

To Bond or Not to Bond: Is That Your Question?

Moderator: Leon Hank, MERS Chief Financial Officer

PLANNING
RETIREMENT
TOGETHER FOR

70
YEARS



Panelists

- **Karen K. Ruddy, CPA**
Finance Director/Treasurer
City of Bloomfield Hills
- **Rob Sarro**
County Administrator
Allegan County
- **Harlan Goodrich**
Municipal Finance Manager
Michigan Department of Treasury

Objective of Today's Panel

- Case studies from two municipalities who have bonded
- Insight from Treasury on their process
- Other conference sessions
- Q&A

Background

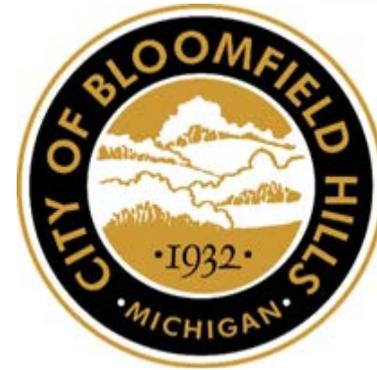
- What is a pension obligation bond (POB)?
- Key considerations and outcomes

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Karen K. Ruddy, CPA

Finance Director/Treasurer
City of Bloomfield Hills



City of Bloomfield Hills

Pension Bonding

Main Points

- Why bond
- How did the plan become underfunded
- Before bonding – reducing future liability
- Education
- First steps in the process
- Timeline for bonding
- Current status

Pension Bonding decision was based on:

- Promises made to employees in the defined benefit plans
- Projected possible cost savings
- Predictability of annual payments for budget purposes
- To move new employees into a defined contribution retirement plan
- OPEB bonding was considered, but decision was not to bond

When and How Did this Liability Accrue?

- 1993 plan was overfunded
- 1994 increased wage benefits
- None or little ARC payments made over the next three years (timing between actuarial results and ARC payments is 1.5 years)
- 1995 plan became underfunded
- 2000 plan multipliers increased
- 1999-2001 stock market affects investment return (dot-com collapse/911)
- 2008 housing market affects investment returns

Reducing Future Liability Before Bonding

- Reduced PSO multipliers
 - Hired before 7/1/2009: 3% to 2.8%
 - Hired after 7/1/2009: 2.5%
- Reduced DPW multipliers
 - Hired before 1/1/2004: 3% to 2.5%
 - Hired after 1/1/2004: 2.5%

Education

Presented power point at televised Commission Meeting in May of 2014 covering:

- The City's ability to bond for pension plan liabilities under Public Act 329 of 2012
- Defined Benefit versus Defined Contribution
- Reason for the plan being underfunded
- What the City has already done to reduce pension liability
- Potential Savings by bonding
- Communicated that paying off the unfunded accrued liability would not assure the plan would not become underfunded in the future

First Steps in the Process

1. Contacted Bond Attorney and Bond Advisor
2. Held two work sessions with Commission, Department Heads, Bond Attorney and Bond Advisor to discuss:
 - Bonding for Pension, OPEB, both or neither
 - Cost Savings?
 - Buy in from Labor Unions to close plans and open defined contribution plans
3. Information Needed
 - Actuarial Reports
 - Amortization schedules
 - Comprehensive Report
4. Next Steps

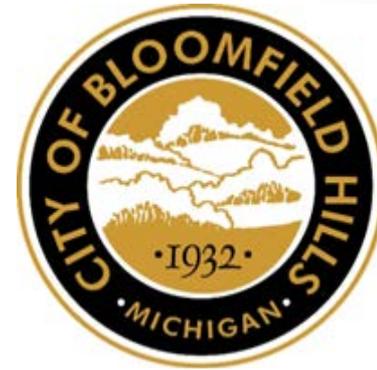
The Bonding Process

- City publishes a notice of intent to issue bonds, which starts a 45 day referendum period
- 9/25/2014 - City Approves Bond Authorizing Resolution
- September – November
 - Prepare and make available to the public a Comprehensive Financial Plan
 - Prepare the Preliminary Official Statement
 - Apply to State Treasury Department for approval to issue bonds
 - Receive Bond Rating
 - Meet with Department of Treasury
- 11/26/2014 – State approves the City to issue bonds
- 12/3/2014 - Print and distribute Preliminary Official Statement
- 12/11/2014 - Pricing of the bonds
- 12/16/2014 – Print and distribute Official Statement
- 12/19/2014 – Closing on the Bonds
- Deadline to accomplish was December 31, 2014

Current Status of the Plan

- Since the City paid off its pension liability in December 2014 the following has happened:
 - MERS performed a 5 year study which:
 - Increased mortality
 - Decreased the interest rate
- As of the most current MERS actuarial report for the year ended 12/31/2015, the city has an unfunded liability of \$2.7 million
- The City believes:
 - Future liabilities will be more manageable as the City will be more proactive in paying down liability
 - In the long run the savings from bonding will outweigh any additional new liability

City of Bloomfield Hills



Karen K. Ruddy, CPA

Finance Director/Treasurer

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Rob Sarro
County Administrator
Allegan County



ALLEGAN COUNTY

PENSION BONDING

PART OF A BROADER STRATEGY

Discussion Points

- Overview of status pre - bonding
- What prompted Allegan County to explore bonding
 - County Strategy
- Education and outreach, including working with elected officials
- Overview of the analysis conducted
- Decision making process
 - Analysis conducted
 - Work with a consultant?
 - Work with elected officials
- Conclusion/Update

Background

- Other Post Employment Benefits (OPEB) - County has generally not offered OPEB and does not have a material OPEB liability
- 1998 - Began closing Defined Benefit (DB) plans and offering Defined Contribution plans
- Historically made Unfunded Actuarial Liability (UAL) payments based on MERS minimum funding requirements
- 2006 - County began strategic approach to planning
- Recognized UAL as true liability that needed to be addressed



Allegan County Strategy Map

To achieve our vision and ensure Allegan County continues to progress and prosper, we MUST...

Provide valuable and necessary quality services to our

CUSTOMERS

- Deliver affordable and accessible services
- Engage and educate our citizenry
- Collaborate locally and regionally

Vision:

Provide our citizens superior and innovative services, be judicious and efficient in the expenditure of resources and promote a safe, clean and healthy environment in which to live, work and play.

Maintain our **FINANCIAL STABILITY**

- Develop and maintain a balanced operational budget
- Maintain reserve funds
- Execute long-term financial planning



Support a united and **ENGAGED WORKFORCE**

- Foster a positive, team-based work environment
- Employ and retain high-performing, quality employees
- Promote safety and wellness

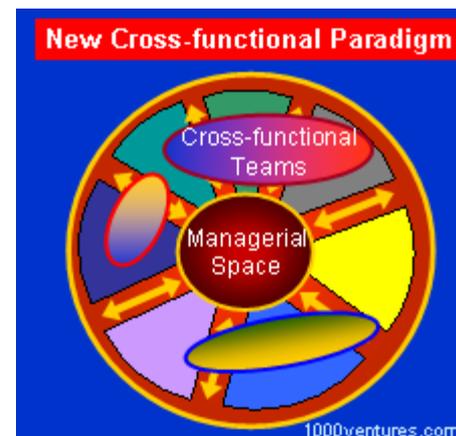
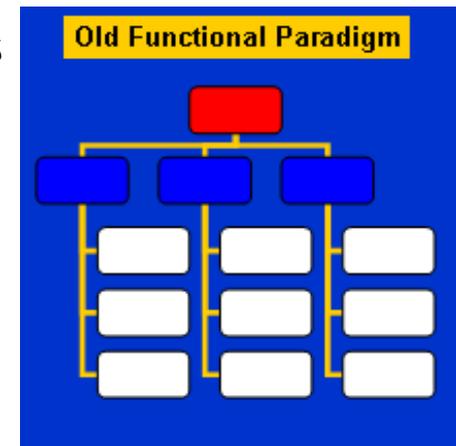
Continuously improve our

PROCESSES

- Be efficient and cost effective
- Measure and learn from outcomes
- Seek and implement innovative solutions

Communication With Stakeholders (Education/Outreach)

- Pension issue/bonding was a key focus throughout process
- Teams are focused around organizational shared strategy:
 - Examples:
 - Executive Leadership Team
 - County Leadership Team
 - Employee Engagement Team
 - Joint Employee Group
 - Service Area Teams
 - Facilities Emergency Response Plan (FERP) Team
- Empowerment
 - Educate entire organization on key processes
 - i.e. Budget process
 - Daily resolution/escalation paths





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Measuring Performance

PLANS ↔ POLICIES

Maintain our
FINANCIAL STABILITY

- Develop and maintain a balanced operational budget
- Maintain reserve funds
- Execute long-term financial planning



Key Focus Areas

Reserves
Operations
Debt
Projects and
Capital



Key
Performance
Indicators

PLAN



DO



STUDY



ACT



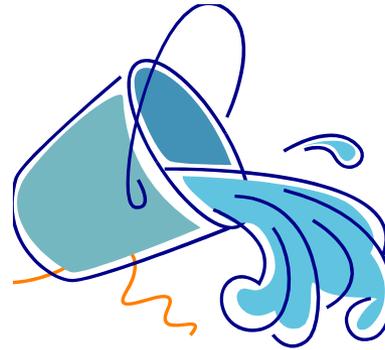
Reserves

Fund Title	Fund #	Types of Uses	Minimum Threshold
General Operating Fund Balance	1010	General County Operations	10% of G. F. expense budget including Fund Balance
Budget Stabilization	2570	Monies may be used to cover a general fund deficit, to prevent a reduction in services, to cover expenses of a natural disaster and more	Maximum allowed by statute
PTO	2580	To fund the year end liability of accrued PTO	Fully fund the PTO accrued liability
Delinquent Tax Revolving	6160	Monies are used for the settlement of delinquent taxes with the local taxing units. The county purchases the delinquents taxes from the local units. Currently this is about 8.3 million each year	150% of current year settlement

Reserves - Surplus Allocation

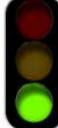
General Fund

= Surplus
- Expenditures
+ Revenues



Surplus

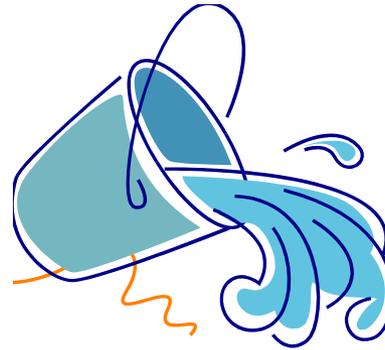
Reserves & CIP

CIP – Bldg & Inf	
Pension Liability \$0M Bal \$18.6M Debt	
PTO Liability \$1M	
15% Stabilization \$4.7M	
10% Fund Balance \$2.9M	

Reserves - Surplus Allocation

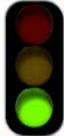
General Fund

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Surplus

Reserves & CIP

CIP – Bldg & Inf \$3M \$35M+ Needs	
Pension Liability \$3M Bal \$18.6M Debt	
PTO Liability \$1M	
15% Stabilization \$4.7M	
10% Fund Balance \$2.9M	



Bonding Analysis – Pre Bond Funding Level

Division	Actuarial Accrued Liability	Valuation Assets	% Funded
01 Tmstr Unit II	1,688,674	1,277,089	75.6%
02 POLC RdCommand	12,129,651	7,161,819	59.0%
04 Med Care Community	1,543,472	2,215,872	143.6%
06 Mtl Hlth Dept	2,866,013	4,404,324	153.7%
08 Court Salaried	2,183,499	1,558,149	71.4%
09 Asst Pros Atty	853,323	561,419	65.8%
10 Genl Non Union	8,296,536	5,738,504	69.2%
12 Court Hourly	5,386,821	3,412,736	63.4%
15 Tmstrs Unit I	2,313,738	1,505,506	65.1%
16 County Admnstr	580,818	554,030	95.4%
17 Tmstr Unit III	1,196,451	923,564	77.2%
20 Polc Deputies	16,464,372	10,112,223	61.4%
21 POLC Corr Comm	1,763,263	1,457,564	82.7%
40 Admnst of Med Care	617,501	176,979	28.7%
TOTAL	\$ 57,884,132	\$ 41,059,778	70.9%

Bonding Analysis – All DB Plans Closed, DC Plans for New Hires

Employee Group	Members (#)	Date Plan Open to New Hires
Assistant Prosecutors	5	Nov 1999
Corrections Command	7	Dec 1998
Corrections Officers	30	Jun 2000
Court Hourly	86	Dec 1998
Court Salaried	12	May 1998
Deputies	41	Oct 2013
Family Court Supervisors	5	May 1998
General Unit (Teamster I)	43	May 1998
Non-Bargaining	84	May 1998
Road Command	11	Oct 2013
Teleco Sup (Teamster IV)	5	Mar 2000
Telecommunicators (Teamster III)	13	Mar 2000
Mtl Hlth Dept	111	Nov 1998
Med Care Community	Waiting for info	Oct 1998



RESERVES

Future State	Issues / Opportunities	Strategy	Status
<ul style="list-style-type: none"> To meet the threshold of our reserve accounts as outlined in the Allegan County Budget Policy 	<ul style="list-style-type: none"> Unfunded Actuarial Liability (“UAL”) of Defined Benefit Retirement Plan exceeds reserve amount Capital Improvement needs exceed reserve amount 	<ul style="list-style-type: none"> Structure reserve funds to ensure their long-term viability to meet but not exceed the future financial needs of the County Determine an appropriate plan for all of the County’s operating funds (See Capital and Debt plans) 	

OPERATIONAL

Future State	Issues / Opportunities	Strategy	Status
<ul style="list-style-type: none"> • 5-yr Operating Plan that outlines Personnel, Operational, Debt and Capital & needs for the General Fund and Special Revenue Funds • Yearly updates to the 10-yr Financial Forecast • Measured performance 	<ul style="list-style-type: none"> • Personnel costs – Employ and maintain high-performing, quality employees • Maintain services during down economy • Zero audit findings 	<ul style="list-style-type: none"> • Develop personnel compensation plan • Use Reserve Funds as necessary to maintain service levels • Continuous review of internal controls for: <ul style="list-style-type: none"> - Accts Payable - Cash Receipting - Grant Compliance - General Ledger Maintenance - Payroll Activities 	



DEBT

Future State	Issues / Opportunities	Strategy	Status
<ul style="list-style-type: none"> • Zero direct debt • Fully funded liabilities <ul style="list-style-type: none"> ○ Pension ○ Paid Time Off 	<p><u>Allegan County Jail</u> \$13,500,000 (originally issued) Capital Improvement Bonds to finance Sheriff Administration Office and Correctional Facility Principal Outstanding: \$13,150,000 Avg. Annual Debt Service: \$919,444</p> <p><u>UAL</u> Defined Benefit UAL Current Amount: \$18,860,000 (est.) Avg. Annual Debt Service: \$1,771,872</p>	<p><u>Allegan County Jail</u></p> <ul style="list-style-type: none"> • Debt Service funded by Delinquent Tax Revolving Fund • Any collections > than 150% of Settlement Amounts are transferred to sinking fund dedicated for debt retirement <p><u>UAL</u></p> <ul style="list-style-type: none"> • Pay down UAL with Liability Reserve Fund • Sell Taxable Pension Bonds to retire outstanding UAL obligation • Utilize existing budgeted funds to manage debt service • Utilize reserves to expedite payments 	



CAPITAL

Future State	Issues / Opportunities	Strategy	Status
<ul style="list-style-type: none"> • 15-yr Capital Improvement Plan (“CIP”) • Ongoing funding source to support CIP 	<ul style="list-style-type: none"> • Need comprehensive 15yr plan • Prioritization of projects • Need on-going funding source • On-time, On-budget, On-scope and On-value 	<ul style="list-style-type: none"> • Develop comprehensive plan and reporting model • Develop priority matrix decision tool • Realign State Revenue Sharing to fund Projects and Capital Improvement Plan • Dispatch - Adjust surcharge to include capital needs • Apply project management principles 	

Bonding Process – Service Providers/Partners

	Partner Role	Contact Information
 The logo for Bendzinski & Co. features the company name in a serif font above a dark blue rectangle containing a white outline of Michigan. Below the rectangle, the text "municipal finance advisors" is written in a sans-serif font. <p>Bendzinski & Co. municipal finance advisors</p>	Financial Advisor	Robert J. Bendzinski, CIPMA Bendzinski & Co. 607 Shelby St, Detroit, MI 48226 313-961-8222 x1 Office
 The logo for Dykema features the word "Dykema" in a blue, serif font. <p>Dykema</p>	Bond Counsel	Bowden V. Brown 39577 Woodward Avenue, Suite 300 Bloomfield Hills, Michigan 48304 248-203-0800 Direct 248-203-0700 Main 855-242-8120 Fax

Bonding Process – Service Providers/Partners

	Partner Role	Contact Information
 The logo for Fifth Third Securities, featuring a blue shield with a white "5/3" inside, flanked by green swooshes, with the text "FIFTH THIRD SECURITIES" below.	Underwriter	Louis C. Orcutt Managing Director Fifth Third Securities, Inc. Public Finance Investment Banking 1000 Town Center, Suite 1400 Southfield, MI 48075 (248) 603-0465 office (248) 417-1021 cell
 The logo for MERS (Municipal Employees' Retirement System), featuring a green globe with a white outline of Michigan, and the text "MERS" in a large serif font with "Municipal Employees' Retirement System" below.	Pension Administrator	Michael Overley Regional Manager Municipal Employees' Retirement System of Michigan 1134 Municipal Way Lansing, MI 48917 800.767.MERS (6377) 517.703.9030 Local



Bonding Process - Legal Debt Capacity

2013 State Equalized Value (SEV)		\$5,136,966,563
Legal Debt Limit – 10% of SEV		513,696,656
Total Bonded Debt Outstanding 3/14/2014	\$20,025,358	
Less Exempt Debt: Bonds	<u>-0-</u>	
Debt Subject to Legal Limit		<u>\$ 20,025,358</u>
LEGAL DEBT MARGIN AVAILABLE		<u><u>\$ 493,671,298</u></u>

STANDARD
&POOR'S

- Allegan County Maintains a bond rating of **AA**
- This was reviewed just prior to the pension Bond issuance

**COUNTY OF ALLEGAN
2014 PENSION OBLIGATION BONDS
PROJECTED TIMETABLE**

<u>DATE</u>	<u>ACTIVITY/EVENT</u>
January 30	County begins preparing Comprehensive Financial Analysis required by the State of Michigan in accordance with Act 329
June 3	Comprehensive Financial Analysis completed
June 19	Board of Commissioners approves Comprehensive Financial Analysis and selects underwriter for bond issue on advice of Bendzinski & Co.
July 10	Board of Commissioners approves Bond Authorizing Resolution
July 17	Dykema and Bendzinski to file long form application and Comprehensive Financial Analysis with Michigan Department of Treasury
w/o August 4	County Officials, Bendzinski & Co. and Dykema meet with Treasury Officials and review information filed on April 17
August 6	Bendzinski & Co. sends draft Preliminary Official Statement to all
August 16	Comments due on draft POS
August 18	Submit information to Standard & Poor's
August 26	Conference call with Standard & Poor's
August 29	Receive Treasury approval
September 3	Receive rating
w/o September 22	Sell bonds
October 7	Bond delivery



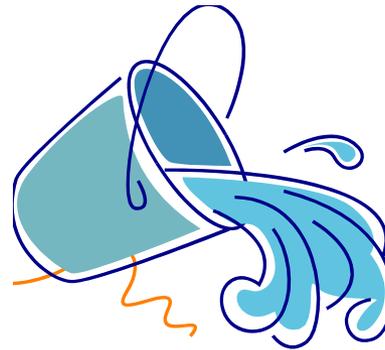
\$15,060,000
County of Allegan, State of Michigan
General Obligation Limited Tax Pension Obligation Bonds, Series 2014
Current Interest Rates
Cash Flow Comparison at 8.00%

Date	Projected Debt Service Schedule	8% Ammortization Payment	PV Factor	Gross Savings	PV Savings
01/01/2015	-		1.0000000x	(3,564,737.00)	(3,564,737.00)
01/01/2016	1,128,475.15	1,500,000.00	0.9334628x	371,524.85	346,804.64
01/01/2017	1,130,976.50	1,600,000.00	0.8630389x	469,023.50	404,785.50
01/01/2018	1,130,340.25	1,700,000.00	0.7979279x	569,659.75	454,547.43
01/01/2019	1,131,357.75	1,900,000.00	0.7377292x	768,642.25	567,049.85
01/01/2020	1,129,168.25	2,000,000.00	0.6820721x	870,831.75	593,970.08
01/01/2021	1,128,725.00	2,000,000.00	0.6306140x	871,275.00	549,438.25
01/01/2022	1,130,280.00	2,100,000.00	0.5830381x	969,720.00	565,383.73
01/01/2023	1,129,265.00	2,200,000.00	0.5390515x	1,070,735.00	577,181.33
01/01/2024	1,130,495.00	2,300,000.00	0.4983834x	1,169,505.00	582,861.92
01/01/2025	1,129,367.50	2,400,000.00	0.4607835x	1,270,632.50	585,486.49
01/01/2026	1,131,100.00	1,600,000.00	0.4260202x	468,900.00	199,760.89
01/01/2027	1,129,000.00	1,700,000.00	0.3938797x	571,000.00	224,905.29
01/01/2028	1,133,400.00	1,800,000.00	0.3641639x	666,600.00	242,751.65
01/01/2029	1,131,300.00	1,800,000.00	0.3366900x	668,700.00	225,144.60
01/01/2030	1,132,700.00	1,900,000.00	0.3112888x	767,300.00	238,851.91
01/01/2031	1,132,500.00	2,000,000.00	0.2878040x	867,500.00	249,669.98
01/01/2032	1,130,700.00	2,100,000.00	0.2660910x	969,300.00	257,922.00
01/01/2033	1,132,200.00	2,200,000.00	0.2558567x	1,067,800.00	273,203.81
Total	\$20,351,350.40	- \$34,800,000.00 -	-	\$10,883,912.60	\$3,574,982.35

Reserves - Surplus Allocation

General Fund

= Surplus
- Expenditures
+ Revenues



Surplus

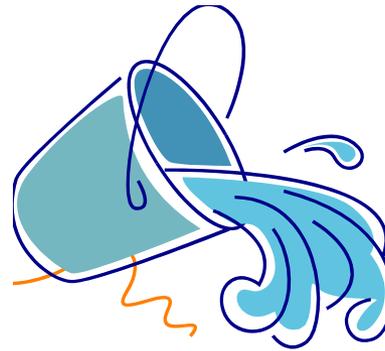
Reserves & CIP

CIP – Bldg & Inf \$3M, \$2.2/yr SRS 15yr	
Pension Liability Pension Bond Plan	
PTO Liability \$1M	
15% Stabilization \$4.7M	
10% Fund Balance \$2.9M	

Reserves - Surplus Allocation

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Surplus

Reserves & CIP

CIP – Bldg & Inf \$3M, \$2.2/yr SRS 15yr	
Pension Liability \$5.7M (\$11M Market)	
PTO Liability \$1M	
15% Stabilization \$4.7M	
10% Fund Balance \$2.9M	

Update - Addressing Remaining UAL

Source: MERS, Managing UAL Closing the Gap in Unfunded Accrued Liability

Reducing UAL

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

+ INCREASE ASSETS

Paying more than the required minimum contributions through additional lump sum payments.

Bonding to fully fund the plan.

- REDUCE LIABILITY

Reduce liability for new hires by offering a lower tier of benefits (either in the Defined Benefit or Hybrid Plans).

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

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



Pursuing a second bond issue

Exploring this concept in addition to a second bond issue



Update - Addressing Remaining UAL

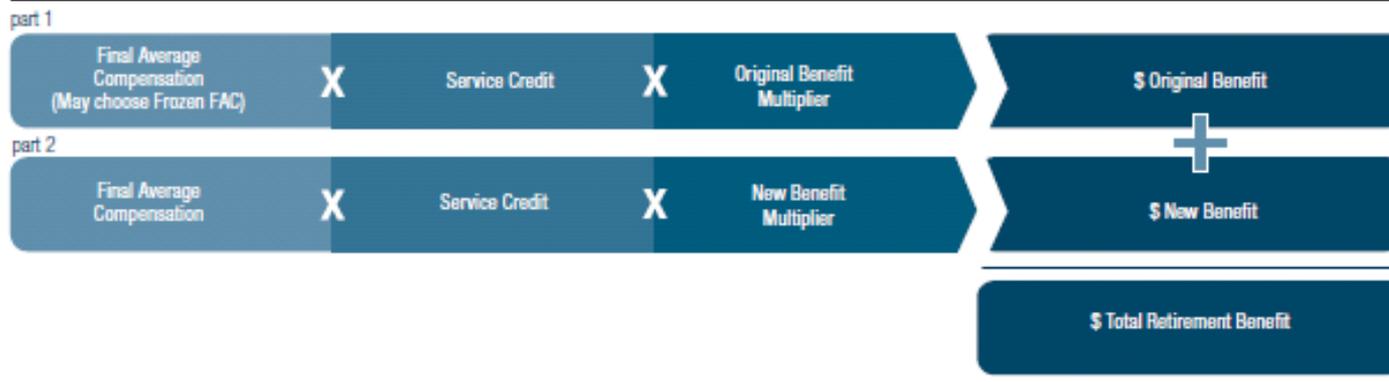
Source: MERS, Managing UAL Closing the Gap in Unfunded Accrued Liability

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. This "freezes" the FAC in the current (previously accrued) benefit structure and is used to calculate part 1 of the bridge. Choosing this option will provide the greatest cost impact.
- Termination (unfrozen) FAC calculates the FAC throughout the employee's employment. If you do not freeze the FAC, it will be calculated at retirement using the FAC provisions adopted by the plan.



An actuarial report will provide estimated impacts to bridging, and will show both FAC options. See page 5-6 for an example of how a bridged benefit works. As you can see, selecting to freeze FAC provides the greatest impact in most cases.



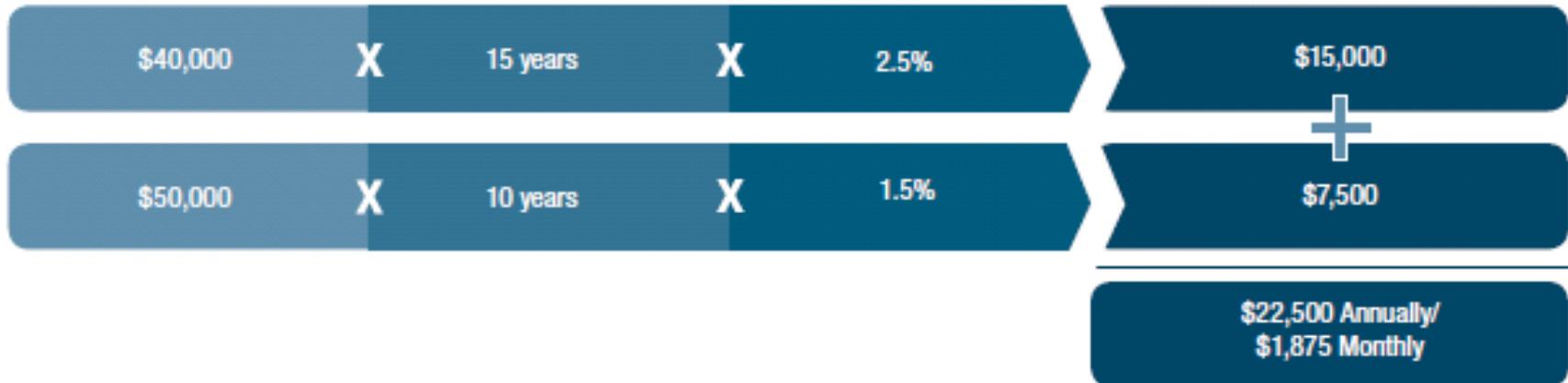
Update - Addressing Remaining UAL

Source: MERS, Managing UAL Closing the Gap in Unfunded Accrued Liability

EMPLOYEE BENEFIT EXAMPLE

Bob worked for 15 years when his employer decides to bridge from a 2.5% benefit multiplier to 1.5%. 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

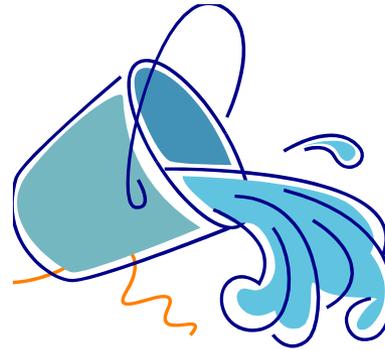


If frozen FAC is not selected for part 1, Bob's FAC at retirement will be used for both parts of the bridge and his total benefit would be \$26,250 annually instead of \$22,500. If Bridged Benefits would not have been adopted, Bob would have accrued all 25 years at 2.5% and his benefit at retirement would have been \$31,250 annually.

Reserves - Surplus Allocation

General Fund

= Surplus
- Expenditures
+ Revenues



Surplus

Reserves & CIP

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Update - Addressing Remaining UAL/Conclusion

- Issue second bond
- Bridge benefits (Change in multiplier)
- Reallocate \$900K annually toward additional debt service from current Capital Improvement Plan
- Creation of a sinking fund for early payment of bonds

Conclusion/Suggestions

- Ensure bonding is the right tool for your organization and fits with your overall strategy and financial capacity
- Consider the Market Value as opposed to the Actuarial Value of assets.
- Look at Actuarial Value, consider more conservative earning rates.

Contact Information

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County Administrator
Allegan County

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Please contact me if you would like additional information.

(269) 673-0239

PLANNING
RETIREMENT
TOGETHER FOR

70
YEARS

Harlan Goodrich

Municipal Finance Manager

Michigan Department of Treasury

Pension/OPEB Bonds

- Harlan Goodrich
- Michigan Department of Treasury
- Pension and Other Post-Employment Benefit (OPEB) Bonds
- Treasury does not advocate for or against the issuance of pension/OPEB bonds – that is a local decision, with the risks/rewards being weighed by the local governing body.

Statutory Authority

- Revised Municipal Finance Act, Public Act 34 of 2001
- Section 518 added October 17, 2012 (PA 329 of 2012)
- Section 518 sunsets December 31, 2018

Statutory Requirements

- County, City, Village, or Township
- Close Defined Benefit Plan and open Defined Contribution Plan (not hybrid)
- Publish notice of intent in local newspaper, wait 45 days for possible petition for referendum
- Prepare Comprehensive Financial Plan (See Section 518(4) for details)
- Credit rating of AA- or higher
- Need approval from local governing body
- Need approval from Treasury
- Can't change benefit structure or rescind closure of DB plan after bonding

Interested in Bonding?

- Call or email to discuss
- 517-373-3227
- Treas_MunicipalFinance@Michigan.gov
- We have a handout!
- Treasury has approved 13 pension applications and 5 OPEB applications

Applying to Treasury

- Application for State Treasurer's Approval to Issue Pension or Other Post-Employment Benefits (OPEB) Long-Term Securities (Form 5366)
- Budget 60 days to receive Treasury approval (application in, approval letter out)
- Meeting between municipality and Treasury staff in Lansing to discuss the bond issuance and address any questions.

Items to Submit

- Qualifying Statement (deficiency letter if needed)
- Application
- Local Governing Body Resolution (certified by clerk)
- Proof of Notice of Intent and Certificate of No Referendum (45 days)
- Comprehensive Financial Plan (post on municipality website)
- Credit Rating (AA- or higher)
- Copy of Covenant to Bondholders

Other Things

- If bonding for pension or OPEB, but not both, the Comprehensive Financial Plan should include a detailed description of the plan not being funded.
- Bonds shall not capitalize interest
- Bonds shall not mature beyond date final pension/OPEB payment would have been made
- Can fund up to 100% of Unfunded Accrued Liability (UAL), may fund less than 100%
- Do not have to close all divisions to bond; however, may only bond for closed divisions
- Bonds count against the municipality's legal debt margin (10% of SEV)
- Bonds are federally taxable and state tax exempt

Actuarial Value or Market Value?

- Actuarial Value determined from most recent actuarial report or within 150 days of issuance
- Market Value determined within 150 days of issuance
- If issuing on the higher of the two, provide an explanation in the Comprehensive Financial Plan

Debt Service Schedules

- Provide debt service schedules for:
 - Current Interest Rate
 - Current Interest Rate plus 50 basis points
 - Current Interest Rate minus 50 basis points

Net Present Value Savings Sensitivity Analysis

- Use debt service schedules and the following to calculate NPV savings:
 - Expected Plan Rate of Return
 - Expected Plan Rate of Return minus 100 basis points
 - Expected Plan Rate of Return minus 200 basis points

NPV Savings	Current IR	Current IR+50 BPS	Current IR-50 BPS
Expected UAL ROR			
Expected UAL ROR-100 BPS			
Expected UAL ROR-200 BPS			

Next Steps

- Consider attending Funding and Plan Design Strategies session
- Contact your Regional Manager to review options and next steps

Contacting MERS

MERS of Michigan
1134 Municipal Way
Lansing, MI 48917

Phone: 800.767.6377
www.mersofmich.com

LET'S GET SOCIAL!

