

CITY OF MARSHALL, MICHIGAN

Notes to Financial Statements

Annual Pension Cost. For the year ended June 30, 2013, the City's annual pension cost of \$480,936 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% annually in the long-term (1% annually for calendar years 2011-2014), attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

Funded Status. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was 26 years. Three-year trend information is follows:

Years Ended June 30,	Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2011	\$ 339,409	100%	\$ -
2012	415,427	100%	-
2013	480,936	100%	-

The funded status of the plan as of December 31, 2012, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$ 23,297,013	\$ 28,320,967	\$ 5,023,954	82.3%	\$ 4,121,120	121.9%
12/31/11	22,830,561	29,133,822	6,303,261	78.4%	4,390,462	143.6%
12/31/12	22,702,847	29,846,291	7,143,444	76.1%	4,165,476	171.5%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

17. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The City of Marshall administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 16, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with City policy, eligible retirees and their spouses receive healthcare benefits at up to 100 percent of the actual cost, based on hire date, years of service, and bargaining unit. As of June 30, 2012, the date of the last plan valuation, the Plan covered 88 members (23 active plan members, and 65 retirees receiving benefits).

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Funding Policy. The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2013, the City contributed \$586,272 to the Plan, all of which was to fund current year benefits. Retirees receiving benefits contributed \$41,929 or approximately 7.15 percent of the total premiums, through their required contribution.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 750,863
Interest on net OPEB obligation	96,402
Adjustment to annual requires contribution	<u>(77,375)</u>
Net OPEB cost	769,890
Contributions made	<u>(586,272)</u>
Increase in net OPEB obligation	183,618
Net OPEB obligation, beginning of year	<u>1,483,111</u>
Net OPEB obligation, end of year	<u>\$ 1,666,729</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, and the two preceding years, were as follows:

Year Ending June 30,	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 793,484	62%	\$ 1,120,040
2012	790,331	55%	1,483,111
2013	769,890	76%	1,666,729

Funded Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date, the Plan was 4.2 percent funded. The actuarial accrued liability for benefits was \$13,835,906, and the actuarial value of assets was \$582,664, resulting in an unfunded actuarially accrued liability of \$13,253,242. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,254,497 and the ratio of the UAAL to the covered payroll was 1,056.5 percent.