



To: Board Members
From: Frank L. Walsh, Township Manager
Date: July 6, 2018
Re: MERS 2017 Actuarial Report

As you are aware, we received our Municipal Employees' Retirement System of Michigan (MERS) Annual Actuarial Valuation Report on June 29th.

Before I delve into the results, it is important to note that the initial \$1,500,000 police-fire August 8, 2017 millage payment was not deposited to MERS until 2018. We had to wait until receipt of the funds to make the appropriate payment. Hence, the attached report does not take into the account the additional payment. To recap, in 2017 the Township appropriated our required Actuarial Required Contribution (ARC) of \$2,508,720 and contributed \$900,000 (Teamsters) and \$200,000 (Clerical). This is the second time the Township made a significant contribution to MERS beyond the ARC. In 2016, Meridian Township made a \$1,000,000 payment beyond the 2016 ARC. It is also important to note that we have always paid our ARC payment to MERS. Meridian Township has never shortchanged our current employees, or retirees, in addressing MERS.

Our records indicate that our 2017 MERS funding level is higher than at any time in the past 17 years. Although we are 61% funded, the trends are moving in our direction. Again, the 61% funding level does not include the aforementioned \$1,500,000. Our "complete picture" funding level is approximately 64%. We have a long road ahead of us, but the increase from 58% to 64% in one year (10.34%) is the best step we've taken in nearly two decades. I want to offer my special appreciation to our Treasurer Julie Brixie and Finance Director Miriam Mattison for moving the needle on our contributions above the ARC.

On Tuesday evening we will present the significant details of the report to the Board and taxpayers.

The following motion has been prepared for Board consideration:

MOVE TO ACCEPT THE MERS 2017 ACTUARIAL REPORT

Attachment:

1. MERS 2017 Presentation



MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
ANNUAL ACTUARIAL VALUATION REPORT DECEMBER 31, 2017
MERIDIAN CHTR TWP (3315)

CHARTER TOWNSHIP OF MERIDIAN

Elizabeth Ann LeGoff Supervisor
Brett Dreyfus Clerk
Julie Brixie Treasurer
Frank L. Walsh Manager



Milton L. Scales Trustee
Ronald J. Styka Trustee
John Veenstra Trustee
Angela Wilson Trustee

August 30, 2013

Members of the Meridian Township
Board 5151 Marsh Road
Okemos, Michigan 48864-1198

Dear Board Members:

On behalf of Finance Director Gretchen Gomolka and the entire Meridian Charter Township team, I am pleased to present you with a DRAFT copy of the 2014 Meridian Township Budget. The Charter Township Act requires that the chief executive officer submit a budget plan 120 days prior to the start of the fiscal (calendar) year. I want to provide special acknowledgement to our Executive Assistant Carol Hasse and Director Gretchen Gomolka for their unparalleled effort over the past two months to help shape the budget.

INTRODUCTION

Preparing for the 2014 Budget has been extremely challenging given our lack of experience in Meridian Township finances. Because Director Gomolka and I are new to the Township, we have spent a great deal of time trying to ascertain our financial position. After reviewing the 2013 budget, it became quite clear that rising legacy costs are beginning to take a toll on our ability to fund capital projects. This year alone, we are allocating an additional \$525,000 in pension costs above the 2013 level. The Township's practice of limiting the use of Fund Balance to one-time expenses has contributed to maintaining a healthy fund balance. The challenge in 2014 is to maintain a proper fund balance, continue to provide exemplary services to our 40,000 residents, and meet our community goals.

5151 MARSH ROAD, OKEMOS, MICHIGAN 48864-1198 (517) 853-4000

www.meridian.mi.us

2014 BUDGET LETTER

After reviewing the 2013 budget, it became quite clear that rising legacy costs are beginning to take a toll on our ability to fund capital projects. This year alone, we are allocating an additional \$525,000 in pension costs above the 2013 level.

MERIDIAN TOWNSHIP FUNDING LEVEL 20 YEAR HISTORY

Valuation Date December 31	Percent Funded
1999	54%
2013	60%
2014	59%
2015	57%
2016	58%
2017	61%

2017 THE HIGHEST % OF FUNDED RATIO SINCE 1999

* Reflects assets from Surplus divisions, if any.

	12/31/2017 *	12/31/2016
Funded Ratio	61%	58%

MONTHLY CONTRIBUTIONS

2018=\$209,060

2019=\$197,761

\$135,588

	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:	12/31/2017	12/31/2017	12/31/2016	12/31/2016	12/31/2017	12/31/2017	12/31/2016	12/31/2016
Fiscal Year Beginning:	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2018	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2018
Division								
01 - DPW	-	-	13.90%	15.08%	\$ 8,592	\$ 9,180	\$ 10,395	\$ 11,277
02 - Police Patrol	21.60%	22.53%	20.13%	21.59%	34,452	35,932	30,691	32,911
05 - Firefighters	-	-	53.00%	56.20%	98,556	101,798	99,208	105,199
10 - Admin Professional	-	-	17.27%	18.67%	7,267	7,925	12,135	13,122
11 - Teamsters	13.48%	13.62%	121.72%	121.95%	947	957	8,081	8,096
12 - Admin Prof on/aft 1/1/	5.59%	5.59%			819	819		
13 - DPW on/aft 01/1/17	2.87%	2.87%			458	458		
20 - Police Command	58.22%	60.62%	55.76%	59.49%	39,084	40,692	36,043	38,455
Municipality Total					\$ 190,175	\$ 197,761	\$ 196,553	\$ 209,060

REMEMBER 100% FUNDING IN 10 YEARS?

\$308,100 X 12=\$3,697,200

2019=\$4,008,000

MERS strongly encourages employers to contribute more than the minimum contribution shown above.

Assuming that experience of the plan meets actuarial assumptions:

- To accelerate to a 100% funding ratio in 10 years, estimated monthly employer contributions for the fiscal year beginning in 2019 for the entire employer would be \$308,100, instead of \$197,761.

CAN WE RELY ON MERS 7.75 ROR? NO.

WE ARE USING THE 5.75 MODEL

12/31/2017 Valuation Results	Assumed Future Annual Smoothed Investment Return Assumption			
	Lower Future Annual Returns		Valuation Assumption	Higher Returns
	5.75%	6.75%	7.75%	8.75%
Accrued Liability	\$ 84,648,927	\$ 74,341,900	\$ 65,850,156	\$ 58,791,169
Valuation Assets ¹	\$ 40,461,002	\$ 40,461,002	\$ 40,461,002	\$ 40,461,002
Unfunded Accrued Liability	\$ 44,187,925	\$ 33,880,898	\$ 25,389,154	\$ 18,330,167
Funded Ratio	48%	54%	61%	69%
Monthly Normal Cost	\$ 105,686	\$ 73,043	\$ 48,735	\$ 30,600
Monthly Amortization Payment	\$ 216,764	\$ 181,961	\$ 149,026	\$ 116,602
Total Employer Contribution²	\$ 322,450	\$ 255,004	\$ 197,761	\$ 147,202

WHAT TO EXPECT AT 5.75% ROR

5.75% NO 5-YEAR PHASE-IN ESTIMATED ANNUAL PAYMENT

Valuation Year Ending 12/31	Fiscal Year Beginning 1/1	Actuarial Accrued Liability	Valuation Assets	Funded Percentage	Computed Annual Employer Contribution
2017	2019	\$ 84,648,927	\$ 40,461,002	48%	\$ 3,869,400
2018	2020	87,800,000	41,700,000	48%	4,130,000
2019	2021	91,100,000	44,200,000	49%	4,320,000
2020	2022	94,400,000	48,200,000	51%	4,420,000
2021	2023	97,700,000	52,300,000	54%	4,530,000
2022	2024	101,000,000	56,200,000	56%	4,670,000

WHAT WOULD OUR ANNUAL PAYMENT BY AT 100% FUNDING?

EMPLOYER CONTRIBUTIONS

A GLOBAL PLAN TO FIX ROADS

Emp. Cost	Payment of liab.	No Phase-In
11.04%	11.49%	22.53%
-	-	-
-	-	-
6.33%	7.29%	13.62%
5.79%	-0.20%	5.59%
2.83%	0.04%	2.87%
8.97%	51.65%	60.62%
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\$ 4,569	\$ 4,611	\$ 9,180
17,604	18,328	35,932
15,525	86,273	101,798
3,270	4,655	7,925
445	512	957
849	(30)	819
452	6	458
6,021	34,671	40,692
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\$ 48,735	\$ 149,026	\$ 197,761
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\$ 584,820	\$ 1,788,312	\$ 2,373,132



ACCRUED LIABILITIES AND ASSETS- DPW

Division	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
01 - DPW				
Active Employees	\$ 1,654,700	\$ 872,639	52.7%	\$ 782,061
Vested Former Employees	232,819	232,819	100.0%	0
Retirees And Beneficiaries	3,346,380	3,346,380	100.0%	0
Pending Refunds	<u>10,487</u>	<u>10,487</u>	100.0%	<u>0</u>
Total	\$ 5,244,386	\$ 4,462,325	85.1%	\$ 782,061

ACCRUED LIABILITIES AND ASSETS- POLICE PATROL

Division	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
02 - Police Patrol Active				
Employees	\$ 6,666,684	\$ 3,576,570	53.6%	\$ 3,090,114
Vested Former Employees	589,732	589,732	100.0%	0
Retirees And Beneficiaries	6,551,094	6,551,094	100.0%	0
Pending Refunds	<u>51,761</u>	<u>51,761</u>	100.0%	<u>0</u>
Total	\$ 13,859,271	\$ 10,769,157	77.7%	\$ 3,090,114

ACCRUED LIABILITIES AND ASSETS- FIREFIGHTERS

Division	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
05 - Firefighters Active				
Employees	\$ 8,614,367	\$ 1,902,973	22.1%	\$ 6,711,394
Vested Former Employees	534,788	72,976	13.6%	461,812
Retirees And Beneficiaries	18,979,486	11,491,762	60.5%	7,487,724
Pending Refunds	<u>48,582</u>	<u>48,582</u>	100.0%	<u>0</u>
Total	\$ 28,177,223	\$ 13,516,293	48.0%	\$ 14,660,930

ACCRUED LIABILITIES AND ASSETS- ADMINISTRATIVE PROFESSIONAL

Division	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
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10 - Admin Professional				
Active Employees	\$ 1,692,025	\$ 872,290	51.6%	\$ 819,735
Vested Former Employees	407,369	407,369	100.0%	0
Retirees And Beneficiaries	2,246,586	2,246,586	100.0%	0
Pending Refunds	<u>7,863</u>	<u>7,863</u>	100.0%	<u>0</u>
Total	\$ 4,353,843	\$ 3,534,108	81.2%	\$ 819,735

ACCRUED LIABILITIES AND ASSETS- TEAMSTERS

Division	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
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11 - Teamsters Active				
Employees	\$ 200,820	\$ 32,894	16.4%	\$ 167,926
Vested Former Employees	0	0	0.0%	0
Retirees And Beneficiaries	1,349,068	1,349,068	100.0%	0
Pending Refunds	<u>0</u>	<u>0</u>	0.0%	<u>0</u>
Total	\$ 1,549,888	\$ 1,381,962	89.2%	\$ 167,926

ACCRUED LIABILITIES AND ASSETS- DPW ON/AFT 01/01/17

Division	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
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13 - DPW on/aft 01/1/17				
Active Employees	\$ 5,023	\$ 4,273	85.1%	\$ 750
Vested Former Employees	0	0	0.0%	0
Retirees And Beneficiaries	0	0	0.0%	0
Pending Refunds	<u>944</u>	<u>944</u>	100.0%	<u>0</u>
Total	\$ 5,967	\$ 5,217	87.4%	\$ 750

ACCRUED LIABILITIES AND ASSETS- POLICE COMMAND

Division	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
20 - Police Command				
Active Employees	\$ 4,905,709	\$ 1,159,275	23.6%	\$ 3,746,434
Vested Former Employees	0	0	0.0%	0
Retirees And Beneficiaries	7,753,647	5,628,750	72.6%	2,124,897
Pending Refunds	<u>0</u>	<u>0</u>	0.0%	<u>0</u>
Total	\$ 12,659,356	\$ 6,788,025	53.6%	\$ 5,871,331

ACCRUED LIABILITIES AND ASSETS- TOTAL MUNICIPALITY

Division	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
Total Municipality				
Active Employees	\$ 23,739,550	\$ 8,424,829	35.5%	\$ 15,314,721
Vested Former Employees	1,764,708	1,302,896	73.8%	461,812
Retirees and Beneficiaries	40,226,261	30,613,640	76.1%	9,612,621
Pending Refunds	<u>119,637</u>	<u>119,637</u>	<u>100.0%</u>	<u>0</u>
Total	\$ 65,850,156	\$ 40,461,002	61.4%	\$ 25,389,154

WHAT WOULD OUR OVERALL FUNDING BE IF WE RECEIVED CREDIT FOR OUR \$1.5 INITIAL MILLAGE PAYMENT?



MERS



POLICE PATROL

**Recalculated Expected 12/31/17 Funded Ratio if Payment
Contributed by:**

80.30%

July 31, 2018

FIREFIGHTERS

**Recalculated Expected 12/31/17 Funded Ratio if Payment
Contributed by:**

50.50%

July 31, 2018

POLICE COMMAND

**Recalculated Expected 12/31/17 Funded Ratio if Payment
Contributed by:**

56.50%

July 31, 2018

UPDATED ACCOUNT

**Recalculated Expected 12/31/17 Funded Ratio if Payment
Contributed by:**

63.60%

July 31, 2018

SUMMARY

- We have a long way to go.
- The 1st year of a 10 year plan was a success.
- We are on par to reach 100% funding in 2027 using a 5.75% ROR.
- We must take all necessary steps to bring the police department in line with all other bargaining groups.
- The Fire Department, even with their modifications, maintains a B-4 enhanced pension. This is the highest pension offered by MERS.
- For the first time in over 20 years, our ARC has decreased!