

CITY OF HOUGHTON PLAN TO REDUCE UNFUNDED PENSION PLAN LIABILITIES

Pension Plan #1:

The City of Houghton MERS Defined Benefit Retirement Plan, as of December 31, 2012, is 99.4% funded with a \$17,654 unfunded liability. This is the first time the City's MERS Pension Fund has been underfunded. Since December 31, 2012, the City has been contributing an additional 2.45% of payroll toward the required amount of 12.59% (the MERS actuarial amount the City is required to pay). This additional amount we are paying into the retirement plan should create an overfunded pension plan as it was in previous years. The City expects to continue to overfund this plan.

Pension Plan #2:

The City of Houghton has a second retirement plan that pays employees, under the 80 point system, upon retirement \$2,400 per year for life. This plan is a set amount of \$2,400 per year with no inflation factor and no increase in cost as salaries increase. This plan costs the City about \$45,000 per year and is expected to peak out at about \$60,000 per year. As of June 30, 2013 this plan had an unfunded liability of \$934,889. The City of Houghton's long-term plan to reduce this long-term liability is to not offer this benefit to any new employees.