

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE G--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

*Plan Description:* The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS is a nonprofit organization, which was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

*Benefits Provided—Defined Benefit:* The Road Commission's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

<b>Table 2</b>	<b>2014 Valuation</b>	<b>2014 Valuation</b>
	<b>01 - General Other: Closed to new hires,</b>	<b>10 - Gnrl Rd Com: Closed to new hires</b>
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):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years
COLA for Future Retirees:	-	-
Employee Contributions:	0%	3% under \$4,200; 5% over \$4,200
DC Plan for New Hires:	11/1/2013	-
Act 88:	No	No

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

*Employees covered by benefit terms:* At the December 31, 2014, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>21</u>
 Total employees covered by MERS Plan	 <u>76</u>

*Contributions:* Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2015, the Road Commission's contribution rate was \$28,955 per month for general employees other and \$58 per month for general road commission employees.

Net Pension Liability

The employer's net pension liability reported at December 31, 2015, was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an annual actuarial valuation performed as of that date.

*Actuarial assumptions:* The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%-4%
Salary Increases	4.5% in the long-term (2% and 3% for calendar years 2015 and 2016, respectively)
Investment Rate of Return	8.0%, net of investment expense, including inflation

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2013	\$9,493,236	\$5,250,957	\$4,242,279
Changes for the Year:			
Service Cost	90,309	-	90,309
Interest	758,965	-	758,965
Contributions--Employer	-	319,476	(319,476)
Net investment income	-	322,996	(322,996)
Benefit payments, including refunds	(677,628)	(677,628)	-
Administrative expense	-	(11,784)	11,784
Net changes	<u>171,646</u>	<u>(46,940)</u>	<u>218,586</u>
Balances as of December 31, 2014	<u>\$9,664,882</u>	<u>\$5,204,017</u>	<u>\$4,460,865</u>

*Total Pension Liability is found in the annual actuarial valuation*

*Sensitivity of the Net Pension Liability to changes in the discount rate:* The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
Net Pension Liability at December 31, 2014		\$ 4,460,865	
Change in Net Pension Liability (NPL)	\$ 952,032		\$ (816,181)

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE H--OTHER POST-EMPLOYMENT BENEFITS

Healthcare Insurance Benefits

In addition to the pension benefits described in Note G, the Road Commission provides post-employment healthcare insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement, which includes the following provision:

"A retiree plan which excludes the Drug Rider will be provided to the retiree and his/her dependents for three (3) years following retirement. After three (3) years, the employer will pay towards the retiree's premium only, in the amount equivalent to the complimentary plan for five (5) years."

In accordance with the working agreement of salaried employees with the Road Commission, salaried employees upon retirement are entitled to the same plan that they had while employed, except for the Drug Rider, until death and spouse to age 70, with the total cost of the plan paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2015, 16 retirees were eligible for this benefit at a total cost of approximately \$225,654.

Life Insurance

Salaried employees, upon retirement, are entitled to \$5,000 of life insurance with the premium paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2015, ten retirees were eligible for this benefit at a total cost of approximately \$480.

Funding Status and Funding Progress

For the year ended December 31, 2015, the Road Commission has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2013. The Road Commission's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer based on the alternate method of actuarial, as provided in accordance with the parameters of GASB Statement No. 45. The valuation computes an ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

NOTE H--OTHER POST-EMPLOYMENT BENEFITS (Continued)

The valuation computed required contribution and actual funding are summarized as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual Required Contribution	\$ 382,579	\$ 382,579	\$ 382,579
Amount Contributed			
Payments of Current Premiums	(136,779)	(196,647)	(225,654)
Adjustments to ARC	<u>(79,595)</u>	<u>-</u>	<u>-</u>
Increase in Net OPEB Obligation	166,205	185,932	156,925
Adjustments for Interest and Amortization	51,727	60,445	70,300
OPEB Obligation--Beginning of Year	<u>1,293,184</u>	<u>1,511,116</u>	<u>1,757,493</u>
OPEB Obligation--End of Year	<u>\$ 1,511,116</u>	<u>\$ 1,757,493</u>	<u>\$ 1,984,718</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the years ended December 31 were as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual OPEB Costs	\$ 382,579	\$ 382,579	\$ 382,579
Percentage Contributed	35.75%	51.40%	58.98%
Net OPEB Obligation	\$ 1,511,116	\$ 1,757,493	\$ 1,984,718

The schedule of funding progress immediately following the notes to the financial statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The funding status as of December 31, 2013, the most recent alternative measurement method valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2013	\$ -	\$ 4,627,781	\$ 4,627,781	0%	\$ 1,486,949	311%