

**Otsego County Road Commission**  
**PA 530 of 2016 Compliance**

**MERS Pension**

Name of System – Otsego County Road Commission

Name of Investment Fiduciaries – MERS of Michigan

System's service providers – MERS of Michigan, CBIZ Retirement Plan Services (actuary)

System's Assets and Liability Changes – 12/31/15 Assets \$5,928,466.32 12/31/16 Assets \$6,332,620.09 change of \$404,153.77 & Total Pension Liability 12/31/15 \$11,249,020 Total Pension Liability 12/31/16 \$11,925,335 Change of \$676,315

System's funded Ratio – 55.8%

Investment Performance - Investment performance net of fees: 1yr 10.85% 3yr 5.32% 5yr 8.3%  
7yr 8.18% 10yr 5.11%

System Admin & Investment Expenses – At December 31, 2016 the cost of the defined benefit plan was 0.39% (0.21% for admin and 0.18% for investments)

Number of Actives – 33

Number of Retirees/Beneficiaries – 49

The average annual retirement allowance – \$16,167

Total annual retirement allowance - \$792,185

Valuation payroll for active employees - \$1,576,491

Normal cost - \$131,724

Total computed employer contribution - \$504,972

Weighted average member contribution – 3.5%

Actuarial investment return – 7.75%

Actuarial long-term inflation rate – 3.75%

Smoothing Period – 5yr's

Amortization period – 22yr's

Actuarial cost method – Entry age normal method

Open or closed membership – Division 01 closed Division 10 open Division 11 Open

**Actions taken to reduce the system UAL** – Otsego County Road Commission have taken measures over the years to lower their pension liability. Benefits have been lowered for new hires from a B4 to a B2 and new hires are no longer eligible for the B4 plan. Management checked out the Hybrid Plan, but the current plan employees are enrolled in, is actually lower than what the Hybrid would cost. Employees currently contribute 3.5% of their gross income which is increased from the 2016 total of 2.5%. In 2018, the employee contribution will increase to 4%. In addition, employees are encouraged to contribute to a 457 account to offset their retirement accounts. At our July 17, 2017 scheduled Board meeting, a representative from MERS will be present to discuss the possibility of offering a Defined Contribution to new hires and steps that could be taken to change all employees to a Defined Contribution plan. The Otsego County Road Commission makes additional monthly voluntary payments in the amount of \$10,000.00 and has recently contributed an additional \$100,000.00 into a surplus division plan to help offset our liability. We continue to look at ways to which we can lower our pension liability.

### **OPEB Plan**

Name of System – Otsego County Road Commission

Name of Investment Fiduciaries – NA

System's service providers – Burnham & Flower (CPA firm completed using alternative method)

System's Assets and Liability Changes – 12/31/15 Assets \$0 12/31/16 Assets \$0 change of \$0 & Total Pension Liability 12/31/15 \$8,138,731 Total Pension Liability 12/31/16 \$8,148,256.02 Change of \$9,525.02

System's funded Ratio – 0%

Investment Performance - NA

System Admin & Investment Expenses – NA inhouse

Number of Actives – 20

Number of Retirees/Beneficiaries – 36

The average annual retirement allowance – \$1,753

Total annual retirement allowance - \$963,118

Valuation payroll for active employees – N/A

Normal cost - \$63,118

Total computed employer contribution - \$307,622

Weighted average member contribution – 0%

Actuarial investment return – NA

Actuarial long-term inflation rate – NA (the inflation rate used were the health care inflation and a 3% assumed salary increase)

Smoothing Period – Na

Amortization period – 30 years

Actuarial cost method – Entry age normal method/Level percentage of payroll

Open or closed membership – Open

Health Care Inflation – National Health Expenditures Tale 3; Calendar Years 2005-2020

**Actions taken to reduce the OPEB liability** – Otsego County Road Commission implemented any costs over the cap amount be paid by the employee. We have been lucky that for the last two years our healthcare costs have been under the cap amount. Employees pay for all vision costs. The Road Commission negotiated with the employees to eliminate lifetime benefits for retirees and their spouses who were hired prior to 2009 but had not yet retired as of the contract date and will only cover the employee/retiree healthcare benefits until they become Medicare eligible. We will continue to look at coverages to keep costs down for both the employer and employee. The Road Commission is also looking into establishing a 115 Third Party Trust to address our healthcare liability.