

CITY OF HOWELL, MICHIGAN



MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN (MERS)

SUMMARY ANNUAL REPORT - 2016

Prepared by:

Finance Department

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SYSTEMS ASSETS AND LIABILITIES/CHANGES	12/31/2016
<i><u>DIVISION 01 - NONUNION</u></i>	
Actuarial Accrued Liability	9,153,771
Actuarial Value of Assets	<u>4,857,465</u>
Unfunded	<u>(4,296,306)</u>
Funded Ratio	53.1%
<i><u>DIVISION 02 - POLICE</u></i>	
Actuarial Accrued Liability	5,105,304
Actuarial Value of Assets	<u>3,465,462</u>
Unfunded	<u>(1,639,842)</u>
Funded Ratio	67.9%
<i><u>DIVISION 10 - GNRL AFSCME</u></i>	
Actuarial Accrued Liability	6,617,132
Actuarial Value of Assets	<u>4,604,035</u>
Unfunded	<u>(2,013,097)</u>
Funded Ratio	69.6%
<i><u>DIVISION 12 - NONUNION After 07/2013</u></i>	
Actuarial Accrued Liability	60,072
Actuarial Value of Assets	<u>53,016</u>
Unfunded	<u>(7,056)</u>
Funded Ratio	88.3%
<i><u>DIVISION 13 - PUBLIC SERVICE UNION After 07/2013</u></i>	
Actuarial Accrued Liability	30,449
Actuarial Value of Assets	<u>29,362</u>
Unfunded	<u>(1,087)</u>
Funded Ratio	96.4%
<i><u>DIVISION 20 - CHIEFS/ LTS/SGT</u></i>	
Actuarial Accrued Liability	3,889,528
Actuarial Value of Assets	<u>1,658,211</u>
Unfunded	<u>(2,231,317)</u>
Funded Ratio	42.6%
<i><u>DIVISION 21 - POLICE After 7/2013</u></i>	
Actuarial Accrued Liability	148,379
Actuarial Value of Assets	<u>48,565</u>
Unfunded	<u>(99,814) **</u>
Funded Ratio	32.5%
Total City of Howell	
Actuarial Accrued Liability	25,005,583
Actuarial Value of Assets	<u>14,716,116</u>
Unfunded	<u>(10,289,467)</u>
Funded Ratio	58.9%

** Underfunding due to misclassification of assets by MERS. The classification issue has been addressed and the City expects the funding level to be close to 100% on the next report.

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EMPLOYER CONTRIBUTION DETAILS

	<u>Estimated Monthly Contribution</u>	<u>Percentage</u>	
<u><i>DIVISION 01 - NONUNION</i></u>			
Normal Cost	4,962	N/A	-Closed division
Amortization of Unfunded Liability	22,785	N/A	
Total Employer Contribution	<u>27,747</u>	<u>N/A</u>	
Member Contribution - Average		4.64%	
<u><i>DIVISION 02 - POLICE</i></u>			
Normal Cost	2,874	N/A	-Closed division
Amortization of Unfunded Liability	8,132	N/A	
Total Employer Contribution	<u>11,006</u>	<u>N/A</u>	
Member Contribution - Average		5.00%	
<u><i>DIVISION 10 - GNRL AFSCME</i></u>			
Normal Cost	4,717	N/A	-Closed division
Amortization of Unfunded Liability	10,174	N/A	
Total Employer Contribution	<u>14,891</u>	<u>N/A</u>	
Member Contribution - Average		5.00%	
<u><i>DIVISION 12 - NONUNION After 07/2013</i></u>			
Normal Cost	2,771	7.98%	
Amortization of Unfunded Liability	32	0.09%	
Total Employer Contribution	<u>2,803</u>	<u>8.07%</u>	
Member Contribution - Average		4.64%	
<u><i>DIVISION 13 - PUBLIC SERVICE UNION After 07/2013</i></u>			
Normal Cost	2,182	5.80%	
Amortization of Unfunded Liability	5	0.01%	
Total Employer Contribution	<u>2,187</u>	<u>5.81%</u>	
Member Contribution - Average		5.00%	
<u><i>DIVISION 20 - CHIEFS/ LTS/SGT</i></u>			
Normal Cost	3,649	N/A	-Closed division
Amortization of Unfunded Liability	11,945	N/A	
Total Employer Contribution	<u>15,594</u>	<u>N/A</u>	
Member Contribution - Average		5.00%	
<u><i>DIVISION 21 - POLICE After 7/2013</i></u>			
Normal Cost	2,036	6.68%	
Amortization of Unfunded Liability	638	2.09%	
Total Employer Contribution	<u>2,674</u>	<u>8.77%</u>	
Member Contribution - Average		3.68%	

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PARTICIPANT SUMMARY

	Number	Annual Payroll *	Average		
			Annual Benefits	Age	Benefits Service
<u><i>DIVISION 01 - NONUNION</i></u>					
Active Employees	12	770,227			17.0
Vested Former Employees	9	134,018			12.1
Retirees and Beneficiaries	30	501,525	16,718	70.1	
<u><i>DIVISION 02 - POLICE</i></u>					
Active Employees	6	433,007			17.3
Vested Former Employees	7	94,109			10.5
Retirees and Beneficiaries	10	264,747	26,475	62.2	
<u><i>DIVISION 10 - GNRL AFSCME</i></u>					
Active Employees	15	874,546			18.8
Vested Former Employees	2	21,556			10.2
Retirees and Beneficiaries	12	266,216	22,185	65.0	
<u><i>DIVISION 12 - NONUNION After 07/2013</i></u>					
Active Employees	4	219,190			1.7
Vested Former Employees	1	621			1.0
Retirees and Beneficiaries	0	0	0	0.0	
<u><i>DIVISION 13 - PUBLIC SERVICE UNION After 07/2013</i></u>					
Active Employees	3	166,366			1.6
Vested Former Employees	0	0			0.0
Retirees and Beneficiaries	0	0	0	0.0	
<u><i>DIVISION 20 - CHIEFS/ LTS/SGT</i></u>					
Active Employees	6	471,675			15.7
Vested Former Employees	0	0			0.0
Retirees and Beneficiaries	7	233,938	33,420	70.5	
<u><i>DIVISION 21 - POLICE After 7/2013</i></u>					
Active Employees	5	273,548			3.8
Vested Former Employees	0	0			0.0
Retirees and Beneficiaries	0	0	0	0.0	
Total City of Howell					
Active Employees	51	3,208,559			14.0
Vested Former Employees	19	250,304			10.7
Retirees and Beneficiaries	59	1,266,426	21,465	67.8	
	129				

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

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ASSUMPTIONS/PERFORMANCE

Investment Performance

1 Year	10.85%
3 Years	5.32%
5 Years	8.30%
7 Years	8.18%
10 Years	5.11%

System Administration & Investment Expenses

Administration	0.21%
Investment Expenses	0.18%
Total	<u>0.39%</u>

Actuarial Investment Return 7.75%

Actuarial Long term Inflation Rate 3.75%

Smoothing Method 5 Years

<i>Amortization Method - Years</i>	Initial	Gain/Loss
	<u>UAL</u>	<u>UAL</u>
	22	22

Actuarial Cost Method Entry Age Normal Method

Opened or Closed Membership

Division	<i>NONUNION</i>	Closed
	<i>POLICE</i>	Closed
	<i>GNRL AFSCME</i>	Closed
	<i>NONUNION After 07/2013</i>	Open
	<i>PUBLIC SERVICE After 07/2013</i>	Open
	<i>CHIEFS/LTS/SGT</i>	Open
	<i>POLICE After 07/2013</i>	Open

If below 60% funded, what actions have been taken to reduce the systems UAL?

Investment Fiduciary MERS

- Conducts an experience study every five years to ensure assumptions match actual experience and make adjustments where necessary.
- Use a fixed amortization period.
- 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 2023.

City

- Starting in July 2013, the City closed it's current divisions to new hires. New hires after that date are offered a reduced pension benefit consisting of a reduced benefits multiplier.
- Starting in January 2016 most divisions, with the exception of Division 21 (Police after 7/2013) have increased the members contribution to their pension. The contribution will be 5% of payroll by December 2017.