NOTE I--COMPENSATED ABSENCES (Continued)

Road Commission (component unit) post-1987 employees earn four hours sick leave per month, and pre-1987 employees earn eight hours a month. All employees are paid annually for accumulated leave in excess of 360 hours. Upon termination, the accumulated sick leave is paid in full. Sick leave for 2016 amounted to $116,755.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT

General Information about the Pension Plan

Plan Description. The County participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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 pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided--Defined Benefit. The County's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. Benefit terms, within the guidelines established by MERS, are established and amended by the County Board of Commissioners, usually after negotiation of terms with applicable unions. Any changes to the plan, including cost of living adjustments, would have to be approved by the County Board of Commissioners in this manner also.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Benefits Provided by Division

Division 01 - UAW Units 111: Open Division	2015 Valuation
Benefit Multiplier	2.25% Multiplier (80% Max)
Normal Retirement Age	60
Vesting	8 Years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25. 55/15
Final Average Compensation	5 Years
Employee Contributions	4.70%
Act 88	Yes (Adopted 11/23/1970)

Division 02 - Police/Fire: Open Division	2015 Valuation
Benefit Multiplier	2.25% Multiplier (80% Max)
Normal Retirement Age	60
Vesting	8 Years
Early Retirement (Unreduced)	55/20
Early Retirement (Reduced)	50/25. 55/15
Final Average Compensation	5 Years
Employee Contributions	3% under $4.200: 5% over $4.200
Act 88	Yes (Adopted 11/23/1970)

Division 10 - UAW Units 1&2: Open Division	2015 Valuation
Benefit Multiplier	2.25% Multiplier (80% Max)
Normal Retirement Age	60
Vesting	8 Years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25. 55/15
Final Average Compensation	5 Years
COLA for Current Retirees	2.5% (Non-Compound)
Employee Contributions	4.70%
Act 88	Yes (Adopted 11/23/1970)

Division 21 - Police Non-Supervisory Other: Open Division	2015 Valuation
Benefit Multiplier	2.25% Multiplier (80% Max)
Normal Retirement Age	60
Vesting	8 Years
Early Retirement (Unreduced)	55/20
Early Retirement (Reduced)	50/25. 55/15
Final Average Compensation	5 Years
Employee Contributions	4.50%
Act 88	Yes (Adopted 11/23/1970)

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Employees covered by benefit terms. At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to but not yet receiving benefits	30
Active employees	149
Total employees covered by MERS Plan	260

Contributions. Const 1963, art 9, § 24 requires that financial benefits arising on account of employee service rendered in each year be funded during that year. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ending September 30, 2016, the active employee contributions are listed previously and the County's contribution rate of annual payroll was 14.36%, 9.12%, 14.59%, and 9.96% of the covered payroll at December 31, 2015, for the General UAW Units 111, the Sheriff's Department, and UAW Units 1 and 2, and Elected Officials, respectively.

Net Pension Liability

The net pension liability reported as of September 30, 2016, was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2014, total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.75% in the long-term
Investment Rate of Return	7.75%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with the price inflation of 3%-4%.

Mortality rates were based on 50 percent male - 50 percent female blend of the RP- 2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Tables, and RP-2014 Juvenile Mortality Tables. For disabled plan members, rates were based on a blend of the 50 percent male - 50 percent RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate: The discount rate used to measure the total pension liability is 8% for 2015. The projection of cash flows used to determine the discount rate assumes that the employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2014	$ 19,972,936	$ 14,591,627	$ 5,381,309
Changes for the Year:			
Service Cost	572,611	-	572,611
Interest	1,624,152	-	1,624,152
Difference Between Expected and Actual Experience	92,164	-	92,164
Changes in Assumptions	1,002,586	-	1,002,586
Contributions - Employer	-	684,841	(684,841)
Contributions - Employee	-	273,865	(273,865)
Net Investment Income	-	(219,217)	219,217
Benefit Payments, Including Refunds	(1,145,091)	(1,145,091)	-
Adminstrative Expenses	-	(31,970)	31,970
Other Changes	27	-	27
Net Changes	2,146,449	(437,572)	2,584,021
Balance at December 31, 2015	$ 22,119,385	$ 14,154,055	$ 7,965,330

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability of the City	$ 10,699,654	$ 7,965,330	$ 5,672,780

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ending September 30, 2016, the County recognized pension expense of $1,313,828. At September 30, 2016, the County reported deferred outflow of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources
Differences in Experience	$ 73,731
Differences in Assumptions	802,069
Excess (Deficit) Investment Returns	1,287,158
Contributions subsequent to the measurement date*	510,417
Total	$ 2,673,375

*The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending September 30, 2017.

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

Years Ending September 30	Amount
2017	$ 553,735
2018	553,735
2019	553,735
2020	501,754