



Municipal Employees' Retirement System of Michigan

Annual Actuarial Valuation Report
December 31, 2022 - Ypsilanti, Twp of (8104)





Spring 2023

Ypsilanti, Twp 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 for Ypsilanti, Twp of (8104) as of December 31, 2022. 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. Ypsilanti, Twp of 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, 2022,
- Establish contribution requirements for the fiscal year beginning January 1, 2024,
- 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, 2022. 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 automatically reduces the assumed rate of investment return in conjunction with recognizing excess investment gains to mitigate the impact on employer contributions the first year. The policy was effective with the December 31, 2021 annual actuarial valuation.

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-2022AnnualActuarialValuation-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, 2022. At this time, no future assumptions have been adjusted as a result of COVID-19. 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 Ypsilanti, Twp of 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.

Rebecca L. Stouffer, Mark Buis, Kurt Dosson, and Shana M. Neeson 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.



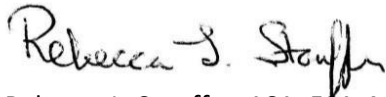
The Retirement Board of the Municipal Employees' Retirement System of Michigan confirms that the System provides for payment of the required employer contribution as described in Section 20m of Act No. 314 of 1965 (MCL 38.1140m).

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

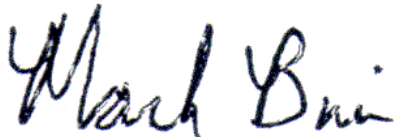
This report was prepared at the request of the MERS Retirement Board and may be provided only in its entirety by the municipality to other interested parties (MERS customarily provides the full report on request to associated third parties such as the auditor for the municipality). GRS is not responsible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



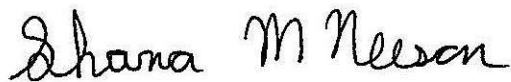
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Executive Summary

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.

	12/31/2022	12/31/2021
Funded Ratio*	73%	74%

* 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 with the December 31, 2021 valuation, the MERS Retirement Board 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. Effective with the 2020 and 2019 valuations respectively, the MERS Retirement Board adopted updated demographic and economic assumptions. The combined impact of the prior 2020 and 2019 demographic and economic assumption changes may be phased in. This valuation reflects the last year of phase-in. The combined impact of the past economic and demographic changes will be fully reflected in the 2023 annual actuarial valuation.

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:	12/31/2022	12/31/2022	12/31/2021	12/31/2021	12/31/2022	12/31/2022	12/31/2021	12/31/2021
Fiscal Year Beginning:	January 1, 2024	January 1, 2024	January 1, 2023	January 1, 2023	January 1, 2024	January 1, 2024	January 1, 2023	January 1, 2023
Division								
10 - Twp Employees	-	-	-	-	\$ 61,969	\$ 64,740	\$ 52,930	\$ 58,472
12 - Twp. ee's after 1/1/2013	5.82%	5.90%	5.28%	5.48%	16,560	16,798	12,786	13,262
Total Municipality - Estimated Monthly Contribution					\$ 78,529	\$ 81,538	\$ 65,716	\$ 71,734
Total Municipality - Estimated Annual Contribution					\$ 942,348	\$ 978,456	\$ 788,592	\$ 860,808

Employee contribution rates:

Valuation Date:	Employee Contribution Rate	
	12/31/2022	12/31/2021
Division		
10 - Twp Employees	8.00%	8.00%
12 - Twp. ee's after 1/1/2013	8.00%	8.00%

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 “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 one or more Surplus divisions would not immediately lower future contributions, however the assets from the Surplus division(s) 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 returns are used to lower the investment assumption, there will be fewer



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 2024 for the entire employer would be \$107,922, instead of \$81,538.

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 2022

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically lowers 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 contribution year after application (i.e., minimize the first-year impact (i.e., increase) in employer contributions).

The dedicated gains policy was implemented with the December 31, 2021 annual actuarial valuation and was reflected in the computed employer contribution amounts beginning in fiscal year 2023.



Investment performance measured for the one-year period ending December 31, 2022 did not result in excess gains for use in lowering the assumed rate of investment return. As a result, this assumption remains at 7.00%.

Furthermore, there were no other assumption or method changes in 2022.

Protecting MI Pension Grant Program

On July 1, 2022, Michigan lawmakers passed the state budget for the 2022-23 fiscal year. As a part of the budget, \$750 million was earmarked for underfunded municipal pension plans in counties, cities, townships, villages and road commissions across the state. Known as the **Protecting MI Pension Grant Program**, the legislation is designed to support municipal plans that are under 60% funded.

As of the valuation date the amount of funds and list of grant recipients is not yet known. Any funds received by municipalities will be considered in a future valuation.

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 2022 was 3.51%, while the actual market rate of return was (10.61%).** 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, 2022, the actuarial value of assets is 116% of market value due to asset smoothing. This means that there are deferred investment losses, which will put upward pressure on contributions in the short term.

If the December 31, 2022 valuation results were based on market value instead of actuarial value:

- The funded percent of your entire municipality would be 63% (instead of 73%); and
- Your total employer contribution requirement for the fiscal year starting January 1, 2024 would be \$1,240,140 (instead of \$978,456).

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 projected 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, 2022 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 of 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.

12/31/2022 Valuation Results	Lower Future Annual Returns	Lower Future Annual Returns	Valuation Assumptions
Investment Return Assumption	5.00%	6.00%	7.00%
Accrued Liability	\$ 37,113,863	\$ 33,085,745	\$ 29,728,983
Valuation Assets ¹	\$ 21,559,662	\$ 21,559,662	\$ 21,559,662
Unfunded Accrued Liability	\$ 15,554,201	\$ 11,526,083	\$ 8,169,321
Funded Ratio	58%	65%	73%
Monthly Normal Cost	\$ 47,495	\$ 32,800	\$ 21,664
Monthly Amortization Payment	\$ 98,682	\$ 78,826	\$ 59,874
Total Employer Contribution²	\$ 146,177	\$ 111,626	\$ 81,538

¹ The Valuation Assets include assets from Surplus divisions, if any.

² 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 account for 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 within the plan is discretionary. Certain employers have special funding arrangements that may differ from the Actuarial Policy.

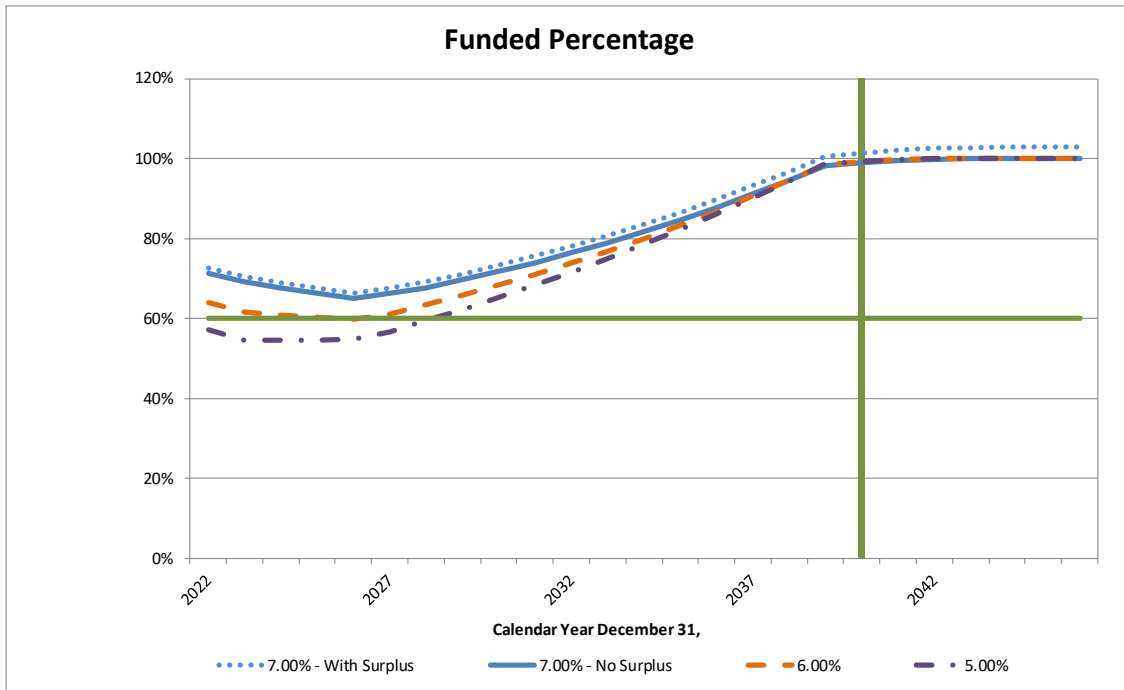
The Funded Percentage graph shows projections of funded status under the 7.00% investment return assumption, both including the Surplus assets (contributed as of the valuation date), and without the Surplus assets. The graph including the Surplus assets assumes these Surplus assets grow with interest 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 within the plan 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 ²	Funded Percentage	Estimated Annual Employer Contribution ³
7.00%¹ - NO PHASE-IN					
2022	2024	\$ 29,728,983	\$ 21,200,364	71%	\$ 978,456
2023	2025	\$ 30,300,000	\$ 21,000,000	69%	\$ 1,090,000
2024	2026	\$ 31,000,000	\$ 21,000,000	68%	\$ 1,200,000
2025	2027	\$ 31,700,000	\$ 21,000,000	66%	\$ 1,310,000
2026	2028	\$ 32,300,000	\$ 21,100,000	65%	\$ 1,420,000
2027	2029	\$ 33,000,000	\$ 21,900,000	66%	\$ 1,470,000
6.00%¹ - NO PHASE-IN					
2022	2024	\$ 33,085,745	\$ 21,200,364	64%	\$ 1,339,512
2023	2025	\$ 33,700,000	\$ 20,800,000	62%	\$ 1,460,000
2024	2026	\$ 34,400,000	\$ 21,000,000	61%	\$ 1,570,000
2025	2027	\$ 35,200,000	\$ 21,200,000	60%	\$ 1,690,000
2026	2028	\$ 35,900,000	\$ 21,400,000	60%	\$ 1,810,000
2027	2029	\$ 36,600,000	\$ 22,400,000	61%	\$ 1,880,000
5.00%¹ - NO PHASE-IN					
2022	2024	\$ 37,113,863	\$ 21,200,364	57%	\$ 1,754,124
2023	2025	\$ 37,800,000	\$ 20,600,000	54%	\$ 1,900,000
2024	2026	\$ 38,600,000	\$ 21,000,000	54%	\$ 2,010,000
2025	2027	\$ 39,400,000	\$ 21,500,000	55%	\$ 2,130,000
2026	2028	\$ 40,100,000	\$ 22,000,000	55%	\$ 2,260,000
2027	2029	\$ 40,900,000	\$ 23,200,000	57%	\$ 2,340,000

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

² Valuation Assets do not include assets from Surplus divisions, if any.

³ All projected contributions are shown with no phase-in.

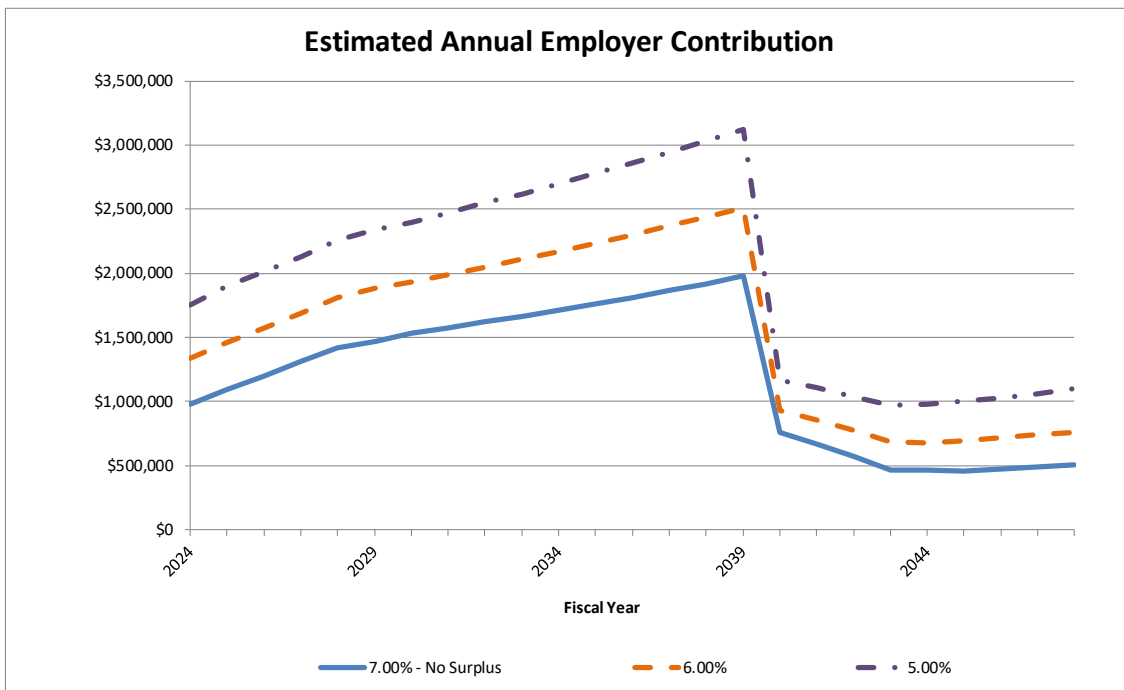


Notes:

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

Assumes assets from the Surplus division(s) will not be used to lower employer contributions during the projection period.

The green indicator lines have been added at 60% funded and 18 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 division(s).

Table 1: Employer Contribution Details for the Fiscal Year Beginning January 1, 2024

Division	Total Normal Cost	Employee Contribution Rate	Employer Contributions ¹			Computed Employer Contribution With Phase-In	Blended ER Rate No Phase-In ⁵	Blended ER Rate With Phase-In ⁵	Employee Contribution Conversion Factor ²
			Employer Normal Cost ⁶	Payment of the Unfunded Accrued Liability ⁴	Computed Employer Contribution No Phase-In				
Percentage of Payroll									
10 - Twp Employees	13.88%	8.00%	-	-	-	-	20.72%	19.95%	
12 - Twp. ee's after 1/1/2013	13.36%	8.00%	5.36%	0.54%	5.90%	5.82%	20.72%	19.95%	0.82%
Estimated Monthly Contribution³									
10 - Twp Employees			\$ 6,416	\$ 58,324	\$ 64,740	\$ 61,969			
12 - Twp. ee's after 1/1/2013			15,248	1,550	16,798	16,560			
Total Municipality			\$ 21,664	\$ 59,874	\$ 81,538	\$ 78,529			
Estimated Annual Contribution³			\$ 259,968	\$ 718,488	\$ 978,456	\$ 942,348			

- 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 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.
- ⁴ 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.
- ⁵ 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).
- ⁶ 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

10 - Twp Employees: Closed to new hires, linked to Division 12

	2022 Valuation	2021 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/15	55/15
Early Retirement (Reduced):	50/25	50/25
Final Average Compensation:	3 years	3 years
Employee Contributions:	8.00%	8.00%
Act 88:	Yes (Adopted 8/16/2005)	Yes (Adopted 8/16/2005)

12 - Twp. ee's after 1/1/2013: Open Division, linked to Division 10

	2022 Valuation	2021 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)	2.00% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/15	55/15
Early Retirement (Reduced):	50/25	50/25
Final Average Compensation:	3 years	3 years
Employee Contributions:	8.00%	8.00%
Act 88:	Yes (Adopted 8/16/2005)	Yes (Adopted 8/16/2005)

Table 3: Participant Summary

Division	2022 Valuation		2021 Valuation		2022 Valuation		
	Number	Annual Payroll ¹	Number	Annual Payroll ¹	Average Age	Average Benefit Service ²	Average Eligibility Service ²
10 - Twp Employees							
Active Employees	22	\$ 1,498,744	26	\$ 1,683,466	52.6	20.8	21.2
Vested Former Employees	8	154,565	8	137,092	53.8	16.0	16.3
Retirees and Beneficiaries	80	1,705,457	78	1,681,000	70.5		
Pending Refunds	6		6				
12 - Twp. ee's after 1/1/2013							
Active Employees	53	\$ 2,953,173	46	\$ 2,428,481	45.2	3.5	4.8
Vested Former Employees	1	7,443	1	7,742	66.8	5.8	5.8
Retirees and Beneficiaries	4	41,635	3	33,693	61.5		
Pending Refunds	17		15				
Total Municipality							
Active Employees	75	\$ 4,451,917	72	\$ 4,111,947	47.4	8.6	9.6
Vested Former Employees	9	162,008	9	144,834	55.2	14.9	15.1
Retirees and Beneficiaries	84	1,747,092	81	1,714,693	70.1		
Pending Refunds	<u>23</u>		<u>21</u>				
Total Participants	191		183				

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

² Descriptions can be found under Miscellaneous and Technical Assumptions in the Appendix.

Table 4: Reported Assets (Market Value)

Division	2022 Valuation		2021 Valuation	
	Employer and Retiree ¹	Employee ²	Employer and Retiree ¹	Employee ²
10 - Twp Employees	\$ 13,921,127	\$ 2,522,396	\$ 16,659,183	\$ 2,597,056
12 - Twp. ee's after 1/1/2013	923,054	946,462	1,034,611	692,375
S1 - Surplus Unassociated	310,364	0	347,121	0
Municipality Total³	\$ 15,154,545	\$ 3,468,857	\$ 18,040,915	\$ 3,289,431
Combined Assets³	\$18,623,402		\$21,330,345	

¹ Reserve for Employer Contributions and Benefit Payments.

² Reserve for Employee Contributions.

³ Totals may not add due to rounding.

The December 31, 2022 valuation assets (actuarial value of assets) are equal to 1.157665 times the reported market value of assets (compared to 0.998523 as of December 31, 2021). 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, 2024.

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						
2012	\$ 355,165	\$ 0	\$ 231,971	\$ 612,757	\$ (1,063,002)	\$ (61,071)	\$ 9,228	\$ 14,326,779
2013	424,245	0	243,973	838,039	(1,069,761)	(46,247)	0	14,717,028
2014	476,461	0	240,477	831,690	(1,107,454)	(82,922)	0	15,075,280
2015	469,553	0	264,890	749,867	(1,148,769)	0	71,697	15,482,518
2016	468,622	0	270,090	801,310	(1,125,955)	0	0	15,896,585
2017	543,730	66,265	309,739	963,436	(1,164,141)	0	0	16,615,614
2018	551,417	50,000	319,472	616,971	(1,212,268)	(11,239)	0	16,929,967
2019	576,464	140,857	340,540	807,787	(1,243,110)	(55,601)	0	17,496,904
2020	634,649	848	361,881	1,412,435	(1,330,510)	(9,907)	0	18,566,300
2021	777,832	87,598	335,738	3,142,735	(1,587,265)	(24,098)	0	21,298,840
2022	906,756	0	358,232	723,503	(1,719,431)	(8,238)	0	21,559,662

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, 2022**

Division	Actuarial Accrued Liability					Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
	Active Employees	Vested Former Employees	Retirees and Beneficiaries	Pending Refunds	Total			
10 - Twp Employees	\$ 7,818,291	\$ 1,592,423	\$ 17,891,000	\$ 51,258	\$ 27,352,972	\$ 19,036,091	69.6%	\$ 8,316,881
12 - Twp. ee's after 1/1/2013	1,685,998	76,290	508,951	104,772	2,376,011	2,164,273	91.1%	211,738
S1 - Surplus Unassociated	0	0	0	0	0	359,298		(359,298)
Total	\$ 9,504,289	\$ 1,668,713	\$ 18,399,951	\$ 156,030	\$ 29,728,983	\$ 21,559,662	72.5%	\$ 8,169,321

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 12, 10	\$ 9,504,289	\$ 1,668,713	\$ 18,399,951	\$ 156,030	\$ 29,728,983	\$ 21,200,364	71.3%	\$ 8,528,619

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

The December 31, 2022 valuation assets (actuarial value of assets) are equal to 1.157665 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
2008	\$ 15,685,957	\$ 12,801,717	82%	\$ 2,884,240
2009	16,116,831	13,177,984	82%	2,938,847
2010	17,186,167	14,009,840	82%	3,176,327
2011	18,456,883	14,241,731	77%	4,215,152
2012	18,929,596	14,326,779	76%	4,602,817
2013	18,993,773	14,717,028	78%	4,276,745
2014	19,645,884	15,075,280	77%	4,570,604
2015	21,624,184	15,482,518	72%	6,141,666
2016	21,961,963	15,896,585	72%	6,065,378
2017	22,721,089	16,615,614	73%	6,105,475
2018	23,223,074	16,929,967	73%	6,293,107
2019	24,760,227	17,496,904	71%	7,263,323
2020	26,870,179	18,566,300	69%	8,303,879
2021	28,781,184	21,298,840	74%	7,482,344
2022	29,728,983	21,559,662	73%	8,169,321

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 10 - Twp Employees

Table 8-10: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2012	\$ 18,929,596	\$ 14,326,779	76%	\$ 4,602,817
2013	18,993,773	14,717,028	78%	4,276,745
2014	19,508,940	14,942,771	77%	4,566,169
2015	21,371,824	15,265,323	71%	6,106,501
2016	21,580,604	15,568,816	72%	6,011,788
2017	22,195,708	16,113,840	73%	6,081,868
2018	22,475,647	16,185,862	72%	6,289,785
2019	23,781,852	16,383,335	69%	7,398,517
2020	25,515,338	17,106,896	67%	8,408,442
2021	26,972,285	19,227,797	71%	7,744,488
2022	27,352,972	19,036,091	70%	8,316,881

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

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

Table 9-10: Computed Employer Contributions - Comparative Schedule

Valuation Date December 31	Active Employees		Computed Employer Contribution ¹	Employee Contribution Rate ²
	Number	Annual Payroll		
2012	65	\$ 3,321,529	14.39%	6.90%
2013	64	3,281,486	13.66%	7.30%
2014	54	2,875,438	\$ 36,751	7.30%
2015	52	2,904,065	\$ 47,918	7.30%
2016	48	2,670,095	\$ 44,592	8.30%
2017	44	2,489,581	\$ 44,747	8.30%
2018	44	2,513,674	\$ 47,358	8.00%
2019	40	2,454,536	\$ 56,998	8.00%
2020	32	2,061,017	\$ 64,202	8.00%
2021	26	1,683,466	\$ 58,472	8.00%
2022	22	1,498,744	\$ 64,740	8.00%

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 12 - Twp. ee's after 1/1/2013

Table 8-12: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2012	\$ 0	\$ 0	0%	\$ 0
2013	0	0	0%	0
2014	136,944	132,509	97%	4,435
2015	252,360	217,195	86%	35,165
2016	381,359	327,769	86%	53,590
2017	525,381	501,774	96%	23,607
2018	747,427	689,699	92%	57,728
2019	978,375	913,712	93%	64,663
2020	1,354,841	1,242,837	92%	112,004
2021	1,808,899	1,724,435	95%	84,464
2022	2,376,011	2,164,273	91%	211,738

Notes: Actuarial assumptions were revised for the 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 ¹	Employee Contribution Rate ²
	Number	Annual Payroll		
2012	0	\$ 0	\$ 0	0.00%
2013	0	0	\$ 0	0.00%
2014	8	306,757	3.73%	8.00%
2015	16	708,874	5.16%	8.00%
2016	18	812,536	4.44%	8.59%
2017	26	1,130,039	3.79%	8.59%
2018	31	1,467,016	4.25%	8.00%
2019	37	1,760,740	4.27%	8.00%
2020	41	2,103,643	4.76%	8.00%
2021	46	2,428,481	5.48%	8.00%
2022	53	2,953,173	5.90%	8.00%

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 Unassociated

Table 8-S1: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2012	\$ 0	\$ 0		\$ 0
2013	0	0		0
2014	0	0		0
2015	0	0		0
2016	0	0		0
2017	0	0		0
2018	0	54,406		(54,406)
2019	0	199,857		(199,857)
2020	0	216,567		(216,567)
2021	0	346,608		(346,608)
2022	0	359,298		(359,298)

Notes: Actuarial assumptions were revised for the 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 10 - Twp Employees

Table 10-10: Layered Amortization Schedule

Type of UAL	Date Established	Original Balance ¹	Original Amortization Period ²	Amounts for Fiscal Year Beginning 1/1/2024		
				Outstanding UAL Balance ³	Remaining Amortization Period ²	Annual Amortization Payment
Initial	12/31/2015	\$ 6,106,501	23	\$ 6,248,670	16	\$ 529,296
(Gain)/Loss	12/31/2016	(270,136)	22	(286,294)	16	(24,252)
Amendment	12/31/2016	(16,370)	22	(17,355)	16	(1,476)
(Gain)/Loss	12/31/2017	37,911	21	39,920	16	3,384
(Gain)/Loss	12/31/2018	161,595	20	169,368	16	14,352
Amendment	12/31/2018	3,024	20	3,156	16	264
(Gain)/Loss	12/31/2019	375,376	19	391,128	16	33,132
Assumption	12/31/2019	694,264	19	698,215	16	59,148
Experience	12/31/2020	942,341	18	988,225	16	83,712
Experience	12/31/2021	(711,803)	17	(751,042)	16	(63,612)
Experience	12/31/2022	727,502	16	778,427	16	65,940
Total				\$ 8,262,418		\$ 699,888

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

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

³ 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, 2022 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2022 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 - Twp. ee's after 1/1/2013

Table 10-12: Layered Amortization Schedule

Type of UAL	Date Established	Original Balance ¹	Original Amortization Period ²	Amounts for Fiscal Year Beginning 1/1/2024		
				Outstanding UAL Balance ³	Remaining Amortization Period ²	Annual Amortization Payment
Initial	12/31/2015	\$ 35,165	23	\$ 48,416	16	\$ 4,104
(Gain)/Loss	12/31/2016	7,010	22	7,422	16	624
Amendment	12/31/2016	(2,228)	22	(2,352)	16	(204)
(Gain)/Loss	12/31/2017	(30,770)	21	(32,382)	16	(2,748)
(Gain)/Loss	12/31/2018	31,118	20	32,609	16	2,760
Amendment	12/31/2018	5,023	20	5,257	16	444
(Gain)/Loss	12/31/2019	(11,361)	19	(11,841)	16	(1,008)
Assumption	12/31/2019	15,364	19	15,826	16	1,344
Experience	12/31/2020	47,139	18	49,434	16	4,188
Experience	12/31/2021	(30,949)	17	(32,652)	16	(2,772)
Experience	12/31/2022	130,872	16	140,033	16	11,868
Total				\$ 219,770		\$ 18,600

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

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

³ 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, 2022 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2022 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:		12/31/2022
Measurement Date of the Total Pension Liability (TPL):		12/31/2022
At 12/31/2022, the following employees were covered by the benefit terms:		
Inactive employees or beneficiaries currently receiving benefits:		84
Inactive employees entitled to but not yet receiving benefits (including refunds):		32
Active employees:		<u>75</u>
		191
Total Pension Liability as of 12/31/2021 measurement date:	\$	28,050,575
Total Pension Liability as of 12/31/2022 measurement date:	\$	28,977,894
Service Cost for the year ending on the 12/31/2022 measurement date:	\$	573,337
Change in the Total Pension Liability due to:		
- Benefit changes ¹ :	\$	0
- Differences between expected and actual experience ² :	\$	89,830
- Changes in assumptions ² :	\$	0
Average expected remaining service lives of all employees (active and inactive):		3

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.

Covered employee payroll (Needed for Required Supplementary Information):	\$	4,451,917
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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: \$	3,211,600	\$ 0	\$ (2,706,539)

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.

Actuarial Valuation Date:	12/31/2022
Measurement Date of the Total Pension Liability (TPL):	12/31/2023

At 12/31/2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	84
Inactive employees entitled to but not yet receiving benefits (including refunds):	32
Active employees:	<u>75</u>
	191

Total Pension Liability as of 12/31/2022 measurement date:	\$ 28,659,765
Total Pension Liability as of 12/31/2023 measurement date:	\$ 29,552,192
Service Cost for the year ending on the 12/31/2023 measurement date:	\$ 592,769
Change in the Total Pension Liability due to:	
- Benefit changes ¹ :	\$ 0
- Differences between expected and actual experience ² :	\$ 341,193
- Changes in assumptions ² :	\$ 0

Average expected remaining service lives of all employees (active and inactive):	3
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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.

Covered employee payroll (Needed for Required Supplementary Information):	\$ 4,451,917
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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 12/31/2023:	\$ 3,255,792	\$ 0	\$ (2,744,330)

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.

10 - Twp Employees

1/1/2021	Voter-Elected Officials - Included
1/1/2021	Appointed Officials - Included
1/1/2021	Service Credit Qualification - 80 hours
1/1/2021	Custom Wages
5/1/2018	Participant Contribution Rate 8%
1/1/2017	Participant Contribution Rate 8.3%
12/1/2016	Service Credit Purchase Estimates - Yes
1/1/2013	Member Contribution Rate 7.30%
1/1/2010	Member Contribution Rate 6.90%
8/16/2005	Covered by Act 88
1/1/2000	Benefit B-3 (80% max)
1/1/2000	Member Contribution Rate 6.00%
1/1/1999	Member Contribution Rate 5.00%
1/1/1997	Member Contribution Rate 4.30%
1/1/1996	Member Contribution Rate 3.80%
1/1/1995	Member Contribution Rate 3.00%
1/1/1994	Member Contribution Rate 2.75%
1/1/1993	Member Contribution Rate 2.00%
4/1/1992	Benefit FAC-3 (3 Year Final Average Compensation)
4/1/1992	Benefit F55 (With 15 Years of Service)
4/1/1988	Benefit B-2 (No Max)
12/1/1983	Benefit FAC-5 (5 Year Final Average Compensation)
12/1/1983	10 Year Vesting
12/1/1983	Member Contribution Rate 0.00%
6/17/1975	Exclude Temporary Employees
9/1/1964	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 - Twp. ee's after 1/1/2013

1/1/2021	Voter-Elected Officials - Included
1/1/2021	Appointed Officials - Included
1/1/2021	Service Credit Qualification - 80 hours
1/1/2021	Custom Wages
5/1/2018	Participant Contribution Rate 8%
1/1/2017	Participant Contribution Rate 8.59%
12/1/2016	Service Credit Purchase Estimates - Yes
1/1/2013	Day of work defined as 8 Hours a Day for All employees.
1/1/2013	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/2013	10 Year Vesting
1/1/2013	Benefit B-2 (No Max)
1/1/2013	Benefit F55 (With 15 Years of Service)



12 - Twp. ee's after 1/1/2013

1/1/2013	Member Contribution Rate 8.00%
8/16/2005	Covered by Act 88
9/1/1964	Fiscal Month - January
	Defined Benefit Normal Retirement Age - 60
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years

S1 - Surplus Unassociated

9/1/1964	Fiscal Month - January
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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	8.00%

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>12/31/2022</u>	<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	4.2	5.2	4.6	4.1	3.9
2. Ratio of actuarial accrued liability to payroll	6.7	7.0	6.5	5.9	5.8
3. Ratio of actives to retirees and beneficiaries	0.9	0.9	1.0	1.2	1.2
4. Ratio of market value of assets to benefit payments	10.8	13.2	14.2	13.3	12.6
5. Ratio of net cash flow to market value of assets (boy)	-2.2%	-2.1%	-2.0%	-1.6%	-1.8%

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 and on the State [website](#).

Form 5572		
Line Reference	Description	Result
10	Membership as of December 31, 2022	
11	Indicate number of active members	75
12	Indicate number of inactive members (excluding pending refunds)	9
13	Indicate number of retirees and beneficiaries	84
14	Investment Performance for Calendar Year Ending December 31, 2022¹	
15	Enter actual rate of return - prior 1-year period	(10.37)%
16	Enter actual rate of return - prior 5-year period	4.95%
17	Enter actual rate of return - prior 10-year period	6.79%
18	Actuarial Assumptions	
19	Actuarial assumed rate of investment return ²	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 ³	16
22	Is each division within the system closed to new employees? ⁴	No
23	Uniform Assumptions	
24	Enter retirement pension system's actuarial value of assets using uniform assumptions	\$20,117,577
25	Enter retirement pension system's actuarial accrued liabilities using uniform assumptions ⁵	\$30,195,378
27	Actuarially Determined Contribution (ADC) using uniform assumptions, Fiscal Year Ending December 31, 2023	\$1,143,864

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%.