and move all employees to a Defined Contribution Plan. While both closing and freezing a Defined Benefit plan will reduce the cost of the plan going forward, how quickly that savings is realized can be very different.

Below, see the impact that *closing* or *freezing* the plan would have ***in the first year***. *Closing* the plan only affects future employees, so the actuarially determined contribution to the Defined Benefit Plan does not change in the first year. By contrast, *freezing* the plan also affects existing employees, eliminating the Normal Cost and replacing it with the 6% contribution into the new Defined Contribution Plan. In either case, payments towards UAL will continue until the plan is fully funded.

	Current Benefits	Closed DB to 6% Employer DC	Frozen DB to 6% Employer DC
Actuarial Accrued Liability	$8,050,000	$8,050,000	$7,425,000
Funded Ratio	72%	72%	78%
Employer DB Contribution	$245,000	$245,000	$110,000
Employer DC Contribution	$0	$0	$55,000
Total Employer Contribution	$245,000	$245,000	$165,000

The long-term savings of both closing and freezing a Defined Benefit Plan are more apparent, as seen in the below graph.



The most direct way of addressing UAL is by making additional payments into the plan. Let's consider three ways your municipality could approach this.

Additional Voluntary Contributions

The Actuarially Determined Contribution (ADC) is actuarially determined, and consists of the ***Normal Cost*** plus any ***Amortization Payment of Unfunded Accrued Liability***. Making this contribution ensures movement to a fully funded position over time, and is required by state statute.

Normal Cost + Amortization Payment of the Unfunded Actuarial Accrued Liability = Actuarially Determined Contribution (ADC)

Additional Voluntary Contributions to the Plan

By making additional payments into the plan above and beyond the ADC, the UAL will be funded faster. These contributions may be made as an additional percent above the minimum or in a lump sum payment. These extra dollars are invested and have the ability to recognize market returns and will reduce future ADC payments.

Additional Voluntary Contributions to a Surplus Division

Local governments can choose to apply those assets directly to the UAL by establishing a ***surplus division***. Funds allocated to a surplus division can be associated with the plan as a whole, or can be tied to specific employee divisions. Assets held in a surplus division are not considered when calculating future required contributions. This means that additional voluntary contributions made to a surplus division will increase the funding level of the plan, without affecting future ADC payments.

FOR EXAMPLE

Baseline – No Additional Voluntary Contributions Made

Year	Funded Percentage	ADC	Additional Contributions	Total Annual Employer Contribution
1	56%	$114,000	$0	$114,000
2	56%	$121,000	$0	$121,000
3	57%	$128,000	$0	$128,000
4	57%	$136,000	$0	$136,000
5	59%	$141,000	$0	$141,000
6	61%	$146,000	$0	$146,000
7	63%	$152,000	$0	$152,000
8	64%	$157,000	$0	$157,000
9	66%	$163,000	$0	$163,000
10	68%	$169,000	$0	$169,000
11	70%	$175,000	$0	$175,000
12	71%	$182,000	$0	$182,000
13	73%	$188,000	$0	$188,000
14	75%	$195,000	$0	$195,000
15	77%	$203,000	$0	$203,000
16	79%	$210,000	$0	$210,000
17	81%	$218,000	$0	$218,000
18	83%	$226,000	$0	$226,000
19	86%	$234,000	$0	$234,000
20	88%	$243,000	$0	$243,000
21	91%	$252,000	$0	$252,000
22	94%	$261,000	$0	$261,000
23	96%	$118,000	$0	$118,000
24	99%	$122,000	$0	$122,000
25	100%	$127,000	$0	$127,000

Additional Voluntary Contributions to the Plan –
$50,000/year for five years increases the funding level ***while*** decreasing the ADC

Funded Percentage	ADC	Additional Contributions to Plan	Total Annual Employer Contribution
56%	$114,000	$50,000	$164,000
56%	$117,000	$50,000	$167,000
58%	$120,000	$50,000	$170,000
61%	$124,000	$50,000	$174,000
65%	$125,000	$50,000	$175,000
68%	$125,000	$0	$125,000
72%	$130,000	$0	$130,000
73%	$135,000	$0	$135,000
75%	$140,000	$0	$140,000
76%	$145,000	$0	$145,000
77%	$150,000	$0	$150,000
79%	$155,000	$0	$155,000
80%	$161,000	$0	$161,000
81%	$167,000	$0	$167,000
83%	$173,000	$0	$173,000
84%	$180,000	$0	$180,000
86%	$186,000	$0	$186,000
88%	$193,000	$0	$193,000
89%	$200,000	$0	$200,000
91%	$208,000	$0	$208,000
93%	$215,000	$0	$215,000
95%	$224,000	$0	$224,000
97%	$118,000	$0	$118,000
99%	$122,000	$0	$122,000
100%	$127,000	$0	$127,000

Additional contributions lower the ADC

Fully funded same time as Baseline.

Additional Voluntary Contributions to a Surplus Division –
$50,000/year applied directly to UAL for five years increases the funding level ***without*** decreasing the ADC

Funded Percentage	ADC	Additional Contributions to Surplus Division	Total Annual Employer Contribution
56%	$114,000	$50,000	$164,000
56%	$121,000	$50,000	$171,000
58%	$128,000	$50,000	$178,000
61%	$136,000	$50,000	$186,000
65%	$141,000	$50,000	$191,000
69%	$146,000	$0	$146,000
73%	$152,000	$0	$152,000
76%	$157,000	$0	$157,000
78%	$163,000	$0	$163,000
80%	$169,000	$0	$169,000
82%	$175,000	$0	$175,000
84%	$182,000	$0	$182,000
87%	$188,000	$0	$188,000
89%	$195,000	$0	$195,000
92%	$203,000	$0	$203,000
95%	$210,000	$0	$210,000
97%	$218,000	$0	$218,000
100%	$226,000	$0	$226,000
103%	$234,000	$0	$234,000
106%	$243,000	$0	$243,000
110%	$252,000	$0	$252,000
113%	$261,000	$0	$261,000
117%	$118,000	$0	$118,000
120%	$122,000	$0	$122,000
121%	$127,000	$0	$127,000

Additional contributions don't affect the ADC

Fully funded much sooner than Baseline.

Bonding For Unfunded Accrued Liabilities

The Revised Municipal Finance Act (Section 518) allows some municipalities to bond for all or a portion of their UAL. To bond, your Defined Benefit Plan must be closed with a Defined Contribution Plan established for new hires. It's important to remember that bonding to fund the plan does not guarantee that UAL will not develop in the future, as plan experience may never match the assumptions used. Even if your plan becomes funded at or above 100%, the required payment is equal to the Normal Cost of the closed Defined Benefit Plan.

Cost-Sharing With Employees

Nearly 3/4 of MERS Defined Benefit Plans have employee contributions to the plan. The average employee contribution rate is approximately 5%. This contribution is deducted (pre-tax) from the employees' paycheck as a percentage of pay.

The employee contribution may be applied in one of two ways:

- As an additional payment over and above the ADC; or
- To offset the employer contribution.

Other Considerations for Retirement Plans

Whether you offer a Defined Benefit, Defined Contribution or Hybrid Plan these additional programs can provide benefits to employees without incurring unfunded liabilities. Each can be designed to meet various needs while providing flexible solutions for the challenges facing your municipality.

MERS 457 Supplemental Retirement Program

MERS 457 Program is a great supplement to any MERS retirement plan, providing employees with flexible contribution options and an invested account they manage themselves. The program is an employer-sponsored deferred compensation program, meaning taxes on the contributions are deferred until they are withdrawn. A post-tax Roth option is also available.

MERS 457 offers individuals a self-directed account in which they choose a portion of their salary to be contributed. They decide the level of contributions and how to invest the assets. After leaving employment, their benefit is based on the total amount of money in the account.

Other Considerations for Retirement Plans

MERS Health Care Savings Program

MERS Health Care Savings Program is an innovative way to help employees prepare for rising health care costs, with a tax-free medical savings account for use after leaving their employer.

Each employee is provided an invested account, into which the employer and/or employee make tax-free contributions. Individual employee accounts are invested in the MERS Investment Menu and grow tax-free. After leaving employment, the vested account balance is available for tax-free reimbursement of eligible medical expenses for the employee and eligible dependents, and even a beneficiary on a taxable basis. The program can be used alone, or to complement an existing health care plan.

STRATEGIES FOR USING HCSP

This defined contribution-style benefit can be a powerful tool for public employers seeking to restructure their OPEB benefits or limit UAL. Here are some different ways the program can be used:

- Supplement existing retiree health care for active employees.
- Buy out vested employees' benefits.
- Offer the program to new hires.
- Provide retirees a stipend to purchase health insurance on a private health care exchange, such as Mercer Marketplace 365.
- Provide retirees an account to supplement or replace health care.
- Option for PTO/longevity payouts so FAC calculations in the Defined Benefit Plan are not inflated, which manages increases in liability without incurring further UAL in your pension program.

MERS®

Municipal Employees' Retirement System

This publication contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date. If this publication conflicts with the relevant provisions of the Plan Document, the Plan Document Controls. MERS, as a governmental plan, is exempted by state and federal law from registration with the SEC. However, it employs registered investment advisors to manage the trust fund in compliance with Michigan Public Employee Retirement System Investment Act. Past performance is not a guarantee of future returns. Please make independent investment decisions carefully and seek the assistance of independent experts when appropriate.

For more information about MERS, contact a member of your Regional Team at 800.767.6377, or visit www.mersofmich.com/myteam to find a representative in your area.

Municipal Employees' Retirement System of Michigan
1134 Municipal Way • Lansing, MI 48917
800.767.MERS (6377) • www.mersofmich.com

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9/16/2020

J.4.

Wexford County Board of Commissioners
Amendments to the 2020 Budget

Adj #	Acct	Acct Description		Revenue		Expense	
20200901	**101.101.699.00**	Appropriate Fund Balance	$	10,000			a.
	101.131.809.01	Jury Fees & Costs			$	10,000	
	To cover jury trials to the end of the year.						
20200902	**101.131.721.00**	Health Insurance			$	(3,289)	b.
	101.131.727.00	Office Supplies			$	3,289	
	To accommodate three employees in the one office.						
20200903	**101.290.540.04**	MRA-MMOOG	$	12,336			c.
	101.290.800.04	MRA-MMOOG			$	12,336	
	Applied for a Medical Marijuana Grant, administrated by DHD#10.						
20200904	**101.275.538.00**	Beaches Grant	$	13,550			d.
	101.275.800.10	Contracted Services for QPCR			$	13,550	
	Additional revenue received from EGLE for the Beaches Grant						

K.

Administrator's Report to the Board of Commissioners **For the meeting of September 16, 2020**

Completed Projects/Tasks

FOIA Requests: The Administration Office received 7 new Freedom of Information requests between August 29 and September 11.

New Employees: No new employees have started working at the County since the last Board of Commissioners meeting.

2 CFR (Code of Federal Regulations) Part 200 Cost Allocation Plan: The County's 2019 Cost Allocation Plan has been reviewed and MGT Consulting Group has submitted it to the State of Michigan. Bound copies of the plan are being prepared by MGT.

Current Projects/Tasks

Community Development Block Grant (CDBG) via COVID CARES Act: The Board-approved letter of interest regarding these MEDC-administered grants was submitted. We have been appointed a CDBG specialist and a conference call has been scheduled to discuss eligible expenses.

Coronavirus Relief Local Governments Grants Program (CRLGG): As mentioned in the previous administrator's report, the CRLGG funds were disbursed on August 27. The Funding Acceptance Packet submittal deadline, previously September 15, has been shifted to September 23. At the time of this writing, the application packet was still not available.

DNR Recreational Passport Grant - Wex Capital Improvements: The bidding documents were published on September 1 and five contractors attended the required site visit. Bid opening is scheduled for September 23 with a potential award by the Board at the first October meeting.

First Responder Hazard Pay Premiums Program: The 9/8 Michigan Department of Treasury webinar stated that information regarding award amounts would be distributed by the end of the week. However, at the time of this writing, we had not received any notification.

Policy Revisions: The ad hoc policy committee is scheduled to meet Monday 9/15. Under review will be revisions to over half the County's 48 personnel policies.

Public Safety and Public Health Payroll Reimbursement Program: The latest information is that 50% of each eligible award will be disbursed on September 18, and that there will be no advance notice of award amount. The date of the final reconciliation payment has not been released.

Additional Notes/Meetings

Michigan Indigent Defense Commission (MIDC): Melissa Wangler, our MIDC regional manager, hosted a virtual check-in meeting for the Wexford-Missaukee system on September 10. Attending were the Circuit Court Judge, Prosecuting Attorney, Chief Public Defender, Managed Assigned Counsel, and the administrators for both Missaukee and Wexford Counties. Topics discussed included the MIDC's Standard 5: Independence from the Judiciary.

Standard 5 is expected to be implemented October 1, 2021 and will require shifting the primary responsibility of screening for an indigent's qualifying for a court-appointed attorney away from the courts. Costs for this shift will be included in the FY21 budget request to the MIDC.

Respectfully submitted,
Janet Koch, County Administrator