



## AGENDA ITEM SUMMARY FORM

**MEETING DATE:** May 8, 2023

**PREPARED BY:** Linda Kunath, Finance Director/Treasurer

**AGENDA ITEM CONTENT:** Pension Grant Funding 60%+ Resolution

**AGENDA ITEM SECTION:** Consent Agenda

**BUDGETED AMOUNT:**

**FUNDS REQUESTED:**

**FUND:**

**EXECUTIVE SUMMARY:**

A year ago a State of Michigan House Bill 5054 of 2022 included \$750 million to be divided between communities with pensions funded at less than 60% and \$250 million to be divided by communities with pensions funded above 60%. The \$750 million legislation was passed and the Protecting MI Pension grant program was created. However, the 2023 State budget does not include the \$250 million created by HB 5054, which received bipartisan support, and the State has unallocated revenues available.

The 2022 market losses increased pension expenses in addition to the annual pension obligation debt payments, thus increasing pension-related financial stress to local communities. This resolution urges support by the Legislature and Governor to revisit HB 5054 and provide funding to local communities that have pensions that are funded above 60%.

**RECOMMENDATION:**

Staff recommends that Council approve the resolution supporting the request to the State Legislature and Governor to revisit HB 5054 and include 2023 State budget funding to local governments.

**CITY OF MADISON HEIGHTS**  
**RESOLUTION 2023-\_\_\_\_\_**  
**REQUEST THAT LEGISLATURE/GOVERNOR INCLUDE FUNDING IN THE 2023 BUDGET**  
**FOR COMMUNITIES FOLLOWING PENSION BEST PRACTICES ESTABLISHED BY THE STATE**

**WHEREAS**, *City of Madison Heights has taken financially difficult steps to stabilize its general employees' pension program by issuing pension obligation bonds to meet funding requirements, and get its pension costs and liabilities under control; and*

**WHEREAS**, *these steps followed best practices established by the State of Michigan and kept the City of Madison Heights operationally viable in the face of enormous financial pressure; and*

**WHEREAS**, *HB 5054 of 2022 would have divided \$250 million between the City of Madison Heights, and other communities like it, that continue to meet annual pension obligation debt payments, made the tough decisions and followed those best practices; and*

**WHEREAS**, *the City of Madison Heights and others like it are ineligible for \$750 million in pension relief allocated by the State in 2022 despite experiencing the same pension-related financial stresses as those who will receive that relief; and*

**WHEREAS**, *these stresses have been amplified by market losses in 2022 and a volatile market in 2023; and*

**WHEREAS**, *this \$250 million would have immeasurable impact on our ability to address our pension liabilities and debt obligations, maintain employment levels, and provide the services our taxpayers depend upon; and*

**WHEREAS**, *both the \$750 million allocated and the \$250 million requested here had broad, bipartisan support in the House a year ago; and*

**WHEREAS**, *HB 5054 created an equitable balance between those with pensions the House considered substantially underfunded and those who had followed best practices to achieve a higher funding ratio; and*

**WHEREAS**, *unallocated revenues are available to the State in 2023 to again make this pension assistance equitable by helping those communities struggling with pension costs and debt obligations, but ineligible for the \$750 million;*

**THEREFORE BE IT RESOLVED THAT**, *the City Council of the City of Madison Heights asks the State of Michigan Legislature and Governor's Office to revisit HB 5054; and*

**BE IT FURTHER RESOLVED**, *that the Legislature and Governor give bipartisan support to the inclusion of the \$250 million in the 2023 State budget to be divided between communities including the City of Madison Heights that meet the best practices required in that Bill.*

This resolution was offered by Member \_\_\_\_\_, seconded by Member \_\_\_\_\_, at a regular meeting of City Council of the City of Madison Heights conducted May 8, 2023 at City Hall Council Chambers, located at 300 W. 13 Mile, Madison Heights, Michigan, 48071.

\_\_\_\_\_  
City Clerk

SUBSTITUTE FOR  
HOUSE BILL NO. 5054

A bill to make, supplement, and adjust appropriations for various state departments and agencies for the fiscal year ending September 30, 2022; to provide for certain conditions on appropriations; and to provide for the expenditure of the appropriations.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

PART 1

LINE-ITEM APPROPRIATIONS

Sec. 101. There is appropriated for various state departments and agencies to supplement appropriations for the fiscal year ending September 30, 2022, from the following funds:

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APPROPRIATION SUMMARY

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GROSS APPROPRIATION

\$ 1,500,000,000

1	Interdepartmental grant revenues:	
2	Total interdepartmental grants and	
3	intradepartmental transfers	0
4	<b>ADJUSTED GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
5	Federal revenues:	
6	Total federal revenues	0
7	Special revenue funds:	
8	Total local revenues	0
9	Total private revenues	0
10	Total other state restricted revenues	0
11	<b>State general fund/general purpose</b>	<b>\$ 1,500,000,000</b>
12	<b>Sec. 102. DEPARTMENT OF TREASURY</b>	
13	<b>(1) APPROPRIATION SUMMARY</b>	
14	<b>GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
15	Interdepartmental grant revenues:	
16	Total interdepartmental grants and	
17	intradepartmental transfers	0
18	<b>ADJUSTED GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
19	Federal revenues:	
20	Total federal revenues	0
21	Special revenue funds:	
22	Total local revenues	0
23	Total private revenues	0
24	Total other state restricted revenues	0
25	<b>State general fund/general purpose</b>	<b>\$ 1,500,000,000</b>
26	<b>(2) ONE-TIME APPROPRIATIONS</b>	
27	Local unit municipal pension principal payment	
28	grant	\$ 900,000,000

1	Pension best practices and debt reduction grant	
2	program	250,000,000
3	State police retirement system deposit	350,000,000
4	<b>GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
5	Appropriated from:	
6	State general fund/general purpose	\$ 1,500,000,000

8 PART 2

9 PROVISIONS CONCERNING APPROPRIATIONS

10 GENERAL SECTIONS

11 Sec. 201. Pursuant to section 30 of article IX of the state  
 12 constitution of 1963, total state spending from state sources under  
 13 part 1 for the fiscal year ending September 30, 2022 is  
 14 \$1,500,000,000.00 and total state spending from state sources to be  
 15 paid to local units of government is \$1,150,000,000.00.

16 Sec. 202. The appropriations made and expenditures authorized  
 17 under this part and part 1 and the departments, commissions,  
 18 boards, offices, and programs for which appropriations are made  
 19 under this part and part 1 are subject to the management and budget  
 20 act, 1984 PA 431, MCL 18.1101 to 18.1594.

22 DEPARTMENT OF TREASURY

23 Sec. 301. (1) From the funds appropriated in part 1 for local  
 24 unit municipal pension principal payment grant, the department of  
 25 treasury shall establish and operate a grant program that would  
 26 provide grant awards to qualified units for deposit into the  
 27 qualified unit's qualified retirement system or systems. The grant  
 28 award payment into the qualified retirement system must be in  
 29 addition to the qualified unit's actuarially determined

1 contribution and must not be used by the qualified unit to meet its  
2 actuarially determined contribution for the qualified retirement  
3 system or systems.

4 (2) To qualify for a grant award under this section, a  
5 qualified unit must certify and attest via an affidavit that it  
6 shall implement all of the following practices upon the receipt of  
7 a grant award:

8 (a) The qualified unit shall make, in full, all actuarially  
9 determined contributions. If a qualified unit's actual contribution  
10 is less than the actuarially determined contribution, the qualified  
11 unit shall remit an amount equal to the difference to the qualified  
12 retirement system within 12 months. If the qualified unit fails to  
13 remit this payment within 12 months, the department of treasury may  
14 intercept the qualified unit's revenue sharing payment. For a  
15 qualified unit that is a road commission, the department of  
16 transportation, in cooperation with the department of treasury, may  
17 intercept an available state revenue distribution.

18 (b) The qualified unit shall not provide contractual benefit  
19 enhancements unless the contractual benefit enhancement is 100%  
20 prefunded. Failure to meet the conditions of this subdivision  
21 requires repayment of the grant award that was received by the  
22 qualified unit.

23 (c) The discount rate and the assumed rate of return for the  
24 qualified retirement system shall be capped at current levels. The  
25 discount rate and assumed rate of return may be approved for  
26 adjustment to a lower level.

27 (d) The qualified retirement system shall adopt the most  
28 recent mortality tables recommended by the Society of Actuaries,  
29 which may subsequently be adjusted based on an experience study of

1 the qualified retirement system.

2 (e) The qualified unit shall be subject to corrective action  
3 plan monitoring by the municipal stability board for 5 years  
4 following receipt of any grant award.

5 (f) Before completing correction action plan monitoring in a  
6 5-year period, the qualified unit shall comply with the uniform  
7 actuarial assumptions of retirement systems published as of  
8 December 31, 2021 by the state treasurer under the protecting local  
9 government retirement and benefits act, 2017 PA 202, MCL 38.2801 to  
10 38.2812, for the qualified retirement system. A qualified unit with  
11 a population of between 80,000 and 85,000 located in a county with  
12 a population of between 400,000 and 410,000 according to the most  
13 recent federal decennial census is not subject to the uniform  
14 actuarial assumptions of retirement systems' assumption on  
15 amortization and may maintain its current amortization schedule.

16 (3) Grant awards under this section must be capped at  
17 \$100,000,000.00 for any qualified unit's qualified retirement  
18 system.

19 (4) The department of treasury shall develop, and publish on  
20 the department website, program guidelines, an application process,  
21 and the associated application materials no later than April 15,  
22 2022. The department of treasury must accept applications from  
23 qualified units beginning April 15, 2022 and ending on May 31,  
24 2022. Grant awards must be dispersed no later than August 30, 2022.

25 (5) Any funds not awarded by August 30, 2022 must be  
26 reallocated and redistributed in a manner that results in the  
27 greatest average funded ratio among qualified retirement systems  
28 that received a grant award. The cap on grant awards in subsection  
29 (3) does not apply if funds are reallocated and redistributed under

1 this subsection.

2 (6) If the amount appropriated is insufficient to meet all  
3 grant award requests, the department of treasury must distribute  
4 funds in a manner that results in the greatest average funded ratio  
5 among qualified retirement systems that receive a grant award.

6 (7) As used in this section:

7 (a) "Contractual benefit enhancement" means any change to the  
8 current benefit policy for active members in a qualified retirement  
9 system that increases the actuarially determined contribution rate  
10 or decreases the funded ratio of the system. This does not include  
11 wage and salary increases.

12 (b) "Qualified retirement system" means a retirement pension  
13 benefit within a retirement system, as defined in section 3 of the  
14 protecting local government retirement and benefits act, 2017 PA  
15 202, MCL 38.2803, of a qualified unit, with a funded ratio below  
16 60% as of the most recent fiscal year ending on or before December  
17 31, 2021.

18 (c) "Qualified unit" means a city, county, township, village,  
19 or road commission that operates a qualified retirement system.

20 (8) The unexpended funds appropriated in part 1 for local unit  
21 municipal pension principal payment grant are designated as a work  
22 project appropriation, and any unencumbered or unallotted funds  
23 shall not lapse at the end of the fiscal year and shall be  
24 available for expenditures for projects under this section until  
25 the projects have been completed. The following is in compliance  
26 with section 451a(1) of the management and budget act, 1984 PA 431,  
27 MCL 18.1451a:

28 (a) The purpose of the project is to provide grant awards to  
29 be used for deposit into a qualified unit's qualified retirement

1 system.

2 (b) The project will be accomplished by grants to qualified  
3 units approved by the department of treasury.

4 (c) The estimated cost of this project is \$900,000,000.00.

5 (d) The tentative completion date for the work project is  
6 September 30, 2026.

7 Sec. 302. (1) From the funds appropriated in part 1 for  
8 pension best practices and debt reduction grant program, the  
9 department of treasury shall establish and operate a grant program  
10 that provides grant awards to qualified units that certify and  
11 attest to establishing pension best practices as provided in  
12 subsection (2) for their qualified retirement system.

13 (2) To qualify for a grant award under this section, a  
14 qualified unit must certify and attest via an affidavit that it  
15 shall implement all of the following practices upon the receipt of  
16 a grant award:

17 (a) Retiree health care, if offered, shall be prefunded. As  
18 used in this subdivision, "prefunded" means qualified units must  
19 amortize the unfunded actuarial accrued liability of the retiree  
20 health care system over a maximum closed period as determined by  
21 the uniform actuarial assumptions of retirement systems published  
22 as of December 31, 2021 by the state treasurer under the protecting  
23 local government retirement and benefits act, 2017 PA 202, MCL  
24 38.2801 to 38.2812. The grant award deposited into a qualified  
25 retirement system, as provided in subsection (3)(c)(i), may be used  
26 by the qualified unit to prefund health care.

27 (b) The qualified unit shall make, in full, all actuarially  
28 determined contributions. If a qualified unit's actual contribution  
29 is less than the actuarially determined contribution, the qualified

1 unit shall remit an amount equal to the difference to the qualified  
2 retirement system within 12 months. If the qualified unit fails to  
3 remit this payment within 12 months, the department of treasury may  
4 intercept the qualified unit's revenue sharing payment. For a  
5 qualified unit that is a road commission, the department of  
6 transportation, in cooperation with the department of treasury, may  
7 intercept an available state revenue distribution.

8 (c) The discount rate and the assumed rate of return for the  
9 qualified retirement system shall be capped at current levels. The  
10 discount rate and assumed rate of return may be approved for  
11 adjustment to a lower level.

12 (d) The qualified retirement system shall adopt the most  
13 recent mortality tables recommended by the Society of Actuaries,  
14 which may subsequently be adjusted based on an experience study of  
15 the qualified retirement system.

16 (e) Within 5 years, the qualified unit shall comply with the  
17 uniform actuarial assumptions of retirement systems published as of  
18 December 31, 2021 by the state treasurer under the protecting local  
19 government retirement and benefits act, 2017 PA 202, MCL 38.2801 to  
20 38.2812, for the qualified retirement system.

21 (3) Grant awards distributed under this section must meet all  
22 of the following conditions:

23 (a) Grant awards to a qualified unit are capped at 5% of the  
24 amount of funds available for grant awards. This cap does not apply  
25 if subsequent rounds of applications are established under  
26 subdivision (b).

27 (b) Any funds not awarded by September 30, 2022 must be used  
28 for additional rounds of applications until all funds are  
29 dispersed.

1 (c) A qualified unit receiving a grant award under this  
2 section shall be subject to the following uses in the following  
3 order of priority:

4 (i) The grant award must be deposited into the qualified  
5 retirement system and must be in addition to the qualified unit's  
6 actuarially determined contribution and must not be used by the  
7 qualified unit to meet its actuarially determined contribution for  
8 the qualified retirement system. The amount deposited into the  
9 qualified retirement system must establish a funded ratio of at  
10 least 100% before the qualified unit can use funds under  
11 subparagraph (ii). Grant awards may also be deposited for a  
12 retirement health benefit of a retirement system, as defined in  
13 section 3 of the protecting local government retirement and  
14 benefits act, 2017 PA 202, MCL 38.2803, of a qualified unit that is  
15 transitioning from pay-as-you-go to prefunding.

16 (ii) The qualified unit may use any funds available after  
17 satisfying subparagraph (i) to make principal payments on any  
18 outstanding debt obligations as of December 31, 2021. A qualified  
19 unit is allowed to create a debt sinking fund to prefund any debt  
20 repayments that are not eligible for early repayment. The qualified  
21 unit must have no remaining debt obligations before the qualified  
22 unit can use funds under subparagraph (iii).

23 (iii) The qualified unit may use any funds available after  
24 satisfying subparagraphs (i) and (ii) to satisfy any matching fund  
25 requirements for infrastructure investments.

26 (4) The department of treasury shall develop, and publish on  
27 the department website, program guidelines, an application process,  
28 and the associated application materials no later than July 1,  
29 2022. The department of treasury must accept applications from

1 qualified units beginning July 1, 2022 and ending on July 31, 2022.  
2 Grant awards must be dispersed no later than September 30, 2022.

3 (5) As used in this section:

4 (a) "Qualified retirement system" means a retirement pension  
5 benefit within a retirement system, as defined in section 3 of the  
6 protecting local government retirement and benefits act, 2017 PA  
7 202, MCL 38.2803, of a qualified unit, with a funded ratio greater  
8 than or equal to 60% as of December 31, 2021.

9 (b) "Qualified unit" means a city, county, township, village,  
10 or road commission that operates a qualified retirement system or  
11 has closed a qualified retirement system and offers a defined  
12 contribution retirement plan.

13 (6) The unexpended funds appropriated in part 1 for pension  
14 best practices and debt reduction grant program are designated as a  
15 work project appropriation, and any unencumbered or unallotted  
16 funds shall not lapse at the end of the fiscal year and shall be  
17 available for expenditures for projects under this section until  
18 the projects have been completed. The following is in compliance  
19 with section 451a(1) of the management and budget act, 1984 PA 431,  
20 MCL 18.1451a:

21 (a) The purpose of the project is to promote pension best  
22 practices and debt reduction measures among qualified units.

23 (b) The project will be accomplished by grants to qualified  
24 units approved by the department of treasury.

25 (c) The estimated cost of this project is \$250,000,000.00.

26 (d) The tentative completion date for the work project is  
27 September 30, 2026.

28 Sec. 303. The funds appropriated in part 1 for state police  
29 retirement system deposit must be used solely for a deposit into

1 the state police retirement system. The deposit into the state  
2 police retirement system must be in addition to the actuarially  
3 determined contribution and must not be used to meet the  
4 actuarially determined contribution for the state police retirement  
5 system.

## Roll Call No. 81

## Yeas—71

Aiyash	Damoose	Jones	Roth
Albert	Eisen	Kahle	Shannon
Alexander	Farrington	Koleszar	Slagh
Allor	Filler	LaFave	Sneller
Beeler	Fink	Lightner	Steckloff
Bellino	Frederick	Lilly	Thanedar
Berman	Garza	Maddock	Tisdell
Beson	Glenn	Marino	VanSingel
Bezotte	Green	Markkanen	VanWoerkom
Bollin	Griffin	Martin	Wakeman
Borton	Haadsma	Meerman	Wendzel
Brann	Hall	Mueller	Wentworth
Breen	Hauck	O'Malley	Whiteford
Calley	Hoitenga	Outman	Whitsett
Cambensy	Hood	Paquette	Witwer
Camilleri	Hornberger	Posthumus	Yancey
Carra	Howell	Reilly	Yaroch
Clements	Johnson, S	Rendon	

## Nays—33

Anthony	Ellison	Manoogian	Rogers
Bolden	Hertel	Morse	Sabo
Brabec	Hope	Neeley	Scott
Brixie	Johnson, C	O'Neal	Sowerby
Carter, B	Kuppa	Peterson	Steenland
Carter, T	LaGrand	Pohutsky	Stone
Cavanagh	Lasinski	Puri	Tate
Cherry	Liberati	Rabhi	Young
Coleman			

In The Chair: Hornberger

The question being on agreeing to the title of the bill,  
Rep. Frederick moved to amend the title to read as follows:

A bill to make, supplement, and adjust appropriations for various state departments and agencies for the fiscal year ending September 30, 2022; to provide for certain conditions on appropriations; and to provide for the expenditure of the appropriations.

The motion prevailed.

The House agreed to the title as amended.

Rep. Frederick moved that the bill be given immediate effect.

The motion prevailed, 2/3 of the members serving voting therefor.

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Rep. Young, having reserved the right to explain her protest against the passage of the bill, made the following statement:

"Mr. Speaker and members of the House:

I believe the 'devil is in the details'. On the surface, it sounds good, but currently the one thing I know is this legislation was put forward without any negotiations with the Senate or the Governor's office. The future of this legislation may be like so many others .... a slow death in the Senate because the work wasn't done on the front end to ensure support.