

# Defined Benefit Funding, Financials and Your Annual Actuarial Valuation

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September 2023



# Agenda

- Connecting the Dots
- Statement of Fiduciary Net Position
- Annual Actuarial Valuation (AAV) Report
- Understanding Unfunded Accrued Liability (UAL)
- Resources and Key Takeaways

# Connecting the Dots

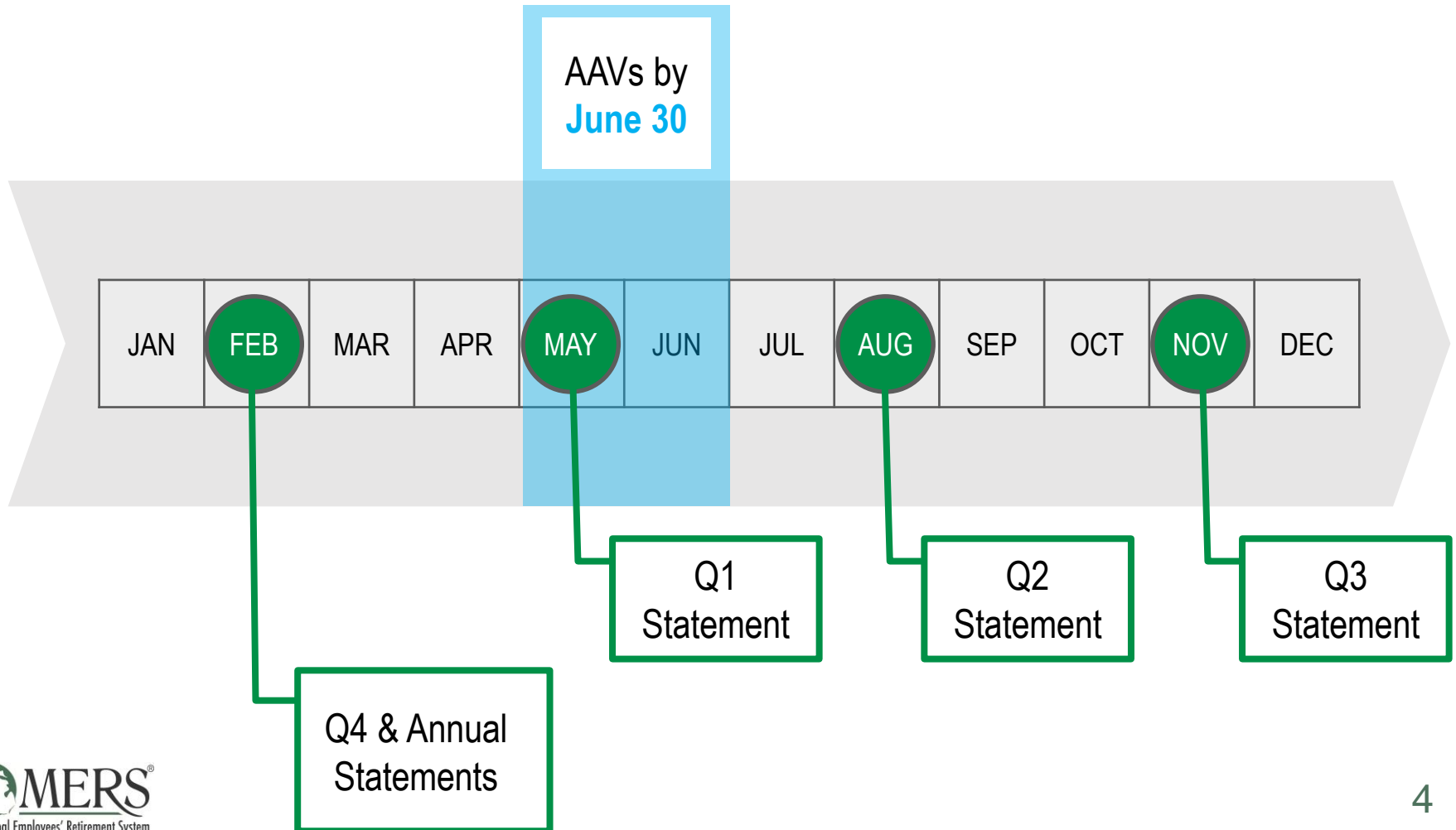


**Statement of Fiduciary  
Net Position**

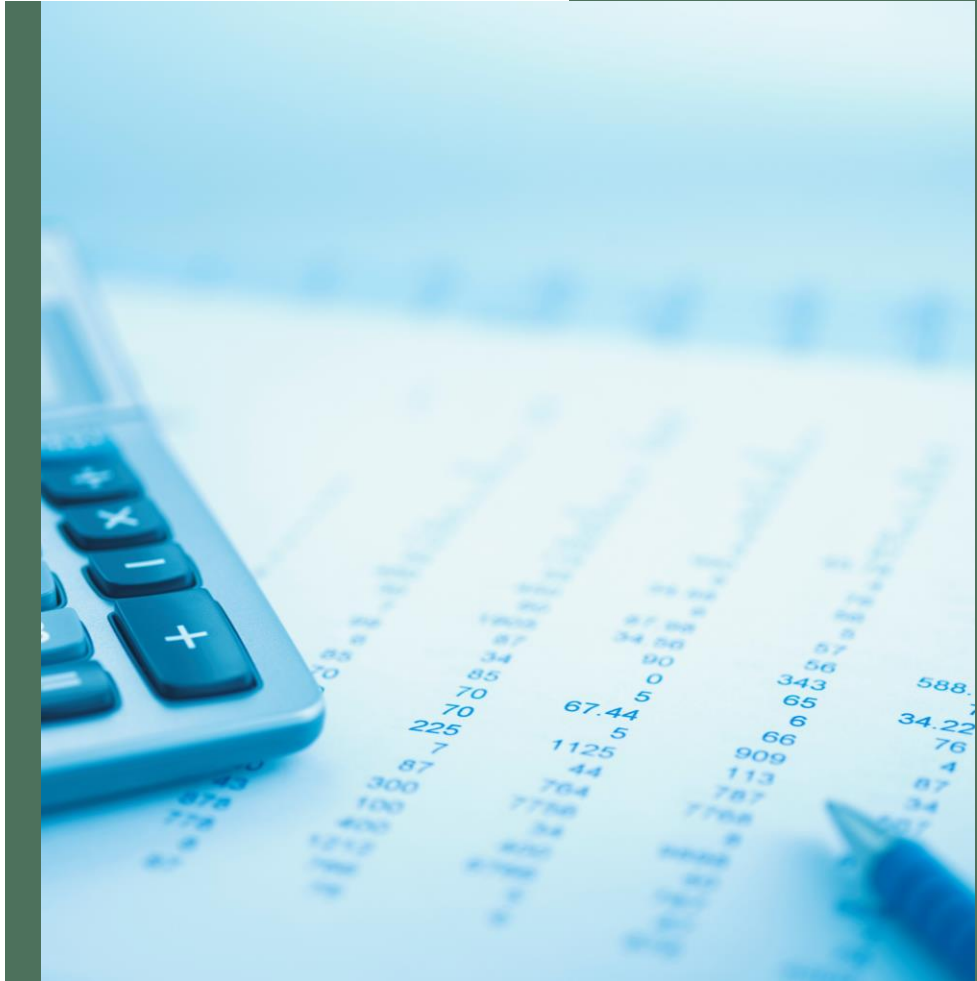
**Annual Actuarial  
Valuation (AAV) Report**

# Statements and Reports

## Timeline



# Statement of Fiduciary Net Position



# Quarterly Statements

Muni Number  
(first 4 digits)

Reporting Unit Number  
(last 2 digits)

Division Number  
(last 2 digits)



1134 Municipal Way  
Lansing, MI 48917  
(800) 767-6377

Statement of Fiduciary Net Position For the Quarter Ended 09/30/2022							
Customer Number: 555501							
Reserve for Employee Contributions							
Bargaining Unit	Balance as of 6/30/2022	Invoiced & Other Contributions	Transfers	EE Refunds	Interest on EE Balance		Balance as of 9/30/2022
55550101	\$27,655.81	\$1,336.41	\$0.00	\$0.00	\$0.00		\$28,992.22
Total	\$27,655.81	\$1,336.41	\$0.00	\$0.00	\$0.00		\$28,992.22
Reserve for Employer Contributions and Benefit Payments							
Bargaining Unit	Balance as of 6/30/2022	Invoiced & Other Contributions	Transfers & Fees	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 9/30/2022
55550101	\$490,602.93	\$4,692.49	\$0.00	(\$14,728.53)	(\$22,546.19)	(\$216.14)	\$457,804.56
Total	\$490,602.93	\$4,692.49	\$0.00	(\$14,728.53)	(\$22,546.19)	(\$216.14)	\$457,804.56
Combined Reserves							
	Balance as of 6/30/2022	Invoiced & Other Contributions	Transfers	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 9/30/2022
Total	\$518,258.74	\$6,028.90	\$0.00	(\$14,728.53)	(\$22,546.19)	(\$216.14)	\$486,796.78

Outstanding Accounts Receivable at 9/30/2022: \$1,998.78

# Annual Statement



1134 Municipal Way  
Lansing, MI 48917  
(800) 767-6377

Statement of Fiduciary Net Position For the Year Ending 12/31/2022							
Reserve for Employee Contributions							
Bargaining Unit	Balance as of 12/31/2021	Invoiced & Other Contributions	Transfers	EE Refunds	Interest on EE Balance		Balance as of 12/31/2022
	\$24,982.99	\$5,367.24	\$0.00	\$0.00	\$1,181.68		\$31,531.91
Total	\$24,982.99	\$5,367.24	\$0.00	\$0.00	\$1,181.68		\$31,531.91
Reserve for Employer Contributions and Benefit Payments							
Bargaining Unit	Balance as of 12/31/2021	Invoiced & Other Contributions	Transfers & Fees	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2022
	\$582,305.15	\$18,635.92	\$0.00	(\$58,914.12)	(\$63,867.29)	(\$1,094.54)	\$477,065.12
Total	\$582,305.15	\$18,635.92	\$0.00	(\$58,914.12)	(\$63,867.29)	(\$1,094.54)	\$477,065.12
Combined Reserves							
	Balance as of 12/31/2021	Invoiced & Other Contributions	Transfers	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2022
Total	\$607,288.14	\$24,003.16	\$0.00	(\$58,914.12)	(\$62,685.61)	(\$1,094.54)	\$508,597.03

Outstanding Accounts Receivable at 12/31/2022: \$0.00



# **Annual Actuarial Valuation (AAV) Report**





# Annual Actuarial Valuation

- Your AAV report is a snapshot of your MERS Defined Benefit Plan as of December 31 each year
- The report provides your contribution rates for your following fiscal year
  - Example: Your 2022 AAV was made available in June 2023 and provides contribution rates for your 2024 fiscal year
- The report also provides insight to your plan's liabilities, funding levels, employer and employee contributions, and important information for GASB and state reporting



# Actuarial Assumptions

- Required contributions in a defined benefit plan are calculated by an accredited actuary using assumptions about future events
- These assumptions fall into two broad categories: **economic** and **demographic**

**Economic** assumptions are **forward looking trends** and include factors such as wage growth and the future expected investment return

**Demographic** assumptions **look back at the actual** experience of the plan, such as changes in the number of working and retired participants, when those participants will retire, and how long they'll live

# Checking our Assumptions

- As part of our fiduciary responsibility, MERS performs an **Experience Study** at least every five years to compare key assumptions to real world experience and make adjustments if necessary
  - Most recent Experience Study was in February 2020
- In today's ever-changing world, it is a fiscal best practice to review economic assumptions more frequently so plans can make incremental changes on an ongoing basis

## Market vs. Actuarial Value

- Each AAV explains the difference between market and actuarial value of assets
- Actuarial value of assets, used to determine both the funded ratio and the required employer contribution, is based on a smoothed value of assets
- **Asset smoothing** is a tool to reduce contribution volatility

### Market Value of Assets

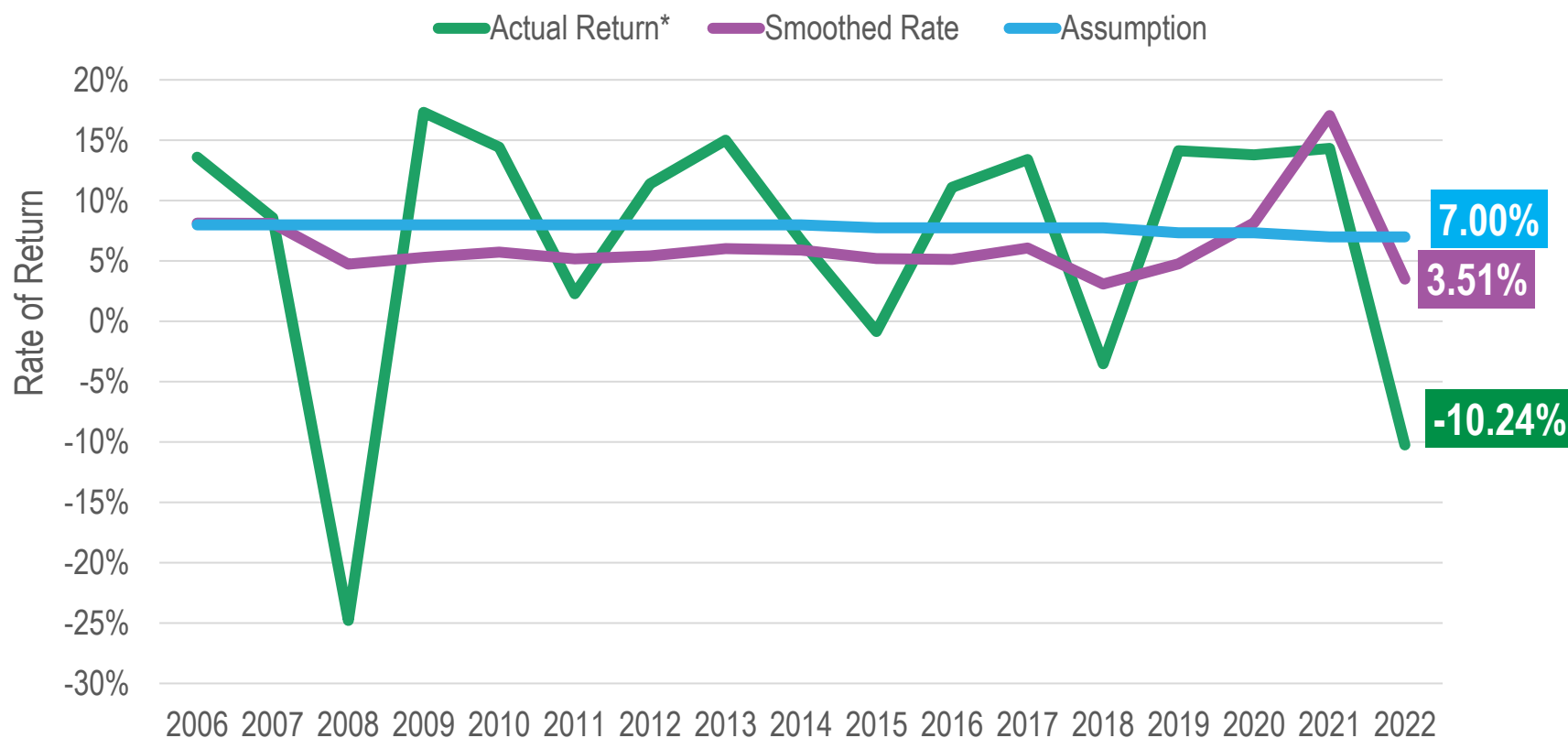
This is the actual amount of assets held in the plan (also called fiduciary net position) and is shown in your quarterly statements

### Actuarial Value of Assets

This number uses a *smoothed* asset value, and therefore is different than the actual amount of assets held in the plan

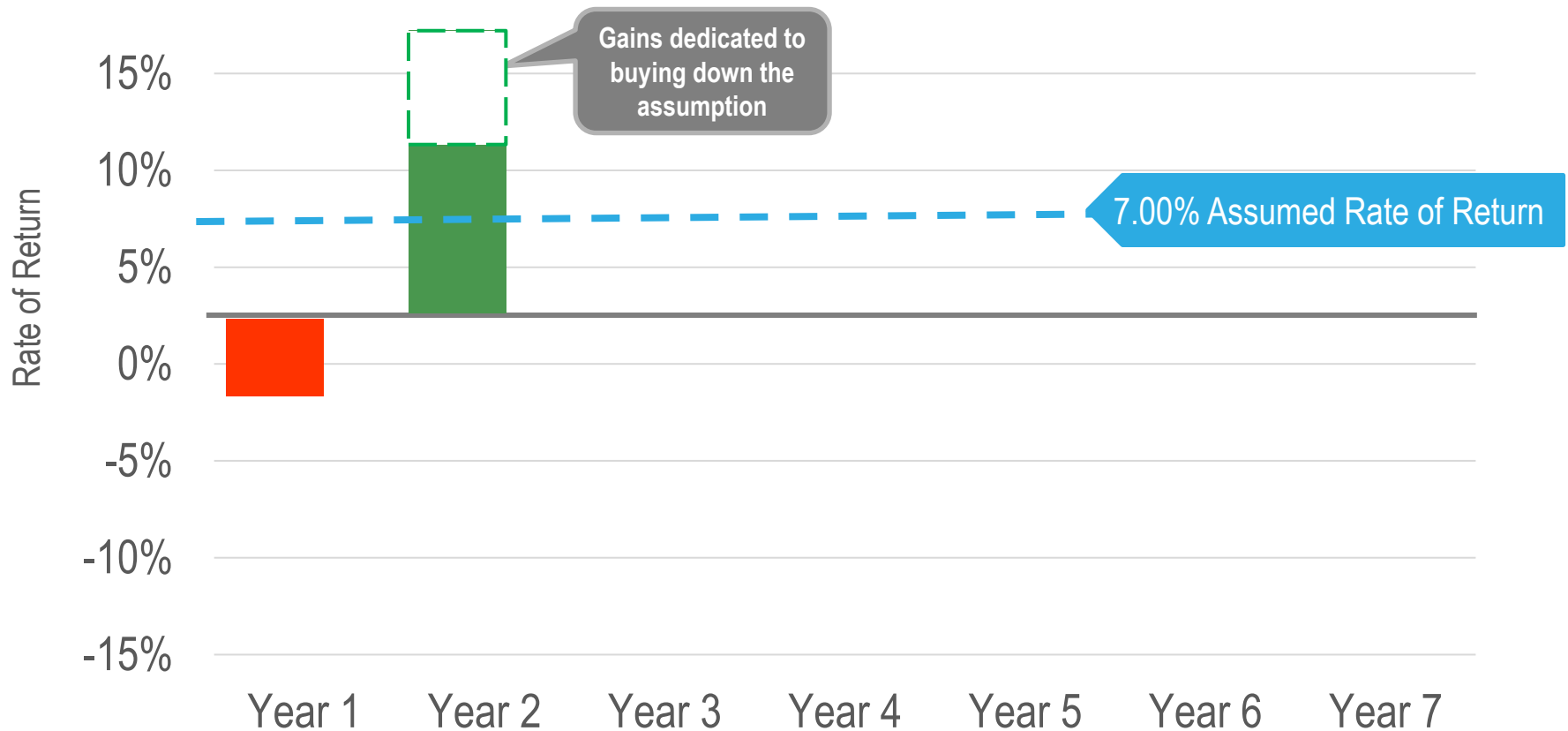
# Effect of Smoothing

Smoothing is a buffer against extreme fluctuations in the market



# How Smoothing Works

Spreads investment gains and losses over five years



# Municipal Employees' Retirement System of Michigan

## Derivation of Actuarial Value of Assets

Valuation Date December 31	2018	2019	2020	2021	2022	2023	2024	2025	2026
1. Beginning of Year Assets									
a) Market Value	\$9,438,790,673	\$8,956,119,550	\$9,916,708,010	\$11,001,035,223	\$12,492,868,709				
b) Valuation Assets	9,545,649,179	9,810,014,644	10,047,396,867	10,696,932,507	12,474,411,070				
2. End of Year Market Value of Assets	8,956,119,550	9,916,708,010	11,001,035,223	12,492,868,709	10,982,540,502				
3. Net Additions to Market Value									
a) Net Contributions	796,389,263	709,508,687	811,296,796	987,696,241	874,102,673				
b) Benefit Payments	(892,535,236)	(935,026,931)	(975,740,569)	(1,029,728,803)	(1,069,057,652)				
c) Net Cash Flow = (3a) + (3b)	(96,145,973)	(225,518,244)	(164,443,773)	(42,032,562)	(194,954,979)				
d) As a Percent of Market Value of Assets = (3c) / (1a)	(1.02%)	(2.52%)	(1.66%)	(0.38%)	(1.56%)				
4. Average Valuation Assets = (1b) + 0.5 x [(3a) + (3b)]	9,497,576,193	9,697,255,522	9,965,174,981	10,675,916,226	12,376,933,581				
5. Determination of Annual Gain/(Loss)									
a) Valuation Rate	7.75%	7.75%	7.35%	7.35%	7.00%				
b) Expected Income at Valuation Rate = (4) x (5a)	736,062,155	751,537,303	732,440,361	784,679,843	866,385,351				
c) Actual Net Investment Income = (2) - (3c) - (1a)	(386,525,150)	1,186,106,704	1,248,770,986	1,533,866,048	(1,315,373,228)				
d) Gain (Loss) = (5c) - (5b)	(1,122,587,305)	434,569,401	516,330,625	749,186,205	(2,181,758,579)				
6. Phased-In Recognition of Investment Return									
a) Current Year = 0.2 x (5d)	(224,517,461)	86,913,880	103,266,125	149,837,241	(436,351,716)				
b) First Prior Year	79,331,499	(224,517,461)	86,913,880	103,266,125	4,614,410	(\$436,351,716)			
c) Second Prior Year	36,545,010	79,331,499	(224,517,461)	86,913,880	0	\$4,614,410	(\$436,351,716)		
d) Third Prior Year	(266,909,765)	36,545,010	79,331,499	(224,517,461)	0	0	\$4,614,410	(\$436,351,716)	
e) Fourth Prior Year	0	(266,909,764)	36,545,009	79,331,497	0	0	0	\$4,614,409	(\$436,351,715)
f) Total Recognized Investment Gain/(Loss)	(375,550,717)	(288,636,836)	81,539,052	194,831,282	(431,737,306)	(431,737,306)	(431,737,306)	(431,737,307)	(436,351,715)
7. Change In Valuation Assets = (3a) + (3b) + (5b) + (6f)	264,365,465	237,382,223	649,535,640	937,478,563	239,693,066				
8. Corridor Test									
a) Preliminary Funding Value = (1b) + (7)				11,634,411,070	12,714,104,136				
b) Upper Corridor Limit = 1.2 x (2)				14,991,442,451	13,179,048,602				
c) Lower Corridor Limit = 0.8 x (2)				9,994,294,967	8,786,032,402				
d) Preliminary Funding Value Within Corridor				Yes	Yes				
9. Dedicated Gains (applicable if 8d is Yes)									
a) Excess gain remaining (current year) = Max( (5d - 6a), 0)				599,348,964	0				
b) Excess gains prior years (Year of Implementation Only)				259,108,675	0				
c) Total Excess gain = (9a) + (9b)				858,457,639	0				
d) Threshold				24,000,000	25,000,000				
e) Units = (9c) / (9d)				35	0				
f) Discount rate buy-down = (9e) x 0.01%				0.35%	0.00%				
g) Dedicated gain = (9d) x (9e)				840,000,000	0				
10. End of Year Assets									
a) Market Value = (2)	8,956,119,550	9,916,708,010	11,001,035,223	12,492,868,709	10,982,540,502				
b) Valuation Assets = (1b) + (7) + (9g)	9,810,014,644	10,047,396,867	10,696,932,507	12,474,411,070	12,714,104,136				
c) Difference Between Market & Valuation Assets	(853,895,094)	(130,688,857)	304,102,716	18,457,639	(1,731,563,634)				
11. Recognized Rate of Return = [(5b) + (6f) + (9g)] / (4)	3.80%	4.77%	8.17%	17.04%	3.51%				
12. Market Rate of Return = (5c) / [(1a) + 0.5 x (3c)]*	(4.12%)	13.41%	12.70%	13.97%	(10.61%)				
13. Valuation Asset Adjustment Factor = (10b) / (10a)	1.095342	1.013179	0.972357	0.998523	1.157665				

\* Market rate of return as shown is the dollar-weighted rate of investment return, net of expenses, assuming all cash flows occur mid-year as calculated by the Actuary. Market rates of return as computed by MERS Investments are time-weighted rates of return, net of investment expenses, and may differ from the Actuary's calculation.



## Table 4: Reported Assets (Market Value)

Division	2022 Valuation		2021 Valuation	
	Employer and Retiree <sup>1</sup>	Employee <sup>2</sup>	Employer and Retiree <sup>1</sup>	Employee <sup>2</sup>
01 - General	\$ 477,065	\$ 31,532	\$ 582,305	\$ 24,983
Municipality Total <sup>3</sup>	\$ 477,065	\$ 31,532	\$ 582,305	\$ 24,983
Combined Assets <sup>3</sup>	\$508,597		\$607,288	

<sup>1</sup> Reserve for Employer Contributions and Benefit Payments.

<sup>2</sup> Reserve for Employee Contributions.

<sup>3</sup> 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.

Combined Assets shown on  
2022 AAV equal the Total  
Balance found on the  
12/31/2022 Statement of  
Fiduciary Net Position

**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	\$ 7,935	\$ 3,061	\$ 7,613	\$ 19,303	\$ 0	\$ 0	\$ 0	\$ 355,121
2013	10,370	776	7,787	25,023	0	0	0	399,077
2014	7,311	4,426	8,115	25,288	0	0	0	444,217
2015	5,359	6,268	8,137	25,149	(4,015)	0	0	485,115
2016	4,991	6,412	8,002	28,859	(7,057)	0	0	526,322
2017	3,702	4,154	5,436	31,400	(31,690)	0	0	539,324
2018	5,340	1,652	4,838	18,828	(37,304)	(5,876)	0	526,802
2019	6,799	988	5,388	23,974	(41,313)	0	0	522,638
2020	14,444	258	5,888	40,770	(41,313)	0	0	542,685
2021	17,211	0	5,390	91,219	(50,114)	0	0	606,391
2022	18,636	0	5,367	17,305	(58,914)	0	0	588,785

# Table 10: Division-Based Layered Amortization Schedule

## Division 01 - General

Table 10-01: Layered Amortization Schedule

Type of UAL	Date Established	Original Balance <sup>1</sup>	Original Amortization Period <sup>2</sup>	Amounts for Fiscal Year Beginning 4/1/2024		
				Outstanding UAL Balance <sup>3</sup>	Remaining Amortization Period <sup>2</sup>	Annual Amortization Payment
Initial	12/31/2015	\$ 43,009	23	\$ 46,022	16	\$ 3,900
(Gain)/Loss	12/31/2016	16,622	22	17,934	16	1,524
(Gain)/Loss	12/31/2017	(15,528)	21	(16,647)	16	(1,416)
(Gain)/Loss	12/31/2018	96,813	20	103,376	16	8,760
(Gain)/Loss	12/31/2019	41,650	19	44,166	16	3,744
Assumption	12/31/2019	20,473	19	20,772	16	1,764
Experience	12/31/2020	28,424	18	30,339	16	2,568
Experience	12/31/2021	(13,380)	17	(14,364)	16	(1,212)
Experience	12/31/2022	21,211	16	23,083	16	1,956
<b>Total</b>				<b>\$ 254,681</b>		<b>\$ 21,588</b>

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

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

<sup>3</sup> This is the remaining balance as of the valuation date, projected to the beginning of the fiscal year shown above.

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

Division	Total Normal Cost	Employee Contribution Rate	Employer Contributions <sup>1</sup>			Computed Employer Contribution With Phase-In	Blended ER Rate No Phase-In <sup>5</sup>	Blended ER Rate With Phase-In <sup>5</sup>	Employee Contribution Conversion Factor <sup>2</sup>
			Employer Normal Cost <sup>6</sup>	Payment of the Unfunded Accrued Liability <sup>4</sup>	Computed Employer Contribution No Phase-In				
Percentage of Payroll									
01 - General	12.70%	7.30%	5.40%	26.84%	32.24%	31.09%			0.79%
Estimated Monthly Contribution <sup>3</sup>									
01 - General			\$ 362	\$ 1,799	\$ 2,161	\$ 2,084			
Total Municipality			\$ 362	\$ 1,799	\$ 2,161	\$ 2,084			
Estimated Annual Contribution <sup>3</sup>			\$ 4,344	\$ 21,588	\$ 25,932	\$ 25,008			

<sup>1</sup> The above employer contribution requirements are in addition to the employee contributions, if any.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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).

<sup>6</sup> 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.

# Tying it all Together

- Statement of Fiduciary Net Position provides market value of assets
- Smoothing applied to calculate asset adjustment factor
- Asset adjustment factor multiplied by market value of assets to get the actuarial investment gain or loss and the total actuarial value of assets
- The investment gain or loss is amortized, and a portion is included in the annual contribution requirements





# **Understanding Unfunded Accrued Liability (UAL)**



# 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 funding ratio may be a useful plan measurement, understanding a plan's funding trend may be more important than a particular point in time

	12/31/2022	12/31/2021
Funded Ratio*	70%	72%

\* Reflects assets from Surplus divisions, if any.



**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			
01 - General	\$ 200,475	\$ 0	\$ 643,947	\$ 1,492	\$ 845,914	\$ 588,785	69.6%	\$ 257,129
<b>Total</b>	<b>\$ 200,475</b>	<b>\$ 0</b>	<b>\$ 643,947</b>	<b>\$ 1,492</b>	<b>\$ 845,914</b>	<b>\$ 588,785</b>	<b>69.6%</b>	<b>\$ 257,129</b>

**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	\$ 315,562	\$ 198,705	63%	\$ 116,857
2009	323,581	240,188	74%	83,393
2010	345,341	278,495	81%	66,846
2011	367,968	317,209	86%	50,759
2012	374,479	355,121	95%	19,358
2013	408,659	399,077	98%	9,582
2014	451,440	444,217	98%	7,223
2015	528,124	485,115	92%	43,009
2016	588,438	526,322	89%	62,116
2017	588,368	539,324	92%	49,044
2018	672,240	526,802	78%	145,438
2019	737,461	522,638	71%	214,823
2020	792,152	542,685	69%	249,467
2021	845,596	606,391	72%	239,205
2022	845,914	588,785	70%	257,129

Notes: Actuarial assumptions were revised for the 2008, 2009, 2010, 2011, 2012, 2015, 2019, 2020 and 2021 actuarial valuations.

# Plan Design Strategies

## Reduce Future Liability for New Hires

- Higher retirement age
- Defined Benefit Plan with lower provisions
- Hybrid Plan
- Defined Contribution Plan

## Reduce Future Liability for Existing Employees

- Lower multiplier going forward
- Eliminate COLA on future service

## Eliminate Accrual of Future Liability

- Plan freeze

# Plan Design Trends

## To Manage UAL

Strategy	Description	Trend					Impact
		2019	2020	2021	2022	2023	
<b>Lower Benefit to New Hires</b>	New hires receive a lower tier of Defined Benefit provisions	24	16	10	20	1	Existing employees not affected Reduces the liability for new hires
<b>Bridged Benefits for Existing Employees</b>	Benefits are offered in parts to existing employees Multiplier is lower going forward	15	12	4	10	0	Leaves earned benefits unchanged Reduces the liability for new hires and existing employees
<b>Bridged Cost of Living Adjustment (COLA)</b>	Eliminates the COLA on future service credit	8	2	3	4	0	Leaves earned benefits unchanged Reduces the liability for new hires and existing employees
<b>Hybrid for New Hires</b>	New hires receive a Hybrid Plan	0	5	3	3	0	Existing employees are not affected Reduces liability for new hires
<b>Defined Contribution for New Hires</b>	New hires receive a Defined Contribution Plan	44	81	41	62	6	Existing employees are not affected Eliminates liability for new hires
<b>Defined Benefit Plan Freeze</b>	Plan is frozen and all employees move to a new plan	4	8	6	6	2	Existing employees do not accrue additional service credit and FAC is frozen

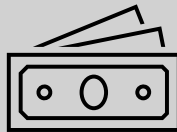
Divisions that have adopted these strategies as of 7/31/2023

# Funding Strategies



## Cost Sharing

- Reduces burden on employer



## Voluntary Contributions

- Reduces existing liability



## Bonding

- Available to some municipalities

# Funding Strategies

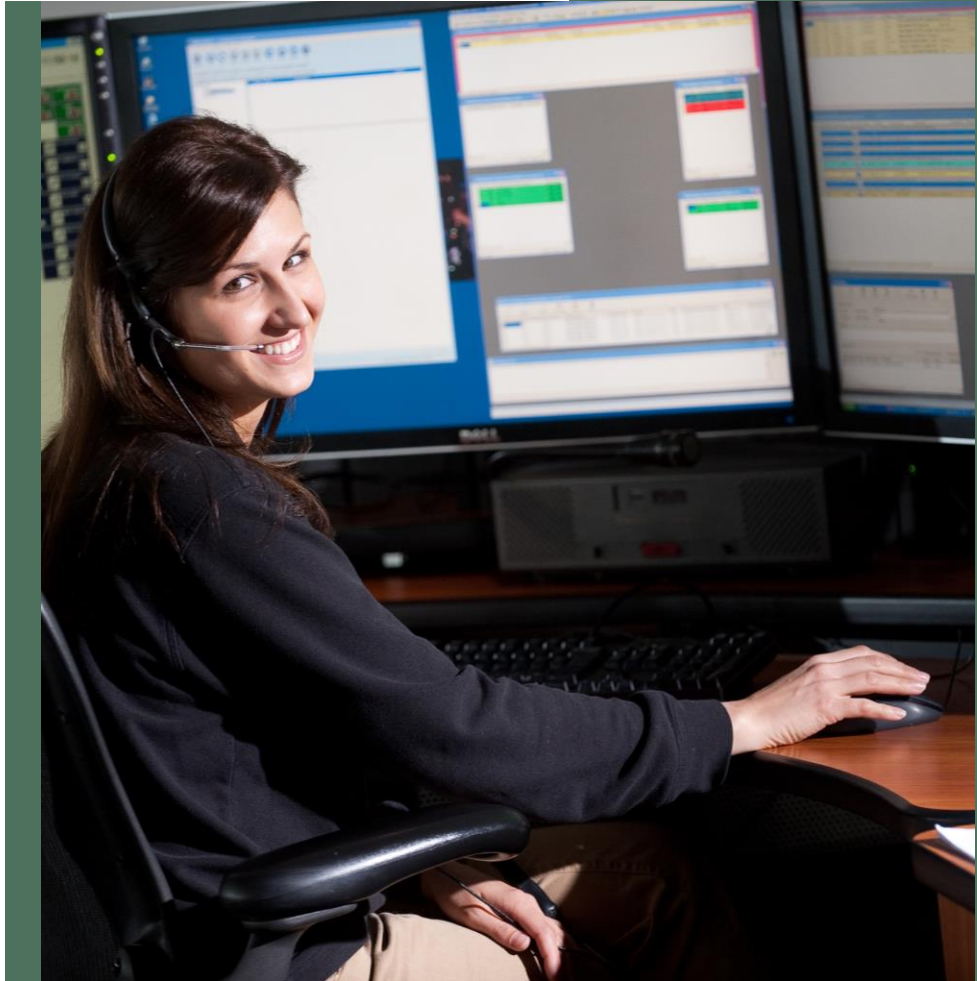
## To Manage UAL

Strategy	Description	Trend					Impact
		2019	2020	2021	2022	2023	
<b>Cost Sharing for Existing Employees<sup>1</sup></b>	Employees contribute to help fund the overall cost of the plan	138	91	73	69	43	Reduces the employer cost, but does not affect total cost or the plan's unfunded liability
<b>Voluntary Contributions<sup>1</sup></b>	Additional payments made into plan toward unfunded liability	464	464	471	380	303	Reduces existing liability Extra dollars are invested and recognize market returns
<b>Bonding<sup>2</sup></b>	Municipalities may bond for all or a portion of their unfunded accrued liabilities — pension or OPEB	1	1	6	5	0	Proceeds of the bond are deposited and potentially will fully fund the UAL No guarantee that future unfunded liabilities may not occur

<sup>1</sup> Divisions that have adopted this strategy as of 7/31/2023.

<sup>2</sup> Municipalities that have adopted this strategy as of 7/31/2023.

# Additional Resources





# Statement of Fiduciary Net Position by Employer



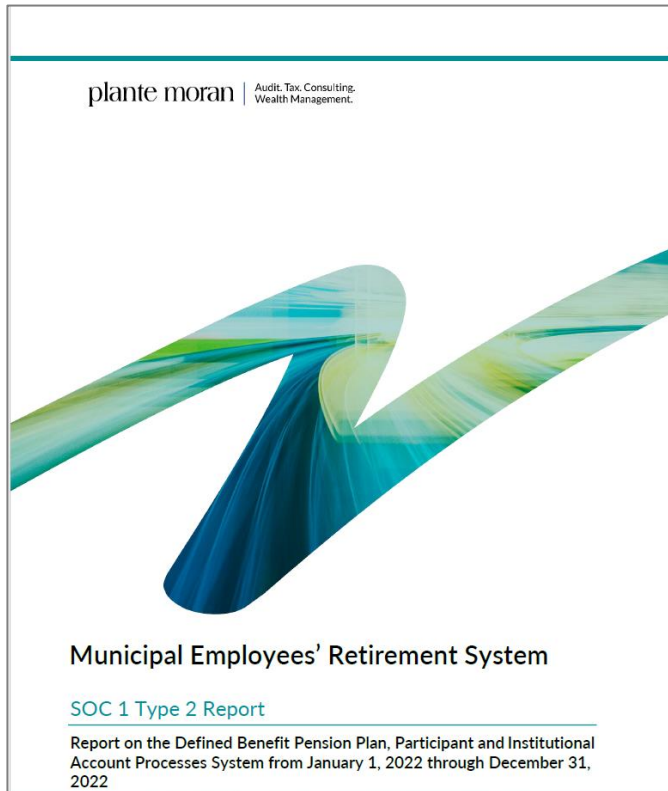
## Schedule of Changes in Fiduciary Net Position by Employer – Defined Benefit Pension Plan

As of and for the Twelve Months Ended December 31, 2022

## Statement of Fiduciary Net Position by Employer

- Third-party audit conducted by Plante Moran
- Your auditor may require it
- Available in the Employer Portal

# Service Organization Control (SOC) Report



## SOC 1 Type 2 Report

- Third-party audit conducted by Plante Moran
- Your auditor may require it
- Available in the Employer Portal

# Census Report



**PARTICIPANT DATA**  
Annual Actuarial Valuation Report  
December 31, 2022

**Active Employees\***

Indiv. ID	Munic. Num.	Div. Num.	Participant Name	Gender	DOB	Reported Wages	Valuation Wages	Total Benefit Service Months	Vesting Service Months	Eligibility Service Months	Valuation Service Months	Projected Retirement Date**	Est Monthly SL Benefit**
198163	0311	01	Leonardo	M	1/1/1983	4,705.00	4,705.00	312	312	312	312	01/01/2024	237.25
3128376	0311	01	Raphael	M	2/2/1984	4,655.00	4,655.00	119	119	119	119	09/01/2028	91.70
3198845	0311	01	Michelangelo	M	3/3/1985	26,756.64	26,757.00	16	16	16	16	12/01/2045	66.68
225686	0311	01	Donatello	M	4/4/1986	39,130.00	39,130.00	237	237	237	237	03/01/2026	1,462.77
Total			4 Active Employees			\$75,246.64	\$75,247.00						

\* All data elements were provided by MERS and were not audited by GRS.

\*\* These data elements were not used in the calculation of the liabilities.

Your Census Report contains demographic information about your:

- Active employees
- Retirees and beneficiaries
- Vested former employees (deferred)
- Non-vested former employees (terminated)

# Self-Service Actuarial Tool

## Total Liability Calculator (TLC) Basic

- As part of our fiduciary responsibility, MERS is committed to helping customers understand and manage their retirement plans
- We have partnered with **GovInvest**, a leading data visualization organization, to provide you with an actuarial self-service online tool – **TLC Basic**
- Our goal is to bring your data to life to assist with understanding, analyzing and communicating with stakeholders about your plan



# How to Read Your Statement of Fiduciary Net Position



As an employer with a MERS Defined Benefit Plan, you will receive a quarterly statement detailing the actual market value of your plan's assets at the end of each quarter. Following the end of the calendar year, you will also receive an annual statement that reflects all the activity on your account for the calendar year. This is also known as your plan's *fiduciary net position* for Governmental Accounting Standards Board (GASB) reporting.

When reading your statement, it helps to understand how the information is organized. For example:


- Within the six-digit Customer Number, the first four digits are the municipality number (5555) and the last two digits represent the reporting unit (01).
- Under Bargaining Unit, each of the divisions within the plan are accounted for separately. This customer has four divisions (01, 11, 12, 13 and 14), as well as one surplus division (S1).

Muni Number  
(first 4 digits)

Reporting Unit Number  
(last 2 digits)

Division Number  
(last 2 digits)

Statement is divided  
into 3 sections



1134 Municipal Way  
Lansing, MI 48917  
(800) 767-6377

Finance Contact Name  
Employer Name  
123 Main St  
Anytown, MI 12345

Customer Number: 555501

Statement of Fiduciary Net Position  
For the Year Ending 12/31/2019

Reserve for Employee Contributions

Bargaining Unit	Balance as of 12/31/2018	Invoiced & Other Contributions	Transfers	EE Refunds	Interest on EE Balance	Balance as of 12/31/2019
55550101	\$1,081,956.59	\$70,177.91	(\$1,931.78)	(\$23,091.20)	\$17,109.74	\$1,144,221.36
55550112	\$130,398.50	\$28,587.63	\$0.00	\$0.00	\$2,073.15	\$161,049.31
55550113	\$337,172.92	\$38,408.85	\$0.00	(\$3,674.82)	\$579.83	\$72,454.98
55550114	\$4,173.72	\$372.84	\$0.00	\$0.00	\$96.39	\$4,612.92
Total	\$1,253,697.83	\$137,547.23	(\$1,931.78)	(\$26,766.02)	\$19,859.21	\$1,382,368.57

Reserve for Employer Contributions and Benefit Payments

Bargaining Unit	Balance as of 12/31/2018	Invoiced & Other Contributions	Transfers & Fees	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2019
55550101	\$10,539,901.89	\$824,208.00	\$1,931.78	(\$1,971,282.22)	\$1,502,789.13	(\$26,144.74)	\$10,871,403.84
55550111	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
55550112	\$131,622.17	\$27,072.00	\$0.00	\$0.00	\$37,060.27	(\$677.35)	\$195,077.09
55550113	\$32,038.44	\$38,402.92	\$0.00	\$0.00	\$13,096.41	(\$239.27)	\$83,298.50
55550114	\$65,056.87	\$2,628.00	\$0.00	(\$12,289.92)	\$8,845.50	(\$153.17)	\$64,087.28
555501S1	\$2,874,343.23	\$2,066,000.00	\$0.00	\$0.00	\$482,039.53	(\$8,376.21)	\$5,414,006.55
Total	\$13,642,962.60	\$2,958,310.92	\$1,931.78	(\$1,983,572.14)	\$2,043,830.84	(\$35,590.74)	\$16,627,873.26

Combined Reserves


	Balance as of 12/31/2018	Invoiced & Other Contributions	Transfers	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2019
Total	\$14,896,654.43	\$3,095,858.15	\$0.00	(\$2,010,338.16)	\$2,063,658.15	(\$35,590.74)	\$18,010,241.83

Outstanding Accounts Receivable at 12/31/2019: \$0.00

NOTE: Any amounts in parenthesis indicate a negative number (money going out of the account due to transfers, refunds, benefits paid, or market losses).

Included with your quarterly statement notification emails and available under the Defined Benefit Resources tab on [mersofmich.com](http://mersofmich.com)

# Annual Actuarial Valuations (AAV) Webpage



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## Annual Actuarial Valuations (AAV)

The annual actuarial valuation (AAV) is an important tool to help you budget for your municipality's retirement benefits, with information specific to your municipality's retirement plan. While MERS pools assets for investment purposes, individual accounts are maintained for each municipality. Each entity is responsible for the employer contributions needed to provide benefits for its employees and former employees. View a [consolidated report of all MERS plans](#).

The annual actuarial valuation is a report provided to you as a snapshot of your MERS Defined Benefit Plan as of December 31 each year. The information in the report will provide your contribution rates for your following fiscal year. The report also provides insight to your plan's liabilities, funding levels, contributions for both the employer and employee, and important GASB information.

### When to Expect Your Report

You can expect your report to be available in your Employer Portal by about June 30 for the previous calendar year. For instance, you can expect the 2021 report to arrive around June 30, 2022. This report will contain contribution rate information for the 2023 fiscal year.

### Understanding Your Annual Actuarial Valuation

This guide outlines each section of your report and provides answers to some frequently asked questions. For more

#### Quick Links:

- [Actuarial Assumptions](#)
- [Managing UAL](#)
- [GovInvest Actuarial Tool](#)

#### Videos:

- [Understanding Your Annual Actuarial Valuation](#)
- [Understanding Defined Benefit Pensions](#)
- [Understanding Investment Return Assumption](#)
- [How Smoothing Works](#)

# Employer Resources



## Employer Meetings

- Roundtable events hosted by your Regional Team
- Informal conversation with MERS CEO

## Annual Conference

- Held each fall
- Educational sessions
- Business meeting
- Board election

## Communications from MERS

- CEO updates and Municipal Matters emails
- Communications Corner available on our website
- Administrative and Policy change log

## Inside MERS Investments Podcast

- Updates from MERS Chief Investment Officer



# Key Takeaways



Your quarterly and annual **Statements of Fiduciary Net Position** provide detailed information about the **actual market value** of the assets held by your plan.



Your **AAV** takes information from your annual statement and applies smoothing to determine the **actuarial value** of assets, which used to calculate your funded ratio and minimum required employer contributions



The **GovInvest TLC Basic** tool can be used to project the impact of additional contributions to your plan



Your **regional manager** is available to review the information in your 2022 AAV with you and your board, as needed

# Your Regional Manager



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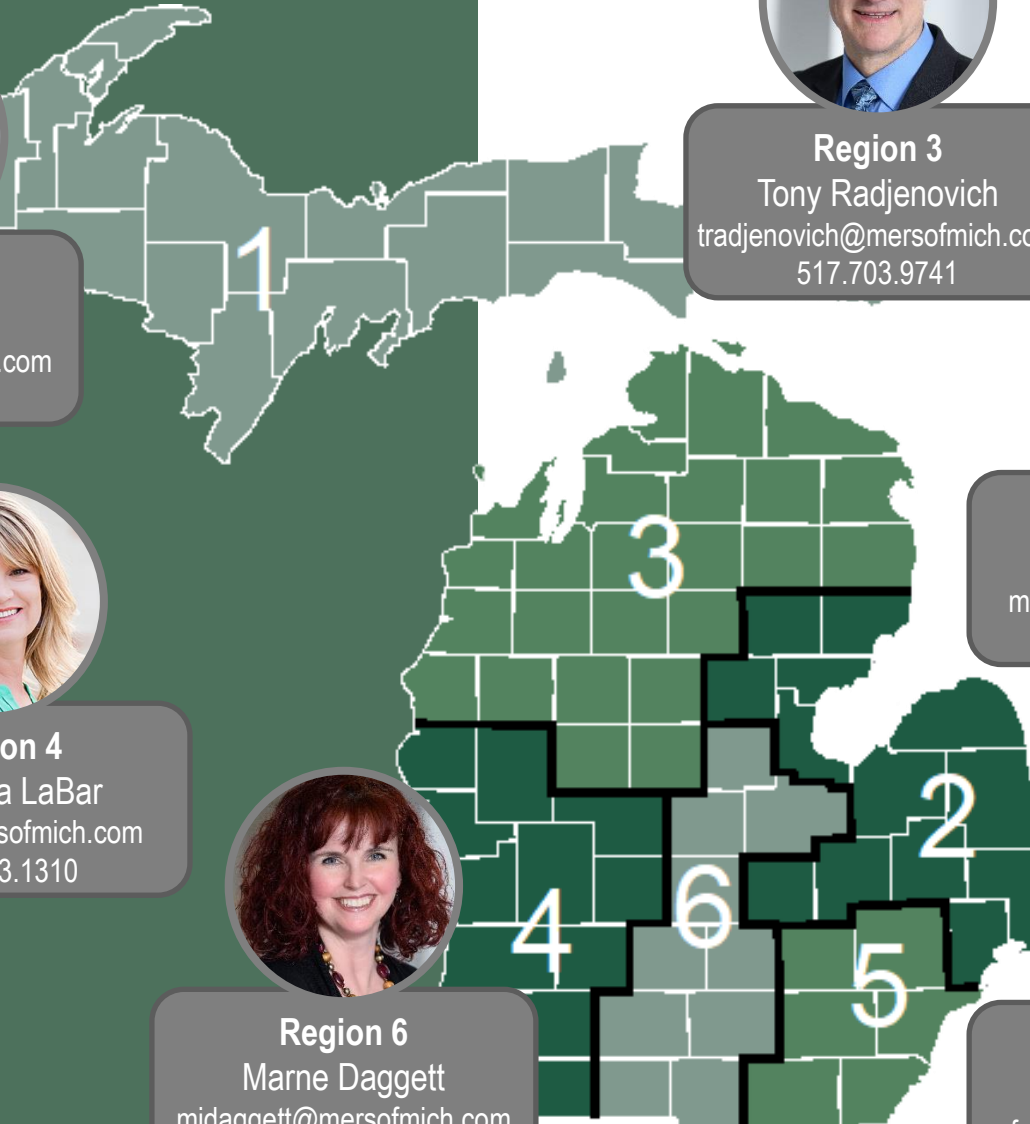
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*This presentation contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date. Where the publication conflicts with the relevant Plan Document, the Plan Document controls.*

