



Municipal Employees' Retirement System of Michigan

Annual Actuarial Valuation Report
December 31, 2025 - Ontonagon, Vlg of (6603)





Spring 2026

Ontonagon, Vlg of

In care of:
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

This report presents the results of the Annual Actuarial Valuation, prepared for Ontonagon, Vlg of (6603) as of December 31, 2025. The report includes the determination of liabilities and contribution rates resulting from the participation in the Municipal Employees' Retirement System of Michigan ("MERS"). This report contains the minimum actuarially determined contribution requirement, in alignment with the MERS Plan Document, Actuarial Policy, the Michigan Constitution, and governing statutes. Ontonagon, Vlg of is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees.

The purposes of this valuation are to:

- Measure funding progress as of December 31, 2025,
- Establish contribution requirements for the fiscal year beginning April 1, 2027,
- Provide information regarding the identification and assessment of risk,
- Provide actuarial information in connection with applicable Governmental Accounting Standards Board (GASB) statements, and
- Provide information to assist the local unit of government with State reporting requirements.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The findings in this report are based on data and other information through December 31, 2025. The valuation was based upon information furnished by MERS concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by MERS.

The Municipal Employees' Retirement Act, PA 427 of 1984 and the MERS' Plan Document Article VI Sec. 71 (1)(d), provides the MERS Board with the authority to set actuarial assumptions and methods after consultation with the actuary. As the fiduciary of the plan, the MERS Retirement Board sets certain assumptions for funding and GASB purposes. These assumptions are reviewed regularly through a comprehensive study, most recently in the Spring of 2025.

The Michigan Department of Treasury provides required assumptions to be used for purposes of Public Act 202, of 2017, reporting. These assumptions are for reporting purposes only and do not impact required contributions. Please refer to the State Reporting page found at the end of this report for information for this filing.

For a full list of the assumptions used, please refer to the division-specific assumptions described in table(s) in this report, and to the Appendix on the MERS website at:

<https://www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2025AnnualActuarialValuation-Appendix.pdf>

The actuarial assumptions used for this valuation, including the assumed rate of investment return, are reasonable for purposes of the measurement. The combined effect of the assumptions is expected to have no significant bias (i.e., not significantly optimistic or pessimistic). The asset valuation method is more likely to produce an actuarial value of assets that is greater than the market value of assets until application of the dedicated gains policy achieves an assumed rate of investment return of 6.50% (currently 6.79%).

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to the Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDROM). The LDROM calculation is provided in aggregate, along with aggregate employer results, in a separate report titled “Summary Report of the 80th Annual Actuarial Valuations,” and will be available on the MERS website during the fall of 2026.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of Ontonagon, Vlg of as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, the Actuarial Standards of Practice issued by the Actuarial Standards Board, and applicable statutes.

Rebecca L. Stouffer, Mark Buis, Kurt Dosson, and Shana M. Neeson are members of the American Academy of Actuaries. These actuaries meet the Academy’s Qualification Standards to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor. GRS maintains independent consulting agreements with certain local units of government for services unrelated to the actuarial consulting services provided in this report.

The Retirement Board of the Municipal Employees' Retirement System of Michigan confirms that the System provides for payment of the required employer contribution as described in Section 20m of Act No. 314 of 1965 (MCL 38.1140m).

This information is purely actuarial in nature. It is not intended to serve as a substitute for legal, accounting, or investment advice.



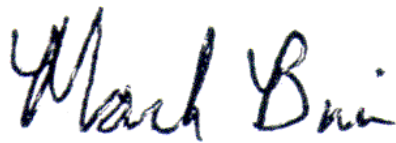
This report was prepared at the request of the MERS Retirement Board and may be provided only in its entirety by the municipality to other interested parties. MERS customarily provides the full report on request to associated third parties such as the auditor for the municipality. GRS is not responsible for the consequences of any unauthorized use. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

If you have reason to believe that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, that conditions have changed since the calculations were made, that the information provided in this report is inaccurate or is in anyway incomplete, or if you need further information in order to make an informed decision on the subject matter in this report, please contact your Regional Manager at 1.800.767.MERS (6377).

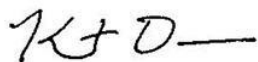
Sincerely,
Gabriel, Roeder, Smith & Company



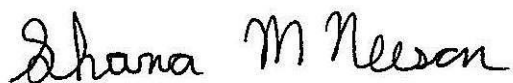
Rebecca L. Stouffer, ASA, FCA, MAAA



Mark Buis, FSA, FCA, EA, MAAA



Kurt Dosson, ASA, FCA, MAAA



Shana M. Neeson, ASA, FCA, MAAA



Table of Contents

Executive Summary	6
Table 1: Employer Contribution Details for the Fiscal Year Beginning April 1, 2027	13
Table 2: Benefit Provisions	14
Table 3: Participant Summary	15
Table 4: Reported Assets (Market Value)	16
Table 5: Flow of Valuation Assets	17
Table 6: Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2025	18
Table 7: Actuarial Accrued Liabilities - Comparative Schedule	19
Tables 8 and 9: Division-Based Comparative Schedules	20
Table 10: Division-Based Layered Amortization Schedule	23
GASB Statement No. 68 Information	25
Benefit Provision History	27
Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method	29
Risk Commentary	30
State Reporting	32

Executive Summary

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 the funded ratio may be a useful plan measurement, understanding a plan's funding trend may be more important than a particular point in time. Refer to Table 7 to find a history of this information.

	12/31/2025	12/31/2024
Funded Ratio*	65%	64%

* Reflects assets from Surplus divisions, if any.

Throughout this report are references to valuation results generated prior to the 2018 valuation date. Results prior to 2018 were received directly from the prior actuary or extracted from the previous valuation system by MERS' technology service provider.

Required Employer Contributions

Your required employer contributions are shown in the following table. Employee contributions, if any, are in addition to the employer contributions.

Effective with the December 31, 2021 valuation, the MERS Retirement Board adopted a Dedicated Gains Policy which allows for recognition of asset gains in excess of a set threshold in combination with lowering the assumed rate of investment return. The 2025 valuation reflects an assumed rate of investment return of 6.79%. Effective with the 2024 valuation, the MERS Retirement Board adopted updated demographic and economic assumptions.

	Percentage of Payroll		Monthly \$ Based on Projected Payroll	
Valuation Date:	12/31/2025	12/31/2024	12/31/2025	12/31/2024
Fiscal Year Beginning:	April 1, 2027	April 1, 2026	April 1, 2027	April 1, 2026
Division				
01 - General	-	-	\$ 12,877	\$ 12,002
10 - Admin	-	-	48,519	46,530
Total Municipality - Estimated Monthly Contribution			\$ 61,396	\$ 58,532
Total Municipality - Estimated Annual Contribution			\$ 736,752	\$ 702,384

Employee contribution rates:

Valuation Date:	Employee Contribution Rate	
	12/31/2025	12/31/2024
Division		
01 - General	0.00%	0.00%
10 - Admin	0.00%	0.00%

The employer may contribute more than the minimum required contributions, as these additional contributions will earn investment income and may result in lower future contribution requirements. Employers making contributions in excess of the minimum requirements may elect to apply the excess contribution immediately to a particular division, or segregate the excess into one or more “Surplus” divisions. An election in the first case would immediately reduce any unfunded accrued liability and lower the amortization payments throughout the remaining amortization period. Additional contribution into one or more Surplus divisions would not immediately lower future contributions, however the assets from the Surplus division(s) could be transferred to an unfunded division in the future to reduce the unfunded liability, or to be used to pay all or a portion of the minimum required contribution in a future year. For purposes of this report, the assets in any Surplus division have been included in the municipality’s total assets, unfunded accrued liability, and funded status; however, these assets are not used in calculating the minimum required contribution.

MERS strongly encourages employers to contribute more than the minimum contribution shown above. With the implemented dedicated gains policy, market gains and losses will continue to be smoothed over five years; however, excess returns are used to lower the investment assumption. Thus, there will be fewer gains to smooth in down markets. Having additional funds in Surplus divisions will assist plans with navigating potential short-term market volatility.

Assuming that experience of the plan meets actuarial assumptions:

- To accelerate to a 100% funding ratio in 10 years, estimated monthly employer contributions for the fiscal year beginning in 2027 for the entire employer would be \$75,394, instead of \$61,396.



The required employer contribution rates, or dollars if the division is closed, determined in this report are reasonable under Actuarial Standard of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, based on:

- The use of reasonable actuarial assumptions and cost methods;
- The use of reasonable amortization and asset valuation methods; and
- Application of the MERS funding policy which will accumulate sufficient assets to make benefit payments when due, assuming all assumptions will be realized, and the required employer contributions are made when due.

How and Why Do These Numbers Change?

In a defined benefit plan, contributions vary from one annual actuarial valuation to the next as a result of the following:

- Changes in benefit provisions (see Table 2);
- Changes in actuarial assumptions and methods (see the Appendix); and
- Experience of the plan (investment experience and demographic experience); this is the difference between actual experience of the plan and the actuarial assumptions.

These impacts are reflected in various tables in the report. For more information, please contact your Regional Manager.

Comments on Investment Rate of Return Assumption

A defined benefit plan is funded by employer contributions, participant contributions, and investment earnings. Investment earnings have historically provided a significant portion of the funding. The larger the share of benefits being provided from investment returns, the smaller the required contributions, and vice versa. Determining the contributions required to prefund the promised retirement benefits requires an assumption of what investment earnings are expected to add to the fund over a long period of time. This is called the **Investment Return Assumption**.

The MERS Investment Return Assumption is **6.79%** per year. This, along with all other actuarial assumptions, is reviewed at least every five years in an Experience Study that compares the assumptions used against actual experience and recommends adjustments if necessary. If your municipality would like to explore contributions at lower assumed investment return assumptions, please review the “What If” projection scenarios later in this report.

Assumption and Method Changes in 2025

Effective February 17, 2022 and first implemented in the December 31, 2021 annual actuarial valuation, the MERS Retirement Board adopted a dedicated gains policy that automatically lowers the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Full details of this dedicated gains policy are available in the Actuarial Policy found on the MERS [website](#). Some goals of the dedicated gains policy are to:

- Provide a systematic approach to lower the assumed rate of investment return between experience studies; and

- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first contribution year after application (i.e., minimize the first-year impact (i.e., increase) in employer contributions).

Investment performance measured for the one-year period ending December 31, 2025 resulted in current year excess gains for use in lowering the assumed rate of investment return. As a result, the assumed rate of investment return was lowered from 6.93% to 6.79%. The December 31, 2025 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognizing excess market gains, the valuation assets used to fund these liabilities are 2.7% higher than if there were no dedicated gains policy. The combined impact of these changes will minimize the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

There were no other assumption or method changes in 2025.

Comments on Asset Smoothing

To avoid dramatic spikes and dips in annual contribution requirements due to short-term fluctuations in asset markets, MERS applies a technique called **asset smoothing**. This spreads out each year's investment gains or losses over the prior year and the following four years. After initial application of asset smoothing, any remaining excess market gains are used to buy down the assumed rate of investment return and increase the level of valuation assets, to the extent allowed by the dedicated gains policy. This smoothing method is used to determine your actuarial value of assets (valuation assets), which is then used to determine both your funded ratio and your required contributions. **The (smoothed) actuarial rate of return for 2025 was 8.18%, while the actual market rate of return was 15.25%.** To see historical details of the market rate of return compared to the smoothed actuarial rate of return, refer to this report's Appendix or view the "[How Smoothing Works](#)" [video](#) on the [Defined Benefit resource page](#) of the MERS website.

As of December 31, 2025, the actuarial value of assets is just over 100% of market value due to asset smoothing and dedicated gains. This means that there are deferred investment losses, which will put slight upward pressure on contributions in the short term. The level of market value of assets and actuarial value of assets are very similar, resulting in a funded percentage that is not materially different.

Alternate Scenarios to Estimate the Potential Volatility of Results ("What If Scenarios")

The calculations in this report are based on assumptions about long-term economic and demographic behavior. These assumptions will never materialize in a given year, except by coincidence. Therefore, the results will vary from one year to the next. The volatility of the results depends upon the characteristics of the plan. For example:

- Open divisions that have substantial assets compared to their active employee payroll will have more volatile employer contribution rates due to investment return fluctuations.
- Open divisions that have substantial accrued liability compared to their active employee payroll will have more volatile employer contribution rates due to demographic experience fluctuations.
- Small divisions will have more volatile contribution patterns than larger divisions because statistical fluctuations are relatively larger among small populations.
- Shorter amortization periods result in more volatile contribution patterns.

Many assumptions are important in determining the required employer contributions. In the following table, we show the impact of varying the Investment Return assumption. Lower investment returns would generally

result in higher required employer contributions, and vice versa. The three economic scenarios below provide a quantitative risk assessment for the impact of investment returns on the plan's projected financial condition for funding purposes.

The relative impact of the economic scenarios below will vary from year to year, as the participant demographics change. The impact of each scenario should be analyzed for a given year, not from year to year. The results in the table are based on the December 31, 2025 valuation and are for the municipality in total, not by division.

It is important to note that calculations in this report are mathematical estimates based upon assumptions regarding future events, which may or may not materialize. Actuarial calculations can and do vary from one valuation to the next, sometimes significantly depending on the group's size. Projections are not predictions. Future valuations will be based on actual future experience.

12/31/2025 Valuation Results	Lower Future Annual Returns	Lower Future Annual Returns	Valuation Assumptions
Investment Return Assumption	4.79%	5.79%	6.79%
Accrued Liability	\$ 16,932,690	\$ 15,460,926	\$ 14,202,592
Valuation Assets ¹	\$ 9,260,080	\$ 9,260,080	\$ 9,260,080
Unfunded Accrued Liability	\$ 7,672,610	\$ 6,200,846	\$ 4,942,512
Funded Ratio	55%	60%	65%
Monthly Normal Cost	\$ 3,513	\$ 2,697	\$ 2,086
Monthly Amortization Payment	\$ 72,539	\$ 65,725	\$ 59,310
Total Employer Contribution²	\$ 76,052	\$ 68,422	\$ 61,396

¹ The Valuation Assets include assets from Surplus divisions, if any.

² If assets exceed accrued liabilities for a division, the division may have an overfunding credit to reduce the division's employer contribution requirement. If the overfunding credit is larger than the normal cost, the division's full credit is included in the municipality's amortization payment above but the division's total contribution requirement is zero. This can cause the displayed normal cost and amortization payment to not add up to the displayed total employer contribution.

Projection Scenarios

The next two pages show projections of the plan's funded ratio and computed employer contributions under the actuarial assumptions used in the valuation and alternate economic assumption scenarios. All three projections account for the past investment experience that will continue to affect the actuarial rate of return in the short term.

The 6.79% scenario provides an estimate of computed employer contributions based on current actuarial assumptions, and a projected 6.79% market return. The other two scenarios may be useful if the municipality chooses to budget more conservatively and make contributions in addition to the minimum requirements. The 5.79% and 4.79% projection scenarios provide an indication of the potential required employer contribution if these assumptions were met over the long term.

Your municipality includes one or more Surplus divisions. Extra contributions in a Surplus division may be used to reduce future employer contributions or to accelerate the date by which the municipality becomes 100% funded. The timing and use of these Surplus assets within the plan is discretionary. Certain employers have special funding arrangements that may differ from the Actuarial Policy.

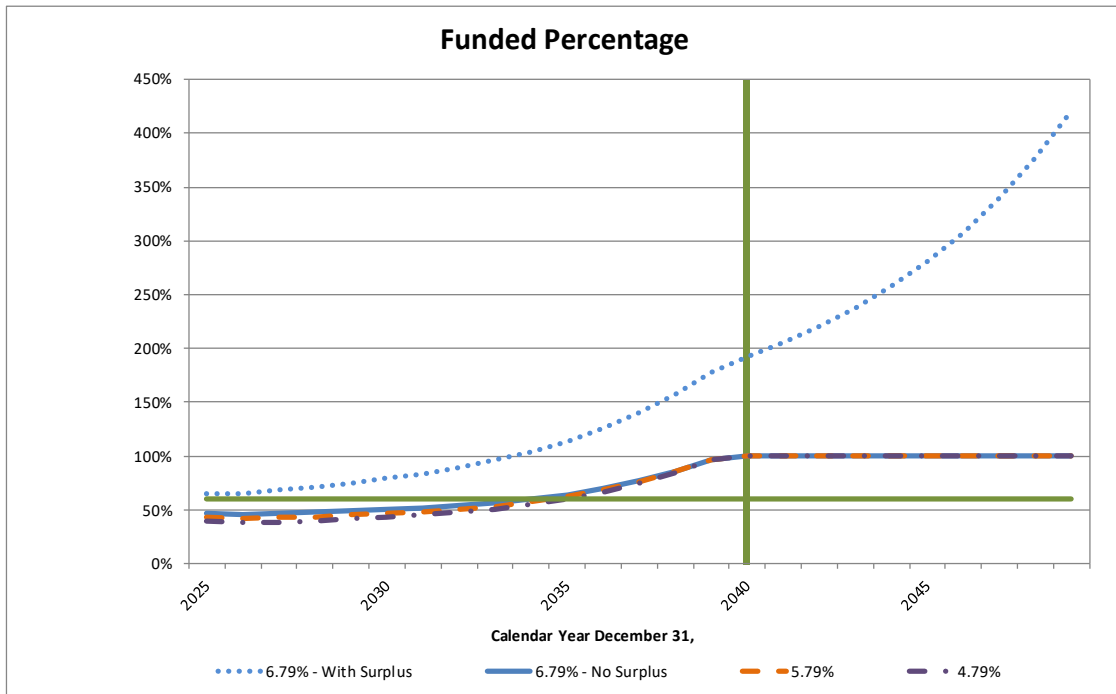


The Funded Percentage graph shows projections of funded status under the 6.79% investment return assumption, both including the Surplus assets (contributed as of the valuation date), and without the Surplus assets. The graph including the Surplus assets assumes these Surplus assets grow with interest and are not used to lower future employer contributions. We modeled the projections including the Surplus assets in this fashion because the use of these assets within the plan is discretionary by the employer and we do not know when and how the employer will use them. Once the employer uses these Surplus assets, any future employer contributions are expected to be lower than those shown in the projections.

Valuation Year Ending 12/31	Fiscal Year Beginning 4/1	Actuarial Accrued Liability	Valuation Assets ²	Funded Percentage	Estimated Annual Employer Contribution
6.79%¹					
2025	2027	\$ 14,202,592	\$ 6,693,827	47%	\$ 736,752
2026	2028	\$ 13,800,000	\$ 6,380,000	46%	\$ 771,000
2027	2029	\$ 13,500,000	\$ 6,310,000	47%	\$ 785,000
2028	2030	\$ 13,100,000	\$ 6,250,000	48%	\$ 800,000
2029	2031	\$ 12,700,000	\$ 6,210,000	49%	\$ 815,000
2030	2032	\$ 12,300,000	\$ 6,130,000	50%	\$ 838,000
5.79%¹					
2025	2027	\$ 15,460,926	\$ 6,693,827	43%	\$ 821,064
2026	2028	\$ 15,100,000	\$ 6,320,000	42%	\$ 857,000
2027	2029	\$ 14,600,000	\$ 6,240,000	43%	\$ 873,000
2028	2030	\$ 14,200,000	\$ 6,210,000	44%	\$ 890,000
2029	2031	\$ 13,700,000	\$ 6,190,000	45%	\$ 908,000
2030	2032	\$ 13,300,000	\$ 6,150,000	46%	\$ 933,000
4.79%¹					
2025	2027	\$ 16,932,690	\$ 6,693,827	40%	\$ 912,624
2026	2028	\$ 16,500,000	\$ 6,260,000	38%	\$ 950,000
2027	2029	\$ 16,000,000	\$ 6,180,000	39%	\$ 968,000
2028	2030	\$ 15,500,000	\$ 6,180,000	40%	\$ 988,000
2029	2031	\$ 15,000,000	\$ 6,200,000	41%	\$ 1,010,000
2030	2032	\$ 14,400,000	\$ 6,200,000	43%	\$ 1,040,000

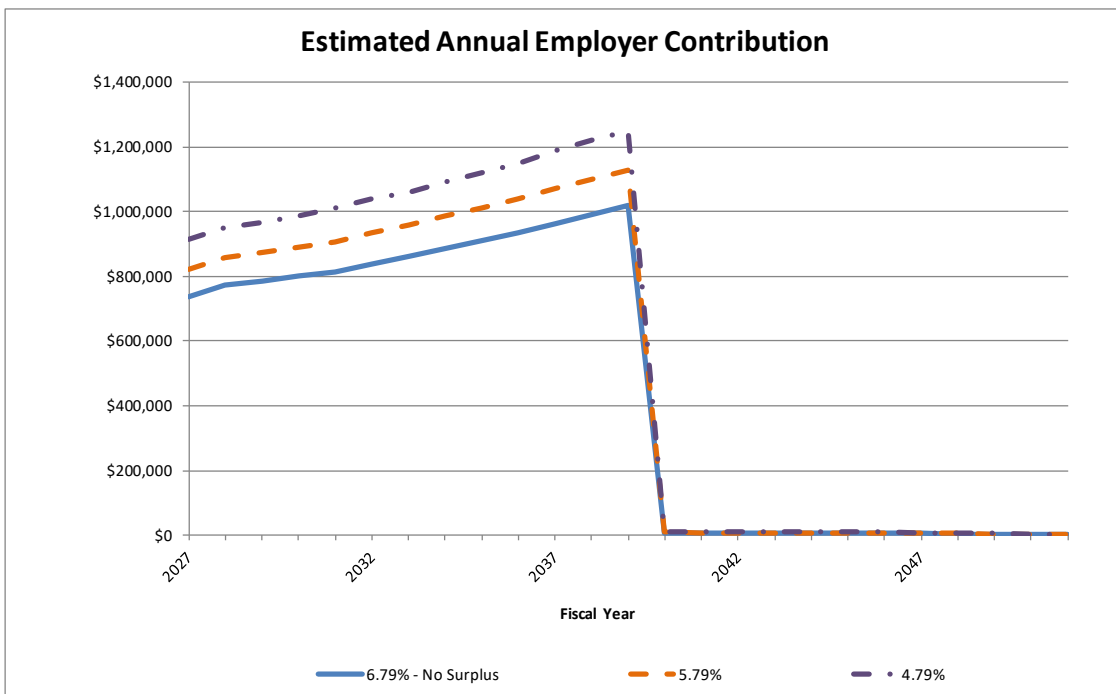
¹ Represents both the interest rate for discounting liabilities and the future investment return assumption on the Market Value of assets.

² Valuation Assets do not include assets from Surplus divisions, if any.



Notes:

Assumes assets from the Surplus division(s) will grow at the denoted investment return assumption and will not be used to lower employer contributions of non-surplus divisions during the projection period. Also assumes no additional contributions in future years to the surplus division(s). The green indicator lines have been added at 60% funded and 15 years following the valuation date for PA 202 purposes.



Notes:

Projected employer contributions do not reflect the use of any assets from the Surplus division(s).

Table 1: Employer Contribution Details for the Fiscal Year Beginning April 1, 2027

Division	Total Normal Cost	Employee Contribution Rate	Employer Contributions ¹			Blended Employer Rate ⁵	Employee Contribution Conversion Factor ²
			Employer Normal Cost ⁶	Payment of the Unfunded Accrued Liability ⁴	Computed Employer Contribution		
Percentage of Payroll							
01 - General	8.97%	0.00%	-	-	-		
10 - Admin	0.00%	0.00%	-	-	-		
Estimated Monthly Contribution³							
01 - General			\$ 2,086	\$ 10,791	\$ 12,877		
10 - Admin			0	48,519	48,519		
Total Municipality			\$ 2,086	\$ 59,310	\$ 61,396		
Estimated Annual Contribution³			\$ 25,032	\$ 711,720	\$ 736,752		

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

² 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.

³ 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.

⁴ 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.

⁵ For linked divisions, the employer will be invoiced the Computed Employer Contribution 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 Rate shown above, by contacting MERS at 800-767-MERS (6377). Blended Employer Rate(s) exclude divisions with zero active members.

⁶ 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.

Please see the Comments on Asset Smoothing in the Executive Summary of this report.

Table 2: Benefit Provisions

01 - General: Closed to new hires

	2025 Valuation	2024 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)	2.00% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/30	55/30
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	0.00%	0.00%
DC Plan for New Hires:	1/1/2022	1/1/2022
Act 88:	No	No

10 - Admin: Closed to new hires

	2025 Valuation	2024 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	55/15	55/15
Early Retirement (Reduced):	50/25	50/25
Final Average Compensation:	3 years	3 years
Employee Contributions:	0.00%	0.00%
DC Plan for New Hires:	1/1/2022	1/1/2022
Act 88:	No	No

Table 3: Participant Summary

Division	2025 Valuation		2024 Valuation		2025 Valuation		
	Number	Annual Payroll ¹	Number	Annual Payroll ¹	Average Age	Average Benefit Service ²	Average Eligibility Service ²
01 - General							
Active Employees	5	\$ 303,874	5	\$ 277,105	53.0	17.4	17.4
Vested Former Employees	1	5,369	1	5,369	52.5	10.5	10.5
Retirees and Beneficiaries	11	222,076	11	222,076	77.9		
Pending Refunds	0		0				
10 - Admin							
Active Employees	0	\$ 0	0	\$ 0	0.0	0.0	0.0
Vested Former Employees	14	108,297	16	120,930	56.4	10.1	10.1
Retirees and Beneficiaries	107	1,057,302	109	1,066,234	74.0		
Pending Refunds	7		15				
Total Municipality							
Active Employees	5	\$ 303,874	5	\$ 277,105	53.0	17.4	17.4
Vested Former Employees	15	113,666	17	126,299	56.1	10.1	10.1
Retirees and Beneficiaries	118	1,279,378	120	1,288,310	74.4		
Pending Refunds	<u>7</u>		<u>15</u>				
Total Participants	145		157				

¹ Annual payroll for active employees; annual deferred benefits payable for vested former employees; annual benefits being paid for retirees and beneficiaries.

² Descriptions can be found under Miscellaneous and Technical Assumptions in the Appendix.

Table 4: Reported Assets (Market Value)

Division	2025 Valuation		2024 Valuation	
	Employer and Retiree ¹	Employee ²	Employer and Retiree ¹	Employee ²
01 - General	\$ 1,861,802	\$ 0	\$ 1,692,987	\$ 0
10 - Admin	4,531,111	297,356	4,319,914	386,240
SG - Surplus Grant Funds	2,564,888	0	2,223,116	0
Municipality Total³	\$ 8,957,801	\$ 297,356	\$ 8,236,016	\$ 386,240
Combined Assets³	\$9,255,157		\$8,622,256	

¹ Reserve for Employer Contributions and Benefit Payments.

² Reserve for Employee Contributions.

³ Totals may not add due to rounding.

The December 31, 2025 valuation assets (actuarial value of assets) are equal to 1.000532 times the reported market value of assets (compared to 1.065367 as of December 31, 2024). Refer to the Appendix for a description of the valuation asset derivation and a detailed calculation of valuation assets.

Assets in the Surplus division(s) are employer assets that have been reserved separately and may be used within the plan at the employer's discretion at some point in the future. These assets are not used in calculating the employer contribution for the fiscal year beginning April 1, 2027.

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						
2015	\$ 259,730	\$ 0	\$ 0	\$ 400,446	\$ (1,196,864)	\$ 0	\$ 0	\$ 9,194,080
2016	287,317	0	0	375,220	(1,236,641)	(5,778)	0	8,614,198
2017	362,365	0	0	464,640	(1,238,617)	(4,842)	0	8,197,744
2018	554,091	0	0	278,743	(1,262,056)	0	0	7,768,522
2019	263,190	0	0	290,576	(1,289,391)	0	0	7,032,897
2020	433,600	0	0	456,356	(1,286,148)	(17,858)	0	6,618,847
2021	733,415	0	0	1,060,081	(1,305,569)	(49,381)	0	7,057,393
2022	676,593	974,255	0	365,033	(1,318,939)	(6,202)	0	7,748,133
2023	622,113	1,952,964	0	625,378	(1,321,088)	(12,122)	0	9,615,378
2024	607,170	0	0	316,585	(1,304,538)	(48,728)	0	9,185,867
2025	654,627	0	0	713,323	(1,279,783)	(13,954)	0	9,260,080

Notes:

Transfers in and out are usually related to the transfer of participants between municipalities, and to employer and employee payments for service credit purchases (if any) that the governing body has approved.

The investment income column reflects the recognized investment income based on Valuation Assets. It does not reflect the market value investment return in any given year.

The Valuation Asset balance includes assets from Surplus divisions, if any.

Years where historical information is not available will be displayed with zero values.

**Table 6: Actuarial Accrued Liabilities and Valuation Assets
as of December 31, 2025**

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	\$ 1,111,757	\$ 39,177	\$ 2,074,896	\$ 0	\$ 3,225,830	\$ 1,862,792	57.7%	\$ 1,363,038
10 - Admin	0	1,061,256	9,904,956	10,550	10,976,762	4,831,035	44.0%	6,145,727
SG - Surplus Grant Funds	0	0	0	0	0	2,566,253		(2,566,253)
Total	\$ 1,111,757	\$ 1,100,433	\$ 11,979,852	\$ 10,550	\$ 14,202,592	\$ 9,260,080	65.2%	\$ 4,942,512

Please see the Comments on Asset Smoothing in the Executive Summary of this report.

The December 31, 2025 valuation assets (actuarial value of assets) are equal to 1.000532 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
2011	\$ 14,394,313	\$ 11,119,494	77%	\$ 3,274,819
2012	14,264,403	10,485,859	74%	3,778,544
2013	14,204,453	10,062,237	71%	4,142,216
2014	14,100,686	9,730,768	69%	4,369,918
2015	14,721,529	9,194,080	63%	5,527,449
2016	14,492,050	8,614,198	59%	5,877,852
2017	14,296,540	8,197,744	57%	6,098,796
2018	14,139,409	7,768,522	55%	6,370,887
2019	14,458,944	7,032,897	49%	7,426,047
2020	14,908,695	6,618,847	44%	8,289,848
2021	15,233,302	7,057,393	46%	8,175,909
2022	14,798,132	7,748,133	52%	7,049,999
2023	14,753,430	9,615,378	65%	5,138,052
2024	14,285,185	9,185,867	64%	5,099,318
2025	14,202,592	9,260,080	65%	4,942,512

Notes: Actuarial assumptions were revised for the 2011, 2012, 2015, 2019, 2020, 2021, 2023, 2024 and 2025 actuarial valuations.

The Valuation Assets include assets from Surplus divisions, if any.

Years where historical information is not available will be displayed with zero values.

Throughout this report are references to valuation results generated prior to the 2018 valuation date. Results prior to 2018 were received directly from the prior actuary or extracted from the previous valuation system by MERS's technology service provider.

Tables 8 and 9: Division-Based Comparative Schedules

Division 01 - General

Table 8-01: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2015	\$ 2,911,249	\$ 1,850,005	64%	\$ 1,061,244
2016	2,859,984	1,799,995	63%	1,059,989
2017	2,892,126	1,795,415	62%	1,096,711
2018	2,857,670	1,730,104	61%	1,127,566
2019	2,919,496	1,692,534	58%	1,226,962
2020	2,951,956	1,701,761	58%	1,250,195
2021	3,125,101	1,884,496	60%	1,240,605
2022	3,101,648	1,851,930	60%	1,249,718
2023	3,135,896	1,831,539	58%	1,304,357
2024	3,135,633	1,803,652	58%	1,331,981
2025	3,225,830	1,862,792	58%	1,363,038

Notes: Actuarial assumptions were revised for the 2015, 2019, 2020, 2021, 2023, 2024 and 2025 actuarial valuations.

The percent funded does not reflect valuation assets from Surplus divisions, if any.

Table 9-01: Computed Employer Contributions - Comparative Schedule

Valuation Date December 31	Active Employees		Computed Employer Contribution ¹	Employee Contribution Rate ²
	Number	Annual Payroll		
2015	8	\$ 313,208	30.27%	0.00%
2016	8	317,610	29.87%	0.00%
2017	8	344,493	29.43%	0.00%
2018	9	359,846	29.45%	0.00%
2019	8	351,903	33.50%	0.00%
2020	8	330,596	35.73%	0.00%
2021	7	338,845	35.83%	0.00%
2022	6	298,213	\$ 10,818	0.00%
2023	6	315,333	\$ 11,723	0.00%
2024	5	277,105	\$ 12,002	0.00%
2025	5	303,874	\$ 12,877	0.00%

¹ For open divisions, a percent of pay contribution is shown. For closed divisions, a monthly dollar contribution is shown.

² For each valuation year, the computed employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the computed employer contribution will be adjusted.

Note: The contributions shown in Table 9 reflect the full employer contribution requirement.

See the Benefit Provision History, later in this report, for past benefit provision changes.

Years where historical information is not available will be displayed with zero values.

Division 10 - Admin

Table 8-10: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2015	\$ 11,810,280	\$ 7,344,075	62%	\$ 4,466,205
2016	11,632,066	6,814,203	59%	4,817,863
2017	11,404,414	6,402,329	56%	5,002,085
2018	11,281,739	6,038,418	54%	5,243,321
2019	11,539,448	5,340,363	46%	6,199,085
2020	11,956,739	4,917,086	41%	7,039,653
2021	12,108,201	5,172,897	43%	6,935,304
2022	11,696,484	5,896,203	50%	5,800,281
2023	11,617,534	5,505,518	47%	6,112,016
2024	11,149,552	5,013,781	45%	6,135,771
2025	10,976,762	4,831,035	44%	6,145,727

Notes: Actuarial assumptions were revised for the 2015, 2019, 2020, 2021, 2023, 2024 and 2025 actuarial valuations.

The percent funded does not reflect valuation assets from Surplus divisions, if any.

Table 9-10: Computed Employer Contributions - Comparative Schedule

Valuation Date December 31	Active Employees		Computed Employer Contribution ¹	Employee Contribution Rate ²
	Number	Annual Payroll		
2015	1	\$ 53,689	574.95%	0.00%
2016	1	53,760	595.76%	0.00%
2017	1	56,988	591.15%	0.00%
2018	1	57,176	636.11%	0.00%
2019	1	57,179	810.06%	0.00%
2020	1	56,149	962.01%	0.00%
2021	1	75,746	703.24%	0.00%
2022	0	0	\$ 39,433	0.00%
2023	0	0	\$ 44,263	0.00%
2024	0	0	\$ 46,530	0.00%
2025	0	0	\$ 48,519	0.00%

¹ For open divisions, a percent of pay contribution is shown. For closed divisions, a monthly dollar contribution is shown.

² For each valuation year, the computed employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the computed employer contribution will be adjusted.

Note: The contributions shown in Table 9 reflect the full employer contribution requirement.

See the Benefit Provision History, later in this report, for past benefit provision changes.

Years where historical information is not available will be displayed with zero values.

Division SG - Surplus Grant Funds

Table 8-SG: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2015	\$ 0	\$ 0		\$ 0
2016	0	0		0
2017	0	0		0
2018	0	0		0
2019	0	0		0
2020	0	0		0
2021	0	0		0
2022	0	0		0
2023	0	2,278,321		(2,278,321)
2024	0	2,368,434		(2,368,434)
2025	0	2,566,253		(2,566,253)

Notes: Actuarial assumptions were revised for the 2015, 2019, 2020, 2021, 2023, 2024 and 2025 actuarial valuations.

Years where historical information is not available will be displayed with zero values.

Table 10: Division-Based Layered Amortization Schedule

Division 01 - General

Table 10-01: Layered Amortization Schedule

Type of UAL	Date Established	Original Balance ¹	Original Amortization Period ²	Amounts for Fiscal Year Beginning 4/1/2027		
				Outstanding UAL Balance ³	Remaining Amortization Period ²	Annual Amortization Payment
Initial	12/31/2015	\$ 1,061,244	23	\$ 1,023,384	13	\$ 100,116
(Gain)/Loss	12/31/2016	(34,711)	22	(35,018)	13	(3,432)
(Gain)/Loss	12/31/2017	23,982	21	24,041	13	2,352
(Gain)/Loss	12/31/2018	21,333	20	21,283	13	2,088
(Gain)/Loss	12/31/2019	14,674	19	14,539	13	1,428
Assumption	12/31/2019	77,063	19	71,300	13	6,972
Experience	12/31/2020	17,353	18	17,315	13	1,692
Experience	12/31/2021	(11,070)	17	(11,103)	13	(1,092)
Experience	12/31/2022	24,085	16	24,499	13	2,400
Experience	12/31/2023	68,810	15	71,189	13	6,960
Experience	12/31/2024	43,684	14	46,212	13	4,524
Experience	12/31/2025	51,675	13	56,098	13	5,484
Total				\$ 1,323,739		\$ 129,492

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

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

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

The unfunded accrued liability (UAL) as of December 31, 2025 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2025 valuation to take into account the expected future contributions that are based on past valuations. Each type of UAL (layer) is amortized over the appropriate period. Please see the Appendix on the MERS website for a detailed description of the amortization policy.

Note: The original balance and original amortization periods prior to 12/31/2018 were received from the prior actuary.

Table 10-10: Layered Amortization Schedule

Type of UAL	Date Established	Original Balance ¹	Original Amortization Period ²	Amounts for Fiscal Year Beginning 4/1/2027		
				Outstanding UAL Balance ³	Remaining Amortization Period ²	Annual Amortization Payment
Initial	12/31/2015	\$ 4,466,205	23	\$ 4,549,301	13	\$ 445,032
(Gain)/Loss	12/31/2016	5,089	22	5,119	13	504
(Gain)/Loss	12/31/2017	61,727	21	61,876	13	6,048
(Gain)/Loss	12/31/2018	198,245	20	197,836	13	19,356
(Gain)/Loss	12/31/2019	560,731	19	555,812	13	54,372
Assumption	12/31/2019	355,494	19	326,426	13	31,932
Experience	12/31/2020	775,558	18	773,746	13	75,696
Experience	12/31/2021	(174,127)	17	(174,637)	13	(17,088)
Experience	12/31/2022	(1,056,183)	16	(1,074,279)	13	(105,084)
Experience	12/31/2023	477,800	15	494,306	13	48,360
Experience	12/31/2024	111,015	14	117,450	13	11,484
Experience	12/31/2025	109,401	13	118,764	13	11,616
Total				\$ 5,951,720		\$ 582,228

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

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

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

The unfunded accrued liability (UAL) as of December 31, 2025 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2025 valuation to take into account the expected future contributions that are based on past valuations. Each type of UAL (layer) is amortized over the appropriate period. Please see the Appendix on the MERS website for a detailed description of the amortization policy.

Note: The original balance and original amortization periods prior to 12/31/2018 were received from the prior actuary.

GASB Statement No. 68 Information

The following information has been prepared to provide some of the information necessary to complete GASB Statement No. 68 disclosures. GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. Additional resources, including an Implementation Guide, are available at <http://www.mersofmich.com/>.

Actuarial Valuation Date:	12/31/2025
Measurement Date of the Total Pension Liability (TPL):	12/31/2025

At 12/31/2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	118
Inactive employees entitled to but not yet receiving benefits (including refunds):	22
Active employees:	5
	145

Total Pension Liability as of 12/31/2024 measurement date:	\$ 13,996,387
--	---------------

Total Pension Liability as of 12/31/2025 measurement date:	\$ 13,916,537
--	---------------

Service Cost for the year ending on the 12/31/2025 measurement date:	\$ 24,675
--	-----------

Change in the Total Pension Liability due to:

- Benefit changes ¹ :	\$ 0
- Differences between expected and actual experience ² :	\$ 74,175
- Changes in assumptions ² :	\$ 155,656

Average expected remaining service lives of all employees (active and inactive) ³ :	0
--	---

¹ A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

² Changes in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in pension expense over the average remaining service lives of all employees.

³ Average expected remaining service life is the actuarial expectation of the future period of service that members of an employee population are projected to complete from the valuation date, based on assumed decrement rates.

Covered employee payroll (Needed for Required Supplementary Information):	\$ 303,874
---	------------

Note: Covered employee payroll may differ from the GASB Statement No. 68 definition.

Sensitivity of the Net Pension Liability to changes in the discount rate:

	1% Decrease (6.04%)	Current Discount Rate (7.04%)	1% Increase (8.04%)
Change in Net Pension Liability as of 12/31/2025:	\$ 1,211,505	\$ 0	\$ (1,045,891)

Note: The current discount rate shown for GASB Statement No. 68 purposes is higher than the MERS assumed rate of return. This is because for GASB Statement No. 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

GASB Statement No. 68 Information

This page is for those municipalities who need to “roll forward” their total pension liability due to the timing of completion of the actuarial valuation in relation to their fiscal year-end.

The following information has been prepared to provide some of the information necessary to complete GASB Statement No. 68 disclosures. GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. Additional resources, including an Implementation Guide, are available at www.mersofmich.com.

Actuarial Valuation Date:	12/31/2025
Measurement Date of the Total Pension Liability (TPL):	12/31/2026
At 12/31/2025, the following employees were covered by the benefit terms:	
Inactive employees or beneficiaries currently receiving benefits:	118
Inactive employees entitled to but not yet receiving benefits (including refunds):	22
Active employees:	<u>5</u>
	145
Total Pension Liability as of 12/31/2025 measurement date:	\$ 13,671,552
Total Pension Liability as of 12/31/2026 measurement date:	\$ 13,574,760
Service Cost for the year ending on the 12/31/2026 measurement date:	\$ 24,694
Change in the Total Pension Liability due to:	
- Benefit changes ¹ :	\$ 0
- Differences between expected and actual experience ² :	\$ 95,743
- Changes in assumptions ² :	\$ 149,154
Average expected remaining service lives of all employees (active and inactive) ³ :	0

¹ A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

² Changes in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in pension expense over the average remaining service lives of all employees.

³ Average expected remaining service life is the actuarial expectation of the future period of service that members of an employee population are projected to complete from the valuation date, based on assumed decrement rates.

Covered employee payroll (Needed for Required Supplementary Information):	\$ 303,874
---	------------

Note: Covered employee payroll may differ from the GASB Statement No. 68 definition.

Sensitivity of the Net Pension Liability to changes in the discount rate:

	1% Decrease <u>(6.04%)</u>	Current Discount <u>Rate (7.04%)</u>	1% Increase <u>(8.04%)</u>
Change in Net Pension Liability as of 12/31/2026:	\$ 1,159,522	\$ 0	\$ (1,003,037)

Note: The current discount rate shown for GASB Statement No. 68 purposes is higher than the MERS assumed rate of return. This is because for GASB Statement No. 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.



Benefit Provision History

The following benefit provision history is provided by MERS and reflects provisions in effect as of the end of the valuation year. Any corrections to this history or discrepancies between this information and information displayed elsewhere in the valuation report should be reported to MERS. All provisions are listed by date of adoption.

01 - General

9/1/2025	Military Leave - Default Absorb to UAL
9/1/2023	Pension Grant Recipient
1/1/2022	DC Adoption Date 01-01-2022
1/1/2022	Non-Accelerated Amortization
9/1/2021	Temporary Lump Sum Buyout - Yes - 59.3% (09/01/2021 - 12/31/2022)
1/1/2021	Box 1 Wages
1/1/2021	FMLA - Service Granted
1/1/2021	Long Term Disability - Service Granted
1/1/2021	Public Safety Employees - Yes
1/1/2021	Service Credit Qualification - 160 hours
1/1/2021	Short Term Disability - Service Granted
1/1/2021	Workers Compensation - Service Granted
12/1/2016	Service Credit Purchase Estimates - Yes
1/1/2008	Flexible E \$10.00 Monthly COLA Adopted (01/01/2008)
1/1/2007	Flexible E \$10.00 Monthly COLA Adopted (01/01/2007)
1/1/2006	Flexible E \$10.00 Monthly COLA Adopted (01/01/2006)
1/1/2005	Flexible E \$14.83 Monthly COLA Adopted (01/01/2005)
1/1/2004	E 2% COLA Adopted (01/01/2004)
1/1/2003	E 2% COLA Adopted (01/01/2003)
1/1/2002	E 2% COLA Adopted (01/01/2002)
1/1/2001	E 2% COLA Adopted (01/01/2001)
7/1/1990	2.00% Multiplier
7/1/1990	Benefit F55 (With 30 Years of Service)
7/1/1990	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/1977	Member Contribution Rate 0.00%
7/26/1976	Exclude Temporary Employees
7/1/1976	1.20% Multiplier on FAC < \$4,200 and 1.70% Multiplier on FAC > \$4,200
7/1/1976	10 Year Vesting
7/1/1976	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/1976	Fiscal Month - April
7/1/1976	Member Contribution Rate 3.00% Under \$4,200.00 - Then 5.00%
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years
	Normal Retirement Age (DB) - 60

10 - Admin

9/1/2025	Military Leave - Default Absorb to UAL
9/1/2023	Pension Grant Recipient
1/1/2022	DC Adoption Date 01-01-2022
1/1/2022	Non-Accelerated Amortization
9/1/2021	Temporary Lump Sum Buyout - Yes - 42.6% (09/01/2021 - 12/31/2022)
1/1/2021	Box 1 Wages
1/1/2021	FMLA - Service Granted



10 - Admin

1/1/2021	Long Term Disability - Service Granted
1/1/2021	Service Credit Qualification - 160 hours
1/1/2021	Short Term Disability - Service Granted
1/1/2021	Workers Compensation - Service Granted
12/1/2016	Service Credit Purchase Estimates - Yes
5/1/2008	2.25% Multiplier (Capped at 80% of FAC)
5/1/2008	Member Contribution Rate 0.00%
4/1/2008	Member Contribution Rate 5.00%
1/1/2008	Flexible E \$10.00 Monthly COLA Adopted (01/01/2008)
10/1/2007	2.50% Multiplier (Capped at 80% of FAC)
10/1/2007	Member Contribution Rate 3.00%
1/1/2007	Flexible E \$10.00 Monthly COLA Adopted (01/01/2007)
1/1/2006	Flexible E \$10.00 Monthly COLA Adopted (01/01/2006)
1/1/2004	E 2% COLA Adopted (01/01/2004)
1/1/2003	E 2% COLA Adopted (01/01/2003)
1/1/2002	E 2% COLA Adopted (01/01/2002)
1/1/2001	E 2% COLA Adopted (01/01/2001)
1/1/1999	2.00% Multiplier
1/1/1999	6 Year Vesting
1/1/1999	Benefit F55 (With 15 Years of Service)
1/1/1999	Benefit FAC-3 (3 Year Final Average Compensation)
1/1/1999	Member Contribution Rate 0.00%
7/26/1976	Exclude Temporary Employees
7/1/1976	Fiscal Month - April
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years
	Normal Retirement Age (DB) - 60

SG - Surplus Grant Funds

7/1/1976	Fiscal Month - April
----------	----------------------

Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the Appendix. Some actuarial assumptions are specific to this municipality and its divisions. These are listed below.

Increase in Final Average Compensation

Division	Increase Assumption
All Divisions	2.00%

Miscellaneous and Technical Assumptions

Loads – None.

Amortization Policy for Closed Not Linked Divisions: The default funding policy for closed not linked divisions, including open divisions with zero active members, is to follow a non-accelerated amortization, where each closed period decreases by one year each year until the period is exhausted.

Risk Commentary

Determination of the accrued liability, the employer contribution, and the funded ratio requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability, the actuarially determined contribution and the funded ratio that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in Plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

- **Investment Risk** – actual investment returns may differ from the expected returns;
- **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
- **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
- **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
- **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

December 31,	Ratio of:				
	Market Value of Assets to Total Payroll	Actuarial Accrued Liability to Payroll	Actives to Retirees and Beneficiaries	Market Value of Assets to Benefit Payments	Net Cash Flow to Market Value of Assets (BOY)
2018	17.0	33.9	0.1	5.6	-8.7%
2019	17.0	35.3	0.1	5.4	-14.5%
2020	17.6	38.5	0.1	5.2	-12.5%
2021	17.0	36.7	0.1	5.2	-9.1%
2022	22.4	49.6	0.1	5.1	4.6%
2023	27.7	46.8	0.0	6.6	18.6%
2024	31.1	51.6	0.0	6.4	-8.5%
2025	30.5	46.7	0.0	7.2	-7.4%

Ratio of Market Value of Assets to Total Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

Ratio of Actuarial Accrued Liability to Payroll

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

Ratio of Market Value of Assets to Benefit Payments

The MERS' Actuarial Policy requires a total minimum contribution equal to the excess (if any) of three times the expected annual benefit payments over the projected market value of assets as of the participating municipality or court's Fiscal Year for which the contribution applies. The ratio of market value of assets to benefit payments as of the valuation date provides an indication of whether the division is at risk for triggering the minimum contribution rule in the near term. If the division triggers this minimum contribution rule, the required employer contributions could increase dramatically relative to previous valuations.

Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.



State Reporting

The following information has been prepared to provide some of the information necessary to complete the Public Act 202 pension reporting requirements for the State of Michigan's Local Government Retirement System Annual Report (Form No. 5572). Additional resources are available at www.mersofmich.com and on the State [website](#).

Form 5572		
Line Reference	Description	Result
10	Membership as of December 31, 2025	
11	Indicate number of active members	5
12	Indicate number of inactive members (excluding pending refunds)	15
13	Indicate number of retirees and beneficiaries	118
14	Investment Performance for Calendar Year Ending December 31, 2025¹	
15	Enter actual rate of return - prior 1-year period	15.45%
16	Enter actual rate of return - prior 5-year period	7.26%
17	Enter actual rate of return - prior 10-year period	8.28%
18	Actuarial Assumptions	
19	Actuarial assumed rate of investment return ²	6.79%
20	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Level Percent
21	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any ³	13
22	Is each division within the system closed to new employees? ⁴	Yes
23	Uniform Assumptions	
24	Enter retirement pension system's actuarial value of assets using uniform assumptions	\$8,890,902
25	Enter retirement pension system's actuarial accrued liabilities using uniform assumptions ⁵	\$14,202,592
27	Actuarially Determined Contribution (ADC) using uniform assumptions, Fiscal Year Ending March 31, 2026	\$872,592

¹ The Municipal Employees' Retirement System's investment performance has been provided to GRS from MERS Investment Staff and is included here for reporting purposes. The investment performance figures reported are net of investment expenses on a rolling calendar year basis for the previous 1-, 5-, and 10-year periods as required under PA 530.

² Net of administrative and investment expenses.

³ Populated with the longest amortization period remaining in the amortization schedule, across all divisions in the plan. This is when each division and the plan in total is expected to reach 100% funded if all assumptions are met.

⁴ If all divisions within the employer are closed, "yes." If at least one division is open (including shadow divisions), "no."

⁵ Line 25 actuarial accrued liability is determined under PA 202 uniform assumptions which may differ from the valuation assumptions. In accordance with the April 14, 2026 memo on the selection of Uniform Assumptions, "[f]or retirement systems that utilize an investment rate of return that is less than 7.00% for funding purposes, the local government should use the lower investment rate of return for the uniform assumption as well." In particular, the assumed rate of return for PA 202 purposes is 6.79%.