



**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN**  
ANNUAL ACTUARIAL VALUATION REPORT DECEMBER 31, 2013  
BENZIE CRC (1001)

Spring, 2014

Benzie CRC

In care of:  
Municipal Employees' Retirement System of Michigan  
1134 Municipal Way  
Lansing, Michigan 48917

This report presents the results of the Annual Actuarial Valuation, prepared as of December 31, 2013. The report includes the determination of liabilities and contribution rates resulting from the participation of Benzie CRC (1001) in the Municipal Employees' Retirement System of Michigan ("MERS"). MERS is an independent public nonprofit organization that has partnered with Michigan municipalities for more than 65 years, helping them provide safe, secure retirement plans for their employees. Benzie CRC is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees under the Michigan Constitution and the MERS Plan Document.

The purpose of the December 31, 2013 annual actuarial valuation is to:

- measure funding progress,
- establish contribution requirements for the fiscal year beginning January 1, 2015, and
- provide actuarial information in connection with applicable Governmental Accounting Standards Board statements.

This valuation report should not be relied upon for any other purpose. Reliance on information contained in this report by anyone for anything other than the intended purpose could be misleading.

The valuation uses financial data, plan provision data, and participant data as of December 31, 2013 furnished by MERS' administrative staff. In accordance with Actuarial Standards of Practice No. 23, the data was checked for internal and year to year consistency as well as general reasonableness, but was not otherwise audited. Tegrit Group does not assume responsibility for the accuracy or completeness of the data used in this valuation.

The actuarial assumptions and methods are adopted by the Retirement Board. Please refer to the division-specific assumptions described in table(s) in this report, and to the Appendix on the MERS website at:

[www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2013AnnualActuarialValuation-Appendix.pdf](http://www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2013AnnualActuarialValuation-Appendix.pdf).

The actuarial assumptions used for this valuation produce results that we believe are reasonable.

To the best of our knowledge, this report is complete and accurate, was prepared in conformity with generally recognized actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and is in compliance with Act No. 220 of the Public Acts of 1996, as amended, and the MERS Plan Document as revised. All of the undersigned are members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The Retirement Board of the Municipal Employees' Retirement System of Michigan confirms that the System provides for payment of the required employer contribution as described in Section 20m of Act No. 314 of 1965 (MCL 38.1140m).

Our advice is purely actuarial in nature. It is not intended to serve as a substitute for legal, accounting or investment advice.

**This report was prepared at the request of the Retirement Board and may be provided only in its entirety by the municipality to other interested parties (MERS customarily provides the full report on request to related third parties such as the auditor for the municipality). Tegrity Group is not responsible for the consequences of any unauthorized use.**

You should notify MERS if you disagree with anything contained in the report or are aware of any information that would affect the results of the report that have not been communicated to us. If you have reason to believe that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, that conditions have changed since the calculations were made, that the information provided in this report is inaccurate or is in anyway incomplete, or if you need further information in order to make an informed decision on the subject matter in this report, please contact MERS at: <http://www.mersofmich.com/MERS/About-MERS/Contact-Us>

Sincerely,

Alan Sonnanstine, MAAA, ASA  
Cathy Nagy, MAAA, FSA  
Jim Koss, MAAA, ASA  
Rebecca Stouffer, MAAA, ASA

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## Executive Summary

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### Funded Ratio and Required Employer Contributions

The MERS Defined Benefit Plan is an agent multiple-employer plan, meaning that assets are pooled for investment purposes but separate trusts are maintained for each individual employer. Each municipality is responsible for their own plan liabilities; MERS does not borrow from one municipality's account to pay for another.

The funded ratio of a plan is the percentage of the dollar value of the accrued benefits that is covered by the actuarial value of assets.

#### Your Funded Ratio:

	12/31/2013	12/31/2012
<b>Funded Ratio</b>	42%	44%

Michigan Law requires that pension plans be pre-funded, meaning money is set aside now to pay for future benefits. Pension plans are usually funded by employer and employee contributions, and investment income.

As a result of the plan's funding policy, the funded ratio is expected to approach 100% over time. How quickly a plan attains the 100% goal depends on many factors such as:

- The current funded ratio,
- The future experience of the plan, and
- The amortization period.

It is more important to look at the trend in the funded ratio over a period of time than at a particular point in time.

#### Your Required Employer Contributions:

Your minimum required employer contributions are shown on the following page. Employee contributions, if any, are shown in Table 2, and are in addition to the required employer contribution on the next page.

Valuation Date:	Percentage of Payroll		Monthly \$ Based on Valuation Payroll	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Fiscal Year Beginning:	January 1, 2015	January 1, 2014	January 1, 2015	January 1, 2014
<b>Division</b>				
01 - Gnrl Emp	-	-	\$ 20,009	\$ 18,723
11 - Commissioners	-	-	74	79
12 - Admin	-	-	5,901	5,603
HA - New hires after 7/1/20	5.34%	5.24%	1,228	843
<b>Municipality Total</b>			<b>\$ 27,212</b>	<b>\$ 25,248</b>

You may contribute more than the minimum required contributions, as these additional contributions will earn investment income, and later you may have to contribute less than otherwise. MERS strongly encourages employers to contribute more than the minimum contribution shown above.

Assuming that experience of the plan meets actuarial assumptions:

- To accelerate to a 100% funding ratio in 10 years, estimated monthly contributions for the entire employer would be \$ 48,558, instead of \$ 27,212.
- To accelerate to a 100% funding ratio in 20 years, estimated monthly contributions for the entire employer would be \$ 30,690, instead of \$ 27,212.

If you are interested in making additional contributions, please contact MERS and they can assist you with evaluating your options.

### How and Why Do These Numbers Change?

In a defined benefit plan contributions vary from one annual actuarial valuation to the next as a result of the following:

- Changes in benefit provisions (see Table 2),
- Changes in actuarial assumptions and methods (see the [Appendix](#)), and
- Experience of the plan (investment experience and demographic experience); this is the difference between actual experience of the plan and the actuarial assumptions.

Actuarial valuations do not affect the ultimate cost of the plan; the benefit payments (current and future) determine the cost of the plan. Actuarial valuations only affect the timing of the contributions into the plan. Because assumptions are for the long term, plan experience will not match the actuarial assumptions in any given year (except by coincidence). Each annual actuarial valuation will adjust the required employer contributions up or down based on the prior year's actual experience.

### Comments on the Investment Markets

At this time, MERS maintains the 8% annual return assumption in the belief that over the long-term this is achievable. For example, MERS' 30 year return was 9.3% on December 31, 2013. The MERS portfolio returned 14.8% in 2013; the two year (12.9%), three year (9.2%), four year (10.4%), and five year (11.7%) returns all exceed the 8% annual return assumption. It has now been five years since the peak of the financial crisis and the stock market decline still weighs down MERS' medium term returns. This was a one in fifty year event comparable only to the Stock Market Crash of 1929 during the Great Depression. The stock market and economy have stabilized since 2008 and are on the long road to recovery. MERS regularly monitors the investment return assumption to make sure it is reasonable compared to long term expectations.

The actuarial value of assets, used to determine both your funded ratio and your required employer contribution, is based on a 10-year smoothed value of assets. Only a portion (six-tenths, for 2008 - 2013) of the 2008 investment market losses was recognized in this actuarial valuation report. This reduces the volatility of the valuation results, which affects your required employer contribution and funded ratio.

As of December 31, 2013 the actuarial value of assets is 106% of market value. This means that meeting the actuarial assumption in the next few years will require average annual market returns that exceed the 8% investment return assumption.

If the December 31, 2013 valuation results were based on market value on that date instead of 10-year smoothed funding value: i) the funded percent of your entire municipality would be 39% (instead of 42%); and ii) your total employer contribution requirement for the fiscal year starting January 1, 2015 would be \$ 337,944 (instead of \$ 326,544).

The asset smoothing method is a powerful tool for reducing the volatility of your required employer contributions. **However, if the current 6% difference between the smoothed value and the market value of assets is not made up, the result would be gradual increases in your employer contribution requirement over the next few years (to around the levels described above).**

### **Alternate Scenarios to Estimate the Potential Volatility of Results ("What If Scenarios")**

The analysis in this section is intended to review the potential volatility of the actuarial valuation results. It is important to note that calculations in this report are mathematical estimates based upon assumptions regarding future events, which may or may not materialize. Actuarial calculations can and do vary from one valuation to the next, sometimes significantly depending on the group's size.

In the table below, we show the impact of varying one actuarial assumption: the future annual rate of investment return. Lower investment returns would result in higher required employer contributions, and vice-versa.

Other assumptions are also important in determining the required employer contributions.

For example:

- Smaller than projected pay increases would lower required employer contributions.
- Reductions in the number of active employees would lower required contribution dollars, but would usually increase the contribution rate expressed as a percentage of payroll.
- Retirements at earlier ages than projected would usually increase required employer contributions.
- More non-vested terminations of employment than projected would decrease required contributions.
- More disabilities or survivor (death) benefits than projected would increase required contributions.
- Longer lifetimes after retirement than projected would increase required employer contributions.

The relative impact of each investment return scenario below will vary from year to year, as the participant demographics change. The impact of each scenario should be analyzed for a given year, not from year to year. The results in the table are based on the December 31, 2013 valuation, and are for the municipality in total, not by division.

	Assumed Future Annual Smoothed Rate of Investment Return			
	Lower Future Annual Returns		Valuation Assumption	Higher Returns
	6%	7%	8%	9%
<b>12/31/2013 Valuation Results</b>				
Accrued Liability	\$ 8,647,215	\$ 7,856,098	\$ 7,178,769	\$ 6,595,135
Valuation Assets	\$ 3,001,298	\$ 3,001,298	\$ 3,001,298	\$ 3,001,298
Unfunded Accrued Liability	\$ 5,645,917	\$ 4,854,800	\$ 4,177,471	\$ 3,593,837
<b>Funded Ratio</b>	35%	38%	42%	46%
Monthly Normal Cost	\$ 9,082	\$ 7,294	\$ 5,888	\$ 4,780
Monthly Amortization Payment	\$ 23,426	\$ 22,428	\$ 21,324	\$ 20,117
<b>Total Employer Contribution<sup>1</sup></b>	\$ 32,508	\$ 29,722	\$ 27,212	\$ 24,897

<sup>1</sup> If assets exceed accrued liabilities for a division, the division's amortization payment is negative and is used to reduce the division's employer contribution requirement. If the overfunding credit is larger than the normal cost, the division's full credit is included in the municipality's amortization payment above but the division's total contribution requirement is zero. This can cause the displayed normal cost and amortization payment to not add up to the displayed total employer contribution.



## Employer Contribution Details For the Fiscal Year Beginning January 1, 2015

Table 1

Division	Amort. Period for Unfund. Liab. <sup>4,5</sup>	Employer Contributions <sup>1</sup>			Blended Employer Contribut. <sup>7</sup>	GASB ARC <sup>6</sup>	Member Contribut. Conversion Factor <sup>2</sup>
		Normal Cost	Unfunded Accrued Liability	Total Required Employer Contribut.			
<b>Percentage of Payroll</b>							
01 - Gnrl Emp	25	-	-	-	32.71%		
11 - Commissioners	25	-	-	-	32.71%		
12 - Admin	25	-	-	-	32.71%		
HA - New hires after 7/	25	5.50%	-0.16%	5.34%	32.71%		
<b>Estimated Monthly Contribution<sup>3</sup></b>							
01 - Gnrl Emp	25	\$ 3,837	\$ 16,172	\$ 20,009			
11 - Commissioners	25	12	62	74			
12 - Admin	25	774	5,127	5,901			
HA - New hires after 7/	25	1,265	(37)	1,228			0.93%
<b>Total Municipality</b>		<b>\$ 5,888</b>	<b>\$ 21,324</b>	<b>\$ 27,212</b>			
<b>Estimated Annual Contribution<sup>3</sup></b>							
		<b>\$ 70,656</b>	<b>\$ 255,888</b>	<b>\$ 326,544</b>			

<sup>1</sup> The above Employer contribution requirements are in addition to the Member contributions, if any, shown in Table 2.

<sup>2</sup> If Member contributions are increased/decreased by 1.00% of pay, the Employer contribution requirement will decrease/increase by the Member Contribution Conversion Factor.

<sup>3</sup> For divisions that are open to new hires, estimated contributions are based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher). For divisions that will have no new hires, invoices will be based on the above dollar amounts which are based on projected fiscal year payroll. See description of Open Divisions and Closed Divisions in the [Appendix](#).

<sup>4</sup> If projected assets exceed projected liabilities as of the beginning of the January 1, 2015 fiscal year, the negative unfunded accrued liability is amortized (spread) over 10 years. This amortization is used to reduce the employer contribution rate. Note that if the overfunding credit is larger than the normal cost, the full credit is shown above but the total contribution requirement is zero. This will cause the displayed normal cost and unfunded accrued liability contributions to not add across.

<sup>5</sup> If the division is closed to new hires, with new hires not covered by MERS Defined Benefit Plan or Hybrid Plan provisions, the amortization period will decrease as follows: Under Amortization Option A, the period will decrease by 2 years each valuation year, until a minimum 5-year amortization is attained. Under Amortization Option B, the period will decrease by 2 years each valuation year, until reaching 15 years. Thereafter, the period will reduce by 1 year each valuation year, until a minimum 5-year amortization is attained. This will result in amortization payments that increase faster than the usual 4.5% each year. If the division is closed to new hires, with new hires (and transfers) covered by MERS Defined Benefit Plan or Hybrid Plan provisions, the standard open division amortization period will apply.

<sup>6</sup> For reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the annual required contribution (ARC) for this division is based on a 30 year level dollar amortization.

<sup>7</sup> For linked divisions, the employer will be invoiced the Total Required Employer Contribution rate shown above for each linked division (a contribution rate for the open division; a contribution dollar for the closed-but-linked division), unless the employer elects to contribute the Blended Employer Contribution rate shown above, by contacting MERS at 800-767-2308.

**Please see the Comments on the Investment Markets.**

## Benefit Provisions

Table 2

### 01 - Gnrl Emp: Closed to new hires, linked to Division HA

	2013 Valuation	2012 Valuation
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)	2.00% Multiplier (no max)
<b>Normal Retirement Age:</b>	60	60
<b>Vesting:</b>	10 years	10 years
<b>Early Retirement (Unreduced):</b>	55/25	55/25
<b>Early Retirement (Reduced):</b>	50/25	50/25
	55/15	55/15
<b>Final Average Compensation:</b>	5 years	5 years
<b>Member Contributions:</b>	0%	0%
<b>Act 88:</b>	No	No

### 11 - Commissioners: Closed to new hires, linked to Division HA

	2013 Valuation	2012 Valuation
<b>Benefit Multiplier:</b>	1.50% Multiplier (no max)	1.50% Multiplier (no max)
<b>Normal Retirement Age:</b>	60	60
<b>Vesting:</b>	10 years	10 years
<b>Early Retirement (Unreduced):</b>	-	-
<b>Early Retirement (Reduced):</b>	50/25	50/25
	55/15	55/15
<b>Final Average Compensation:</b>	5 years	5 years
<b>Member Contributions:</b>	2.82%	2.82%
<b>Act 88:</b>	No	No

### 12 - Admin: Closed to new hires, linked to Division HA

	2013 Valuation	2012 Valuation
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)	2.00% Multiplier (no max)
<b>Normal Retirement Age:</b>	60	60
<b>Vesting:</b>	10 years	10 years
<b>Early Retirement (Unreduced):</b>	55/25	55/25
<b>Early Retirement (Reduced):</b>	50/25	50/25
	55/15	55/15
<b>Final Average Compensation:</b>	3 years	3 years
<b>Member Contributions:</b>	0%	0%
<b>Act 88:</b>	No	No

**Table 2** (continued)**HA - New hires after 7/1/2011: Open Division, linked to Division 01, 11, 12**

	<b>2013 Valuation</b>	<b>2012 Valuation</b>
<b>Benefit Multiplier:</b>	Hybrid Plan - 1.00% Multiplier	Hybrid Plan - 1.00% Multiplier
<b>Normal Retirement Age:</b>	60	60
<b>Vesting:</b>	6 years	6 years
<b>Early Retirement (Unreduced):</b>	-	-
<b>Early Retirement (Reduced):</b>	-	-
<b>Final Average Compensation:</b>	3 years	3 years
<b>Member Contributions:</b>	0%	0%
<b>Act 88:</b>	No	No

## Membership Summary

**Table 3**

Division	2013 Valuation		2012 Valuation		2013 Valuation		
	Number	Annual Payroll <sup>1</sup>	Number	Annual Payroll <sup>1</sup>	Average Age	Average Benefit Service <sup>2</sup>	Average Eligibility Service <sup>2</sup>
01 - Gnrl Emp							
Active Members	15	\$ 576,764	17	\$ 662,329	50.4	13.8	13.9
Vested Former Members	2	9,522	2	9,521	57.7	7.3	19.0
Retirees and Beneficiaries	27	433,247	25	361,157	69.8		
11 - Commissioners							
Active Members	2	\$ 10,261	2	\$ 10,042	64.6	18.4	18.4
Vested Former Members	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	2	1,321	2	1,321	80.0		
12 - Admin							
Active Members	3	\$ 119,137	3	\$ 114,253	52.9	11.4	11.4
Vested Former Members	3	37,487	3	37,488	51.3	11.8	11.8
Retirees and Beneficiaries	6	138,952	6	138,953	64.1		
HA - New hires after 7/1/							
Active Members	7	\$ 275,932	4	\$ 192,934	50.5	1.2	5.0
Vested Former Members	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	0	0	0	0	0.0		
<b>Total Municipality</b>							
<b>Active Members</b>	<b>27</b>	<b>\$ 982,094</b>	<b>26</b>	<b>\$ 979,558</b>	<b>51.8</b>	<b>10.6</b>	<b>11.7</b>
<b>Vested Former Members</b>	<b>5</b>	<b>47,009</b>	<b>5</b>	<b>47,009</b>	<b>53.9</b>	<b>10.0</b>	<b>14.7</b>
<b>Retirees and Beneficiaries</b>	<b>35</b>	<b>573,520</b>	<b>33</b>	<b>501,431</b>	<b>69.4</b>		
<b>Total Participants</b>	<b>67</b>		<b>64</b>				

<sup>1</sup> Annual payroll for active members; annual deferred benefits payable for vested former members; annual benefits being paid for retirees and beneficiaries.

<sup>2</sup> Description can be found under Miscellaneous and Technical Assumptions in the [Appendix](#).

## Reported Assets (Market Value)

**Table 4**

Division	2013 Valuation		2012 Valuation	
	Employer and Retiree <sup>1</sup>	Employee <sup>2</sup>	Employer and Retiree <sup>1</sup>	Employee <sup>2</sup>
01 - Gnrl Emp	\$ 1,869,717	\$ 57,644	\$ 1,682,566	\$ 165,358
11 - Commissioners	17,275	715	15,240	436
12 - Admin	858,908	0	790,882	0
HA - New hires after 7/1/2011	22,247	0	6,339	2,415
<b>Municipality Total</b>	<b>\$ 2,768,147</b>	<b>\$ 58,359</b>	<b>\$ 2,495,027</b>	<b>\$ 168,209</b>
<b>Combined Reserves</b>	<b>\$ 2,826,506</b>		<b>\$ 2,663,236</b>	

<sup>1</sup> Reserve for Employer Contributions and Benefit Payments

<sup>2</sup> Reserve for Employee Contributions

The December 31, 2013 valuation assets are equal to 1.061840 times the reported market value of assets (compared to 1.143563 as of December 31, 2012). The derivation of valuation assets is described, and detailed calculations of valuation assets are shown, in the [Appendix](#).

## Flow of Valuation Assets

**Table 5**

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Net Transfers	Valuation Asset Balance
	Employer	Member					
2003	\$ 199,850	\$ 0	\$ 186,838	\$ (191,490)	\$ 0	\$ 0	\$ 2,505,519
2004	219,200	0	172,871	(208,742)	0	0	2,688,848
2005	220,216	0	173,031	(251,915)	0	0	2,830,180
2006	217,681	0	226,623	(313,367)	0	33,887	2,995,004
2007	234,987	0	241,827	(361,874)	0	0	3,109,944
2008	243,685	0	128,909	(397,808)	0	0	3,084,730
2009	270,995	0	110,651	(410,143)	0	25,621	3,081,854
2010	264,836	0	139,372	(418,728)	0	0	3,067,334
2011	274,799	210	136,314	(454,877)	0	25,251	3,049,031
2012	308,971	2,836	126,772	(473,027)	0	30,995	3,045,578
2013	344,780	(2,126)	159,646	(546,580)	0	0	3,001,298

Note: Transfers in and out are usually related to the transfer of participants between municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.

## Actuarial Accrued Liabilities and Valuation Assets As of December 31, 2013

Table 6

Division	Actuarial Accrued Liability	Valuation Assets <sup>1</sup>	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
01 - Gnrl Emp				
Active Members	\$ 1,181,022	\$ 56,812	4.8%	\$ 1,124,210
Vested Former Members	74,541	0	0.0%	74,541
Retirees And Beneficiaries	3,955,503	1,988,905	50.3%	1,966,598
Pending Refunds	<u>832</u>	<u>832</u>	100.0%	<u>0</u>
Total	<b>\$ 5,211,898</b>	<b>\$ 2,046,549</b>	<b>39.3%</b>	<b>\$ 3,165,349</b>
11 - Commissioners				
Active Members	\$ 23,313	\$ 11,153	47.8%	\$ 12,160
Vested Former Members	0	0	0.0%	0
Retirees And Beneficiaries	7,950	7,950	100.0%	0
Pending Refunds	<u>0</u>	<u>0</u>	0.0%	<u>0</u>
Total	<b>\$ 31,263</b>	<b>\$ 19,103</b>	<b>61.1%</b>	<b>\$ 12,160</b>
12 - Admin				
Active Members	\$ 218,182	\$ 0	0.0%	\$ 218,182
Vested Former Members	196,014	0	0.0%	196,014
Retirees And Beneficiaries	1,502,020	912,023	60.7%	589,997
Pending Refunds	<u>0</u>	<u>0</u>	0.0%	<u>0</u>
Total	<b>\$ 1,916,216</b>	<b>\$ 912,023</b>	<b>47.6%</b>	<b>\$ 1,004,193</b>
HA - New hires after 7/1/2011				
Active Members	\$ 19,392	\$ 23,623	121.8%	\$ (4,231)
Vested Former Members	0	0	0.0%	0
Retirees And Beneficiaries	0	0	0.0%	0
Pending Refunds	<u>0</u>	<u>0</u>	0.0%	<u>0</u>
Total	<b>\$ 19,392</b>	<b>\$ 23,623</b>	<b>121.8%</b>	<b>\$ (4,231)</b>
<b>Total Municipality</b>				
<b>Active Members</b>	<b>\$ 1,441,909</b>	<b>\$ 91,588</b>	<b>6.4%</b>	<b>\$ 1,350,321</b>
<b>Vested Former Members</b>	<b>270,555</b>	<b>0</b>	<b>0.0%</b>	<b>270,555</b>
<b>Retirees and Beneficiaries</b>	<b>5,465,473</b>	<b>2,908,878</b>	<b>53.2%</b>	<b>2,556,595</b>
<b>Pending Refunds</b>	<b><u>832</u></b>	<b><u>832</u></b>	<b>100.0%</b>	<b><u>0</u></b>
<b>Total Participants</b>	<b>\$ 7,178,769</b>	<b>\$ 3,001,298</b>	<b>41.8%</b>	<b>\$ 4,177,471</b>
The following results show the combined accrued liabilities and assets for each set of linked divisions. These results are already included in the table above.				
Linked Divisions HA, 01, 11, 12				
Active Members	\$ 1,441,909	\$ 91,588	6.4%	\$ 1,350,321
Vested Former Members	270,555	0	0.0%	270,555
Retirees and Beneficiaries	5,465,473	2,908,878	53.2%	2,556,595
Pending Refunds	<u>832</u>	<u>832</u>	100.0%	<u>0</u>
Total	<b>\$ 7,178,769</b>	<b>\$ 3,001,298</b>	<b>41.8%</b>	<b>\$ 4,177,471</b>

<sup>1</sup> Includes both employer and member assets.

**Please see the Comments on the Investment Markets.**

See the MERS Fiscal Responsibility Policy on the MERS website at:

[http://www.mersofmich.com/Portals/0/Assets/PageResources/MERS/PlanDocument/Pension/sec\\_43c.pdf](http://www.mersofmich.com/Portals/0/Assets/PageResources/MERS/PlanDocument/Pension/sec_43c.pdf).



## Actuarial Accrued Liabilities - Comparative Schedule

**Table 7**

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities	UAL as Percent of Annual Payroll
1999	\$ 2,814,834	\$ 1,981,382	70%	\$ 833,452	91%
2000	3,481,927	2,149,797	62%	1,332,130	130%
2001	3,769,833	2,253,259	60%	1,516,574	148%
2002	4,093,879	2,310,321	56%	1,783,558	156%
2003	4,830,963	2,505,519	52%	2,325,444	197%
2004	5,371,854	2,688,848	50%	2,683,006	219%
2005	5,809,295	2,830,180	49%	2,979,115	263%
2006	6,190,918	2,995,004	48%	3,195,914	289%
2007	6,374,895	3,109,944	49%	3,264,951	310%
2008	6,540,206	3,084,730	47%	3,455,476	332%
2009	6,634,473	3,081,854	46%	3,552,619	331%
2010	6,640,819	3,067,334	46%	3,573,485	363%
2011	6,856,191	3,049,031	44%	3,807,160	397%
2012	6,965,380	3,045,578	44%	3,919,802	400%
2013	7,178,769	3,001,298	42%	4,177,471	425%

Notes: Actuarial assumptions were revised for the 2000, 2004, 2008, 2009, 2010, 2011, and 2012 actuarial valuations.

## GASB 25 and GASB 27 Information

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The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2013 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.

### GASB 25 Information (as of 12/31/2013)

Actuarial Accrued Liability		
Retirees and beneficiaries currently receiving benefits	\$	5,465,473
Terminated employees (vested former members) not yet receiving benefits		270,555
Non-Vested terminated employees (pending refunds of accumulated member contributions)		832
Current employees -		
Accumulated employee contributions including allocated investment income		57,527
Employer financed		<u>1,384,382</u>
Total Actuarial Accrued Liability	\$	7,178,769
Net Assets Available for Benefits at Actuarial Value	\$	<u>3,001,298</u>
(Market Value is 2,826,506)		
Unfunded (Overfunded) Actuarial Accrued Liability	\$	4,177,471

### GASB 27 Information (as of 12/31/2013)

Fiscal Year Beginning		January 1, 2015
Annual Required Contribution (ARC)	\$	326,544 <sup>1</sup>

<sup>1</sup> Based on valuation payroll (based on projected fiscal year payroll for divisions that will have no new hires). For divisions that are open to new hires the actual required contribution will be based on current monthly payroll (during the fiscal year beginning January 1, 2015) times the computed employer contribution rate(s) shown in Table 1. The ARC shown here is the sum of the ARC's calculated separately for each division.

## **GASB 27 Information (Used in the 12/31/2013 Annual Actuarial Valuation)**

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### **Amortization Factors Used to Compute Employer Contribution Requirements Used for Funding Calculations and Most ARC Calculations (see below) (Payments Increase 4.5% per Year)**

Amortization Factor Used - Underfunded or Overfunded Liabilities (5 years)	0.221706
Amortization Factor Used - Underfunded or Overfunded Liabilities (6 years)	0.187731
Amortization Factor Used - Underfunded or Overfunded Liabilities (7 years)	0.163488
Amortization Factor Used - Underfunded or Overfunded Liabilities (8 years)	0.145330
Amortization Factor Used - Underfunded or Overfunded Liabilities (9 years)	0.131227
Amortization Factor Used - Underfunded or Overfunded Liabilities (10 years)	0.119963
Amortization Factor Used - Underfunded or Overfunded Liabilities (11 years)	0.110763
Amortization Factor Used - Underfunded or Overfunded Liabilities (12 years)	0.103112
Amortization Factor Used - Underfunded or Overfunded Liabilities (13 years)	0.096652
Amortization Factor Used - Underfunded or Overfunded Liabilities (14 years)	0.091128
Amortization Factor Used - Underfunded or Overfunded Liabilities (15 years)	0.086353
Amortization Factor Used - Underfunded or Overfunded Liabilities (16 years)	0.082185
Amortization Factor Used - Underfunded or Overfunded Liabilities (17 years)	0.078519
Amortization Factor Used - Underfunded or Overfunded Liabilities (18 years)	0.075270
Amortization Factor Used - Underfunded or Overfunded Liabilities (19 years)	0.072372
Amortization Factor Used - Underfunded or Overfunded Liabilities (20 years)	0.069773
Amortization Factor Used - Underfunded or Overfunded Liabilities (21 years)	0.067430
Amortization Factor Used - Underfunded or Overfunded Liabilities (22 years)	0.065308
Amortization Factor Used - Underfunded or Overfunded Liabilities (23 years)	0.063378
Amortization Factor Used - Underfunded or Overfunded Liabilities (24 years)	0.061616
Amortization Factor Used - Underfunded or Overfunded Liabilities (25 years)	0.060002

### **Amortization Factor Used to Compute the GASB Annual Required Contribution (ARC) For Divisions that are Closed to New Hires (and new hires are not covered by MERS DB or Hybrid provisions in a linked division) If Division is Less than 100% Funded, and Uses a Funding Period over 15 Years**

Amortization Factor Used - Underfunded Liabilities (30 year level \$)	0.085453
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Assumptions: Continuous Payments; Interest at 8% Per Year

## Benefit Provision History

The following benefit provision history is provided by MERS. Any corrections to this history or discrepancies between this information and information displayed elsewhere in the valuation report should be reported to MERS. All provisions are listed by date of adoption.

### 01 - Gnrl Emp

1/1/2006	E 2% COLA Adopted (01/01/2006)
1/1/2006	E Cola Adoption Date 01-01-2006
1/1/2006	E Cola Increase Amount 2
1/1/2006	E Cola Increase Type Percent
6/1/2005	Benefit F55 (With 25 Years of Service)
1/1/2005	E 2% COLA Adopted (01/01/2005)
1/1/2004	E 2% COLA Adopted (01/01/2004)
1/1/2003	Benefit B-2
1/1/2003	E 2% COLA Adopted (01/01/2003)
1/1/2002	E 2% COLA Adopted (01/01/2002)
1/1/2001	E 2% COLA Adopted (01/01/2001)
1/1/2000	Flexible E 1% COLA Adopted (01/01/2000)
3/21/1994	Exclude Temporary Employees
7/1/1993	10 Year Vesting
7/1/1993	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/1993	Benefit C-1 (New)
7/1/1993	Member Contribution Rate 0.00%
7/1/1993	Fiscal Month - January

### 11 - Commissioners

7/1/2011	Member Contribution Rate 2.82%
1/1/2006	E 2% COLA Adopted (01/01/2006)
1/1/2006	E Cola Adoption Date 01-01-2006
1/1/2006	E Cola Increase Amount 2
1/1/2006	E Cola Increase Type Percent
1/1/2005	E 2% COLA Adopted (01/01/2005)
1/1/2004	E 2% COLA Adopted (01/01/2004)
1/1/2003	E 2% COLA Adopted (01/01/2003)
1/1/2002	E 2% COLA Adopted (01/01/2002)
10/1/1998	Benefit FAC-5 (5 Year Final Average Compensation)
10/1/1998	10 Year Vesting
10/1/1998	Benefit C-1 (New)
10/1/1998	Member Contribution Rate 0.00%
9/10/1998	Day of work defined as 1 Hour a Month for all employees
7/1/1993	Fiscal Month - January

### 12 - Admin

1/1/2006	E 2% COLA Adopted (01/01/2006)
1/1/2006	E Cola Adoption Date 01-01-2006
1/1/2006	E Cola Increase Amount 2

**12 - Admin**

1/1/2006	E Cola Increase Type Percent
1/1/2005	E 2% COLA Adopted (01/01/2005)
1/1/2004	E 2% COLA Adopted (01/01/2004)
1/1/2003	E 2% COLA Adopted (01/01/2003)
12/31/2000	10 Year Vesting
12/31/2000	Benefit FAC-3 (3 Year Final Average Compensation)
12/31/2000	Benefit B-2
12/31/2000	Member Contribution Rate 0.00%
12/31/2000	Benefit F55 (With 25 Years of Service)
7/1/1993	Fiscal Month - January

**HA - New hires after 7/1/2011**

7/1/2011	Benefit FAC-3 (3 Year Final Average Compensation)
7/1/2011	Loans
7/1/2011	Rollovers
7/1/2011	6 Year Vesting
7/1/2011	Pickup
7/1/2011	1.0% Multiplier
7/1/1993	Fiscal Month - January

## Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method

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Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the [Appendix](#). Some actuarial assumptions are specific to this municipality and its divisions. These are listed below.

### Increase in Final Average Compensation

Division	FAC Increase Assumption
All Divisions	1.00%

### Withdrawal Rate Scaling Factor

Division	Withdrawal Rate Scaling Factor
All Divisions	100%

### Miscellaneous and Technical Assumptions

Loads – None.