SPECIAL MEETING MINUTES OF THE
WASHTENAW COUNTY EMPLOYEES' RETIREMENT COMMISSION
Remote Meeting
Participate via Zoom: https://zoom.us/j/94880217578
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June 22, 2021 at 8:30 AM

ORDER OF BUSINESS

Meeting Called to Order
Scott Miller called the WCERS meeting to order at 8:36 a.m.

Roll Call
Monica Boote called the roll

WCERS Members Present: Kelly Belknap, Gregory Dill, Corey Mason, Scott Miller, Katie Scott

WCERS Members Absent: Ruth Ann Jamnick

Others Present: Monica Boote, Dayna Spencer, Chyanne Duncan, Human Resources Retirement Office; Roberta Allen, AWARE Representatives; Larry Langer, Wendy Ludbrook and Ryan Gundersen, Cavanaugh Macdonald Consulting; Catherine McClary and Kirsten Osborn, Treasurer's Office; Amy Cole and Eric Burger, Graystone Consulting; Tom Michaud, VanOverbeke, Michaud & Timmony; Deb Schmitt, Public Health; Nancy Heine

Public Participation
None

Approval of Regular Agenda
K. Scott seconded by C. Mason motion to approve the regular agenda as presented. All in favor, motion carried.

REGULAR AGENDA

New Business

A. WCERS Actuarial Valuation Results as of 12.31.20

Mr. Langer presented the draft WCERS December 31, 2020 Actuarial Valuation Report. He reminded the WCERS Board that this information is based off the data as of 12.31.2020 and does not reflect anything that has happened since.

The purpose of the Valuation Process determines the amount of contributions to be made to the Washtenaw County Employees Retirement System during each member's career, which, when combined with investment return, will be sufficient to pay for retiree benefits. In addition, the annual actuarial valuation is performed to satisfy regulatory and accounting requirements, determine the funded ratio, and to explore why the results of the current valuation differ from the result of the valuation of the previous year.

The combined impact of all the changes from the Experience Study led to an increase in the UAAK of $11.6M, a decrease in the funded ration of 1.78% and an increase in the contribution rate of 1.61%

Mr. Langer discussed the funded ratio decreased a summary of results over the past year relative to last year's projected amount. The projections in the December 31,2019 valuation anticipated a funded ration of 76%. However, due to the changes from the experience study the ratio is 74% this year.

Like the funded ratio, the projections in the December 31, 20219 valuation anticipated and employer contribution amount of $9.6M. The amount calculated in the December 31, 2020 valuation is $10.9M and the increase Is primarily due to the assumption changes.

The board discussed more regarding the current funding period years. Currently we are down to 19 years.

Ms. Ludbrook discussed membership data, because of the closing of WCERS on January 1, 2014, the number of active members continues to decline. The employer contribution rate is developed as a percentage of the combined WCERS and DC plan payroll.

Ms. Ludbrook went on to discuss the asset data. She explained the returns were above the assumed rate of return of 7.25%, like the return from the prior year. The benefit payments far exceed the contribution amounts which is typical in a mature plan such as WCERS. The situation makes investment return critical to the actuarial health of the system.

Ms. Ludbrook discussed the benefit provisions, and with the closing of WCERS in 2014 results in different assumption and method recommendations to secure benefits for WCERS members.

Ms. Ludbrook discussed Demographic and Economic assumptions. The assumptions were updated for the valuations and are based on an experience analysis of FUND over the period ending December 31,2019. The assumptions and methods will next be reviewed in time for implementation with December 31, 2025 valuation.

The funding methodology was discussed, the funding policy of the system is to achieve a funded ratio of 100%. We determine this using a cost method, smoothing method, and amortization method. The rate is developed in such a way that the employer is charge the sane for WCERS members ad DC members.

Ms. Ludbrook discussed the actuarial value of assets, to reduce the volatility investment gains and losses can have on WCERS actuarially required contribution and funded status, the Board has adopted a five-year smoothing method to determine the actuarial value of assets used for funding purposes. The method recognizes gains and losses, i.e. the difference between actual investment return based on the valuation interest rate, on level basis over a five-year period.

We are reflecting a 7.9% return on this smooth basis, not the market return of 10.6%. similarly, for the December 31, 2019 valuation we reflected a 6.5% return on this smooth basis- not the market return of positive 18.5%.

Regarding the accrued liability Ms. Ludbrook discussed, currently all the employer provided active benefits and a portion of benefits for members currently receiving payments are not funded. While this does not pose an immediate problem, continued focus on funding the required contribution is needed to secure these benefits.

The funded ration ideally should be at 100%, but like most public plan in the US WCERS is not 100% funded. The funding policy is designed to achieve 100% funding over time if assumptions are met and finding is made.

WCERS experienced an actuarial loss during 2019 of $6,461,009, which means the unfunded actuarial accrued liability was $6,461.009 higher that expected from las year's valuation. The primary drivers of te loss was the impact of changed related to the experience study. The loss was offset y the annual demographic and economic experience.

Regarding employer contribution, the contribution rate for general increased from 15.88% to 17.05%. As a dollar amount, the employer contribution for General increased from &8.0 million to $8.6 million. The employer contribution for Sheriffs increased from $ 2.1 million to $ 2.3 million. The total employer contribution increased from $10.1 million to $10.9 million.

Mr. Langer discussed further projections, explaining the decrease in 2025 is due to paying the final payment for sheriffs, the increases after 2027 are a direct result of using a 3.5% increase to develop the UAAL payment.

Beginning in 2041, the payment is only for the cost of benefits accruing for the last remaining active participants of WCERS.

The 19-year period for funding a closed plan like WCERS is on the higher end of practice.
The funded ration grows less than 10% from 2025 to 2035, which is a result of the 3.5% UAAL payment increase.

Two alternate returns scenario projection shows the sensitivity of the employer contributions to returns that differ from the assumed 6.75% return. The purpose is to show the impact if there was a zero return and double the assumed return. The choice of 0% and 13.50% was arbitrary and not based on any prediction of the current years.

Adjournment

C. Mason seconded by K. Scott to adjourn the WCERS meeting at 9:56am. All in favor, motion carried.

Upcoming Board Meetings

- WCERS Regular Meeting August 24, 2021, 8:30 AM
  Zoom Meeting