

CHARTER TOWNSHIP OF WHITE LAKE

Approved Minutes of the Special Board of Trustees Meeting

March 12, 2013

Supervisor Baroni called the meeting to order at 4:00 p.m.

Supervisor Baroni led the Pledge of Allegiance.

Treasurer Roman called the roll:

Present: Gregory Baroni, Supervisor
Mike Roman, Treasurer
Carol Burkard, Trustee
Rik Kowall, Trustee
Scott Ruggles, Trustee
Andrea Voorheis, Trustee

Absent: Terry Lilley, Clerk

PUBLIC COMMENTS

Trustee Burkard commented that when a Board member gives a statement to a newspaper they should make it clear they are not speaking for the entire Board.

NEW BUSINESS

A. PLANTE MORAN REVIEW OF OPEB LIABILITY

B. MERS PRESENTATION

1. OVERVIEW OF HEALTH CARE SPENDING PLAN

2. MERS RETIREMENT HEALTH FUNDING VEHICLE

Mr. Les Pulver, audit partner with Plante Moran, gave a presentation reviewing OPEB, what it is and how it affects financial statements. The acronym stands for Other Post Employment Benefits other than pensions. The accounting rules for OPEB are relatively new, having only been issued about five years ago. Retiree health care previously wasn't a big deal for a lot of reasons, such as the premiums and health care inflation were a lot less, people weren't living as long. It has since become a huge liability which wasn't reflected on the books of governmental units. Starting in 2008, you had to start calculating on an actuarial basis the cost of providing retiree health care. It is a cost of doing business just like with pensions which has to be reflected in the financial statements.

What are the prefunding requirements? There are none. There is no law. A majority of local units of government continue to stay on a pay as you go basis and not prefund which is what White Lake Township has done. However, that percentage is shrinking. A trust has been created which gives you a wider range of investments and builds that pool so that it is ready when the employees retire. The impact of not prefunding, in your government wide statements and in your proprietary funds, is you'll be recording a big liability which has to be paid in the future. The long-term financial impact is, generally the sooner you put money into a trust where it can't be used for any other purpose the better.

The current funding policy for retiree health care is a pay as you go basis. Payments for the current year were about \$259,000. The township's annual contribution rate as computed by the actuary would have recommended for you to fund this, similar to how you fund the pension, by setting aside \$1.6 million. There is quite a discrepancy between what the actuarial recommendation is versus what you have actually paid. From 2008, the actuarial estimated accrued liability for the township's current retiree benefits and current workforce benefits is \$16.3 million. You've got nothing set aside toward that yet. To catch up you would need to contribute 41% of payroll to provide for their health care when they retire. If you form a trust and start putting money into it, the accounting rules will allow you to use a higher assumed rate of return.

Tara Tyler, a MERS representative, gave a brief presentation providing an overview of a health care spending plan and MERS retirement health funding vehicle. MERS can be a one stop shop for municipalities with administration of pensions or retiree health care liabilities. They have internal portfolio management, about 12 investment managers, legal counsel which helps give advice when needed, and recently adding actuarial services which can be for both pensions and retiree health care.

For OPEB we formed a 115 Trust which we broke out into two parts. The first part is the health care savings plan for the employees, the second part is for the employer which is the health funding vehicle. Money goes into the trust, putting contributions in as you wish or have budgeted for. When you need money out, we just ask you to show us proof that you have retiree health care premiums due, are transferring to a like trust, or there are no more retiree health care obligations. It is helpful for the employees and the retirees to know their money is being protected in the trust. MERS set up the plan in 2006. There are 150 municipalities participating now. You would get own quarterly report as well as portal access to see your own fund balance.

With the retiree funding vehicle, there are four investment options. You can chose the coordinator of the plan or name the governing body as the coordinator and you as a group can chose how you want the money invested. The fees are broken down for you and the annual operating cost of the plan is listed out.

EXECUTIVE SESSION

- 1. APPROVAL TO RECESS INTO CLOSED SESSION TO CONSIDER ATTORNEY/CLIENT PRIVILEGE ISSUES PURSUANT TO SECTION 8 OF THE OPEN MEETINGS ACT.**

It was **MOVED** by Treasurer Roman, **SUPPORTED** by Trustee Kowall to adjourn into Executive Session. The **MOTION PASSED** by a voice vote (6 yes votes).

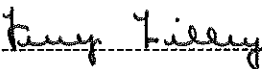
It was **MOVED** by Trustee Kowall, **SUPPORTED** by Trustee Burkard to return to General Session. The **MOTION PASSED** by a voice vote (6 yes votes).

It was **MOVED** by Trustee Kowall, **SUPPORTED** by Trustee Burkard to allow Supervisor to proceed as recommended by council. The **MOTION PASSED** by a voice vote (6 yes votes).

It was **MOVED** by Treasurer Roman, **SUPPORTED** by Trustee Kowall to adjourn meeting. The **MOTION PASSED** by a voice vote (6 yes votes).

The meeting was adjourned into Executive Session at 5:10 p.m.

I, Terry Lilley, the duly elected and qualified Clerk of the Charter Township of White Lake, County of Oakland, State of Michigan, hereby certify that the foregoing is a true copy of the March 12, 2013 special board meeting minutes.

-----

Terry Lilley, Clerk
White Lake Township
Oakland County, Michigan