

Public Act 530 of 2016 Compliance Report

Name of system: Montcalm County Road Commission

Investment Fiduciary: MERS of Michigan

System service provider: MERS of Michigan, CBIZ Retirement Plan Services (actuary)

System's assets and liabilities/changes:

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded Accrued Liabilities
2003	9,766,582	7,193,892	74%	2,572,690
2004	10,696,031	7,611,830	71%	3,084,201
2005	11,380,187	8,035,791	71%	3,344,396
2006	12,091,658	8,660,369	72%	3,431,289
2007	12,610,748	9,183,285	73%	3,427,463
2008	13,512,490	9,403,721	70%	4,108,769
2009	13,385,323	9,584,706	72%	3,800,617
2010	14,236,094	9,654,400	68%	4,581,694
2011	14,800,660	9,680,009	65%	5,120,651
2012	15,313,442	9,593,332	63%	5,720,110
2013	16,098,240	9,647,796	60%	6,450,444
2014	16,826,784	9,708,649	58%	7,118,135
2015	18,129,682	9,722,686	54%	8,406,996
2016	18,344,933	9,885,490	54%	8,459,443
2017	18,820,655	10,107,938	54%	8,712,717

System's funded ratio:

<u>Total Municipality</u>	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded Accrued Liabilities
<u>Active Employees</u>	<u>\$ 5,556,552</u>	<u>\$ 1,307,482</u>	<u>23.5%</u>	<u>\$ 4,249,070</u>
<u>Vested Former Employees</u>	<u>606,203</u>	<u>102,649</u>	<u>16.9%</u>	<u>503,554</u>
<u>Retirees and Beneficiaries</u>	<u>12,657,834</u>	<u>8,697,741</u>	<u>68.7%</u>	<u>3,960,093</u>
<u>Pending Refunds</u>	<u>66</u>	<u>66</u>	<u>100.0%</u>	<u>0</u>
<u>Total Participants</u>	<u>\$ 18,820,655</u>	<u>\$ 10,107,938</u>	<u>53.7%</u>	<u>\$ 8,712,717</u>

Investment performance (net of fees): 1 year 13.20%
3 years 7.45%

5 years 8.67%
7 years 8.03%
10 years 5.56%

System admin & investment expense: At December 31, 2017 the cost of the Defined Benefit Plan was 0.32% (0.19% for administration and 0.13% for investments.)

Systems Budget: N/A

Number of actives: 48

Number of retirees/beneficiaries: 51

The average annual retirement allowance: \$22,883.00

Total annual retirement allowance: \$1,167,033

Valuation payroll: \$2,309,746

Normal cost and percentage:

Division 11 – Gnrl hired after 10/1/11 – \$5,183-4.54%
Division 12 – Slrd & Cmrs hired after 10/1/11 – \$3,150-6.25%
Division 01 – Gnrl hired before 10/1/11 - \$5,183
Division 10 – Slrd & Cmrs hired before 10/1/11 – \$2,678

Total contribution rate as a percentage: \$777,084

Weighted average member contributions: 4.63%

Actuarial investment return: 7.75%

Actuarial long term inflation rate: 3.75%

Smoothing method: 5 years

Amortization method: Layered, amortization schedule, 22 years

Actuarial cost method: Entry age normal method.

Open or closed membership: 01 – Gnrl – Closed
11 – Gnrl hired after 10/1/11 – Open
10 – Slrd & Cmmsnrs – Closed
12 – Slrd & Cmmsnrs hired after 10/1/11– Open

Health care inflation: Medical:

Pre-65 – 8.0% graded to 5.0% over 6 years

Medicare eligible – 5% in all years

Vision: 3%

Rationale – consistent with experience and national trends.

Montcalm County Actions Taken to Lower Unfunded Actuarial Liability:

- Starting July 1, 2017, the employees of the Montcalm County Road Commission began paying an additional 0.50% into their pension plan. The road commission will continue to pay the 2017/2018 rates and not take the 0.5% reduction.
- As long as state funding is at the predicted levels, employee contributions will rise by ½% in 2020 and 2021.
- The Road Commission Board voted in May, 2018 to contribute an extra \$48,000 annually to accelerate the Defined Benefit funding levels. In the 2017/2018 fiscal year an extra \$100,000 was also contributed toward the unfunded liability of the Defined Benefit Pension Plan.

MERS adheres to the following fiscal best practices:

- Conducts an experience study every five years to ensure assumptions match actual experience.
- Use a fixed amortization period
- MERS implements checks and balances to eliminate unexpected pension spikes. Actuarial loads are applied to groups that have demonstrated a history of Final Average Compensation increases.
- UAL amortization schedule is on track to be paid off in 23 years.