

Fall 2012

Springfield, City of

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

**Subject: Springfield, City of (1303) – December 31, 2011 Annual Actuarial Valuation Results Summary**

This letter includes the determination of liabilities and contribution rates resulting from participation by the above-named municipality in the Municipal Employees' Retirement System of Michigan ("MERS").

**Please note this letter is a summary of the final December 31, 2011 valuation results.**

Our calculations were based on the following information:

- Demographic information, financial information and benefit provisions provided to us by MERS administrative staff for the December 31, 2011 annual valuation. Data was checked for internal consistency with the prior year, but was not otherwise audited by us.
- The actuarial assumptions and methods adopted by the Retirement Board for use in the December 31, 2011 annual valuation. Please refer to the division-specific assumptions described in table(s) in this letter, and to the Appendix on the MERS website at: <http://www.mersofmich.com/Appendix>.

The results of our calculations are shown in the table(s) beginning on page 3 of this letter. These are the final results of the December 31, 2011 annual actuarial valuation.

The undersigned actuaries are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. Please see the following page for additional disclosures required by the Actuarial Standards of Practice.

If you have questions, please contact your MERS representative.

Sincerely,

Alan Sonnanstine, MAAA, ASA  
Cathy Nagy, MAAA, FSA  
Jim Koss, MAAA, ASA

## **Additional Disclosures Required by Actuarial Standards of Practice**

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; 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. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This report should not be relied on for any purpose other than the purpose described in the primary communication. Determination of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The signing actuaries are employees of MERS.

The calculation was based upon information furnished by the employer and MERS administrative staff, concerning Retirement System benefits and member information. The MERS of Michigan Actuarial Services Department is not responsible for the accuracy or completeness of the information provided to us for these calculations.

The developed findings included in this report consider data or other information through December 31, 2011.

**Springfield, City of (1303) - AFSCME (01)**  
**December 31, 2011 Actuarial Valuation Results**

Division Status	Open	Actuarial Accrued Liability	
Division Link Status	Not Linked	Active Members	\$ 295,277
Benefit Provisions		Retirees and Beneficiaries	555,327
Benefit Multiplier		Vested Former Members	20,900
Benefit B-3 (80% max)		Pending Refunds	0
		Total	\$ 871,504
Normal Retirement Age	60	Valuation Assets <sup>1</sup>	\$ 626,654
Vesting	10 years	Unfunded Accrued Liability (UAL)	\$ 244,850
Early Retirement (Unreduced)	55/25	Percent Funded	71.9%
	-	Amortization Period	
	-	For Positive UAL	27 years
Early Retirement (Reduced)	50/25	For Negative UAL	10 years
	55/15	Employer Contribution	
Final Average Compensation	5 years	For Fiscal Year Beginning	7/1/2013
COLA for Future Retirees	None	Percentage of Payroll <sup>3</sup>	
COLA for Current Retirees	None	Normal Cost	8.04%
Member Contributions		Amortization of UAL	6.11%
2%		Total Employer Contribution	14.15%
RS50% Percentage	-	Estimated Monthly Contribution <sup>2</sup>	
D-2	-	Normal Cost	\$ 1,417
		Amortization of UAL	1,077
		Total Employer Contribution	\$ 2,494
		Annual GASB ARC	\$ 29,928
Active Members		Division-Specific Assumptions	
Number	5	Withdrawal Rate Scaling Factor	100%
Annual Payroll	\$ 211,465	FAC Increase Factor	2%
Retirees and Beneficiaries			
Number	7		
Annual Benefits	\$ 63,472		
Vested Former Members			
Number	1		
Annual Deferred Benefits	\$ 4,874		

<sup>1</sup> Valuation assets are equal to 1.205815 times the reported market value of assets.

<sup>2</sup> For divisions that are open to new hires, estimated contributions are based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher). For divisions that will have no new hires, invoices will be based on the above dollar amounts which are based on projected fiscal year payroll.

<sup>3</sup> Based on the member contribution rate shown above. If member contributions are increased/decreased by 1.00% of pay, the Employer Contribution Rate will decrease/increase by 0.86%.

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the Appendix on the MERS website at: <http://www.mersofmich.com/Appendix>.

**Springfield, City of (1303) - PubSafety (02)**  
**December 31, 2011 Actuarial Valuation Results**

Division Status	Open	Actuarial Accrued Liability	
Division Link Status	Not Linked	Active Members	\$ 2,372,459
Benefit Provisions		Retirees and Beneficiaries	3,626,505
Benefit Multiplier		Vested Former Members	155,697
3.0% Multiplier (80% max)		Pending Refunds	23,609
		Total	\$ 6,178,270
Normal Retirement Age	60	Valuation Assets <sup>1</sup>	\$ 5,227,788
Vesting	10 years	Unfunded Accrued Liability (UAL)	\$ 950,482
Early Retirement (Unreduced)	25 and Out	Percent Funded	84.6%
	-	Amortization Period	
	-	For Positive UAL	27 years
Early Retirement (Reduced)	55/15	For Negative UAL	10 years
	-	Employer Contribution	
Final Average Compensation	5 years	For Fiscal Year Beginning	7/1/2013
COLA for Future Retirees	None	Percentage of Payroll <sup>3</sup>	
COLA for Current Retirees	None	Normal Cost	7.13%
Member Contributions		Amortization of UAL	5.70%
7%		Total Employer Contribution	12.83%
RS50% Percentage	-	Estimated Monthly Contribution <sup>2</sup>	
D-2	-	Normal Cost	\$ 5,351
		Amortization of UAL	4,278
		Total Employer Contribution	\$ 9,629
		Annual GASB ARC	\$ 115,548
Active Members		Division-Specific Assumptions	
Number	13	Withdrawal Rate Scaling Factor	100%
Annual Payroll	\$ 900,562	FAC Increase Factor	2%
Retirees and Beneficiaries			
Number	19		
Annual Benefits	\$ 380,538		
Vested Former Members			
Number	1		
Annual Deferred Benefits	\$ 31,008		

<sup>1</sup> Valuation assets are equal to 1.205815 times the reported market value of assets.

<sup>2</sup> For divisions that are open to new hires, estimated contributions are based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher). For divisions that will have no new hires, invoices will be based on the above dollar amounts which are based on projected fiscal year payroll.

<sup>3</sup> Based on the member contribution rate shown above. If member contributions are increased/decreased by 1.00% of pay, the Employer Contribution Rate will decrease/increase by 0.78%.

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the Appendix on the MERS website at: <http://www.mersofmich.com/Appendix>.

**Springfield, City of (1303) - Non Union (10)**  
**December 31, 2011 Actuarial Valuation Results**

Division Status	Open	Actuarial Accrued Liability	
Division Link Status	Not Linked	Active Members	\$ 259,152
Benefit Provisions		Retirees and Beneficiaries	236,476
Benefit Multiplier		Vested Former Members	148,454
Benefit B-2		Pending Refunds	0
		Total	\$ 644,082
Normal Retirement Age	60	Valuation Assets <sup>1</sup>	\$ 608,976
Vesting	10 years	Unfunded Accrued Liability (UAL)	\$ 35,106
Early Retirement (Unreduced)	-	Percent Funded	94.5%
	-	Amortization Period	
Early Retirement (Reduced)	50/25	For Positive UAL	27 years
	55/15	For Negative UAL	10 years
Final Average Compensation	5 years	Employer Contribution	
COLA for Future Retirees		For Fiscal Year Beginning	7/1/2013
None		Percentage of Payroll <sup>3</sup>	
COLA for Current Retirees		Normal Cost	6.51%
None		Amortization of UAL	0.93%
Member Contributions		Total Employer Contribution	7.44%
2%		Estimated Monthly Contribution <sup>2</sup>	
RS50% Percentage	-	Normal Cost	\$ 973
D-2	-	Amortization of UAL	139
		Total Employer Contribution	\$ 1,112
		Annual GASB ARC	\$ 13,344
Active Members		Division-Specific Assumptions	
Number	5	Withdrawal Rate Scaling Factor	100%
Annual Payroll	\$ 179,322	FAC Increase Factor	2%
Retirees and Beneficiaries			
Number	3		
Annual Benefits	\$ 30,455		
Vested Former Members			
Number	6		
Annual Deferred Benefits	\$ 29,055		

<sup>1</sup> Valuation assets are equal to 1.205815 times the reported market value of assets.

<sup>2</sup> For divisions that are open to new hires, estimated contributions are based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher). For divisions that will have no new hires, invoices will be based on the above dollar amounts which are based on projected fiscal year payroll.

<sup>3</sup> Based on the member contribution rate shown above. If member contributions are increased/decreased by 1.00% of pay, the Employer Contribution Rate will decrease/increase by 0.85%.

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the Appendix on the MERS website at: <http://www.mersofmich.com/Appendix>.

**Springfield, City of (1303) - Dept Hds (11)**  
**December 31, 2011 Actuarial Valuation Results**

Division Status	Open	Actuarial Accrued Liability	
Division Link Status	Not Linked	Active Members	\$ 678,163
Benefit Provisions		Retirees and Beneficiaries	861,847
Benefit Multiplier		Vested Former Members	77,411
Benefit B-4 (80% max)		Pending Refunds	0
		Total	\$ 1,617,421
Normal Retirement Age	60	Valuation Assets <sup>1</sup>	\$ 1,035,550
Vesting	10 years	Unfunded Accrued Liability (UAL)	\$ 581,871
Early Retirement (Unreduced)	55/25	Percent Funded	64.0%
	-	Amortization Period	
	-	For Positive UAL	27 years
Early Retirement (Reduced)	50/25	For Negative UAL	10 years
	55/15	Employer Contribution	
Final Average Compensation	3 years	For Fiscal Year Beginning	7/1/2013
COLA for Future Retirees		Percentage of Payroll <sup>3</sup>	
None		Normal Cost	11.90%
COLA for Current Retirees		Amortization of UAL	17.36%
None		Total Employer Contribution	29.26%
Member Contributions		Estimated Monthly Contribution <sup>2</sup>	
2%		Normal Cost	\$ 1,771
RS50% Percentage	50%	Amortization of UAL	2,583
D-2	-	Total Employer Contribution	\$ 4,354
		Annual GASB ARC	\$ 52,248
Active Members		Division-Specific Assumptions	
Number	3	Withdrawal Rate Scaling Factor	100%
Annual Payroll	\$ 178,575	FAC Increase Factor	2%
Retirees and Beneficiaries			
Number	4		
Annual Benefits	\$ 96,130		
Vested Former Members			
Number	3		
Annual Deferred Benefits	\$ 20,913		

<sup>1</sup> Valuation assets are equal to 1.205815 times the reported market value of assets.

<sup>2</sup> For divisions that are open to new hires, estimated contributions are based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher). For divisions that will have no new hires, invoices will be based on the above dollar amounts which are based on projected fiscal year payroll.

<sup>3</sup> Based on the member contribution rate shown above. If member contributions are increased/decreased by 1.00% of pay, the Employer Contribution Rate will decrease/increase by 0.86%.

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the Appendix on the MERS website at: <http://www.mersofmich.com/Appendix>.