

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013**

**NOTE G - PENSION PLAN**

Plan Description - Antrim County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917. The most recent report for which actuarial data was available was for the fiscal year ended December 31, 2012.

All full time county road union and administrative employees are eligible to participate in the system. Benefits vest after ten years of service. Union employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of the member's 5-year final average compensation per year of service. Administrative employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of the member's 3-year final average compensation per year of service. In addition, both union and administrative employees with 30 years of service can elect to retire at age 55. The system also provides death and disability benefits which are established by State Statute.

Participating county road employees are not required to contribute to the system. The county road is required to contribute the amounts necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2012. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2012 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013**

**NOTE G - PENSION PLANS (CONTINUED)**

GASB 25 INFORMATION (as of 12/31/12) (Most Recent Available)

Actuarial Accrued Liability:	
Active Members	\$ 4,460,919
Retirees and Beneficiaries	7,298,404
Vested Former Members/Terminated Employees	<u>51,097</u>
Total	11,810,420
Valuation Assets (Market Value \$5,320,343)	<u>6,282,734</u>
Unfunded Accrued Liability	<u><u>5,527,686</u></u>

GASB 27 INFORMATION (as of 12/31/12)

Fiscal year beginning	January 1, 2014
Annual required contribution (ARC)	\$ 462,024

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2012 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 27 years. The following table provides a schedule of contribution amounts and percentages for recent years.

<u>Annual Pension Cost</u>			
Year Ended December 31,	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2011	420,276	100%	-0-
2012	445,465	100%	-0-
2013	441,000	100%	-0-

The County Road Commission was required to contribute \$441,000 for the year ended December 31, 2013. Payments were based on contribution calculations made by MERS.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE G - PENSION PLANS (CONTINUED)**

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % Of Covered Payroll
2010	6,379,544	11,631,035	5,251,491	55%	1,479,712	355%
2011	6,415,349	12,061,908	5,646,559	53%	1,244,877	454%
2012	6,282,734	11,810,420	5,527,686	53%	1,271,679	435%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**NOTE H- RISK MANAGEMENT**

Antrim County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorize contracts between Municipal Corporations (inter-local agreements) to form group self-insurance pools.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, vehicle liability coverage, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Antrim County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, vehicle and equipment liability, bodily injury, property damage and personal injury liability. The Pool agreement provides that it shall be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance based upon limits determined by the Pool Board of Directors.

The road commission is also self-insured for worker's compensation as a member of the County Road Association Self Insurance Fund.

**NOTE I - LONG-TERM DEBT**

The long-term debt of the road commission is summarized as follows:

	Balance <u>1 /01/2013</u>	Additions (Reductions)	Balance <u>12/31/2013</u>
Compensated Absences	\$ 138,378	\$ 499	\$ 138,877
Post Employment Health Care (OPEB)	<u>229,192</u>	<u>56,903</u>	<u>286,095</u>
Total	<u>\$ 367,570</u>	<u>\$ 57,402</u>	<u>\$ 424,972</u>

Compensated absences are for accumulated personal, sick and vacation days. At December 31, 2013 the total accumulated liability was \$138,877.

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**NOTE J – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Effective for the 2008 calendar year, the Road Commission implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, for certain health care reimbursements provided by the Commission to retired employees. The requirements of this statement are being implemented prospectively, using the alternative calculation provision of the statement for employers with less than 100 employees, with the accrued liability for benefits amortized over future years. No liability is reported at the transition date. The Commission currently is not advance funding the liability. It is funding only the required current amount based on a pay-as-you go policy.

The following table shows the Commission's annual OPEB cost and calculation of the Annual Required Contribution

Normal Cost Component	
Normal Cost	\$ 57,796
Interest	3,179
Total Normal Costs	<u>\$ 60,975</u>
Amortization Component	
Actuarial Accrued Liability	\$ 978,361
Less: Assets	-
Unfunded Actuarial Accrued Liability	<u>978,361</u>
Divided by PV factor	<u>22.4707</u>
Amortization Payment	43,539
Interest	<u>2,395</u>
Total Amortization Payment	<u>45,934</u>
Annual Required Contribution	<u>\$ 106,909</u>
Annual Cost for OPEB	
Annual Required Contribution	\$ 106,909
Interest on Net OPEB obligation	-
Adjustments to ARC	<u>-</u>
Annual OPEB Cost	106,909
Contributions made - Current year	<u>(50,006)</u>
Increase in net OPEB obligation	56,903
Net OPEB obligation beginning of year	<u>229,192</u>
Net OPEB obligation end of year	<u>\$ 286,095</u>

The road commission provides post retirement health care benefits to all employees who retire from the road commission. Any employee retiring after 7/1/89, who had completed at least ten years of service and was eligible for retirement has \$150 per month contributed towards the employee and spouse coverage. Effective for retirees retiring after July 1, 1999 the commission contribution will be \$200 per month and effective July 1, 2003 \$250 per month. At age 65 those receiving \$250 per month change to \$200 per month for the remainder of their life. There were 28 retirees receiving benefits with an approximate annual cost of \$50,006. There were 33 active employees at December 31, 2013.