

Economic Vitality Incentive Program/County Incentive Program FY 2014 Unfunded Accrued Liability Plan

Local Unit Name: City of Bronson

Local Unit Code: 122010

NO PREVIOUS ACTION TAKEN TO REDUCE UNFUNDED ACCRUED LIABILITIES

Why Have No Actions Been Taken

The City of Bronson's retirement costs have always been well maintained. We have never and never intend to offer retiree health insurance. The City rolled out a defined benefit plan for unionized police officers in the early 1990s. From the beginning that plan, as indicated in the CBA, was structured to guarantee the City would pay 6.5% of an employee's wages into the fund while the annual employee contribution rate would fluctuate based on actuarial assumptions.

In 2009, the City switched non-union employees from a defined contribution plan to a defined benefit plan. In terms of City contribution, the cost remained the same. The City contributed 6.5% of wages to the DC plan and continued making the same contribution to the DB plan. As with the Police employees, the employee contribution rate fluctuates annually.

Recent employee contribution rates for non-union employees have been as follows:

July 1, 2014: 6.23%

July 1, 2013: 5.74%

July 1, 2012: 3.95%

July 1, 2011: 6.20%

This fluctuation in employee rates has allowed the City's retirement benefit costs to be stable over the same period while the Spring 2013 (most recent available) Annual Actuarial Valuation shows the amount of the funded liability continues to increase:

Year	Funded Percent
2010	61%
2011	62%
2012	63%

While it is true we haven't taken steps to significantly reduce our unfunded liability, the incremental process we have followed has increased our funding percentage without drastically increasing the City's cost. We are managing our retirement costs responsibly and not offering overly generous benefits.

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Actions That Could Be Implemented

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

1.	Raise the employer contribution to the plan- Raising our contribution rate to 7% for example would help increase the funded percent of our liabilities because of how City deposited funds are treated when an employee leaves before vesting. However increasing the contribution rate would obviously increase the City's cost and reduce the share employee's pay for their retirement.
2.	Make one-time payment- The City could use some cash reserves to make a one-time payment to reduce the unfunded liability.
3.	Adjust plan rules- While the plan is pretty basic as it stands, some adjustment could potentially be made to move toward a hybrid plan.