

Michigan Department of Treasury  
Office of Revenue and Tax Analysis  
PO Box 30722  
Lansing MI 48909

**RE: Compliance Form 5074 - Category 3 Unfunded Accrued Liability Plan for City of Harper Woods**

The City of Harper Woods is pleased to submit form 5074 with the required documents per Public Act 59 Economic Vitality Incentive Program (EVIP) for category 3.

The City of Harper Woods has chosen to track and display this data using Munetrix to make the information readily available to the public and other local units of government.

All documentation necessary to comply with the EVIP requirements are included with this letter, and we look forward to continue receiving these important funds from the State of Michigan.

Please contact me if you need any further information or clarification.

Sincerely,



Randolph Skotarczyk  
City Manager

Michigan Department of Treasury  
(Recreated) 5074 (Rev 09-13)

### Economic Vitality Incentive Program/County Incentive Program Certification of Unfunded Accrued Liability Plan

Issued under authority of 2013 Public Act 59. Filing is mandatory to qualify for payments.

Each city/village/township/county applying for Unfunded Accrued Liability Plan payments must:

1. Certify to the Michigan Department of Treasury (Treasury) that the local unit listed below has produced and made readily available to the public Unfunded Accrued Liability Plan. The plan shall be made available for public viewing in the clerk's office or posted on a publicly accessible Internet site as required by 2013 Public Act 59.
2. Submit to Treasury Unfunded Accrued Liability Plan, if selecting Option 1 of part 2 below.

**City/village/township:** This certification, along with Unfunded Accrued Liability Plan, **must be received by June 1, 2014** to receive the June and August payments or on or before July 31, 2014 to receive the August payment. Post mark dates will not be considered. For questions, call (517) 373-2697.

**County:** This certification, along with Unfunded Accrued Liability Plan, **must be received by June 1, 2014** (or the first day of a payment month) in order to qualify for that month's payment. Post mark dates will not be considered. For questions, call (517) 373-2697.

<b>PART 1: LOCAL UNIT INFORMATION</b>			
Local Unit Name <b>City of Harper Woods</b>		Local Unit County Name <b>Wayne County</b>	
Local Unit Code <b>822150</b>		Contact E-Mail Address <b>rskotar@harperwoods.net</b>	
Contact Name <b>Randolph Skotarczyk</b>	Contact Title <b>City Manager</b>	Contact Phone Number <b>313-343-2505</b>	Extension
Website Address, if reports are available online <b>http://munetrix.com/sections/data/municipal.php?MuniID=73&amp;Type=City</b>		Date of Last Audited Financial Report 2012-12-31	
<b>PART 2: STATEMENT OF UNFUNDED ACCRUED LIABILITIES</b>			
Indicate the option that pertains to your local unit:			
<input checked="" type="checkbox"/> <b>1. Unfunded Accrued Liabilities Exist</b> A local unit who has unfunded accrued liabilities pertaining to pensions or other post-employment benefits must attach a plan as required by 2013 Public Act 59.			
<input type="checkbox"/> <b>No Unfunded Accrued Liabilities Exist</b> A local unit who does not have any unfunded accrued liabilities pertaining to pensions or other post-employment benefits must provide, in the box below, an explanation of why the local unit does not have any unfunded accrued liabilities.			
<div style="border: 1px solid black; padding: 5px;"> <b>See notes on Page 3</b> </div>			
<b>PART 3: CERTIFICATION</b>			
<i>In accordance with 2013 Public Act 59, the undersigned hereby certifies to Treasury that the above mentioned local unit has produced an Unfunded Accrued Liability Plan and has made them available for public viewing in the city, village, township, or county clerk's office or has posted them on a publicly accessible Internet site. The Unfunded Accrued Liability Plan, if required is attached to this signed certification.</i>			
Chief Administrative Officer Signature (as defined in MCL 141.422b)		Printed Name of Chief Administrative Officer (as defined in MCL 141.422b)	
		<b>Randolph Skotarczyk</b>	
Title <b>City Manager</b>		Date <b>April 21, 2014</b>	

Completed and signed form (including required attachments) should be e-mailed to: **TreasRevenueSharing@michigan.gov**  
 If you are unable to submit via e-mail, fax to (517) 335-3298 or mail the completed form and required attachments to:

Michigan Department of Treasury  
Office of Revenue and Tax Analysis  
PO Box 30722  
Lansing MI 48909

TREASURY USE ONLY		
EVIP/CIP	Y   N	EVIP/CIP Notes
Final Certification	Plan Received	

## **Unfunded Liability Notes**

### **Previous Actions Taken To Reduce Unfunded Accrued Liabilities**

#### **Pensions**

Clerical and DPW Employees

- In 2012, the City of Harper Woods negotiated agreements with unions representing all full time clerical and Department of Public Works (DPW) employees to reduce pension multiplier to 1.5% of their Final Average Compensation (FAC) based on the best three (3) out of the last five (5) years. FAC was limited to exclude overtime and sick time and to include no more than 240 hours of leave time with a maximum benefit of 60% of their FAC.

#### **Cost Savings**

No new full time employees have been added since negotiating the change. Actuarial Assessment indicates that the City's cost for new employees hired will reduce from 8.5% of wages to 2.5%.

#### **Police Officers and Dispatch Personnel**

- In 2013, the City of Harper Woods negotiated agreements with all full time sworn police officers and full time civilian dispatchers to reduce pension multiplier to 1.5% of their Final Average Compensation (FAC) based on the best three (3) out of the last five (5) years. FAC was limited to exclude overtime and sick time and to include no more than 240 hours of leave time with a maximum benefit of 60% of their FAC.

#### **Cost Savings**

- Three new police officers have been hired under the new pension agreement. The changes reduced city pension cost from 12.5% of wages to 4.6%.

#### **Administrative Personnel**

In 2013, all administrative full time employees who were hired have been given a Personal Employment Agreement making them ineligible for Pension Benefits.

#### **Cost Savings**

- By removing these employees from the Pension Plan the city saves 8.5% of city pension cost and employees do not add onto unfunded liability.

#### **Reducing Unfunded Liability**

Prior to 2012, the City of Harper Woods had failed to make the Actuarial Required Contribution (ARC) for the previous seven years. This action resulted in a rapidly growing unfunded liability. Steps were taken in 2012 to ensure that the ARC was paid annually to stop the growth of the unfunded liability.

#### **Cost Savings**

- Ensuring that the ARC was paid each year stop the rapidly accumulating growth of the unfunded liability. Dollar savings from stopping the growth of the unfunded liability resulted in saving a \$400,000 growth in the liability.

#### **Other Post Employment Benefits (OPEB)**

- In 2011, the City of Harper Woods secured the services of a registered health care agent to assist with planning and analysis of health care coverage to achieve reduction in costs and to improve service response.
- In 2011, the City of Harper Woods adopted the "hard cap" standards as imposed by Public Act 152 significantly lowering health care costs for active employees.
- In 2012, the City of Harper Woods switched from an experience rated plan to an Administrative Services Plan self insuring with stop gap coverage to reduce overall costs.
- In 2012, all retired members health care benefits were modified into more affordable coverage switching from Community Blue 1 to Community Blue 2 to reduce costs.
- In 2012 all active employees coverage was modified through negotiations or by implementation to adopt higher deductible plans as well as limiting amount paid by employer through "hard cap" limitations established by P.A. 152 of 2011.

**Cost Savings:**

- The actions taken above together reduced health care costs for the city by over \$900,000.

**How Will The Local Unit Continue To Implement And Maintain Previous Actions Taken.**

1. The City of Harper Woods has engaged three different actuarial firms to conduct studies and to make recommendations on methods and alternatives to continue to reduce the unfunded liability in the area of Pensions. The Harper Woods City Council has been engaged in education process to help to determine the most appropriate courses of action. The administration of the City is currently involved in negotiations with all of the major unions to adopt pension and OPEB reforms to continue to lower unfunded liability in both areas.
2. The City Attorneys office has been engaged to assist the administration in reviewing existing ordinances and Charter and to make appropriate changes that will continue to limit the growth of unfunded liability.
3. The employees of the City have been provided with all pertinent information on the current financial condition of the city to engage them as knowledgeable stakeholders to assist in constructive change.

**Additional Actions That Could Be Implemented****Pensions**

- Continue negotiations with existing unions to lower pension multipliers.
- Continue negotiations with existing unions to restrict wage and benefit inclusions into the Final Average Compensation.
- Continue negotiations with existing unions to increase age of eligibility for Defined Benefit programs.
- Continue investigations in to switching employees from Defined Benefit Program into Defined Contribution Programs.
- Change existing Pension Ordinance to allow third party administrator of Defined Benefit (DB) and Defined Contribution (DC) Programs
- Adopt Hybrid DB/DC programs with unions and non union employees.
- Increase funding ration of DB plan by adopting changes named above and lowering the unfunded liability.
- Continue to pay Actuarial Recommended Contribution to stop the growth of the unfunded liability.

**OPEB**

- Negotiate with unions to eliminate or modify retiree health care to control costs and lower OPEB liability.
- Continue to use analysis of available plans for cost reductions on retiree health care.
- Negotiate fixed dollar amounts and allow employees to use health care exchanges to make their own determinations on health care providers.
- Investigate methods of reducing costs and unfunded liability for existing retirees.