



GRAND BLANC

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CHARTER TOWNSHIP OF GRAND BLANC

DEFINED BENEFIT PENSION PLAN

SUMMARY ANNUAL REPORT

DECEMBER 31, 2017

The Charter Township of Grand Blanc participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS of Michigan), which covers all Police Department personnel of the Charter Township. Although MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945, MERS is a nonprofit organization, independent from the State. MERS has provided retirement plans for municipal employees for over 70 years and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

An actuarial valuation is performed annually to determine the appropriate level of contributions to properly fund the pension system. The actuarial assumptions and methods are adopted by the MERS Retirement Board and are reviewed every five years in an experience study. Grand Blanc Charter Township is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees, covered by this plan, under the Michigan Constitution and the MERS Plan Document. Michigan law requires that pension plans be pre-funded, meaning money is set aside now to pay for future benefits. The pension plan is funded by employer and employee contributions, and investment income.

The following is a summary of the financial position and provisions of the plan:

| | |
|------------------------------|---|
| Investment Fiduciary: | MERS of Michigan |
| Service Providers: | MERS of Michigan CBIZ Retirement Plan Services (actuary) |

Changes in Net Pension Liability

| | Total Pension Liability | Plan Net Position | Net Pension Liability |
|---|------------------------------------|------------------------------|----------------------------------|
| Balance at December 31, 2015 | \$ 20,479,316 | \$ 10,851,554 | \$ 9,627,762 |
| Changes for the year: | | | |
| Service cost | 448,933 | - | 448,933 |
| Interest | 1,619,956 | - | 1,619,956 |
| Changes in benefits | 8,686 | - | 8,686 |
| Differences between expected and actual experience | (668,282) | - | (668,282) |
| Contributions - Employer | - | 1,239,870 | (1,239,870) |
| Contributions - Employee | - | 249,860 | (249,860) |
| Net investment income | - | 1,260,874 | (1,260,874) |
| Benefit payments, incl. refunds | (874,070) | (874,070) | - |
| Administrative expenses | - | (24,852) | 24,852 |
| Miscellaneous other charges | <u>(34,611)</u> | <u>(34,611)</u> | <u>-</u> |
| Net changes | <u>500,612</u> | <u>1,817,071</u> | <u>(1,316,459)</u> |
| Balance at December 31, 2016 | \$ 20,979,928 | \$ 12,668,625 | \$ 8,311,303 |

The net pension liability reported at December 31, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

The plan's fiduciary net position represents 60.4 percent of the total pension liability.

Statement of Fiduciary Net Position

| Balance at December 31, 2016 | \$12,668,625 |
|-------------------------------------|---------------------|
| <u>Additions</u> | |
| Contributions: | |
| Employer - Required | 978,191 |
| Employer - Additional | 700,000 |
| Employee | 281,622 |
| Net Investment Income | <u>1,712,426</u> |
| Total Additions | 3,672,239 |
| <u>Deductions</u> | |
| Benefit Payments and Refunds | 871,926 |
| Administrative expenses | <u>27,018</u> |
| Total Deductions | 898,944 |
| Net Changes | 2,773,295 |
| Balance at December 31, 2017 | \$15,441,920 |

System Expenses:

| | |
|-----------------------|--------------|
| Administration | 0.19% |
| Investment Management | <u>0.13%</u> |
| Total | 0.32% |

The system's administrative and investment management expenses are paid to MERS, the system's administrator and investment fiduciary. There were no professional development or travel expenses incurred. There is not an itemized budget prepared for the system, however, the employer contributions are included in the Township's General Fund operating budget.

Schedule of Funding Progress

| Valuation Date December 31 | Actuarial Accrued Liability | Valuation Assets | Percent Funded | Unfunded (Overfunded) Accrued Liabilities |
|-------------------------------|-----------------------------------|---------------------|-------------------|--|
| | | | | |
| 2003 | \$5,860,743 | \$2,702,602 | 46% | \$3,158,141 |
| 2004 | 6,522,730 | 3,176,897 | 49% | 3,345,833 |
| 2005 | 10,247,307 | 4,585,311 | 45% | 5,661,996 |
| 2006 | 11,401,792 | 5,544,219 | 49% | 5,857,573 |
| 2007 | 12,258,960 | 6,404,582 | 52% | 5,854,378 |
| | | | | |
| 2008 | 13,270,174 | 7,160,147 | 54% | 6,110,027 |
| 2009 | 14,239,995 | 7,982,509 | 56% | 6,257,486 |
| 2010 | 15,048,208 | 8,753,631 | 58% | 6,294,577 |
| 2011 | 16,339,953 | 9,302,571 | 57% | 7,037,382 |
| 2012 | 17,383,093 | 9,873,271 | 57% | 7,509,822 |
| | | | | |
| 2013 | 17,952,697 | 10,615,371 | 59% | 7,337,326 |
| 2014 | 19,186,547 | 11,472,699 | 60% | 7,713,848 |
| 2015 | 21,201,478 | 12,320,659 | 58% | 8,880,819 |
| 2016 | 21,716,176 | 13,645,312 | 63% | 8,070,864 |
| 2017 | 22,980,098 | 15,616,737 | 68% | 7,363,361 |

| | | |
|--|----------|--------|
| 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% |

Actuarial Valuation Information:

| | |
|---|--|
| Number of active members | 45 |
| Vested former members | 2 |
| Number of retirees and beneficiaries | <u>22</u> |
| Total Participants | 69 |
| | |
| Average annual retirement allowance | \$41,626 |
| Total annual retirement allowances paid | \$915,780 |
| Valuation payroll for active employees | \$3,030,298 |
| Employers normal cost of benefits (expressed as a percentage of valuation payroll) | 6.24% |
| Employers total contribution rate (expressed as a percentage of valuation payroll) | 21.68% |
| Weighted average of member contributions | 9.68% |
| Actuarial assumed rate of investment return | 7.75% |
| Actuarial assumed rate of long-term wage inflation | 3.75% |
| Smoothing method utilized to determine the funding value of assets | Smoothed market value of assets over 5 years |
| Amortization method and period utilized for funding the system's unfunded actuarial accrued liabilities | Layered amortization schedule (ranging between 5 and 23 yrs) |
| Actuarial cost method | Entry Age Normal Cost |
| System membership status | Open |