

**SUBSTITUTE FOR
SENATE BILL NO. 838**

A bill to amend 2001 PA 34, entitled
"Revised municipal finance act,"
by amending section 518 (MCL 141.2518), as amended by 2015 PA 46.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 518. (1) Through December 31, ~~2018~~, **2020**, in connection
2 with the partial or complete cessation of accruals to a defined
3 benefit plan or the closure of the defined benefit plan to new or
4 existing employees, and the implementation of a defined
5 contribution plan, or to fund costs of a county, city, village, or
6 township that has already ceased accruals to a defined benefit
7 plan, a county, city, village, or township may by ordinance or
8 resolution of its governing body, and without a vote of its

1 electors, issue a municipal security under this section to pay all
2 or part of the costs of the unfunded pension liability for that
3 retirement program provided that the amount of taxes necessary to
4 pay the principal and interest on that municipal security, together
5 with the taxes levied for the same year, shall not exceed the limit
6 authorized by law.

7 (2) Through December 31, ~~2018~~, **2020**, a county, city, village,
8 or township may by ordinance or resolution of its governing body,
9 and without a vote of its electors, issue a municipal security
10 under this section to pay the costs of the unfunded accrued health
11 care liability provided that the amount of taxes necessary to pay
12 the principal and interest on that municipal security, together
13 with the taxes levied for the same year, shall not exceed the limit
14 authorized by law or to refund in whole or in part a contract
15 obligation issued for the same purpose. Postemployment health care
16 or benefits may be funded by the county, city, village, or
17 township. The funding of postemployment health care benefits by a
18 county, city, village, or township as provided in this act shall
19 not constitute a contract to pay the postemployment health care
20 benefits.

21 (3) Before a county, city, village, or township issues a
22 municipal security under this section, the county, city, village,
23 or township shall publish a notice of intent to issue the municipal
24 security. The notice of intent and the rights of referendum shall
25 meet the requirements of section 517(2).

26 (4) Before a county, city, village, or township issues a
27 municipal security under this section, the county, city, village,

1 or township shall prepare and make available to the public a
2 comprehensive financial plan that includes all of the following:

3 (a) An analysis of the current and future obligations of the
4 county, city, village, or township with respect to each retirement
5 program and each postemployment health care benefit program of the
6 county, city, village, or township.

7 (b) Evidence that the issuance of the municipal security
8 together with other funds lawfully available will be sufficient to
9 eliminate the unfunded pension liability or the unfunded accrued
10 health care liability.

11 (c) A debt service amortization schedule and a description of
12 actions required to satisfy the debt service amortization schedule.

13 (d) A certification by the person preparing the plan that the
14 comprehensive financial plan is complete and accurate.

15 (e) If the proceeds of the borrowing are to be deposited in a
16 health care trust fund, a plan in place from the county, city,
17 village, or township to mitigate the increase in health care costs
18 and may include a wellness program that promotes the maintenance or
19 improvement of healthy behaviors.

20 (5) Municipal securities issued under this section by a
21 county, city, village, or township and the interest on and income
22 from the municipal securities are exempt from taxation by this
23 state or a political subdivision of this state.

24 (6) The proceeds of a municipal security issued under this
25 section may be used to pay the costs of issuance of the municipal
26 security. Except for a refunding, the proceeds of a municipal
27 security issued under this section to cover **UNFUNDED PENSION**

1 **LIABILITY OR** unfunded health care liability, **OR BOTH**, shall be
2 deposited in a **PENSION TRUST FUND, A** health care trust fund, a
3 trust created by ~~the issuer~~ **A COUNTY, CITY, VILLAGE, OR TOWNSHIP**
4 which has as its beneficiary a health care trust fund, **A TRUST**
5 **CREATED BY A COUNTY, CITY, VILLAGE, OR TOWNSHIP WHICH HAS AS ITS**
6 **BENEFICIARY A PENSION TRUST FUND**, or, for a county, city, village,
7 or township, a restricted fund within a trust that would only be
8 used to retire the municipal securities issued under subsection (1)
9 or ~~(3)~~ **(2)**. A county, city, village, or township shall have the
10 power to create a trust to carry out the purposes of this
11 subsection. ~~The~~ **A** trust created under this subsection shall invest
12 its funds in the ~~same manner as funds invested by a health care~~
13 ~~trust fund. The~~ **INVESTMENT INSTRUMENTS AND SUBJECT TO THE**
14 **INVESTMENT LIMITATIONS GOVERNING THE INVESTMENT OF ASSETS OF PUBLIC**
15 **EMPLOYEE RETIREMENT SYSTEMS UNDER THE PUBLIC EMPLOYEE RETIREMENT**
16 **SYSTEM INVESTMENT ACT, 1965 PA 314, MCL 38.1132 TO 38.1141. A** trust
17 ~~created~~ **OR FUND RECEIVING PROCEEDS OF A MUNICIPAL SECURITY** under
18 this subsection shall **MUST** comply with all of the following:

19 (a) Report its financial condition according to generally
20 accepted accounting principles.

21 (b) Be tax-exempt under the internal revenue code **OF 1986**.

22 (7) A county, city, village, or township issuing municipal
23 securities under this section may enter into indentures or other
24 agreements with trustees and escrow agents for the issuance,
25 administration, or payment of the municipal securities.

26 (8) Before a county, city, village, or township issues a
27 municipal security under this section, the county, city, village,

1 or township shall obtain the approval of the department.

2 (9) If a county, city, village, or township has issued a
3 municipal security under this section, that county, city, village,
4 or township shall not change the benefit structure of the defined
5 benefit plan if the defined benefit plan is undergoing the partial
6 cessation of accruals. However, a county, city, village, or
7 township may reduce benefits of the defined benefit plan for years
8 of service that accrue after the issuance of municipal securities
9 under this section.

10 (10) A county, city, village, or township shall not issue a
11 municipal security under subsection (1) or (2) unless the county,
12 city, village, or township has been assigned a credit rating within
13 the category of AA or higher or the equivalent by at least 1
14 nationally recognized rating agency.

15 (11) A county, city, village, or township that issues a
16 municipal security under subsection (1) shall covenant with the
17 holders of the municipal security and this state that it will not,
18 after the issuance of the municipal security and while the
19 municipal security is outstanding, rescind whatever action it has
20 taken to make a partial or complete cessation of accruals to a
21 defined benefit plan or the closure of the defined benefit plan for
22 new or existing employees.

23 (12) If a county, city, village, or township has issued a
24 municipal security under subsection (1) or (2), the county, city,
25 village, or township may issue a refunding security to refund that
26 municipal security under this section after December 31, 2018 if
27 that refunding security does not have a final maturity later than

1 the final maturity of the municipal security being refunded and if
2 the municipality that issued the municipal security has been
3 assigned a credit rating within the category of AA or higher or the
4 equivalent by at least 1 nationally recognized rating agency in
5 connection with the refunding security.

6 (13) AS USED IN THIS SECTION, "PENSION TRUST FUND" MEANS A
7 TRUST OR FUND ESTABLISHED TO FUND THE LIABILITIES OF A DEFINED
8 BENEFIT PLAN THAT IS INTENDED TO QUALIFY UNDER SECTION 401(A) OF
9 THE INTERNAL REVENUE CODE OF 1986, 26 USC 401.