

August 15, 2019

PERSONAL & CONFIDENTIAL

Ms. Jean Southward
City of Carson City
123 East Main Street
Carson City, Michigan 48811-9778

RE: City of Carson City Pension Plan

Dear Jean:

Attached are two (2) copies of your pension accounting report for the fiscal year ending June 30, 2019. This information is intended to assist you in complying with Governmental Accounting Standards Board Statement No. 68 (GASB 68) Financial Reporting for Pension Plans, and Statement No. 68 (GASB 68) Accounting and Financial Reporting for Pensions.

If you have any questions about this report, please call me at (616) 742-9212 or Troy Schnabel at (616) 742-7242

Sincerely,



Glen W. Bradley
Senior Pension Analyst

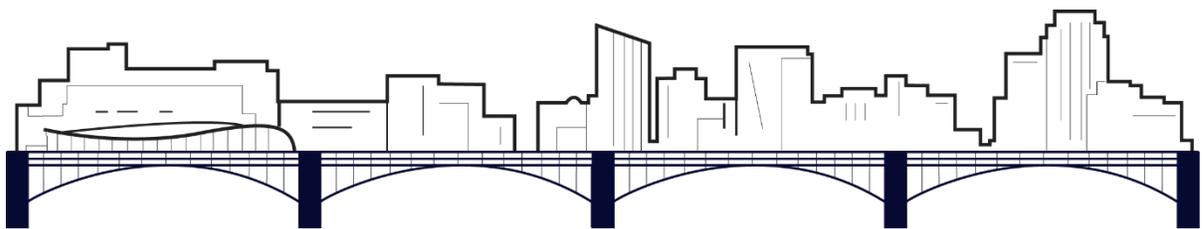
Enclosures

cc: Peter Haefner (electronic copy)
David Knooihuizen (electronic copy)

City of Carson City Pension Plan

Accounting Report

for the Period Ending June 30, 2019
under GASB Statements 67 & 68



Report presented by:



August 2019

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INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared in order to provide the information necessary to comply with Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68. This information may, at the discretion of management of the plan sponsor and its auditor, be used for the preparation of its financial statements. The calculations herein have been made based on our understanding of GASB 67 and 68, and may be inappropriate for other purposes.

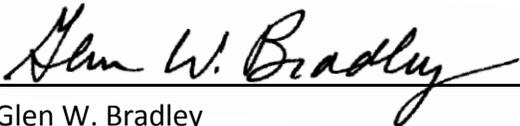
The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, other assumptions are also reasonable and appropriate and their use would produce different results.

This report is a supplement to the regular annual actuarial valuation report issued under separate cover. The regular report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared on the basis of participant data and asset values as reported to us by the plan sponsor. Watkins Ross relied upon the data as submitted, and has no reason to believe that any information, which would have a material effect on the results of this valuation, was not considered in the preparation of the report.

The enrolled actuary certifying this report represents himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

Prepared by:



Glen W. Bradley
Senior Pension Analyst

Certified by:



Troy A. Schnabel, ASA, M.A.A.A.
Enrolled Actuary #17-06116

PLAN DESCRIPTION

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expenses, information about the fiduciary net position of the City of Carson City Pension Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City of Carson City. For this purposes, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

City of Carson City administers the City of Carson City Pension Plan— a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. The plan is currently closed to new participants. Management of the plan is the responsibility of the City Administrator.

Benefits Provided

A summary of plan provisions is available on pages 12-13.

Summary of Plan Participants

As of June 30, 2019 and June 30, 2018, Retirement Plan membership consisted of the following:

	2019	2018
Inactive plan members receiving benefits	0	0
Inactive members entitled to, not yet receiving benefits	1	1
Active plan members	<u>4</u>	<u>4</u>
Total participants	5	5

CONTRIBUTIONS

Article 9, Section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. The City retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the actuarially determined amount.

ASSUMPTIONS AND METHODS

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in Investment rate of return
Salary increases	3.50
Investment rate of return	6.38 <i>net of investment expense, including inflation</i>
Mortality	Public 2010 General Employee, MP-2018 no pre-retirement mortality

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	60.0%	7.15%
International Equity	20.0	7.25
Fixed Income	15.0	3.75
Other	2.0	0.00
Cash	3.0	2.50

The sum of target allocations times long term expected rates plus inflation is **6.38%**

Discount Rate

The discount rate used to measure the total pension liability was **6.38%**. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at the current contribution rate consisting of normal cost for currently covered participants and an amortization of the initial unfunded liability. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members.

NET PENSION LIABILITY

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018	464,235	359,749	104,486
Changes during the Year			
Service Cost	16,409		16,409
Interest	28,646		28,646
Experience (Gain)/Loss	(839)		(839)
Change in actuarial assumptions	(8,574)		(8,574)
Contributions – Employer		31,669	(31,669)
Contributions – Employee		6,566	(6,566)
Net Investment Income		23,437	(23,437)
Benefit Payments; Including Refunds of Employee Contributions	0	0	0
Administrative Expenses		0	0
Other Changes	0	0	0
Total Changes	35,642	61,672	(26,030)
Balance at June 30, 2019	499,877	421,421	78,456

Net Pension Liability – Discount Rate Sensitivities

The following presents the net pension liability (NPL) of the City, calculated using the discount rate of 6.00%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate:

	1% Decrease, 5.38%	Current Discount Rate, 6.38%	1% Increase, 7.38%
Total Pension Liability	520,526	499,877	480,091
Plan Fiduciary Net Position	<u>(421,421)</u>	<u>(421,421)</u>	<u>(421,421)</u>
Net Pension Liability	99,105	78,456	58,670

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report.

NET PENSION LIABILITY

Deferred Inflows and Outflows of Resources Related to Pension Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	34,118	722
Changes of Assumptions	0	15,819
Investment Earnings (Gains)/Losses	0	19,474
Total	\$34,118	\$36,015

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount Recognized
2020	(4,693)
2021	(4,693)
2022	115
2023	3,173
2024	3,344
Thereafter	857

PENSION EXPENSE

Components of City's Pension Expense for the Fiscal Year Ending June 30, 2019

Below are the components of the Total Pension Expense:

	Fiscal Year Ending June 30, 2019
Service Cost	\$16,409
Interest on Total Pension Liability	28,646
Experience (Gains)/Losses	5,990
Changes of Assumptions	(2,646)
Employee Contributions	(6,566)
Projected Earnings on Pension Plan Investments	(22,581)
Investment Earnings (Gains)/Losses	(7,214)
Administrative Expenses	0
Other Changes in Fiduciary Net Position	0
Total Pension Expense	\$12,038

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in Net Pension Liability and Related Ratios

Fiscal Year Ending	June 30 , 2019	June 30, 2018	June 30, 2017
Total Pension Liability			
Service Cost	16,409	16,409	16,409
Interest	28,646	25,651	20,889
Changes of Benefit Terms	0	0	0
Difference between Expected and Actual Experience	(839)	0	25,096
Change of Assumptions	(8,574)	0	(12,801)
Benefit Payments (Including Refunds of Employee Contributions)	0	0	0
Net Change in Total Pension Liability	35,642	42,060	49,593
Total Pension Liability – Beginning	464,235	422,175	372,582
Total Pension Liability – Ending (a)	499,877	464,235	422,175
Plan Fiduciary Net Position			
Contributions – Employer	31,669	31,600	22,178
Contributions – Employee	6,566	6,369	5,938
Net Investment Income	23,437	33,739	37,038
Benefit Payments (Including Refunds of Employee Contributions)	0	0	0
Administrative Expenses	0	(5,153)	0
Other	0	0	0
Net Change in Fiduciary Net Position	61,672	66,555	65,154
Plan Fiduciary Net Position – Beginning	359,749	293,194	228,040
Plan Fiduciary Net Position – Ending (b)	421,421	359,749	293,194
Net Pension Liability – Ending (a)-(b)			
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.30%	77.49%	69.45%
Covered Employee Payroll			
Net Pension Liability as Percentage of Payroll	37.22%	49.22%	64.39%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions

Fiscal Year Ending	06/30/2019	June 30 , 2018	June 30, 2017
Actuarially Determined Employer Contribution (ADC)	30,663	30,663	27,809
Employer Contribution	31,669	31,600	22,178
Contribution Deficiency/(Excess)	(1,006)	(937)	5,631
Covered Employee Payroll	210,765	212,304	200,320
ADC as a Percentage of Covered Payroll	14.55%	14.44%	13.88%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	06/30/2019
Assets (Fiduciary net position)	\$ 421,421
Liabilities (Total pension liability)	499,877
Funded ratio for the Plan Year	84.30%
Actuarially Determined Contribution (ADC)	27,491
Is ARC calculated in compliance with No. Letter 2018-3?	Yes

Membership	06/30/2019
Active members	4
Terminated Vested	1
Retirees and Beneficiaries	0

Investment Performance	06/30/2019
Actual rate of return - prior 1-year basis period	6.19%
Actual rate of return - prior 5-year basis period	1.47%
Actual rate of return - prior 10-year basis period	Not Avail.

Actuarial Assumptions	06/30/2019
Actuarially assumed rate of investment return	6.38%
Discount rate	6.38%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	9
Is each division closed to new employees	Yes

Uniform Assumptions	06/30/2019
Actuarial value of assets using uniform assumptions	\$ 421,421
Actuarial accrued liability using uniform assumptions	527,774
Funded ratio using uniform assumptions	79.85%
Actuarially Determined Contribution (ADC) using uniform assumptions	24,834

PA 202 – Uniform Assumptions
Mortality – RP-2014 Adjusted to 2006, Total Data Set, MP-2018, no pre-retirement mortality
Discount Rate – 6.38%
Salary Scale – 3.5%
AA/Aa Municipal Bond Rate – 2.79%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions Used in Calculation of Actuarially Determined Contribution

Valuation Date	June 30, 2019
Actuarial Methods	
Cost method	Entry Age Normal – Level % of pay
Asset valuation method	Equal to market value of assets
Actuarial Assumptions	
Retirement age	Age 65
Interest rate	6.00% per year
Salary scale	2% annual increases
Mortality table	1983 Individual Annuity Mortality (Female rates), no pre-retirement mortality
Turnover rates	None
Disability rates	None
Form of Payment	100% of participants are assumed to elect a lump sum at retirement
Data Collection	
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross, except as noted below.
Data exceptions	None
Changes Since Prior Valuation	None

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Difference between Actual and Expected Experience

Year Ended June 30,	Difference Between Expected and Actual Experience	Recognition Period (Years)	Amount Recognized in Year Ended June 30,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2021	2022	2024		
2015	(33,853)	10.4	3,255	3,255	3,255	3,255	3,255	3,255	17,578	0
2016										
2017	25,096	8.8	2,852	2,852	2,852	2,852	2,852	2,852	16,540	0
2018										
2019	(839)	7.2	(117)	(117)	(117)	(117)	(117)	(117)	0	(722)
Net Recognized in Pension Expense			5,990	5,990	5,990	5,990	5,990	5,990	34,118	(722)

Schedule of Changes in Assumptions

Year Ended June 30,	Changes in Assumptions	Recognition Period (Years)	Amount Recognized in Year Ended June 30,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2021	2022	2024		
2017	(12,801)	8.8	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	0	(8,436)
2018										
2019	(8,574)	7.2	(1,191)	(1,191)	(1,191)	(1,191)	(1,191)	(1,191)	0	(7,383)
Net Recognized in Pension Expense			(2,646)	(2,646)	(2,646)	(2,646)	(2,646)	(2,646)	0	(15,819)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments

Year Ended June 30,	Difference Between Expected and Actual Earnings on Pension Assets	Recognition Period (Years)	Amount Recognized in Year Ended June 30,					Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2021	2022		
2015	4,139	5	823	0	0	0	0	0	0
2016									
2017	(24,038)	5	(4,808)	(4,808)	(4,808)	0	0	0	(9,616)
2018	(15,290)	5	(3,058)	(3,058)	(3,058)	(3,058)	0	0	(9,174)
2019	(856)	5	(171)	(171)	(171)	(171)	(171)	0	(684)
Net Recognized in Pension Expense			(7,214)	(8,037)	(8,037)	(3,229)	(171)	0	(19,474)

Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended June 30,				
	2020	2021	2022	2023	2024
Total Deferred Outflow/(Inflow) of Resources	(4,693)	(4,693)	115	3,173	3,344

SUMMARY OF PLAN PROVISIONS

Plan name	City of Carson City Pension Plan
Plan documents:	
Document type	Collectively Bargained, governmental plan
Drafted by	Corbel, volume submitter
Latest determination letter	None on file
Plan effective date	May 1, 1966, restated effective April 1, 2012
Most recent amendment effective date (execution date)	Various (PPA, HEART, WRERE and other law changes) April 1, 2012
Eligibility provisions:	
Participation	Age 21 and completion of one year service. The plan is currently closed to new participants after July 1, 2011.
Normal retirement	65 th birthday
Early retirement	Age 55 with 6 Years of Service for vesting
Late retirement	Retirement after normal retirement date
Vesting schedule	20% after 2 years of service, graded to 100% after 6 years of service
Disability	Total and permanent disability for 6 months
Pre-retirement death:	
Annuity to surviving spouse	Death after becoming eligible for a nonforfeitable benefit
Lump sum	Death after becoming eligible for a nonforfeitable benefit
Benefit amounts:	
Normal retirement:	1.2% of Average Monthly Compensation multiplied by Years of Service.
Maximum benefit	IRC Section 415 limits
Early retirement	Accrued benefit payable at normal retirement date; or an actuarially equivalent benefit payable at the early retirement date

SUMMARY OF PLAN PROVISIONS

Late retirement	Accrued benefit based on compensation and service to actual retirement date or the accrued benefit as of the end of the plan year actuarially increased to the commencement date
Vested termination	Applicable percentage of accrued benefit payable at normal retirement date
Disability:	100% of the Accrued Benefit at date of disability. Actuarial equivalent reduction for payment prior to normal retirement
Pre-retirement death: Annuity to spouse	Actuarial Equivalent of the accrued benefit payable at normal retirement date
Lump sum	Actuarial equivalent of the accrued benefit
Definitions:	
Accrued benefit	1.2% of Average Monthly Compensation multiplied by Years of Service at the date of determination
Actuarial equivalence	
Mortality	
Pre-Retirement:	None
Post-Retirement	1983 IAM Mortality Table (Female)
Interest	
Pre-Retirement:	6% per year
Post-Retirement	5% per year
Average compensation	For all participants, total compensation during 5 consecutive years out of the last 10 which yield the highest average. Years during which Mandatory Employee Contributions were not made are excluded
Entry dates	Each July 1 st . The plan is currently closed to new participants
Years of service for: Eligibility purposes	Completion of 1000 hours of service during the 12-month computation period
Vesting/Benefit	1000 hours of service during the plan year. One year of service granted for the short plan year May 1, 2007 through June 30, 2007
Unreduced payment form	120 Months Certain and Life thereafter annuity

SUMMARY OF PLAN PROVISIONS

Optional payment forms	Period certain, contingent annuitant and lump sum automatic for amounts less than \$1,000)
Mandatory contributions	Rates in effect, 07/01/2011: 3% of compensation
Changes since prior valuation	None
Other qualified retirement plans:	457 plan

GLOSSARY

A number of special terms and concepts are used in connection with pension plans and the pension accounting report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

Accrued Benefit - Each participant has an accrued benefit under the plan. This is the amount of monthly benefit already earned. It is based on past employment with the company and is payable at normal retirement.

Actuarial Cost Method - This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

Amortization – The difference between actual and expected investment returns, the difference between actual and expected experience, and the impact of any plan or assumption changes will be amortized and paid over future years.

Depletion Date (Cross-over Point) – The projected date (if any) where plan assets, including future contributions, are no longer sufficient to pay Projected Benefit Payments to current members.

Long-term expected rate of return – The rate of return based on the nature and mix of current and expected plan investments and over the time period from when an employee is hired to when all benefits to the employee have been paid.

Market Value of Assets Date – The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

Measurement Date – The date the Total Pension Liability, Fiduciary Net Position, and Net Pension Liability are determined. For GASB 67, the measurement date is the plan's current fiscal year end.

Net Pension Liability (NPL) – The Total Pension Liability less the Plan Fiduciary Net Position.

Plan Fiduciary Net Position – The market value of plan assets as of the measurement date.

Pension Expense (PE) – The change in the Net Pension Liability (NPL) recognized in the current measurement period. Changes to the NPL not fully recognized in a given year's pension expense will be maintained as deferred inflows and deferred outflows. These will be recognized incrementally in the pension expense over time.

Present Value - The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

Present Value of Accumulated Benefits - The discounted value of all monthly benefit payments due in the future, based on current accrued benefits.

Present Value of Vested Accumulated Benefits - The discounted value of all monthly benefit payments due in the future, based on current vested benefits.

Projected Benefit Obligation - The value of benefits earned to the measurement date, but based on anticipated salary levels at retirement, computed in accordance with GAAP accounting rules.

Projected Benefit Payments – All benefits projected to be payable to current active and inactive employees as a result of their past service and their expected future service.

Real Rate of Return – The rate of return on an investment after the adjustment to eliminate inflation.

Service Cost - The value of benefits earned during the current year computed in accordance with GAAP accounting rules.

Single Equivalent Discount Rate – The single rate that gives the same total present value as discounting the Projected Benefit Payments with the long-term expected rate of return until the Depletion Date and discounting any remaining Projected Benefit Payments with the yield on a 20-year AA/Aa tax-exempt municipal bond index.

Total Pension Liability (TPL) – The actuarial present value of the accrued benefit determined under the entry age actuarial cost method calculated using the Blended Single Equivalent Discount Rate.