

Economic Vitality Incentive Program FY 2014 Unfunded Accrued Liability Plan

Local Unit Name: Charter Township of Shelby
Local Unit Code: 111050

PREVIOUS ACTION TAKEN TO REDUCE UNFUNDED ACCRUED LIABILITIES

Previous Actions Taken To Reduce Unfunded Accrued Liabilities		
	Unfunded Accrued Liability Type	Previous Action Taken
1.	Police and Fire Pension System	<p>2010 – Pension annuity factor reduced from 2.5% to 2.25% for new firefighters hired after 8/18/10. Pensionable wages for new employees limited to base pay only with no other includables.</p> <p>2013 – Average final compensation for Fire Chief changed from average of three highest out of ten years to average of five highest consecutive years. Command officer employee contributions increased 2% from 4%/5% depending on date of hire to 6%/7% depending upon date of hire.</p> <p>2014 – Pension system closed to new hires into the Patrol and Firefighter bargaining units. New hires will now be subject to the Township’s defined contribution pension plan currently operated for all non-Police and Fire employees.</p> <p>In addition to these contractual changes mentioned above, each year the Township is fully funding the ARC as prescribed by the actuary thereby reducing the unfunded liability. Currently the pension fund is funded at its highest level since inception at approximately 72%. While the changes mentioned above are not an exhaustive list of what has been done since the pension system’s inception, this highlights some of the more recent and drastic changes to pension benefits.</p>
2.	OPEB	<p>2010 – Employees hired after 8/18/10 in the Firefighter bargaining unit are responsible for all retiree insurance costs with the exception of 50% of the cost of the retiree only (no dependents) that is paid by the Township. Prior to this the Township was responsible for the full cost of retiree healthcare for both the retiree and their dependents. Employees hired on/after 11/1/10 in the 41A District Court bargaining unit are no longer eligible for retiree healthcare. Prior to this, retirees and their dependents were covered at 100%.</p> <p>Employees hired on/after 9/1/10 in the General and Supervisory employee bargaining unit are no longer eligible for retiree healthcare. Prior to this, retirees and their dependents were covered at 100%.</p> <p>Employees hired on/after 9/1/10 into the Department Head classification are no longer eligible for retiree healthcare. Prior to this, retirees and their dependents were covered at 100%.</p>

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		<p>2011 – Employees hired after 1/1/11 in the 911 Dispatcher bargaining unit are responsible for all retiree insurance costs with the exception of 50% of the cost of the retiree only (no dependents) that is paid by the Township. Prior to this the Township was responsible for the full cost of retiree healthcare for both the retiree and their dependents.</p> <p>2013 – The Township formally adopted a trust to set aside funds to offset OPEB liability. Prior to the formal trust formation, the Township had been segregating money in a special fund for OPEB costs beginning in 2003. This money was placed in investments in the trust in Summer 2013. The Township Board has adopted a policy to fund OPEB liability by contributing to the trust each year an amount equal to the actual retiree expenses for that year.</p> <p>2014 – Employees hired after 4/1/14 in the Patrol bargaining unit are no longer eligible for retiree healthcare. Prior to this, retirees and their dependents were covered at 100%.</p> <p>While the changes mentioned above are not an exhaustive list of what has been done since the pension system's inception, this highlights some of the more recent and drastic changes to pension benefits.</p>
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How Will The Local Unit Continue To Implement And Maintain Previous Actions Taken

The Township is continuously striving to reduce both its pension and OPEB liabilities. Through contract negotiations the Township is able to maintain or reduce benefit levels for retirees keeping the Township's exposure to liability at current or reduced levels. The Township continues to fund both the pension and OPEB funds in the same manner as has been done in the recent past. It is a priority of the current Township Board to continually reform defined benefit pension and retiree healthcare benefits.

Additional Actions That Could Be Implemented

Note: Actuarial assumption changes and issuance of debt instruments do not qualify as a new action.

1. Close the defined benefit pension system to any new hires in the Command bargaining unit.
2. Reduce or eliminate retiree healthcare for any new employees in the Command bargaining unit.