



**CITY OF GRAND HAVEN
GRAND HAVEN, MICHIGAN
AGENDA FOR
SPECIAL CITY COUNCIL WORK SESSION
GRAND HAVEN CITY HALL*
COUNCIL CHAMBERS
519 WASHINGTON AVE
DECEMBER 15, 2025
7:00PM**

1. CALL TO ORDER

2. ROLL CALL

3. PRESENTATIONS

A. MERS Presentation

Veronica LaBar, MERS

4. ADJOURNMENT



Funding Your MERS Defined Benefit Plan

Actuarial Basics & Annual Valuations

Veronica LaBar
MERS Regional Manager

MERS is an
independent retirement
services company that
was created to
administer the
retirement plans for
Michigan's local units
of government on a
not-for-profit basis



Trusted with **84%**
of municipal pension
plans in the state



We provide reliable
retirement benefits to
over **140,000**
participants



We pool over
\$17 billion
in assets

MERS is governed by an independent, elected board that accepts sole fiduciary responsibility for your retirement plans

Legal
Compliance



Investment
Oversight



Reasonable
Expenses



Your DB Plan Provisions

6 divisions

- All closed - No new employees being enrolled
- 3 divisions still have active employees

Benefit multipliers vary from 1.75% - 3.00%

- Divisions with active employees have bridged to lower multipliers
- 80% max

3-year FAC

6 to 10-year vesting schedules

Retirement eligibility

- Normal retirement eligibility = age 60
- Early **unreduced** retirement (age 50 w/25 yrs or age 55 w/25 yrs)

Other

- 2.5% Non-compounding COLA
- Some divisions offer automatic 50% to survivor beneficiary

Final Average
Compensation

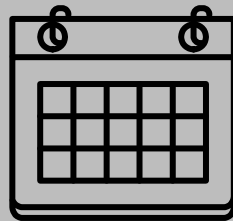
\$100,000



x

Service
Credit

25
years



x

Benefit
Multiplier

2.25%



=

Annual
Benefit*

\$56,250/yr
(\$4,687.50/mo)



** Annual benefit will increase annually by 2.5% non-compounding COLA.*



_____ of the retirement benefits
paid out

Annual Actuarial Valuation (AAV)

- Snapshot of your plan as of December 31
- Provides contribution rates for your following fiscal year
- Your AAV *projects* the cost of the promised benefits and corresponding funded level, but *does not determine the actual cost* of the plan



Actuarial Assumptions

Economic assumptions

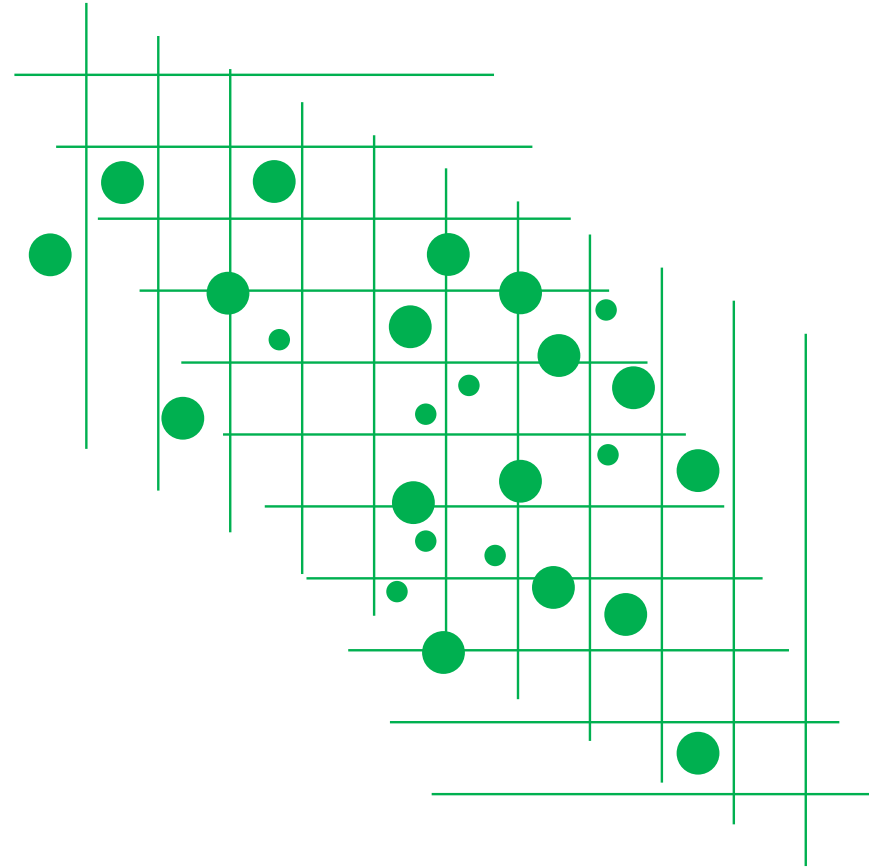
Look *ahead at trends* including factors such as projected wage growth and the future expected investment return

Demographic assumptions

Look *back at the actual experience* of the plan, such as changes in the number of working and retired participants, when those participants will retire, and how long they'll live

Experience Study

- Part of MERS' fiduciary responsibility
- Conducted with our actuarial firm at least every five years, with the most recent study covering 2019 - 2023
- Compares actual experience of the plan with the current assumptions to determine if changes are necessary



Actuarial value of assets, used to determine both the funded ratio and the required employer contribution, is based on a smoothed value of assets

Asset smoothing is a tool to reduce contribution volatility

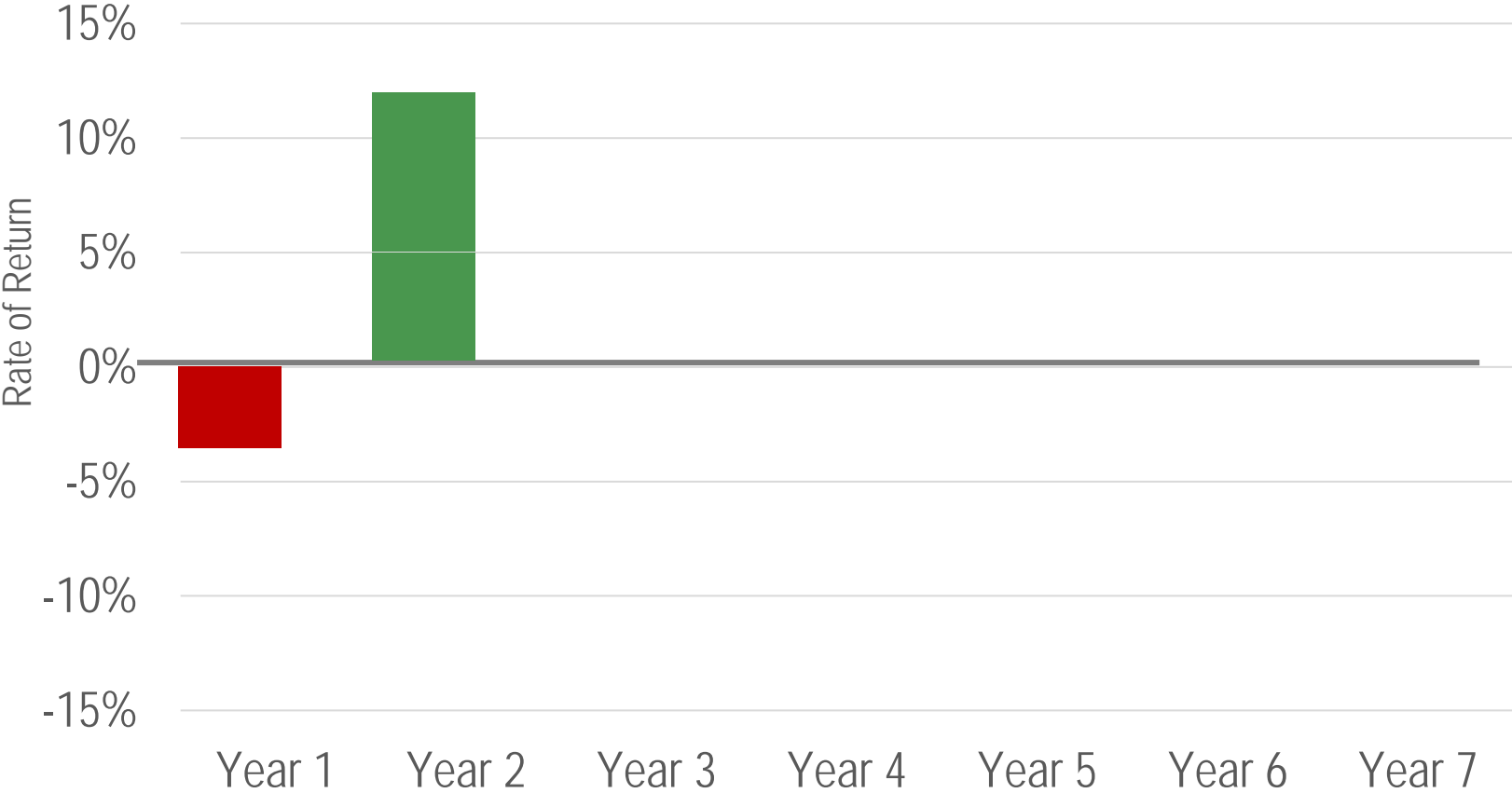
Market Value of Assets

This is the actual amount of assets held in the plan (also called fiduciary net position) and is shown in your quarterly statements

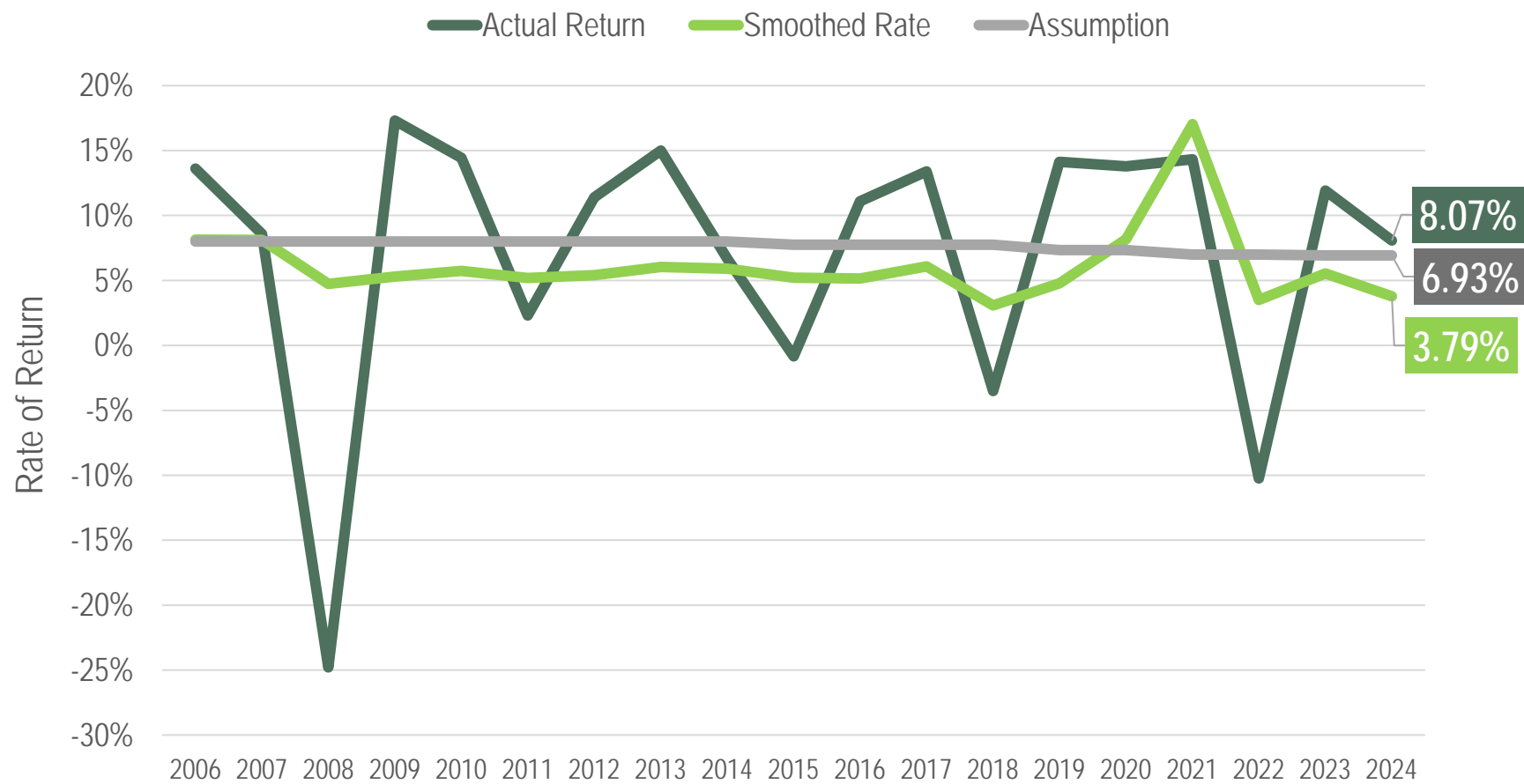
Actuarial Value of Assets

This number uses a smoothed asset value, and therefore is different than the actual amount of assets held in the plan

Spreads investment gains and losses over five years

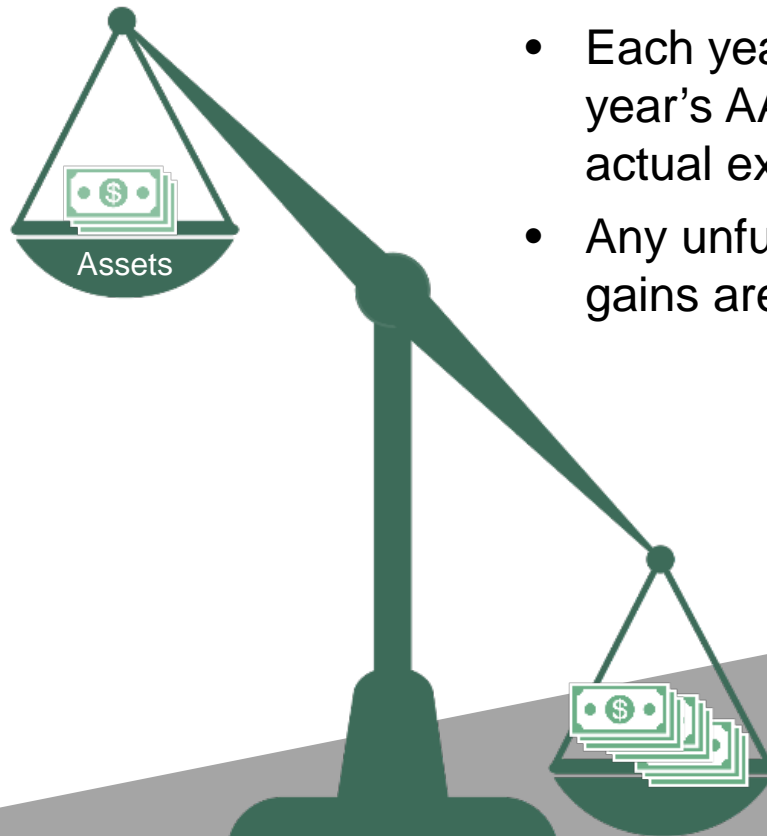


Smoothing is a buffer against extreme fluctuations in the market



**Investment rate of return is gross of fees*

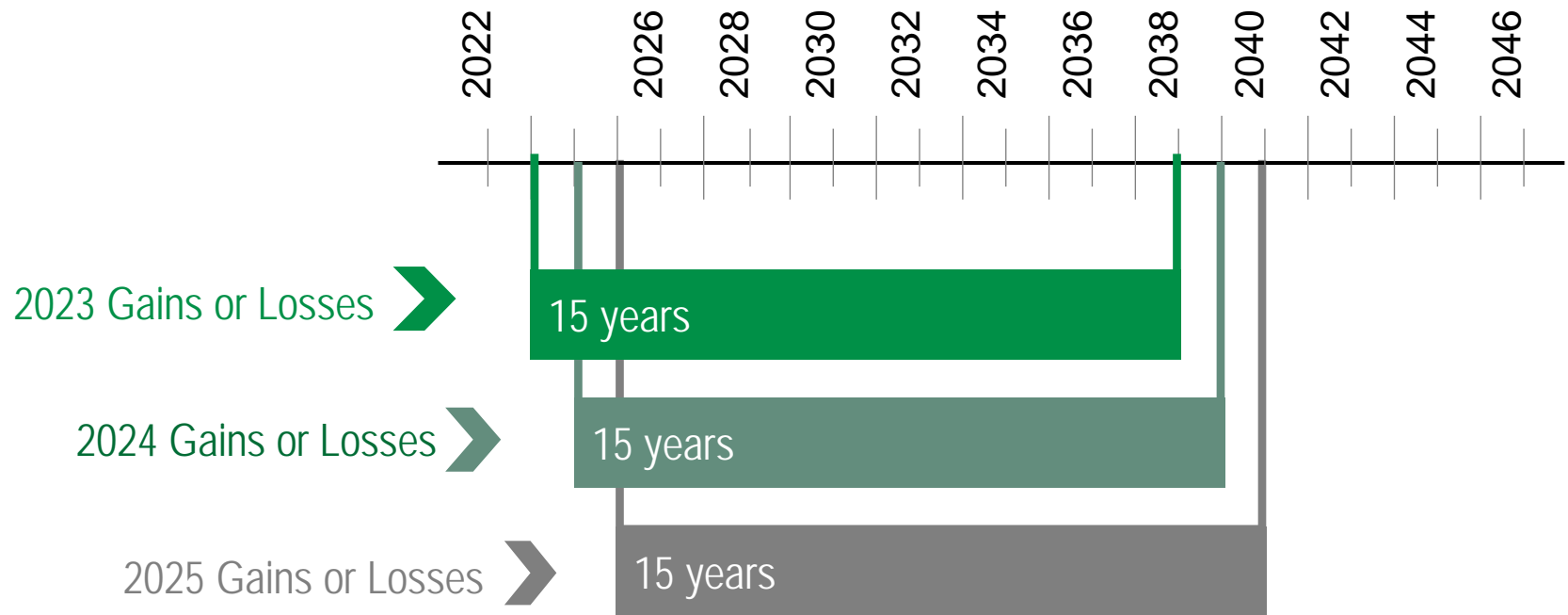
Using a Fixed Amortization Period



- Each year, projections in the previous year's AAV are compared to your plans actual experience
- Any unfunded liability and/or actuarial gains are amortized over a fixed period

Amortization Period

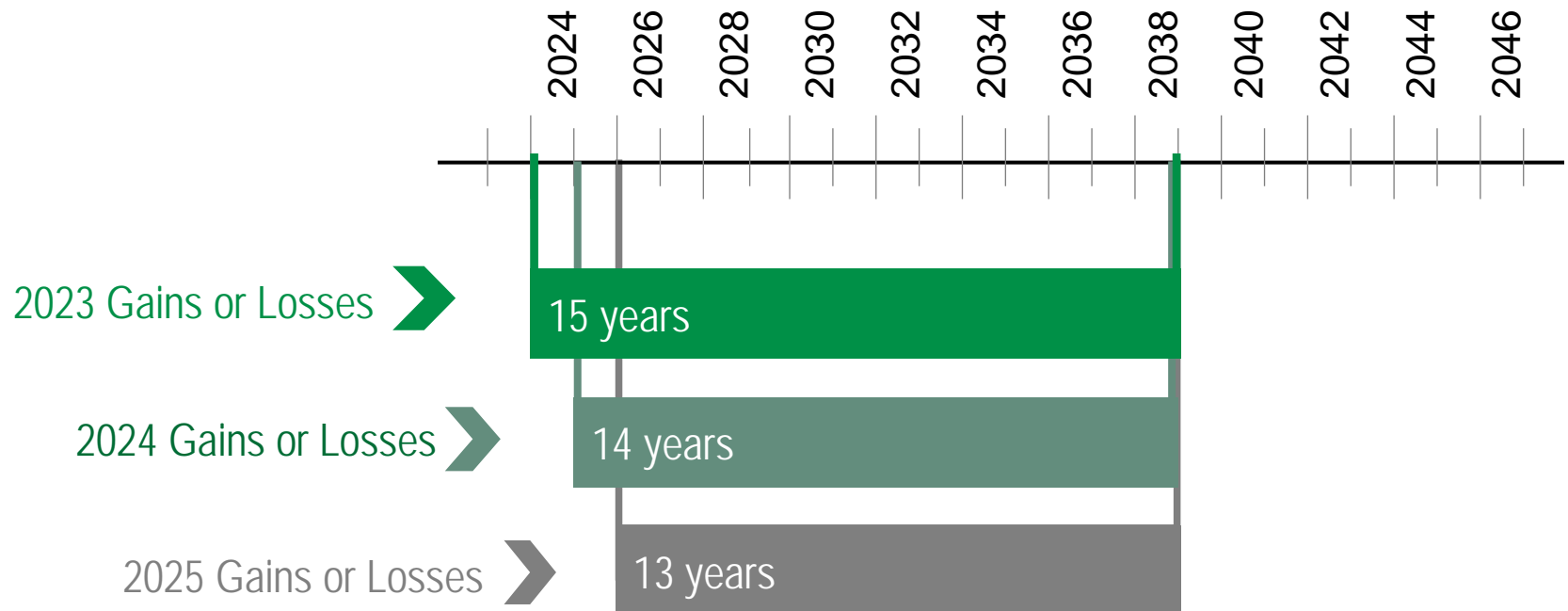
Layered Amortization Example



** Open divisions and linked divisions use a 15-year amortization period. Closed divisions use a 10-year amortization period.*

Layered Amortization in Your Plan

- Division 5 is already using a 10-year amortization period.
- Amortization periods for all other divisions will reduce by one year each year until a 10-year amortization period is reached.



Actuarially Required Contribution



Using a Surplus Division to accelerate funding

- If **only the minimum** required contribution is made, each year your AAV will project your plan to reach 100% funded in 10-15 years (current amortization period)
- Additional voluntary contributions made to a **surplus division** increase the funded level of the plan **without** affecting the future actuarially determined contributions
- Assets can be used at your discretion at any time:
 - Transferred into an underfunded division(s)
 - Used to pay all or a portion of future minimum required contributions
 - Held indefinitely in the surplus division to offset future market volatility

Resources on AAV Webpage



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Annual Actuarial Valuations (AAV)

The annual actuarial valuation (AAV) is an important tool to help you budget for your municipality's retirement benefits, with information specific to your municipality's retirement plan. While MERS pools assets for investment purposes, individual accounts are maintained for each municipality. Each entity is responsible for the employer contributions needed to provide benefits for its employees and former employees. View a [consolidated report of all MERS plans](#).

The annual actuarial valuation is a report provided to you as a snapshot of your MERS Defined Benefit Plan as of December 31 each year. The information in the report will provide your contribution rates for your following fiscal year. The report also provides insight to your plan's liabilities, funding levels, contributions for both the employer and employee, and important GASB information.

When to Expect Your Report

You can expect your report to be available in your Employer Portal by about June 30 for the previous calendar year. For instance, you can expect the 2023 report to arrive around June 30, 2024. This report will contain contribution rate information for the 2025 fiscal year.

Understanding Your Annual Actuarial Valuation

This guide outlines each section of your report and provides answers to some frequently asked questions. For more information, please contact your [MERS Regional Manager](#).

Quick Links:

- [Actuarial Assumptions](#)
- [Managing UAL](#)
- [GovInvest Actuarial Tool](#)

Resources:

- [Dedicated Gains Overview \(pdf\)](#)

Videos:

- [Understanding Your Annual Actuarial Valuation](#)
- [Understanding Defined Benefit Pensions](#)
- [Understanding Investment Return Assumption](#)
- [How Smoothing Works](#)

Looking Ahead...

- The assumed rate of return used in the 12/31/2024 AAV valuation is 6.93%
- MERS will systematically reduce the assumed rate of return following the **Dedicated Gains Policy** to mitigate the financial impact on our customers

Historical Assumed Rates of Return

12/31/2015	7.75%
12/31/2019	7.35%
12/31/2021	7.00%
12/31/2023	6.93%

- The current range of reasonable assumptions is 6.5% - 7.5%
- The **investment return assumption will automatically be reduced** when the actual investment return exceeds a predetermined amount
- A portion of the investment gains are immediately recognized, increasing the plan's funded level and offsetting some of the unfunded liability created by using a lower investment return assumption

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This publication contains a summary description of MERS' benefits, policies or procedures. MERS has endeavored to ensure that the information provided is accurate and up to date. Where the publication conflicts with the relevant Plan Document, the Plan Document controls.

