



December 6, 2019

Ms. Wendy Orcutt
Executive Director
City of Ann Arbor
532 S. Maple Road
Ann Arbor, Michigan 48103

**Re: Michigan PA 202 Calculations Related to MI Form 5572 (Retirement System Annual Report) –
City of Ann Arbor Employees' Retirement System**

Dear Wendy:

This report includes select information necessary to complete the pension reporting requirements under Uniform Assumptions for the State of Michigan's Local Government Retirement System Annual Report (Form No. 5572) for the year ending June 30, 2019. This information is not required to be disclosed in your financial statements. As denoted in this report, section 5(1) of the Act provides the State treasurer with the authority to annually establish uniform actuarial assumptions for purposes of developing the requisite disclosures. There are updated uniform assumptions for fiscal year ending June 30, 2020. More information can be found on the State website in a memo dated October 21, 2019.

This report was prepared at the request of the City and is intended for use by the City and those designated or approved by the City. This report may be provided to parties other than the City only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of Michigan PA 202 of 2017. The calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of Michigan PA 202 of 2017 may produce significantly different results.

The report was based upon information furnished by the City, concerning retiree health 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 the City.

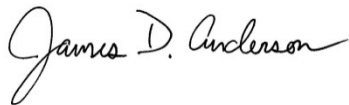
This report complements the actuarial valuation report that was provided to the City and should be considered in conjunction with that report. Please see the actuarial valuation report as of June 30, 2019 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained with this report is accurate and fairly represents the actuarial position of the City of Ann Arbor Employees' Retirement System. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

James D. Anderson, Francois Pieterse and Richard C. Koch, Jr. are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

Sincerely,



James D. Anderson, FSA, EA, FCA, MAAA



Francois Pieterse, ASA, FCA, MAAA



Richard C. Koch, Jr., ASA, MAAA

JDA/FP/RCK:sc



State Reporting Assumptions as of June 30, 2019

The Protecting Local Government Retirement and Benefits Act, Public Act 202 of 2017, was put into law effective December 20, 2017. One outcome of the law is the requirement for the local unit of government to provide select reporting disclosures to the State. Sec. 5(1) of the Act provides the State treasurer with the authority to annually establish uniform actuarial assumptions for purposes of developing the requisite disclosures. Below you will find information which may be used to assist the local unit of government with required reporting.

Uniform Assumptions, as applicable to the measurement and the required disclosures under uniform assumptions are denoted below. Additional discussion of PA 202 and uniform assumptions may be found on the State website in the uniform assumption memo dated September 25, 2018.

Uniform Assumption	PA 202	Valuation Assumption Used	Uniform Assumption Used
Investment Rate of Return	Maximum of 7.00%	7.00%	7.00%
Salary Increase	Minimum of 3.50% or based on experience study within last 5 years	3.50% + Merit and longevity (based on experience study through June 30, 2018 performed by the City's prior actuary)	3.50% + Merit and longevity (based on experience study through June 30, 2018 performed by the City's prior actuary)
Mortality	Version of RP-2014 or based on experience study within last 5 years	A version of RP-2014 (based on experience study through June 30, 2018 performed by the City's prior actuary)	A version of RP-2014 (based on experience study through June 30, 2018 performed by the City's prior actuary)
Amortization of the Unfunded Accrued Actuarial Liability:			
Period	Maximum Period of 20 Years	22 years	20 years
Method	Closed Plans: Level Dollar Open Plans: Level Percent of Payroll of Level Dollar	Level Dollar	Level Dollar
Type	Closed	Closed	Closed

State Reporting as of June 30, 2019

The following information has been prepared to provide some of the information necessary to complete the pension reporting requirements for the State of Michigan's Local Government Retirement System Annual Report (Form No. 5572). Additional resources are available on the State website.

Line	Descriptive Information	
3	Financial Information¹	
4	Enter retirement pension system's assets (system fiduciary net position ending)	\$ 512,898,230
5	Enter retirement pension system's liabilities (total pension liability ending)	\$ 601,108,981
6	Funded ratio	Auto ⁵
7	Actuarially Determined Contribution (ADC) ⁶	\$ 15,251,454
8	Governmental Fund Revenues	TBD ⁴
9	All systems combined ADC/Governmental fund revenues	Auto ⁵
10	Membership¹	
11	Indicate number of active members	711
12	Indicate number of inactive members	149
13	Indicate number of retirees and beneficiaries	1,081
14	Investment Performance	
15	Enter actual rate of return - prior 1-year period	TBD ⁴
16	Enter actual rate of return - prior 5-year period	TBD ⁴
17	Enter actual rate of return - prior 10-year period	TBD ⁴
18	Actuarial Assumptions¹	
19	Actuarial assumed rate of investment return ²	7.00%
20	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Level Dollar
21	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any	22
22	Is each division within the system closed to new employees?	No
23	Uniform Assumptions³	
24	Enter retirement pension system's actuarial value of assets using uniform assumptions	\$ 513,611,366
25	Enter retirement pension system's actuarial accrued liabilities using uniform assumptions	\$ 601,108,981
26	Funded ratio using uniform assumptions	Auto ⁵
27	Actuarially Determined Contribution (ADC) using uniform assumptions ⁶	\$ 15,588,654
28	All systems combined ADC/Governmental fund revenues	Auto ⁵

¹ Information on lines 4-5, lines 11-13, and lines 19-22 can be found in the Annual Actuarial valuation report dated October 11, 2019.

² Net of administrative and investment expenses.

³ Information on lines 24-28 is based on assumption listed on the prior page as of the most recent valuation date, June 30, 2019.

⁴ To be supplied by the City of Ann Arbor.

⁵ Automatically calculated by State of Michigan Form No. 5572.

⁶ Calculated as of June 30, 2019 applicable for fiscal year ending June 30, 2021.