



# Municipal Employees' Retirement System of Michigan

Annual Actuarial Valuation Report  
December 31, 2021 - Allegan CRC (0301)





Spring, 2022

Allegan 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 for Allegan CRC (0301) as of December 31, 2021. The report includes the determination of liabilities and contribution rates resulting from the participation in the Municipal Employees' Retirement System of Michigan ("MERS"). This report contains the minimum actuarially determined contribution requirement, in alignment with the MERS Plan Document, Actuarial Policy, the Michigan Constitution, and governing statutes. Allegan CRC is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees.

The purposes of this valuation are to:

- Measure funding progress as of December 31, 2021,
- Establish contribution requirements for the fiscal year beginning January 1, 2023,
- Provide information regarding the identification and assessment of risk,
- Provide actuarial information in connection with applicable Governmental Accounting Standards Board (GASB) statements, and
- Provide information to assist the local unit of government with state reporting requirements.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The findings in this report are based on data and other information through December 31, 2021. The valuation was based upon information furnished by MERS concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by MERS.

The Municipal Employees' Retirement Act, PA 427 of 1984 and the MERS' Plan Document Article VI Sec. 71 (1)(d), provides the MERS Board with the authority to set actuarial assumptions and methods after consultation with the actuary. As the fiduciary of the plan, the MERS Retirement Board sets certain assumptions for funding and GASB purposes. These assumptions are reviewed regularly through a comprehensive study, most recently in the Fall of 2021. The MERS Retirement Board adopted a Dedicated Gains Policy at the February 17, 2022 Board meeting. The Dedicated Gains Policy will automatically reduce the assumed rate of investment return in conjunction with recognizing excess investment gains to mitigate the impact on employer contributions the first year. The new policy is effective with this December 31, 2021 annual actuarial valuation, and is reflected in the funded status and fiscal year 2023 contributions as shown in the Executive Summary.

The Michigan Department of Treasury provides required assumptions to be used for purposes of Public Act 202 reporting. These assumptions are for reporting purposes only and do not impact required contributions. Please refer to the State Reporting page found at the end of this report for information for this filing.

For a full list of all the assumptions used, please refer to the division-specific assumptions described in table(s) in this report, and to the Appendix on the MERS website at:

<https://www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2021AnnualActuarialValuation-Appendix.pdf>

**The actuarial assumptions used for this valuation, including the assumed rate of investment return, are reasonable for purposes of the measurement.**

**This report reflects the impact of COVID-19 experience through December 31, 2021. It does not reflect the ongoing impact of COVID-19, which is likely to influence demographic and economic experience, at least in the short term. We will continue to monitor these developments and their impact on the MERS Defined Benefit and Hybrid plans. Actual future experience will be reflected in each subsequent annual valuation, as experience emerges.**

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of Allegan CRC as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.

David T. Kausch, Rebecca L. Stouffer, and Mark Buis are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor. GRS maintains independent consulting agreements with certain local units of government for services unrelated to the actuarial consulting services provided in this report.



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 MERS 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). GRS is not responsible for the consequences of any unauthorized use. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

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).

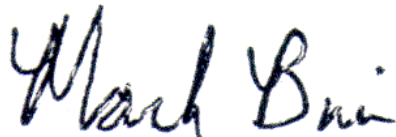
Sincerely,  
Gabriel, Roeder, Smith & Company



David T. Kausch, FSA, FCA, EA, MAAA



Rebecca L. Stouffer, ASA, FCA, MAAA



Mark Buis, FSA, FCA, EA, MAAA



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# Executive Summary

## Funded Ratio

The funded ratio of a plan is the percentage of the dollar value of the actuarial accrued liability that is covered by the actuarial value of assets. While the funded ratio may be a useful plan measurement, understanding a plan's funding trend may be more important than a particular point in time. Refer to Table 7 to find a history of this information.

	12/31/2021	12/31/2020
Funded Ratio*	90%	78%

\* Reflects assets from Surplus divisions, if any.

Throughout this report are references to valuation results generated prior to the 2018 valuation date. Results prior to 2018 were received directly from the prior actuary or extracted from the previous valuation system by MERS's technology service provider.

## Required Employer Contributions

Your required employer contributions are shown in the following table. Employee contributions, if any, are in addition to the employer contributions.

Effective for the December 31, 2021 valuation, the MERS Retirement Board has adopted a Dedicated Gains Policy which allows for recognition of asset gains in excess of a set threshold in combination with lowering the assumed rate of investment return (discussed below). Changes to these assumptions and methods are effective for contributions beginning in 2023. Effective with the 2020 and 2019 valuations respectively, the MERS Retirement Board adopted updated demographic and economic assumptions. The combined impact of the prior demographic and economic assumption changes may be phased in. The remaining combined phase-in period is three years for all assumption changes.

By default, MERS will invoice you based on the amount in the “No Phase-in” columns. This amount will be considered the minimum required contribution unless you request to be billed the “Phase-in” rates. If you wish to be billed using the phased-in rates, please contact MERS, at which point the alternate minimum required contribution will be the amount in the “Phase-in” columns.

	Percentage of Payroll				Monthly \$ Based on Projected Payroll			
	Phase-in	No Phase-in	Phase-in	No Phase-in	Phase-in	No Phase-in	Phase-in	No Phase-in
Valuation Date:	12/31/2021	12/31/2021	12/31/2020	12/31/2020	12/31/2021	12/31/2021	12/31/2020	12/31/2020
Fiscal Year Beginning:	January 1, 2023	January 1, 2023	January 1, 2022	January 1, 2022	January 1, 2023	January 1, 2023	January 1, 2022	January 1, 2022
<b>Division</b>								
01 - All Employees hired pre 2013	-	-	-	-	\$ 94,856	\$ 99,314	\$ 92,292	\$ 98,979
12 - All Employees Post 12/31/2012	-	-	-	-	1,787	1,787	1,959	1,959
13 - All Employees after 2/1/16	4.23%	4.36%	3.63%	3.87%	6,825	7,035	4,843	5,158
14 - Commissioners Appt before 1/1	-	-	-	-	52	52	49	49
<b>Total Municipality - Estimated Monthly Contribution</b>					\$ 103,520	\$ 108,188	\$ 99,143	\$ 106,145
<b>Total Municipality - Estimated Annual Contribution</b>					\$ 1,242,240	\$ 1,298,256	\$ 1,189,716	\$ 1,273,740

Employee contribution rates:

Valuation Date:	Employee Contribution Rate	
	12/31/2021	12/31/2020
<b>Division</b>		
01 - All Employees hired pre 2013	4.70%	4.70%
12 - All Employees Post 12/31/2012	6.00%	6.00%
13 - All Employees after 2/1/16	4.00%	4.00%
14 - Commissioners Appt before 1/1	4.00%	4.00%

The employer may contribute more than the minimum required contributions, as these additional contributions will earn investment income and may result in lower future contribution requirements. Employers making contributions in excess of the minimum requirements may elect to apply the excess contribution immediately to a particular division, or segregate the excess into one or more of what MERS calls “Surplus” divisions. An election in the first case would immediately reduce any unfunded accrued liability and lower the amortization payments throughout the remaining amortization period. An election to set up Surplus divisions would not immediately lower future contributions, however the assets from the Surplus division could be transferred to an unfunded division in the future to reduce the unfunded liability in future years, or to be used to pay all or a portion of the minimum required contribution in a future year. For purposes of this report, the assets in any Surplus division have been included in the municipality’s total assets, unfunded accrued liability, and funded status; however, these assets are not used in calculating the minimum required contribution.



**MERS strongly encourages employers to contribute more than the minimum contribution shown above. With the implemented Dedicated Gains policy, market gains and losses will continue to be smoothed over five years; however, since excess return are being used to lower the investment assumption, there will be less gains to smooth in down markets. Having additional funds in Surplus divisions will assist plans with navigating any market volatility.**

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 fiscal year beginning in 2023 for the entire employer would be \$152,995, instead of \$108,188.

### **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.

These impacts are reflected in various tables in the report. For more information, please contact your Regional Manager.

## **Comments on Investment Rate of Return Assumption**

A defined benefit plan is funded by employer contributions, participant contributions, and investment earnings. Investment earnings have historically provided a significant portion of the funding. The larger the share of benefits being provided from investment returns, the smaller the required contributions, and vice versa. Determining the contributions required to prefund the promised retirement benefits requires an assumption of what investment earnings are expected to add to the fund over a long period of time. This is called the **Investment Return Assumption**.

The MERS Investment Return Assumption is **7.00%** per year. This, along with all of our other actuarial assumptions, is reviewed at least every five years in an Experience Study that compares the assumptions used against actual experience and recommends adjustments if necessary. If your municipality would like to explore contributions at lower assumed investment return assumptions, please review the “What If” projection scenarios later in this report.

## **Assumption and Method Change in 2021**

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Full details of this dedicated gains policy are available in the Actuarial Policy found on the MERS [website](#). Some goals of the dedicated gains policy are to:

- Provide a systematic approach to lower the assumed rate of investment return between experience studies, and
- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first year after implementation (i.e., minimize the first-year impact (i.e., increase) in employer contributions).





The dedicated gains policy has been implemented with the December 31, 2021 annual actuarial valuation. After initial application of the smoothing method, remaining market gains were used to lower the assumed rate of investment return from 7.35% to 7.00%. The December 31, 2021 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognizing excess market gains, the valuation assets used to fund these liabilities are 7.2% higher than if there were no dedicated gain policy. The combined impact of these changes will minimize the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

## Comments on Asset Smoothing

To avoid dramatic spikes and dips in annual contribution requirements due to short-term fluctuations in asset markets, MERS applies a technique called **asset smoothing**. This spreads out each year's investment gains or losses over the prior year and the following four years. After initial application of asset smoothing, remaining excess market gains are used to buy down the assumed rate of investment return and increase the level of valuation assets, to the extent allowed by the dedicated gains policy. This smoothing method is used to determine your actuarial value of assets (valuation assets), which is then used to determine both your funded ratio and your required contributions. **The (smoothed) actuarial rate of return for 2021 was 17.04%, while the actual market rate of return was 13.97%.** To see historical details of the market rate of return compared to the smoothed actuarial rate of return, refer to this report's Appendix or view the "[How Smoothing Works](#)" [video](#) on the [Defined Benefit resource page](#) of the MERS website.

As of December 31, 2021, the actuarial value of assets is just below 100% of market value due to asset smoothing and dedicated gains. This means that rate of return on the actuarial value of assets should exceed the actuarial assumption in the next few years provided that the annual market returns meet or exceed the 7.00% investment return assumption. When all assumptions are met, contribution rates are expected to stay approximately level as a percent of payroll (dollar amounts are expected to increase with wage inflation of 3.0% each year).

As of December 31, 2021, the market value of assets and actuarial value of assets are very similar, resulting in a funded percentage that is not materially different.

## 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.

Many assumptions are important in determining the required employer contributions. In the following table, we show the impact of varying the Investment Return assumption. Lower investment returns would generally



result in higher required employer contributions, and vice versa. The three economic scenarios below provide a quantitative risk assessment for the impact of investment returns on the plan's future financial condition for funding purposes.

The relative impact of the economic scenarios 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, 2021 valuation and are for the municipality in total, not by division. These results do not reflect a phase-in of the impact of the actuarial assumptions updated in the 2020 and 2019 valuations. There is no phase-in with dedicated gains.

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. Projections are not predictions. Future valuations will be based on actual future experience.

12/31/2021 Valuation Results	Lower Future Annual Returns	Lower Future Annual Returns	Valuation Assumptions
Investment Return Assumption	5.00%	6.00%	7.00%
Accrued Liability	\$ 34,398,891	\$ 30,867,761	\$ 27,894,475
Valuation Assets <sup>1</sup>	\$ 25,051,384	\$ 25,051,384	\$ 25,051,384
Unfunded Accrued Liability	\$ 9,347,507	\$ 5,816,377	\$ 2,843,091
<b>Funded Ratio</b>	73%	81%	90%
Monthly Normal Cost	\$ 34,802	\$ 24,825	\$ 17,303
Monthly Amortization Payment	\$ 116,374	\$ 103,033	\$ 90,885
<b>Total Employer Contribution<sup>2</sup></b>	\$ 151,176	\$ 127,858	\$ 108,188

<sup>1</sup> The Valuation Assets include assets from Surplus divisions, if any.

<sup>2</sup> If assets exceed accrued liabilities for a division, the division may have an overfunding credit 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.

## Projection Scenarios

The next two pages show projections of the plan's funded ratio and computed employer contributions under the actuarial assumptions used in the valuation and alternate economic assumption scenarios. All three projections take into account the past investment experience that will continue to affect the actuarial rate of return in the short term.

The 7.00% scenario provides an estimate of computed employer contributions based on current actuarial assumptions, and a projected 7.00% market return. The other two scenarios may be useful if the municipality chooses to budget more conservatively and make contributions in addition to the minimum requirements. The 6.00% and 5.00% projection scenarios provide an indication of the potential required employer contribution if these assumptions were met over the long term.

Your municipality includes one or more Surplus divisions. Extra contributions in a Surplus division may be used to reduce future employer contributions or to accelerate the date by which the municipality becomes 100% funded. The timing and use of these Surplus assets is discretionary. Certain employers have special funding arrangements that may differ from the Actuarial Policy.

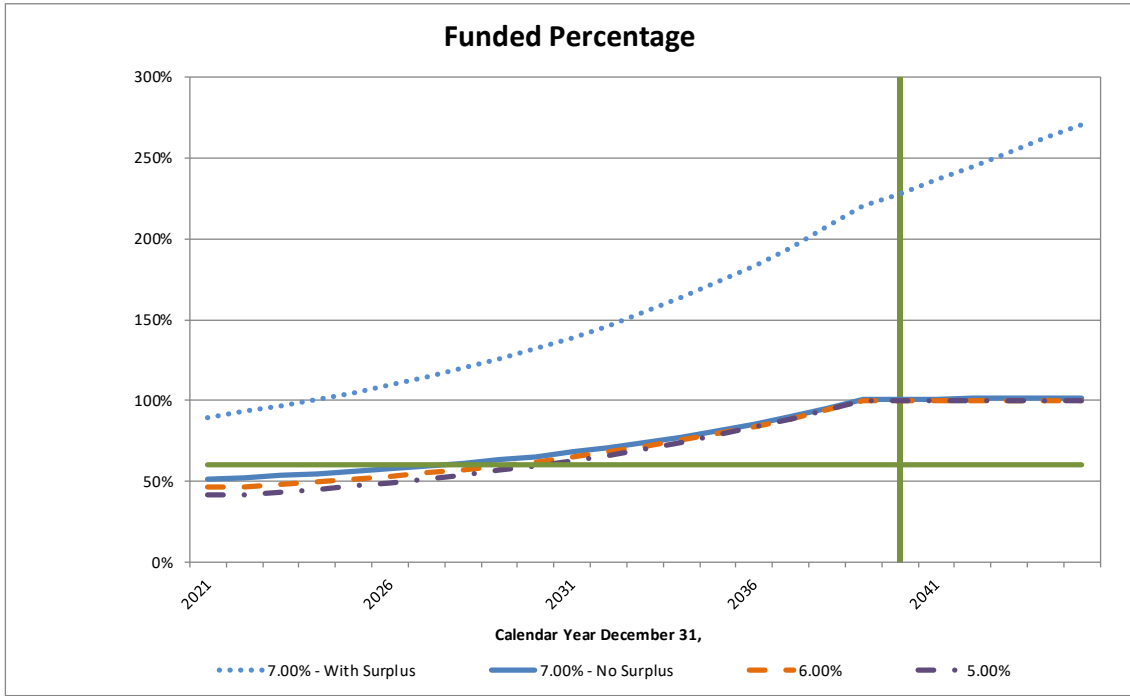


The Funded Percentage graph shows projections of funded status under the 7.00% investment return assumption, both including the Surplus assets (contributed as of the valuation date), and without the Surplus assets. The graph including the Surplus assets assumes these Surplus assets grow with interest and are not used to lower future employer contributions. We modeled the projections including the Surplus assets in this fashion because the use of these assets is discretionary by the employer and we do not know when and how the employer will use them. Once the employer uses these Surplus assets, any future employer contributions are expected to be lower than those shown in the projections.

Valuation Year Ending 12/31	Fiscal Year Beginning 1/1	Actuarial Accrued Liability	Valuation Assets <sup>2</sup>	Funded Percentage	Estimated Annual Employer Contribution
<b>7.00%<sup>1</sup> - NO PHASE-IN</b>					
2021	2023	\$ 27,894,475	\$ 14,367,538	52%	\$ 1,298,256
2022	2024	\$ 28,100,000	\$ 14,700,000	52%	\$ 1,320,000
2023	2025	\$ 28,300,000	\$ 15,100,000	54%	\$ 1,370,000
2024	2026	\$ 28,500,000	\$ 15,600,000	55%	\$ 1,410,000
2025	2027	\$ 28,800,000	\$ 16,100,000	56%	\$ 1,440,000
2026	2028	\$ 29,000,000	\$ 16,700,000	58%	\$ 1,480,000
<b>6.00%<sup>1</sup> - NO PHASE-IN</b>					
2021	2023	\$ 30,867,761	\$ 14,367,538	47%	\$ 1,534,296
2022	2024	\$ 31,000,000	\$ 14,600,000	47%	\$ 1,580,000
2023	2025	\$ 31,300,000	\$ 15,100,000	48%	\$ 1,620,000
2024	2026	\$ 31,500,000	\$ 15,700,000	50%	\$ 1,670,000
2025	2027	\$ 31,700,000	\$ 16,300,000	51%	\$ 1,710,000
2026	2028	\$ 31,900,000	\$ 17,000,000	53%	\$ 1,750,000
<b>5.00%<sup>1</sup> - NO PHASE-IN</b>					
2021	2023	\$ 34,398,891	\$ 14,367,538	42%	\$ 1,814,112
2022	2024	\$ 34,600,000	\$ 14,400,000	42%	\$ 1,880,000
2023	2025	\$ 34,800,000	\$ 15,100,000	43%	\$ 1,920,000
2024	2026	\$ 35,000,000	\$ 15,800,000	45%	\$ 1,970,000
2025	2027	\$ 35,200,000	\$ 16,600,000	47%	\$ 2,020,000
2026	2028	\$ 35,400,000	\$ 17,500,000	49%	\$ 2,080,000

<sup>1</sup> Represents both the interest rate for discounting liabilities and the future investment return assumption on the Market Value of assets.

<sup>2</sup> Valuation Assets do not include assets from Surplus divisions, if any.

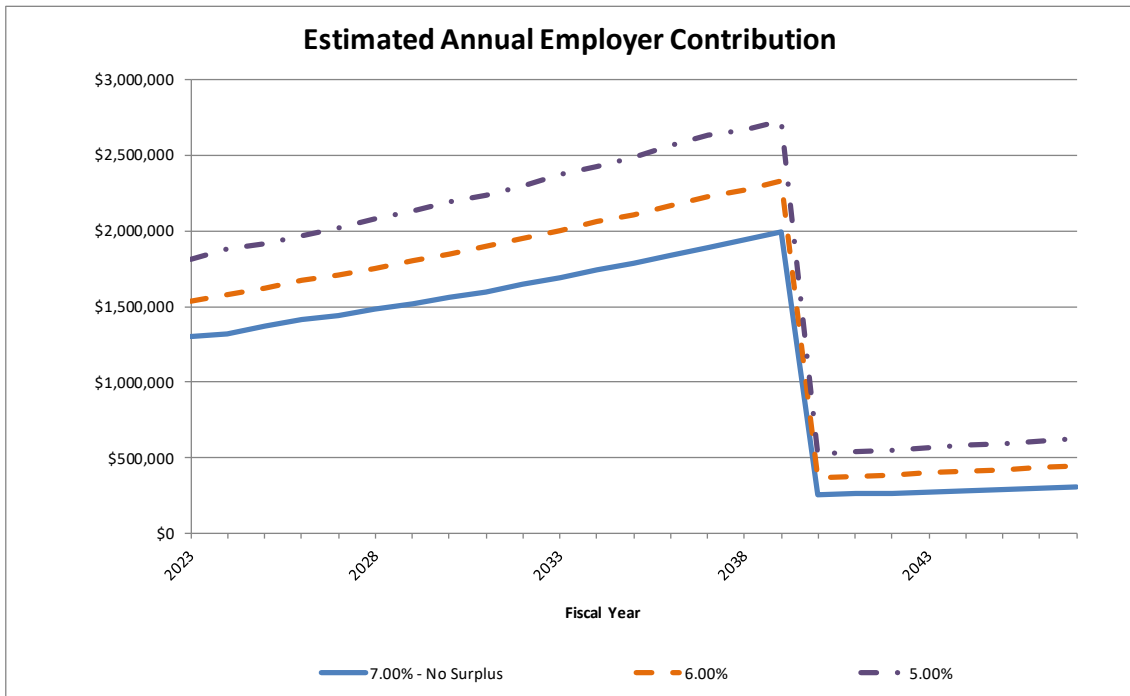


**Notes:**

All projected funded percentages are shown with no phase-in.

Assumes assets from Surplus divisions will not be used to lower employer contributions during the projection period.

The green indicator lines have been added at 60% funded and 19 years following the valuation date for PA 202 purposes.



**Notes:**

All projected contributions are shown with no phase-in.

Projected employer contributions do not reflect the use of any assets from the Surplus divisions.

## Table 1: Employer Contribution Details for the Fiscal Year Beginning January 1, 2023

Division	Total Normal Cost	Employee Contribut. Rate	Employer Contributions <sup>1</sup>			Computed Employer Contribut. With Phase-In	Blended ER Rate No Phase-In <sup>5</sup>	Blended ER Rate With Phase-In <sup>5</sup>	Employee Contribut. Conversion Factor <sup>2</sup>
			Employer Normal Cost <sup>6</sup>	Payment of the Unfunded Accrued Liability <sup>4</sup>	Computed Employer Contribut. No Phase-In				
<b>Percentage of Payroll</b>									
01 - All Employees hired pre 2013	11.91%	4.70%	-	-	-	-	34.57%	33.08%	
12 - All Employees Post 12/31/2012	12.28%	6.00%	-	-	-	-	34.57%	33.08%	
13 - All Employees after 2/1/16	8.09%	4.00%	4.09%	0.27%	4.36%	4.23%	34.57%	33.08%	0.82%
14 - Commissioners Appt before 1/1	12.05%	4.00%	-	-	-	-			
<b>Estimated Monthly Contribution<sup>3</sup></b>									
01 - All Employees hired pre 2013			\$ 8,862	\$ 90,452	\$ 99,314	\$ 94,856			
12 - All Employees Post 12/31/2012			1,787	0	1,787	1,787			
13 - All Employees after 2/1/16			6,602	433	7,035	6,825			
14 - Commissioners Appt before 1/1			52	0	52	52			
<b>Total Municipality</b>			<b>\$ 17,303</b>	<b>\$ 90,885</b>	<b>\$ 108,188</b>	<b>\$ 103,520</b>			
<b>Estimated Annual Contribution<sup>3</sup></b>			<b>\$ 207,636</b>	<b>\$ 1,090,620</b>	<b>\$ 1,298,256</b>	<b>\$ 1,242,240</b>			

- <sup>1</sup> The above employer contribution requirements are in addition to the employee contributions, if any.
- <sup>2</sup> 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.
- <sup>3</sup> For divisions that are open to new hires, estimated contributions are based on projected fiscal year payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts. For divisions that will have no new hires (i.e., closed divisions), 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> 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 not to add across.
- <sup>5</sup> For linked divisions, the employer will be invoiced the Computed Employer Contribution No Phase-in 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-MERS (6377).
- <sup>6</sup> For divisions with a negative employer normal cost, employee contributions cover the normal cost and a portion of the payment of any unfunded accrued liability.

**Please see the Comments on Asset Smoothing in the Executive Summary of this report.**



## Table 2: Benefit Provisions

### 01 - All Employees hired pre 2013: Closed to new hires, linked to Division 13

	2021 Valuation	2020 Valuation
<b>Benefit Multiplier:</b>	2.25% Multiplier (80% max)	2.25% Multiplier (80% 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>Employee Contributions:</b>	4.70%	4.70%
<b>Act 88:</b>	Yes (Adopted 2/15/1971)	Yes (Adopted 2/15/1971)

### 12 - All Employees Post 12/31/2012: Closed to new hires, linked to Division 13

	2021 Valuation	2020 Valuation
<b>Benefit Multiplier:</b>	2.25% Multiplier (80% max)	2.25% Multiplier (80% 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>Employee Contributions:</b>	6.00%	6.00%
<b>Act 88:</b>	Yes (Adopted 2/15/1971)	Yes (Adopted 2/15/1971)

### 13 - All Employees after 2/1/16: Open Division, linked to Division 01, 12

	2021 Valuation	2020 Valuation
<b>Benefit Multiplier:</b>	1.50% Multiplier (80% max)	1.50% Multiplier (80% 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>Employee Contributions:</b>	4.00%	4.00%
<b>Act 88:</b>	Yes (Adopted 2/15/1971)	Yes (Adopted 2/15/1971)

**14 - Commissioners Appt before 1/1: Closed to new hires**

	<b>2021 Valuation</b>	<b>2020 Valuation</b>
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)	2.00% Multiplier (no max)
<b>Normal Retirement Age:</b>	60	60
<b>Vesting:</b>	6 years	6 years
<b>Early Retirement (Unreduced):</b>	-	-
<b>Early Retirement (Reduced):</b>	50/25 55/15	50/25 55/15
<b>Final Average Compensation:</b>	5 years	5 years
<b>Employee Contributions:</b>	4.00%	4.00%
<b>Act 88:</b>	Yes (Adopted 2/15/1971)	Yes (Adopted 2/15/1971)

### Table 3: Participant Summary

Division	2021 Valuation		2020 Valuation		2021 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>
<b>01 - All Employees hired pre 2013</b>							
Active Employees	22	\$ 1,541,612	24	\$ 1,604,813	51.5	17.5	17.5
Vested Former Employees	1	16,355	1	16,355	56.2	14.5	14.5
Retirees and Beneficiaries	77	1,972,128	77	1,933,488	71.9		
Pending Refunds	0		0				
<b>12 - All Employees Post 12/31/2012</b>							
Active Employees	6	\$ 347,635	7	\$ 441,858	42.7	6.4	6.4
Vested Former Employees	1	2,344	0	0	48.4	2.3	2.3
Retirees and Beneficiaries	0	0	0	0	0.0		
Pending Refunds	4		4				
<b>13 - All Employees after 2/1/16</b>							
Active Employees	31	\$ 1,648,765	26	\$ 1,312,142	41.6	3.1	3.1
Vested Former Employees	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	0	0	0	0	0.0		
Pending Refunds	1		1				
<b>14 - Commissioners Appt before 1/1</b>							
Active Employees	1	\$ 10,027	1	\$ 9,875	73.8	13.0	13.0
Vested Former Employees	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	2	9,766	2	9,766	90.7		
Pending Refunds	0		0				
<b>Total Municipality</b>							
Active Employees	60	\$ 3,548,039	58	\$ 3,368,688	45.9	8.9	8.9
Vested Former Employees	2	18,699	1	16,355	52.3	8.4	8.4
Retirees and Beneficiaries	79	1,981,894	79	1,943,254	72.4		
Pending Refunds	5		5				
<b>Total Participants</b>	<b>146</b>		<b>143</b>				

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

<sup>2</sup> Descriptions can be found under Miscellaneous and Technical Assumptions in the Appendix.



## Table 4: Reported Assets (Market Value)

Division	2021 Valuation		2020 Valuation	
	Employer and Retiree <sup>1</sup>	Employee <sup>2</sup>	Employer and Retiree <sup>1</sup>	Employee <sup>2</sup>
01 - All Employees hired pre 2013	\$ 12,215,233	\$ 1,076,883	\$ 11,310,295	\$ 1,110,724
12 - All Employees Post 12/31/2012	348,652	201,072	262,420	173,433
13 - All Employees after 2/1/16	290,867	198,492	184,826	137,727
14 - Commissioners Appt before 1/1	52,158	5,433	54,111	5,013
S1 - Surplus - Unassoc.	10,699,650	0	7,924,835	0
<b>Municipality Total<sup>3</sup></b>	<b>\$ 23,606,559</b>	<b>\$ 1,481,882</b>	<b>\$ 19,736,487</b>	<b>\$ 1,426,897</b>
<b>Combined Assets<sup>3</sup></b>	<b>\$25,088,441</b>		<b>\$21,163,383</b>	

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

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

<sup>3</sup> Totals may not add due to rounding.

The December 31, 2021 valuation assets (actuarial value of assets) are equal to 0.998523 times the reported market value of assets (compared to 0.972357 as of December 31, 2020). Refer to the Appendix for a description of the valuation asset derivation and a detailed calculation of valuation assets.

Assets in the Surplus division(s) are employer assets that have been reserved separately and may be used within the plan at the employer's discretion at some point in the future. These assets are not used in calculating the employer contribution for the fiscal year beginning January 1, 2023.

### Table 5: Flow of Valuation Assets

Year Ended 12/31	Employer Contributions		Employee Contributions	Investment Income (Valuation Assets)	Benefit Payments	Employee Contribution Refunds	Net Transfers	Valuation Asset Balance
	Required	Additional						
2011	\$ 323,762	\$ 0	\$ 107,108	\$ 652,470	\$ (1,305,425)	\$ (11,433)	\$ 0	\$ 14,801,764
2012	378,332	0	104,238	568,174	(1,393,713)	0	0	14,458,795
2013	446,578	0	109,774	785,426	(1,483,870)	0	81,080	14,397,783
2014	498,149	0	117,653	777,876	(1,501,450)	0	0	14,290,011
2015	565,070	80,591	119,593	652,747	(1,590,656)	0	0	14,117,356
2016	622,534	255,000	121,938	667,754	(1,726,059)	0	0	14,058,523
2017	707,723	566,000	121,658	807,855	(1,804,713)	(828)	56,652	14,512,870
2018	789,920	2,066,005	129,918	691,428	(1,941,959)	(10,467)	79,216	16,316,931
2019	892,311	2,066,000	137,548	845,148	(1,983,572)	(26,766)	0	18,247,600
2020	988,873	1,566,000	155,472	1,609,938	(1,961,195)	(28,324)	0	20,578,364
2021	1,145,153	1,566,000	163,356	3,565,400	(1,966,889)	0	0	25,051,384

**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.

The investment income column reflects the recognized investment income based on Valuation Assets. It does not reflect the market value investment return in any given year.

The Valuation Asset balance includes assets from Surplus divisions, if any.

Years where historical information is not available will be displayed with zero values.



**Table 6: Actuarial Accrued Liabilities and Valuation Assets  
as of December 31, 2021**

Division	Actuarial Accrued Liability					Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
	Active Employees	Vested Former Employees	Retirees and Beneficiaries	Pending Refunds	Total			
01 - All Employees hired pre 2013	\$ 6,032,130	\$ 142,971	\$ 20,660,321	\$ 0	\$ 26,835,422	\$ 13,272,484	49.5%	\$ 13,562,938
12 - All Employees Post 12/31/2012	379,198	11,790	0	71,802	462,790	548,912	118.6%	(86,122)
13 - All Employees after 2/1/16	543,027	0	0	616	543,643	488,636	89.9%	55,007
14 - Commissioners Appt before 1/1	16,182	0	36,438	0	52,620	57,506	109.3%	(4,886)
S1 - Surplus - Unassoc.	0	0	0	0	0	10,683,846		(10,683,846)
<b>Total</b>	<b>\$ 6,970,537</b>	<b>\$ 154,761</b>	<b>\$ 20,696,759</b>	<b>\$ 72,418</b>	<b>\$ 27,894,475</b>	<b>\$ 25,051,384</b>	<b>89.8%</b>	<b>\$ 2,843,091</b>

The following results show the combined accrued liabilities and assets for each set of linked divisions. These results are already shown in the table on the prior page(s).

**Table 6 (continued)**

Division	Actuarial Accrued Liability					Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
	Active Employees	Vested Former Employees	Retirees and Beneficiaries	Pending Refunds	Total			
Linked Divisions 13, 01, 12	\$ 6,954,355	\$ 154,761	\$ 20,660,321	\$ 72,418	\$ 27,841,855	\$ 14,310,032	51.4%	\$ 13,531,823

**Please see the Comments on Asset Smoothing in the Executive Summary of this report.**

The December 31, 2021 valuation assets (actuarial value of assets) are equal to 0.998523 times the reported market value of assets. Refer to the Appendix for a description of the valuation asset derivation and a detailed calculation of valuation assets.

## Table 7: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2007	\$ 17,515,567	\$ 14,962,854	85%	\$ 2,552,713
2008	18,652,044	15,121,150	81%	3,530,894
2009	19,117,084	15,065,633	79%	4,051,451
2010	19,850,984	15,035,282	76%	4,815,702
2011	20,463,223	14,801,764	72%	5,661,459
2012	20,508,865	14,458,795	71%	6,050,070
2013	21,261,541	14,397,783	68%	6,863,758
2014	21,887,525	14,290,011	65%	7,597,514
2015	23,313,151	14,117,356	61%	9,195,795
2016	23,769,068	14,058,523	59%	9,710,545
2017	24,081,318	14,512,870	60%	9,568,448
2018	24,564,098	16,316,931	66%	8,247,167
2019	25,369,581	18,247,600	72%	7,121,981
2020	26,543,720	20,578,364	78%	5,965,356
2021	27,894,475	25,051,384	90%	2,843,091

Notes: Actuarial assumptions were revised for the 2008, 2009, 2010, 2011, 2012, 2015, 2019, 2020 and 2021 actuarial valuations.

The Valuation Assets include assets from Surplus divisions, if any.

Years where historical information is not available will be displayed with zero values.

Throughout this report are references to valuation results generated prior to the 2018 valuation date. Results prior to 2018 were received directly from the prior actuary or extracted from the previous valuation system by MERS's technology service provider.

## Tables 8 and 9: Division-Based Comparative Schedules

### Division 01 - All Employees hired pre 2013

**Table 8-01: Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2011	\$ 13,946,469	\$ 10,138,093	73%	\$ 3,808,376
2012	13,808,276	9,907,258	72%	3,901,018
2013	14,425,090	9,879,093	69%	4,545,997
2014	15,031,444	9,798,944	65%	5,232,500
2015	16,011,780	9,647,878	60%	6,363,902
2016	16,356,490	9,421,625	58%	6,934,865
2017	23,825,718	13,406,040	56%	10,419,678
2018	24,085,328	12,729,910	53%	11,355,418
2019	24,762,769	12,173,979	49%	12,588,790
2020	25,720,634	12,077,665	47%	13,642,969
2021	26,835,422	13,272,484	49%	13,562,938

Notes: Actuarial assumptions were revised for the 2011, 2012, 2015, 2019, 2020 and 2021 actuarial valuations.

The percent funded does not reflect valuation assets from Surplus divisions, if any.

**Table 9-01: Computed Employer Contributions - Comparative Schedule**

Valuation Date December 31	Active Employees		Computed Employer Contribution <sup>1</sup>	Employee Contribution Rate <sup>2</sup>
	Number	Annual Payroll		
2011	37	\$ 1,517,838	19.99%	4.70%
2012	36	1,484,609	21.88%	4.70%
2013	38	1,670,880	\$ 31,156	4.70%
2014	35	1,602,415	\$ 35,105	4.70%
2015	30	1,327,579	\$ 42,686	4.70%
2016	26	1,237,391	\$ 46,398	4.70%
2017	31	1,564,032	\$ 70,878	4.70%
2018	26	1,426,748	\$ 76,870	4.70%
2019	26	1,492,935	\$ 88,974	4.70%
2020	24	1,604,813	\$ 98,979	4.70%
2021	22	1,541,612	\$ 99,314	4.70%

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

<sup>2</sup> For each valuation year, the computed employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the computed employer contribution will be adjusted.

Note: The contributions shown in Table 9 reflect the employer contribution requirement without phase-in. If applicable, the current phase-in contribution is shown in Table 1.

See the Benefit Provision History, later in this report, for past benefit provision changes.

Years where historical information is not available will be displayed with zero values.



## Division 12 - All Employees Post 12/31/2012

**Table 8-12: Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2011	\$ 0	\$ 0	0%	\$ 0
2012	0	0	0%	0
2013	6,180	7,309	118%	(1,129)
2014	25,924	27,951	108%	(2,027)
2015	73,593	73,023	99%	570
2016	155,898	132,468	85%	23,430
2017	233,032	217,937	94%	15,095
2018	329,720	286,991	87%	42,729
2019	370,298	360,820	97%	9,478
2020	435,467	423,805	97%	11,662
2021	462,790	548,912	119%	(86,122)

Notes: Actuarial assumptions were revised for the 2011, 2012, 2015, 2019, 2020 and 2021 actuarial valuations.

The percent funded does not reflect valuation assets from Surplus divisions, if any.

**Table 9-12: Computed Employer Contributions - Comparative Schedule**

Valuation Date December 31	Active Employees		Computed Employer Contribution <sup>1</sup>	Employee Contribution Rate <sup>2</sup>
	Number	Annual Payroll		
2011	0	\$ 0	\$ 0	0.00%
2012	0	0	\$ 0	0.00%
2013	3	132,521	5.23%	6.00%
2014	6	234,258	5.41%	6.00%
2015	10	407,849	5.65%	6.00%
2016	11	509,180	\$ 2,350	6.00%
2017	10	496,976	\$ 2,286	6.00%
2018	10	511,846	\$ 2,598	6.00%
2019	7	405,008	\$ 1,893	6.00%
2020	7	441,858	\$ 1,959	6.00%
2021	6	347,635	\$ 1,787	6.00%

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

2 For each valuation year, the computed employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the computed employer contribution will be adjusted.

Note: The contributions shown in Table 9 reflect the employer contribution requirement without phase-in. If applicable, the current phase-in contribution is shown in Table 1.

See the Benefit Provision History, later in this report, for past benefit provision changes.

Years where historical information is not available will be displayed with zero values.

## Division 13 - All Employees after 2/1/16

**Table 8-13: Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2011	\$ 0	\$ 0	0%	\$ 0
2012	0	0	0%	0
2013	0	0	0%	0
2014	0	0	0%	0
2015	0	0	0%	0
2016	5,641	7,102	126%	(1,461)
2017	22,568	27,859	123%	(5,291)
2018	77,706	75,810	98%	1,896
2019	165,836	157,837	95%	7,999
2020	334,476	313,636	94%	20,840
2021	543,643	488,636	90%	55,007

Notes: Actuarial assumptions were revised for the 2011, 2012, 2015, 2019, 2020 and 2021 actuarial valuations.

The percent funded does not reflect valuation assets from Surplus divisions, if any.

**Table 9-13: Computed Employer Contributions - Comparative Schedule**

Valuation Date December 31	Active Employees		Computed Employer Contribution <sup>1</sup>	Employee Contribution Rate <sup>2</sup>
	Number	Annual Payroll		
2011	0	\$ 0	\$ 0	0.00%
2012	0	0	\$ 0	0.00%
2013	0	0	\$ 0	0.00%
2014	0	0	\$ 0	0.00%
2015	0	0	\$ 0	0.00%
2016	4	117,308	3.43%	4.00%
2017	10	351,640	4.00%	4.00%
2018	18	734,450	3.81%	4.00%
2019	22	1,002,804	3.63%	4.00%
2020	26	1,312,142	3.87%	4.00%
2021	31	1,648,765	4.36%	4.00%

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

2 For each valuation year, the computed employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the computed employer contribution will be adjusted.

Note: The contributions shown in Table 9 reflect the employer contribution requirement without phase-in. If applicable, the current phase-in contribution is shown in Table 1.

See the Benefit Provision History, later in this report, for past benefit provision changes.

Years where historical information is not available will be displayed with zero values.



## Division 14 - Commissioners Appt before 1/1

**Table 8-14: Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2011	\$ 0	\$ 0	0%	\$ 0
2012	0	0	0%	0
2013	0	0	0%	0
2014	0	0	0%	0
2015	0	0	0%	0
2016	0	0	0%	0
2017	0	0	0%	0
2018	71,344	75,831	106%	(4,487)
2019	70,678	69,606	98%	1,072
2020	53,143	57,489	108%	(4,346)
2021	52,620	57,506	109%	(4,886)

Notes: Actuarial assumptions were revised for the 2011, 2012, 2015, 2019, 2020 and 2021 actuarial valuations.

The percent funded does not reflect valuation assets from Surplus divisions, if any.

**Table 9-14: Computed Employer Contributions - Comparative Schedule**

Valuation Date December 31	Active Employees		Computed Employer Contribution <sup>1</sup>	Employee Contribution Rate <sup>2</sup>
	Number	Annual Payroll		
2011	0	\$ 0	\$ 0	0.00%
2012	0	0	\$ 0	0.00%
2013	0	0	\$ 0	0.00%
2014	0	0	\$ 0	0.00%
2015	0	0	\$ 0	0.00%
2016	0	0	\$ 0	0.00%
2017	0	0	\$ 0	0.00%
2018	1	10,013	\$ 0	4.00%
2019	1	9,321	\$ 12	4.00%
2020	1	9,875	\$ 49	4.00%
2021	1	10,027	\$ 52	4.00%

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

2 For each valuation year, the computed employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the computed employer contribution will be adjusted.

Note: The contributions shown in Table 9 reflect the employer contribution requirement without phase-in. If applicable, the current phase-in contribution is shown in Table 1.

See the Benefit Provision History, later in this report, for past benefit provision changes.

Years where historical information is not available will be displayed with zero values.

## Division S1 - Surplus - Unassoc.

**Table 8-S1: Actuarial Accrued Liabilities - Comparative Schedule**

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2011	\$ 0	\$ 0		\$ 0
2012	0	0		0
2013	0	0		0
2014	0	0		0
2015	0	0		0
2016	0	0		0
2017	0	861,034		(861,034)
2018	0	3,148,389		(3,148,389)
2019	0	5,485,358		(5,485,358)
2020	0	7,705,769		(7,705,769)
2021	0	10,683,846		(10,683,846)

Notes: Actuarial assumptions were revised for the 2011, 2012, 2015, 2019, 2020 and 2021 actuarial valuations.

Years where historical information is not available will be displayed with zero values.

## Table 10: Division-Based Layered Amortization Schedule

### Division 01 - All Employees hired pre 2013

**Table 10-01: Layered Amortization Schedule**

Type of UAL	Date Established	Original Balance <sup>1</sup>	Original Amortization Period <sup>2</sup>	Amounts for Fiscal Year Beginning 1/1/2023		
				Outstanding UAL Balance <sup>3</sup>	Remaining Amortization Period <sup>2</sup>	Annual Amortization Payment
Initial	12/31/2015	\$ 6,363,902	23	\$ 6,548,346	17	\$ 531,036
(Gain)/Loss	12/31/2016	426,274	22	458,166	17	37,152
(Gain)/Loss	12/31/2017	809,859	21	864,637	17	70,116
Merger	12/31/2017			2,760,665	17	223,872
(Gain)/Loss	12/31/2018	625,718	20	665,047	17	53,928
(Gain)/Loss	12/31/2019	429,731	19	454,061	17	36,828
Assumption	12/31/2019	708,170	19	703,091	17	57,012
Experience	12/31/2020	990,458	18	1,053,324	17	85,416
Experience	12/31/2021	(114,492)	17	(122,506)	17	(9,936)
<b>Total</b>				<b>\$ 13,384,831</b>		<b>\$ 1,085,424</b>

<sup>1</sup> For each type of UAL (layer), this is the original balance as of the date the layer was established.

<sup>2</sup> According to the MERS amortization policy, each type of UAL (layer) is amortized over a specific period (see Appendix on MERS website).

<sup>3</sup> This is the remaining balance as of the valuation date, projected to the beginning of the fiscal year shown above.

The unfunded accrued liability (UAL) as of December 31, 2021 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2021 valuation to take into account the expected future contributions that are based on past valuations. Each type of UAL (layer) is amortized over the appropriate period. Please see the Appendix on the MERS website for a detailed description of the amortization policy.

Note: The original balance and original amortization periods prior to 12/31/2018 were received from the prior actuary.

## Division 12 - All Employees Post 12/31/2012

**Table 10-12: Layered Amortization Schedule**

Type of UAL	Date Established	Original Balance <sup>1</sup>	Original Amortization Period <sup>2</sup>	Amounts for Fiscal Year Beginning 1/1/2023		
				Outstanding UAL Balance <sup>3</sup>	Remaining Amortization Period <sup>2</sup>	Annual Amortization Payment
Experience	12/31/2021	\$ (87,050)	15	\$ (93,144)	15	\$ (8,268)
<b>Total</b>				<b>\$ (93,144)</b>		<b>\$ (8,268)</b>

<sup>1</sup> For each type of UAL (layer), this is the original balance as of the date the layer was established.

<sup>2</sup> According to the MERS amortization policy, each type of UAL (layer) is amortized over a specific period (see Appendix on MERS website).

<sup>3</sup> This is the remaining balance as of the valuation date, projected to the beginning of the fiscal year shown above.

The unfunded accrued liability (UAL) as of December 31, 2021 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2021 valuation to take into account the expected future contributions that are based on past valuations. Each type of UAL (layer) is amortized over the appropriate period. Please see the Appendix on the MERS website for a detailed description of the amortization policy.

Note: The original balance and original amortization periods prior to 12/31/2018 were received from the prior actuary.

## Division 13 - All Employees after 2/1/16

**Table 10-13: Layered Amortization Schedule**

Type of UAL	Date Established	Original Balance <sup>1</sup>	Original Amortization Period <sup>2</sup>	Amounts for Fiscal Year Beginning 1/1/2023		
				Outstanding UAL Balance <sup>3</sup>	Remaining Amortization Period <sup>2</sup>	Annual Amortization Payment
(Gain)/Loss	12/31/2018	\$ 2,381	15	\$ 2,385	12	\$ 252
(Gain)/Loss	12/31/2019	3,811	15	3,902	13	384
Assumption	12/31/2019	1,636	15	1,648	13	168
Experience	12/31/2020	12,490	15	13,137	14	1,224
Experience	12/31/2021	33,364	15	35,700	15	3,168
<b>Total</b>				<b>\$ 56,772</b>		<b>\$ 5,196</b>

<sup>1</sup> For each type of UAL (layer), this is the original balance as of the date the layer was established.

<sup>2</sup> According to the MERS amortization policy, each type of UAL (layer) is amortized over a specific period (see Appendix on MERS website).

<sup>3</sup> This is the remaining balance as of the valuation date, projected to the beginning of the fiscal year shown above.

The unfunded accrued liability (UAL) as of December 31, 2021 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2021 valuation to take into account the expected future contributions that are based on past valuations. Each type of UAL (layer) is amortized over the appropriate period. Please see the Appendix on the MERS website for a detailed description of the amortization policy.

Note: The original balance and original amortization periods prior to 12/31/2018 were received from the prior actuary.

## Division 14 - Commissioners Appt before 1/1

**Table 10-14: Layered Amortization Schedule**

Type of UAL	Date Established	Original Balance <sup>1</sup>	Original Amortization Period <sup>2</sup>	Amounts for Fiscal Year Beginning 1/1/2023		
				Outstanding UAL Balance <sup>3</sup>	Remaining Amortization Period <sup>2</sup>	Annual Amortization Payment
Experience	12/31/2020	\$ (4,485)	10	\$ (4,547)	9	\$ (612)
Experience	12/31/2021	(636)	10	(681)	10	(84)
<b>Total</b>				<b>\$ (5,228)</b>		<b>\$ (696)</b>

<sup>1</sup> For each type of UAL (layer), this is the original balance as of the date the layer was established.

<sup>2</sup> According to the MERS amortization policy, each type of UAL (layer) is amortized over a specific period (see Appendix on MERS website).

<sup>3</sup> This is the remaining balance as of the valuation date, projected to the beginning of the fiscal year shown above.

The unfunded accrued liability (UAL) as of December 31, 2021 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2021 valuation to take into account the expected future contributions that are based on past valuations. Each type of UAL (layer) is amortized over the appropriate period. Please see the Appendix on the MERS website for a detailed description of the amortization policy.

Note: The original balance and original amortization periods prior to 12/31/2018 were received from the prior actuary.

## GASB Statement No. 68 Information

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

Actuarial Valuation Date:		12/31/2021
Measurement Date of the Total Pension Liability (TPL):		12/31/2021
At 12/31/2021, the following employees were covered by the benefit terms:		
Inactive employees or beneficiaries currently receiving benefits:		79
Inactive employees entitled to but not yet receiving benefits (including refunds):		7
Active employees:		<u>60</u>
		146
Total Pension Liability as of 12/31/2020 measurement date:	\$	25,916,132
Total Pension Liability as of 12/31/2021 measurement date:	\$	27,225,307
Service Cost for the year ending on the 12/31/2021 measurement date:	\$	322,151
Change in the Total Pension Liability due to:		
- Benefit changes <sup>1</sup> :	\$	0
- Differences between expected and actual experience <sup>2</sup> :	\$	154,551
- Changes in assumptions <sup>2</sup> :	\$	892,237
Average expected remaining service lives of all employees (active and inactive):		4

<sup>1</sup> A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

<sup>2</sup> 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.

Covered employee payroll (Needed for Required Supplementary Information):		\$ 3,548,039
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Note: Covered employee payroll may differ from the GASB Statement No. 68 definition.

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Change in Net Pension Liability as of 12/31/2021:	\$ 2,851,428	\$ 0	\$ (2,422,788)

Note: The current discount rate shown for GASB Statement No. 68 purposes is higher than the MERS assumed rate of return. This is because for GASB Statement No. 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

## GASB Statement No. 68 Information

This page is for those municipalities who need to “roll-forward” their total pension liability due to the timing of completion of the actuarial valuation in relation to their fiscal year-end.

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

Actuarial Valuation Date:		12/31/2021
Measurement Date of the Total Pension Liability (TPL):		12/31/2022
At 12/31/2021, the following employees were covered by the benefit terms:		
Inactive employees or beneficiaries currently receiving benefits:		79
Inactive employees entitled to but not yet receiving benefits (including refunds):		7
Active employees:		<u>60</u>
		146
Total Pension Liability as of 12/31/2021 measurement date:	\$	26,116,331
Total Pension Liability as of 12/31/2022 measurement date:	\$	27,388,160
Service Cost for the year ending on the 12/31/2022 measurement date:	\$	326,619
Change in the Total Pension Liability due to:		
- Benefit changes <sup>1</sup> :	\$	0
- Differences between expected and actual experience <sup>2</sup> :	\$	233,212
- Changes in assumptions <sup>2</sup> :	\$	892,746
Average expected remaining service lives of all employees (active and inactive):		4

<sup>1</sup> A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

<sup>2</sup> 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.

Covered employee payroll (Needed for Required Supplementary Information):	\$	3,548,039
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Note: Covered employee payroll may differ from the GASB Statement No. 68 definition.

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Change in Net Pension Liability as of 12/31/2022:	\$ 2,852,301	\$ 0	\$ (2,424,827)

Note: The current discount rate shown for GASB Statement No. 68 purposes is higher than the MERS assumed rate of return. This is because for GASB Statement No. 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 - All Employees hired pre 2013

1/1/2021	Other Leave - Service Granted
1/1/2021	Workers Compensation - Service Granted
1/1/2021	Service Credit Qualification - 88 hours
1/1/2021	Custom Wages
8/1/2017	Day of work defined as 88 Hours a Month for All employees.
8/1/2017	Exclude Temporary Employees requiring less than 6 months
12/1/2016	Service Credit Purchase Estimates - Yes
1/1/2016	Flexible E \$10 Monthly COLA Adopted (01/01/2016)
1/1/2010	Flexible E \$15.00 Monthly COLA Adopted (01/01/2010)
1/1/2009	Flexible E \$10.00 Monthly COLA Adopted (01/01/2009)
1/1/2008	Flexible E \$10.00 Monthly COLA Adopted (01/01/2008)
9/1/2007	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/2007	Flexible E \$15.00 Monthly COLA Adopted (01/01/2007)
1/1/2006	Flexible E \$20.00 Monthly COLA Adopted (01/01/2006)
1/1/2005	Flexible E \$20.00 Monthly COLA Adopted (01/01/2005)
4/1/2004	Benefit B-3 (80% max)
4/1/2004	Member Contribution Rate 4.70%
1/1/2004	Flexible E \$20.00 Monthly COLA Adopted (01/01/2004)
1/1/2003	Flexible E \$30.00 Monthly COLA Adopted (01/01/2003)
1/1/2002	Flexible E \$30.00 Monthly COLA Adopted (01/01/2002)
1/1/2001	Flexible E \$20.00 Monthly COLA Adopted (01/01/2001)
1/1/2000	Flexible E \$15.00 Monthly COLA Adopted (01/01/2000)
1/1/1999	Flexible E \$10.00 Monthly COLA Adopted (01/01/1999)
1/1/1998	Benefit F55 (With 25 Years of Service)
1/1/1998	Flexible E \$20.00 Monthly COLA Adopted (01/01/1998)
1/1/1995	E 2% COLA Adopted (01/01/1995)
1/1/1993	E 2% COLA Adopted (01/01/1993)
1/1/1992	Benefit B-2
1/1/1992	E 2% COLA Adopted (01/01/1992)
1/1/1991	E 2% COLA Adopted (01/01/1991)
4/1/1977	Benefit C-1 (Old)
2/28/1975	Exclude Temporary Employees
2/15/1971	Covered by Act 88
7/1/1946	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/1946	10 Year Vesting
7/1/1946	Benefit C (Old)
7/1/1946	Member Contribution Rate 3.00% Under \$4,200.00 - Then 5.00%
7/1/1946	Fiscal Month - January
	Defined Benefit Normal Retirement Age - 60
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years



## 12 - All Employees Post 12/31/2012

1/1/2021	Other Leave - Service Granted
1/1/2021	Workers Compensation - Service Granted
1/1/2021	Service Credit Qualification - 88 hours
1/1/2021	Custom Wages
12/1/2016	Service Credit Purchase Estimates - Yes
1/1/2013	Day of work defined as 88 Hours a Month for All employees.
1/1/2013	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/2013	Exclude Temporary Employees requiring less than 12 months
1/1/2013	10 Year Vesting
1/1/2013	Benefit B-3 (80% max)
1/1/2013	Benefit F55 (With 25 Years of Service)
1/1/2013	Member Contribution Rate 6.00%
2/15/1971	Covered by Act 88
7/1/1946	Fiscal Month - January
	Defined Benefit Normal Retirement Age - 60
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years

## 13 - All Employees after 2/1/16

1/1/2021	Other Leave - Service Granted
1/1/2021	Workers Compensation - Service Granted
1/1/2021	Service Credit Qualification - 88 hours
1/1/2021	Custom Wages
12/1/2016	Service Credit Purchase Estimates - Yes
2/1/2016	Day of work defined as 80 Hours a Month for All employees.
2/1/2016	Benefit FAC-5 (5 Year Final Average Compensation)
2/1/2016	Exclude Temporary Employees requiring less than 12 months
2/1/2016	10 Year Vesting
2/1/2016	1.5% multiplier (80% max)
2/1/2016	Participant Contribution Rate 4%
2/15/1971	Covered by Act 88
7/1/1946	Fiscal Month - January
	Defined Benefit Normal Retirement Age - 60
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years

## 14 - Commissioners Appt before 1/1

1/1/2021	Appointed Officials - Included
1/1/2021	Workers Compensation - Service Granted
1/1/2021	Service Credit Qualification - 147 hours
1/1/2021	Custom Wages
1/1/2018	Day of work defined as 8 Hours a Day for All employees.
1/1/2018	Benefit FAC-5 (5 Year Final Average Compensation)
1/1/2018	Exclude Temporary Employees requiring less than 12 months
1/1/2018	6 Year Vesting
1/1/2018	Defined Benefit Normal Retirement Age - 60
1/1/2018	Service Credit Purchase Estimates - Yes
1/1/2018	Benefit B-2
1/1/2018	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years
1/1/2018	Participant Contribution Rate 4%
2/15/1971	Covered by Act 88



**14 - Commissioners Appt before 1/1**

7/1/1946      Fiscal Month - January

**S1 - Surplus - Unassoc.**

7/1/1946      Fiscal Month - January

# 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	5.00%

## Miscellaneous and Technical Assumptions

Loads – None.

**Amortization Policy for Closed Not Linked Divisions:** The default funding policy for closed not linked divisions, including open divisions with zero active members, is to follow a non-accelerated amortization, where each closed period decreases by one year each year until the period is exhausted. In select instances, closed not linked division(s) may follow an accelerated amortization policy.

## Risk Commentary

Determination of the accrued liability, the employer contribution, and the funded ratio requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability, the actuarially determined contribution and the funded ratio that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

- **Investment Risk** – actual investment returns may differ from the expected returns;
- **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
- **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
- **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
- **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

## PLAN MATURITY MEASURES

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
1. Ratio of the market value of assets to total payroll	7.1	6.3	6.2	5.6
2. Ratio of actuarial accrued liability to payroll	7.9	7.9	8.7	9.2
3. Ratio of actives to retirees and beneficiaries	0.8	0.7	0.7	0.7
4. Ratio of market value of assets to benefit payments	12.8	10.6	9.0	7.6
5. Ratio of net cash flow to market value of assets (boy)	4.3%	4.0%	7.3%	7.8%

### RATIO OF MARKET VALUE OF ASSETS TO TOTAL PAYROLL

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

### RATIO OF ACTUARIAL ACCRUED LIABILITY TO PAYROLL

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

### RATIO OF ACTIVES TO RETIREES AND BENEFICIARIES

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

### RATIO OF MARKET VALUE OF ASSETS TO BENEFIT PAYMENTS

The MERS' Actuarial Policy requires a total minimum contribution equal to the excess (if any) of three times the expected annual benefit payments over the projected market value of assets as of the participating municipality or court's Fiscal Year for which the contribution applies. The ratio of market value of assets to benefit payments as of the valuation date provides an indication of whether the division is at risk for triggering the minimum contribution rule in the near term. If the division triggers this minimum contribution rule, the required employer contributions could increase dramatically relative to previous valuations.

### RATIO OF NET CASH FLOW TO MARKET VALUE OF ASSETS

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.



## State Reporting

The following information has been prepared to provide some of the information necessary to complete the Public Act 202 pension reporting requirements for the State of Michigan’s Local Government Retirement System Annual Report (Form No. 5572). Additional resources are available at [www.mersofmich.com](http://www.mersofmich.com) and on the State [website](#).

Form 5572		
Line Reference	Description	Result
<b>10</b>	<b>Membership as of December 31, 2021</b>	
11	Indicate number of active members	60
12	Indicate number of inactive members (excluding pending refunds)	2
13	Indicate number of retirees and beneficiaries	79
<b>14</b>	<b>Investment Performance for Calendar Year Ending December 31, 2021<sup>1</sup></b>	
15	Enter actual rate of return - prior 1-year period	14.13%
16	Enter actual rate of return - prior 5-year period	9.96%
17	Enter actual rate of return - prior 10-year period	9.11%
<b>18</b>	<b>Actuarial Assumptions</b>	
19	Actuarial assumed rate of investment return <sup>2</sup>	7.00%
20	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Level Percent
21	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any <sup>3</sup>	17
22	Is each division within the system closed to new employees? <sup>4</sup>	No
<b>23</b>	<b>Uniform Assumptions</b>	
24	Enter retirement pension system's actuarial value of assets using uniform assumptions	\$23,190,675
25	Enter retirement pension system's actuarial accrued liabilities using uniform assumptions <sup>5</sup>	\$28,309,378
27	Actuarially Determined Contribution (ADC) using uniform assumptions, Fiscal Year Ending December 31, 2022	\$1,421,724

1. The Municipal Employees’ Retirement System’s investment performance has been provided to GRS from MERS Investment Staff and is included here for reporting purposes. The investment performance figures reported are net of investment expenses on a rolling calendar year basis for the previous 1-, 5-, and 10-year periods as required under PA 530.
2. Net of administrative and investment expenses.
3. Populated with the longest amortization period remaining in the amortization schedule, across all divisions in the plan. This is when each division and the plan in total is expected to reach 100% funded if all assumptions are met.
4. If all divisions within the employer are closed, “yes.” If at least one division is open (including shadow divisions), “no.”
5. Line 25 actuarial accrued liability is determined under PA 202 uniform assumptions which differ from the valuation assumptions. In particular, the assumed rate of return for PA 202 purposes is 6.85%.

