



**CLINTON OFFICE**  
 1307 E. Townsend Rd.  
 Saint Johns, MI 48879-9036  
 (989) 224-2195

**GRATIOT OFFICE**  
 151 Commerce Dr.  
 Ithaca, MI 48847-1627  
 (989) 875-3681

**MONTCALM OFFICE**  
 615 N. State St.  
 Stanton, MI 48888-9702  
 (989) 831-5237

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| <b>BOARD OF HEALTH:</b> | Bruce DeLong             | George Bailey | Michael R. Beach |
|                         | Dwight Washington, Ph.D. | Chuck Murphy  | Adam Petersen    |

September 20, 2021

ADMINISTRATOR: Melissa Selby, Director of Administrative Services

SUBJECT: Municipal Employees Retirement System (MERS) Funding Discussion

Information Only       Action Needed

I. Authority For This Action:

- Local Policy
- Law or Rule Public Health Code, Act 368 of 1978, MCL 333.2417

II. Summary:

*(Previous board action relating to this item? Background information and if any future action anticipated.)*

The Mid-Michigan District Health Department (MMDHD) received our most recent actuarial from the MERS. The MMDHD funding has dropped to 76% projected funded. The main reason that this has occurred is due to changes in the actuarial assumptions made by MERS in the past couple of years. The funding level is not adequate for long-term fiscal health for the agency; therefore, a strategy needs to be put in place to reduce the unfunded liability.

III. Strategic Objective, Health Issue, or other Need Addressed:

*(What priority should be given in relation to goals? Include reason for recommending change in priorities and how the need will be introduced into planning process.)*

The strategic objective is to ensure the long-term fiscal health of the agency.

IV. Fiscal Impact and Cost:

*(Immediate, ongoing, and future impact.)*

The total to be 100% funded is \$14,912,238. MMDHD currently is at \$11,293,174 which represents underfunding of \$3,619,064.

There is currently a fund balance reserve of \$323,830 that could be used immediately to fund part of the unfunded liability. Additionally, in doing the budget amendment for next year, the agency will try to put in as close as possible to \$312,786 to bring the funding up to 80% funding.

The next phase would be to build into the budget \$150,000 per year for the next 10 years which will bring the funding up to 90%.

These plans are based on the actuarial assumptions holding true, but the market could come in higher or lower than expected and this will need to be continued to be monitored each year and adjustments made as needed.

V. Alternatives Considered:

*(Scope of options reviewed. Reasons for rejecting alternatives.)*

VI. Recommendation:

*(Advantages/benefits of proposal. Expected results. Possible problems or disadvantages of proposal. Effect of action on agency. Consequences of not approving recommendation or taking action.)*

The recommendation is to follow the plan as described above.

VII. Monitoring and Reporting Timeline:

*(Evaluation method and timeline. Next report to the Board.)*

Annual monitoring when the MERS actuarial is presented to the Board of Health in July.