



MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
ANNUAL ACTUARIAL VALUATION REPORT DECEMBER 31, 2014
FRANKENMUTH, CITY OF (7306)



Spring, 2015

Frankenmuth, City of

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, 2014. The report includes the determination of liabilities and contribution rates resulting from the participation of Frankenmuth, City of (7306) in the Municipal Employees' Retirement System of Michigan ("MERS"). MERS is a nonprofit organization, independent from the State, that has provided retirement plans for municipal employees for more than 65 years. Frankenmuth, City of 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, 2014 annual actuarial valuation is to:

- Measure funding progress
- Establish contribution requirements for the fiscal year beginning July 1, 2016
- Provide actuarial information in connection with applicable Governmental Accounting Standards Board (GASB) 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, 2014 furnished by MERS. 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. CBIZ Retirement Plan Services 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 MERS Retirement Board, and are reviewed every five years in an Experience Study, which will be completed in 2015. 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-2014AnnualActuarialValuation-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).

This information 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 associated third parties such as the auditor for the municipality). CBIZ Retirement Plan Services 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 your Regional Manager at 1.800.767.MERS(6377).

Sincerely,

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

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Executive Summary

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:

	12/31/2014	12/31/2013
Funded Ratio	73%	74%

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.

How quickly a plan attains the 100% funding goal depends on many factors such as:

- The current funded ratio
- The future experience of the plan
- 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 in the following table. Employee contributions, if any, are in addition to the required employer contributions.

Valuation Date:	Percentage of Payroll		Monthly \$ Based on Valuation Payroll	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Fiscal Year Beginning:	July 1, 2016	July 1, 2015	July 1, 2016	July 1, 2015
Division				
01 - General	-	-	\$ 16,681	\$ 16,081
02 - Police Officers	-	-	13,258	12,292
HA - New hires of General (2.96%	2.69%	176	150
Municipality Total			\$ 30,115	\$ 28,523

Employee contribution rates reflected in the valuations are shown below:

Valuation Date:	Employee Contribution Rate	
	12/31/2014	12/31/2013
Division		
01 - General	5.25%	4.75%
02 - Police Officers	5.25%	4.75%
HA - New hires of General (0.00%	0.00%

For employee contribution rates that are not flat percentages, the rate shown is a weighted average flat employee contribution rate.

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 employer contributions for the entire employer would be \$ 49,844, instead of \$ 30,115.
- To accelerate to a 100% funding ratio in 20 years, estimated monthly employer contributions for the entire employer would be \$ 32,873, instead of \$ 30,115.

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](#))
- 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 on investments in the belief that over the long-term this is achievable. For example, MERS' 30 year return was 9.17% on December 31, 2014. The MERS portfolio returned 6.49% in 2014; the two year (10.54%), three year (10.73%), four year (8.48%), and five year (9.59%) returns all exceed the 8% annual return assumption. When comparing these actual returns to the 8% net return assumption, deduct roughly .25% from these actual returns to reflect administrative expenses. It has now been seven 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 (seven-tenths, for 2008 through 2014) 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. The smoothed actuarial rate of return for 2014 was 5.90%.

As of December 31, 2014 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, 2014 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 69% (instead of 73%); and ii) your total employer contribution requirement for the fiscal year starting July 1, 2016 would be \$ 402,252 (instead of \$ 361,380).

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).**

Risk Characteristics of Defined Benefit Plans

It is important to understand that retirement plans, by their nature, are exposed to certain risks. While risks cannot be eliminated entirely, they can be mitigated through various strategies. Below are a few examples of risk (this is not an all-inclusive list):

- Economic - investment return, wage inflation, etc.
- Demographic - longevity, disability, retirement, etc.
- Plan Sponsor and Employees - contribution volatility, attract/retain employees, etc.

The MERS Retirement Board adopts certain assumptions and methods to mitigate the economic and demographic risks, and the contribution volatility risks. For example, the investment risk is the largest economic risk and is mitigated by having a balanced portfolio and a clearly defined investment strategy. Demographic risks vary based on the age of the workforce and are mitigated by preparing special studies called experience studies on a regular basis to determine if the assumptions used are reasonable compared to the experience. Risk may be mitigated through a plan design that provides benefits that are sustainable in the long run. An Experience Study is completed every five years to review the assumptions and methods. The next Experience Study will be completed in 2015.

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

The calculations in this report are based on assumptions about long-term economic and demographic behavior. These assumptions will never materialize in a given year, except by coincidence. Therefore the results will vary from one year to the next. The volatility of the results depends upon the characteristics of the plan. For example:

- Open divisions that have substantial assets compared to their active employee payroll will have more volatile employer contribution rates due to investment return fluctuations.
- Open divisions that have substantial accrued liability compared to their active employee payroll will have more volatile employer contribution rates due to demographic experience fluctuations.
- Small divisions will have more volatile contribution patterns than larger divisions because statistical fluctuations are relatively larger among small populations.
- Shorter amortization periods result in more volatile contribution patterns.

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.

Many assumptions are important in determining the required employer contributions.

For example:

- Lower investment returns would result in higher required employer contributions, and vice-versa.
- 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 (the now lower) 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.

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.

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, 2014 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%
12/31/2014 Valuation Results				
Accrued Liability	\$ 17,950,173	\$ 15,996,247	\$ 14,345,515	\$ 12,941,629
Valuation Assets	\$ 10,429,817	\$ 10,429,817	\$ 10,429,817	\$ 10,429,817
Unfunded Accrued Liability	\$ 7,520,356	\$ 5,566,430	\$ 3,915,698	\$ 2,511,812
Funded Ratio	58%	65%	73%	81%
Monthly Normal Cost	\$ 18,558	\$ 13,292	\$ 9,313	\$ 6,338
Monthly Amortization Payment	\$ 33,780	\$ 27,461	\$ 20,802	\$ 13,800
Total Employer Contribution¹	\$ 52,338	\$ 40,753	\$ 30,115	\$ 20,138

¹ 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.

Five Year Projection Scenarios

The following table illustrates the plan's projected liabilities and required employer contributions for the next five fiscal years, under three actuarial assumptions and future economic scenarios. All three scenarios take into account the 2008 financial losses that will continue to affect the smoothed rate of return for the next three years.

Valuation Year Ending 12/31	Fiscal Year Beginning 7/1	Actuarial Accrued Liability	Valuation Assets	Funded Percentage	Required Annual Employer Contribution ¹
8% Assumed Interest Discount Rate and Future Annual Market Rate of Return					
2014	2016	\$ 14,345,515	\$ 10,429,817	73%	\$ 377,436
2015	2017	14,852,219	10,703,100	72%	405,700
2016	2018	15,339,941	10,859,185	71%	438,100
2017	2019	15,835,436	10,963,639	69%	476,400
2018	2020	16,359,399	11,408,380	70%	489,200
7% Assumed Interest Discount Rate and Future Annual Market Rate of Return					
2014	2016	\$ 15,996,247	\$ 10,429,817	65%	\$ 512,952
2015	2017	16,569,437	10,683,100	65%	535,400
2016	2018	17,072,881	10,894,311	64%	563,900
2017	2019	17,586,269	11,159,296	64%	596,400
2018	2020	18,030,492	11,655,982	65%	613,400
6% Assumed Interest Discount Rate and Future Annual Market Rate of Return					
2014	2016	\$ 17,950,173	\$ 10,429,817	58%	\$ 662,088
2015	2017	18,579,023	10,673,100	57%	680,100
2016	2018	19,099,942	10,950,949	57%	706,200
2017	2019	19,643,978	11,349,517	58%	736,800
2018	2020	20,111,739	11,972,954	60%	753,900

¹ For an employer with any open divisions, this column will include the impact of projected increases in total payroll from 2014 to the applicable fiscal year. This will cause the projected contribution for the fiscal year beginning in 2016 to be higher than the Estimated Annual Contribution shown in Table 1.

The first scenario provides an estimate of required employer contributions based on current actuarial assumptions, and a projected 8% market return. The other scenarios may be useful if the municipality chooses to budget more conservatively, and make contributions in addition to the minimum requirements. The 7% and 6% projections provide an indication of the potential required employer contribution if MERS were to realize investment returns of 7% and 6% over the long-term.

Employer Contribution Details

For the Fiscal Year Beginning July 1, 2016

Table 1

Division	Amort. Period for Unfund. Liab. ^{4,5}	Employer Contributions ¹			Blended Employer Contribut. ⁷	Employee Contribution Rate ⁶	Employee Contribut. Conversion Factor ²
		Normal Cost	Unfunded Accrued Liability	Total Required Employer Contribut.			
Percentage of Payroll							
01 - General	24	-	-	-	17.88%	5.25%	
02 - Police Officers	24	-	-	-		5.25%	
HA - New hires of Gener	24	3.49%	-0.53%	2.96%	17.88%	0.00%	0.96%
Estimated Monthly Contribution ³							
01 - General	24	\$ 5,648	\$ 11,033	\$ 16,681			
02 - Police Officers	24	3,457	9,801	13,258			
HA - New hires of Gener	24	208	(32)	176			
Total Municipality		\$ 9,313	\$ 20,802	\$ 30,115			
Estimated Annual Contribution ³							
		\$ 111,756	\$ 249,624	\$ 361,380			

¹ The above employer contribution requirements are in addition to the employee contributions, if any.

² If employee contributions are increased/decreased by 1.00% of pay, the employer contribution requirement will decrease/increase by the Employee Contribution Conversion Factor. The conversion factor is usually under 1%, because employee contributions may be refunded at termination of employment, and not used to fund retirement pensions. Employer contributions will all be used to fund pensions.

³ 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](#).

⁴ If projected assets exceed projected liabilities as of the beginning of the July 1, 2016 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.

⁵ 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 it reaches 6 or 5 years. Then it decreases by 1 year each valuation year until the UAL is paid off. Under Amortization Option B, the period will decrease by 2 years each valuation year, until it reaches 16 or 15 years. Thereafter, the period will reduce by 1 year each valuation year, until the UAL is paid off. 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.

⁶ For employee contribution rates that are not flat percentages, the rate shown is a weighted average flat employee contribution rate.

⁷ 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 - General: Closed to new hires, linked to Division HA

	2014 Valuation	2013 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/30	55/30
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	5.25%	4.75%
Act 88:	No	No

02 - Police Officers: Closed to new hires, linked to Division HB

	2014 Valuation	2013 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	5.25%	4.75%
Act 88:	No	No

HA - New hires of General (01): Open Division, linked to Division 01

	2014 Valuation	2013 Valuation
Benefit Multiplier:	Hybrid Plan - 1.00% Multiplier	Hybrid Plan - 1.00% Multiplier
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	-	-
Final Average Compensation:	3 years	3 years
Employee Contributions:	0%	0%
Act 88:	No	No

Participant Summary

Table 3

Division	2014 Valuation		2013 Valuation		2014 Valuation		
	Number	Annual Payroll ¹	Number	Annual Payroll ¹	Average Age	Average Benefit Service ²	Average Eligibility Service ²
01 - General							
Active Employees	16	\$ 1,044,431	17	\$ 1,080,029	52.9	20.9	21.6
Vested Former Employees	3	35,187	2	21,034	56.3	14.3	14.3
Retirees and Beneficiaries	14	482,636	14	472,878	72.8		
02 - Police Officers							
Active Employees	6	\$ 437,323	6	\$ 427,600	46.1	14.6	15.7
Vested Former Employees	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	6	218,625	6	214,400	66.1		
HA - New hires of General							
Active Employees	2	\$ 71,424	2	\$ 66,884	28.4	3.9	3.9
Vested Former Employees	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	0	0	0	0	0.0		
Total Municipality							
Active Employees	24	\$ 1,553,178	25	\$ 1,574,513	49.2	17.9	18.7
Vested Former Employees	3	35,187	2	21,034	56.3	14.3	14.3
Retirees and Beneficiaries	20	701,261	20	687,278	70.8		
Total Participants	47		47				

¹ Annual payroll for active employees; annual deferred benefits payable for vested former employees; annual benefits being paid for retirees and beneficiaries.

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

Reported Assets (Market Value)

Table 4

Division	2014 Valuation		2013 Valuation	
	Employer and Retiree ¹	Employee ²	Employer and Retiree ¹	Employee ²
01 - General	\$ 6,968,518	\$ 845,168	\$ 6,807,734	\$ 788,607
02 - Police Officers	1,778,238	231,045	1,743,472	208,719
HA - New hires of General (01)	15,008	2,058	12,981	2,055
Municipality Total	\$ 8,761,764	\$ 1,078,271	\$ 8,564,187	\$ 999,381
Combined Reserves	\$ 9,840,035		\$ 9,563,568	

¹ Reserve for Employer Contributions and Benefit Payments

² Reserve for Employee Contributions

The December 31, 2014 valuation assets are equal to 1.059937 times the reported market value of assets (compared to 1.061840 as of December 31, 2013). 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	Employer Contributions		Employee Contributions	Investment Income	Benefit Payments	Employee Contribution Refunds	Net Transfers	Valuation Asset Balance
	Required	Additional						
2004	\$ 150,950		\$ 50,993	\$ 483,403	\$ (364,673)	\$ 0	\$ 0	\$ 7,601,270
2005	172,233		50,619	482,843	(382,019)	0	0	7,924,946
2006	201,056		69,643	633,085	(470,072)	(9,874)	0	8,348,784
2007	230,517		77,613	676,067	(492,881)	(521)	0	8,839,579
2008	241,693		79,742	395,627	(500,019)	(9,187)	0	9,047,435
2009	243,577		78,088	387,839	(545,042)	0	0	9,211,897
2010	267,567		78,119	495,158	(529,649)	0	0	9,523,092
2011	280,987	\$ 0	76,871	476,604	(557,283)	0	(41,794)	9,758,477
2012	275,770	0	68,767	434,203	(624,333)	0	0	9,912,884
2013	281,955	0	72,429	574,502	(661,252)	(25,539)	0	10,154,979
2014	309,579	0	76,692	575,845	(687,278)	0	0	10,429,817

Notes:

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

Additional employer contributions, if any, are shown separately starting in 2011. Prior to 2011, additional contributions are combined with the required employer contributions.

In the actuarial valuation additional employer contributions are combined with required contributions and used to reduce computed future required employer contributions.

Actuarial Accrued Liabilities and Valuation Assets As of December 31, 2014

Table 6

Division	Actuarial Accrued Liability	Valuation Assets ¹	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
01 - General				
Active Employees	\$ 5,085,506	\$ 3,010,736	59.2%	\$ 2,074,770
Vested Former Employees	317,510	317,510	100.0%	0
Retirees And Beneficiaries	4,952,617	4,952,617	100.0%	0
Pending Refunds	<u>1,152</u>	<u>1,152</u>	100.0%	<u>0</u>
Total	\$ 10,356,785	\$ 8,282,015	80.0%	\$ 2,074,770
02 - Police Officers				
Active Employees	\$ 1,482,017	\$ 231,045	15.6%	\$ 1,250,972
Vested Former Employees	0	0	0.0%	0
Retirees And Beneficiaries	2,493,043	1,898,668	76.2%	594,375
Pending Refunds	<u>0</u>	<u>0</u>	0.0%	<u>0</u>
Total	\$ 3,975,060	\$ 2,129,713	53.6%	\$ 1,845,347
HA - New hires of General (01)				
Active Employees	\$ 13,670	\$ 18,089	132.3%	\$ (4,419)
Vested Former Employees	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	\$ 13,670	\$ 18,089	132.3%	\$ (4,419)
Total Municipality				
Active Employees	\$ 6,581,193	\$ 3,259,870	49.5%	\$ 3,321,323
Vested Former Employees	317,510	317,510	100.0%	0
Retirees and Beneficiaries	7,445,660	6,851,285	92.0%	594,375
Pending Refunds	<u>1,152</u>	<u>1,152</u>	100.0%	<u>0</u>
Total Participants	\$ 14,345,515	\$ 10,429,817	72.7%	\$ 3,915,698
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				
Active Employees	\$ 5,099,176	\$ 3,028,825	59.4%	\$ 2,070,351
Vested Former Employees	317,510	317,510	100.0%	0
Retirees and Beneficiaries	4,952,617	4,952,617	100.0%	0
Pending Refunds	<u>1,152</u>	<u>1,152</u>	100.0%	<u>0</u>
Total	\$ 10,370,455	\$ 8,300,104	80.0%	\$ 2,070,351

¹ Includes both employer and employee 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.

Actuarial Accrued Liabilities - Comparative Schedule

Table 7

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2000	\$ 6,295,443	\$ 6,372,709	101%	\$ (77,265)
2001	7,180,889	6,840,366	95%	340,523
2002	7,567,209	6,925,883	92%	641,326
2003	8,173,175	7,280,597	89%	892,578
2004	9,182,894	7,601,270	83%	1,581,624
2005	9,580,878	7,924,946	83%	1,655,932
2006	10,317,868	8,348,784	81%	1,969,084
2007	10,818,032	8,839,579	82%	1,978,453
2008	11,327,586	9,047,435	80%	2,280,151
2009	11,833,243	9,211,897	78%	2,621,346
2010	12,086,754	9,523,092	79%	2,563,662
2011	12,831,148	9,758,477	76%	3,072,671
2012	13,310,250	9,912,884	75%	3,397,366
2013	13,753,901	10,154,979	74%	3,598,922
2014	14,345,515	10,429,817	73%	3,915,698

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

Division 01 - General

Table 8-01: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2004	\$ 6,795,447	\$ 5,808,478	85%	\$ 986,969
2005	7,007,259	6,044,379	86%	962,880
2006	7,359,954	6,409,739	87%	950,215
2007	7,744,074	6,849,701	88%	894,373
2008	8,141,096	7,065,837	87%	1,075,259
2009	8,593,780	7,241,428	84%	1,352,352
2010	8,724,222	7,527,131	86%	1,197,091
2011	9,316,768	7,736,429	83%	1,580,339
2012	9,681,602	7,875,621	81%	1,805,981
2013	9,960,467	8,066,099	81%	1,894,368
2014	10,356,785	8,282,015	80%	2,074,770

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

Table 9-01: Required Employer Contributions - Comparative Schedule

Valuation Date December 31	Active Employees		Required Employer Contribution ¹	Employee Contribution Rate ²
	Number	Annual Payroll		
2004	25	\$ 1,283,718	12.63%	3.00%
2005	24	1,269,644	12.40%	3.00%
2006	24	1,287,720	11.25%	4.50%
2007	24	1,343,874	\$ 12,306	4.50%
2008	24	1,381,149	\$ 14,459	4.50%
2009	22	1,325,962	\$ 14,948	4.50%
2010	21	1,230,722	\$ 12,904	4.50%
2011	19	1,113,870	\$ 14,415	4.50%
2012	19	1,151,004	\$ 15,926	4.50%
2013	17	1,080,029	\$ 16,081	4.75%
2014	16	1,044,431	\$ 16,681	5.25%

¹ For open divisions, a percent of pay contribution is shown. For closed divisions, a monthly dollar contribution is shown.

² For employee contribution rates that are not flat percentages, the rate shown is a weighted average flat employee contribution rate. For each valuation year, the required employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the required employer contribution will be adjusted.

Division 02 - Police Officers

Table 8-02: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2004	\$ 2,387,447	\$ 1,792,792	75%	\$ 594,655
2005	2,573,619	1,880,567	73%	693,052
2006	2,957,914	1,939,045	66%	1,018,869
2007	3,073,958	1,989,878	65%	1,084,080
2008	3,186,490	1,981,598	62%	1,204,892
2009	3,238,555	1,968,474	61%	1,270,081
2010	3,359,848	1,988,765	59%	1,371,083
2011	3,509,833	2,009,278	57%	1,500,555
2012	3,622,267	2,023,490	56%	1,598,777
2013	3,783,640	2,072,914	55%	1,710,726
2014	3,975,060	2,129,713	54%	1,845,347

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

Table 9-02: Required Employer Contributions - Comparative Schedule

Valuation Date December 31	Active Employees		Required Employer Contribution ¹	Employee Contribution Rate ²
	Number	Annual Payroll		
2004	7	\$ 418,492	16.09%	3.00%
2005	7	412,496	16.69%	4.50%
2006	6	361,508	24.59%	3.00%
2007	6	380,882	23.54%	4.50%
2008	6	386,642	\$ 8,999	4.50%
2009	6	396,027	\$ 9,325	4.50%
2010	6	413,540	\$ 9,853	4.50%
2011	6	420,599	\$ 10,836	4.50%
2012	6	425,736	\$ 11,543	4.50%
2013	6	427,600	\$ 12,292	4.75%
2014	6	437,323	\$ 13,258	5.25%

¹ For open divisions, a percent of pay contribution is shown. For closed divisions, a monthly dollar contribution is shown.

² For employee contribution rates that are not flat percentages, the rate shown is a weighted average flat employee contribution rate. For each valuation year, the required employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the required employer contribution will be adjusted.

Division HA - New hires of General (01)

Table 8-HA: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2009	908	1,995	220%	(1,087)
2010	2,684	7,196	268%	(4,512)
2011	4,547	12,770	281%	(8,223)
2012	6,381	13,773	216%	(7,392)
2013	9,794	15,966	163%	(6,172)
2014	13,670	18,089	132%	(4,419)

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

Table 9-HA: Required Employer Contributions - Comparative Schedule

Valuation Date December 31	Active Employees		Required Employer Contribution ¹	Employee Contribution Rate ²
	Number	Annual Payroll		
2009	1	29,642	3.09%	0.00%
2010	1	32,024	1.82%	0.00%
2011	2	49,022	1.73%	0.00%
2012	1	36,704	1.18%	0.00%
2013	2	66,884	2.69%	0.00%
2014	2	71,424	2.96%	0.00%

¹ For open divisions, a percent of pay contribution is shown. For closed divisions, a monthly dollar contribution is shown.

² For employee contribution rates that are not flat percentages, the rate shown is a weighted average flat employee contribution rate. For each valuation year, the required employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the required employer contribution will be adjusted.

GASB 68 Information

The following information has been prepared to provide some of the information necessary to complete GASB Statement No. 68 disclosures. Statement 68 is effective for fiscal years beginning after June 15, 2014. Additional resources, including an Implementation Guide, are available at www.mersofmich.com.

Actuarial Valuation Date: 12/31/2014

Measurement Date of Total Pension Liability (TPL): 12/31/2014

At 12/31/2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	20
Inactive employees entitled to but not yet receiving benefits:	3
Active employees:	<u>24</u>
	47

Covered employee payroll: (Needed for Required Supplementary Information)	\$	1,553,178
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Total Pension Liability as of 12/31/2013 measurement date:	\$	13,377,795
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Total Pension Liability as of 12/31/2014 measurement date:	\$	13,973,260
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Service Cost for the year ending on the 12/31/2014 measurement date:	\$	199,208
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Change in the Total Pension Liability due to:

- Benefit changes ¹ :	\$	0
- Differences between expected and actual experience ² :	\$	0
- Changes in assumptions ² :	\$	0

Average expected remaining service lives of all employees (active and inactive):	4
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¹ A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

² Changes in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in pension expense over the average remaining service lives of all employees.

Sensitivity of the Net Pension Liability to changes in the discount rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Change in Net Pension Liability as of 12/31/2014:	\$ 1,584,393	-	\$ (1,349,246)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

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 - General

1/1/2015	Participant Contribution Rate 5.25%
1/1/2014	Member Contribution Rate 5.00%
1/1/2013	Member Contribution Rate 4.75%
4/1/2006	Benefit FAC-3 (3 Year Final Average Compensation)
4/1/2006	Member Contribution Rate 4.50%
1/1/2006	Day of work defined as 8 Hours a Day for All employees.
1/1/2002	E 2% COLA Adopted (01/01/2002)
1/1/1998	Benefit B-4 (80% max)
1/1/1994	Benefit B-2
3/1/1989	Benefit F55 (With 30 Years of Service)
1/1/1981	Member Contribution Rate 3.00%
5/6/1975	Exclude Temporary Employees
1/1/1973	E2 2.5% COLA for future retirees (01/01/1973)
1/1/1967	Benefit C-1 (Old)
1/1/1963	Benefit FAC-5 (5 Year Final Average Compensation)
1/1/1963	10 Year Vesting
1/1/1963	Benefit C (Old)
1/1/1963	Member Contribution Rate 3.00% Under \$4,200.00 - Then 5.00%
	Fiscal Month - July

02 - Police Officers

1/1/2015	Participant Contribution Rate 5.25%
1/1/2014	Member Contribution Rate 5.00%
1/1/2013	Member Contribution Rate 4.75%
1/1/2006	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/2006	Day of work defined as 10 Hours a Day for All employees.
1/1/2006	Member Contribution Rate 4.50%
1/1/1998	Benefit B-4 (80% max)
1/1/1996	Benefit B-2
7/1/1986	Benefit F55 (With 25 Years of Service)
1/1/1984	Member Contribution Rate 3.00%
5/6/1975	Exclude Temporary Employees
1/1/1973	E2 2.5% COLA for future retirees (01/01/1973)
1/1/1967	Benefit C-1 (Old)
1/1/1963	Benefit FAC-5 (5 Year Final Average Compensation)
1/1/1963	10 Year Vesting
1/1/1963	Benefit C (Old)
1/1/1963	Member Contribution Rate 3.00% Under \$4,200.00 - Then 5.00%
	Fiscal Month - July

HA - New hires of General (01)

1/1/2007	Pickup
1/1/2007	Loans
1/1/2007	Rollovers
1/1/2007	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/2007	6 Year Vesting
1/1/2007	60
1/1/2007	Day of work defined as 8 Hours a Day for All employees.
1/1/2007	1.0% Multiplier
	Fiscal Month - July

Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method

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.