



# Tuscola County Employees' Retirement System Summary Annual Report

Year Ending: December 31, 2016



## **Tuscola County 2016 Actuarial Results Summary**

This report summarizes the results of the Annual Actuarial Valuation, prepared as of December 31, 2016.

The report includes the value of assets, accrued liabilities, and will summarize the total funded ratios for Tuscola County.

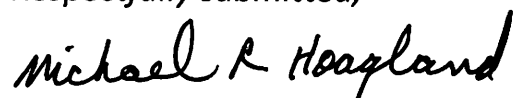
The Retirement System, which is managed by MERS of Michigan, is designed to help meet our employee's financial needs due to disability, retirement or death. The Board of Commissioners responsibility is to oversee the general administration of the plans.

The actuarial assumptions and methods are adopted by the MERS Retirement Board, and are reviewed every five years in an Experience Study. The Experience Study is a comprehensive, detailed analysis that reviews MERS' funding policy and compares actual experience with the current actuarial assumptions; the study recommends adjustments as necessary.

In 2016 Tuscola County issued Pension Obligation Bonds to fully fund the Unfunded Accrued Liability portions of our Defined Benefit Plans.

This summary report has been prepared to give you an overview of the Retirement System and how it functions. The retirement system is governed by the provisions of Tuscola County. As a summary, we cannot cover all of the details of our 17 Divisions in the MERS System, additional information can be found in the actuarial valuation, and audited financial statements that can be obtained from the Tuscola County Controller/Administrators Office or accessed via the Tuscola County website at [www.tuscolacounty.org](http://www.tuscolacounty.org)

*Respectfully submitted,*



*Michael R. Hoagland*

*Tuscola County Controller/Administrator*

**Name of System**

Tuscola County Employees Retirement System

**Effective date**

The plan was originally effective as of July 1, 1967

**Investment fiduciary**

MERS of Michigan

**System Service providers**

MERS of Michigan, CBIZ Retirement Plan Services (actuary)

**Summary of assets and liabilities**

<b>Total County</b>	<b>Accrued Liability</b>	<b>Valuation Assets</b>	<b>Percent Funded</b>	<b>Unfunded Accrued Liabilities</b>
<b>Active Employees</b>	<b>\$14,416,025</b>	<b>\$14,071,545</b>	<b>97.6%</b>	<b>\$344,480</b>
<b>Vested Former Employees</b>	<b>1,447,282</b>	<b>1,447,282</b>	<b>100.0%</b>	<b>-0-</b>
<b>Retirees and Beneficiaries</b>	<b>18,915,467</b>	<b>18,915,467</b>	<b>100.0%</b>	<b>-0-</b>
<b>Pending Refunds</b>	<b>172,788</b>	<b>172,788</b>	<b>100.0%</b>	<b>-0-</b>
<b>Total Participants</b>	<b>\$34,951,562</b>	<b>\$34,607,082</b>	<b>99.0%</b>	<b>\$344,480</b>

**Investment Performance**

Investment performance net of fees:

1 year: 10.85%

3 years: 5.32%

5 years: 8.30%

7 years: 8.18%

10 years: 5.11%

## System administration and investment expenses

As of December 31, 2016 the cost of the Defined Benefit Plan was 0.39% (0.21% for administration and 0.18% for investments).

### Participant Summary

	Number	Annual Payroll	Average Annual Retirement allowance
Active Employees	138	\$6,087,878	
Vested Former Employees	25	\$257,698	
Retirees and Beneficiaries	132	\$2,006,012	\$15,197
<b>Total Participants</b>	<b>295</b>		

### Employer Contributions Details

	Normal Cost	UAL	Total Contribution
Estimated Annual Contribution	<b>\$342,348</b>	<b>\$7,680</b>	<b>\$350,028</b>

### Employee Defined Benefit Rates

Employee contribution rates are 4.7% if hired before 1-1-2011 and 6.7% if hired on 1-1-2011 until 12-31-15. Effective 1-1-2016, Tuscola County adopted DC plans for all new hires, and in April of 2016 the county Bonded the full cost of the unfunded pension obligation.

### Defined Contribution Rates

Employee	0-4%	5%,	6%
Employer	4%	4.5%	5%

The actuarial value of assets, used to determine both our funded ratio and our required employer contribution, is based on a 5 year smoothed value of assets. The smoothed actuarial rate of return for 2016 was 7.75%. Actuarial long term inflation rate is 3.75%.

### Amortization Method

Layered Amortization Schedules from 10 to 19 years in our 17 divisions shown below. All Defined Benefit plans are closed to new hires as of 12-31-15.

### Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
12-31-06	20,136,047	21,260,458	1,124,417	94.7%
12-31-07	21,546,461	22,620,177	1,073,716	95.3%
12-31-08	22,229,277	24,362,442	2,133,165	91.2%
12-31-09	22,665,201	25,258,027	2,592,826	89.7%
12-31-10	23,419,238	26,325,295	2,906,057	89.0%
12-31-11	24,053,833	27,682,168	3,628,335	86.9%
12-31-12	24,521,554	28,327,052	3,805,498	86.6%
12-31-13	25,227,788	29,531,643	4,303,855	85.4%
12-31-14	25,758,942	30,893,578	5,134,636	83.4%
12-31-15	26,287,968	33,703,096	7,415,128	78%
12-31-16	34,951,562	34,607,082	344,480	99%

### Steps Tuscola County has taken to reduce UAL

Tuscola County has taken many actions to reduce their unfunded accrued liabilities over the last few years. In 2011 we increased the employee share from 4.7% to 6.7% and changed the benefit multiplier from 2.25% to 2.00%. We also voluntarily contributed an additional \$218,818 in fiscal year 2015. Our funding levels were still showing a decline from 2014 of 83.4% to 78% in 2015. With this growing concern, the Commissioners felt it necessary to seek bonding to reduce the unfunded portion of the retirement. As of 12-31-2015, Defined Benefit plans were closed and effective 1-1-2016 the county adopted Defined Contributions for all new hires. April 2016 the county issued pension obligation bonds for \$6,980,000.

### Other OPEB

The county does not have any other OPEB.