NOTE F--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description: The Road Commission's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Road Commission 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 by accessing the MERS website at www.mersofmich.com.

Benefits Provided:

Table 2	2017 Valuation	2017 Valuation
	01 - Comm/Sal/Non-Un Closed to new hires, Div 12	10 - Union Closed to new hires, Div 12
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/20	55/20
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees	2.50% (Non-Compound)	2.50% (Non-Compound)
COLA for Current Retirees	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	0%	0%
Act 88:	Yes (Adopted 8/11/1969)	Yes (Adopted 8/11/1969)
	11 - Hourly Non-Union Closed to new hires, Div 12	12 - Non-Un after 10/14 & Un after 10/11: Open Division
Benefit Multiplier:	2.50% Multiplier (80% max)	1.70% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/20	n/a
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	5 years
COLA for Future Retirees	2.50% (Non-Compound)	n/a
COLA for Current Retirees	2.50% (Non-Compound)	n/a
Employee Contributions:	0%	0%
Act 88:	Yes (Adopted 8/11/1969)	Yes (Adopted 8/11/1969)

NOTE F--EMPLOYEES' RETIREMENT SYSTEM

Employees covered by benefit terms: At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	2
Active employees	21
Total employees covered by MERS Plan	69

Contributions: The Road Commission 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 cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2018, the Road Commission's contribution rate was $5,032 monthly for Comm/Sal/Non-Union employees; $24,139 for Union employees; $18,517 for Hourly Non-Union and 1.83% monthly for Non-Union after 10/14 and Union after 10/11.

Net Pension Liability

The employer's net pension liability reported at December 31, 2018 was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation performed as December 31, 2017. Update procedures were used to roll forward the total pension liability to the measurement date of December 31, 2018

Actuarial assumptions: The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3.75% in the long-term
Investment Rate of Return	7.75%, net of investment expense 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 a price inflation of 3% - 4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience completed in 2015 for the period of January 1, 2009 - December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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, 2017, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	8.65%
Global Fixed Income	18.5%	3.76%
Real Assets	13.5%	9.72%
Diversifying Strategies	12.5%	7.50%

Discount rate: The discount rate used to measure the total pension liability is 8.00% for the valuation on December 31, 2017. The projection of cash flows used to determine the discount rate assumes that 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 F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at December 31, 2016	$12,612,803	$5,412,073	$7,200,730
Changes for the Year:			
Service Cost	108,076	-	108,076
Interest	975,547	-	975,547
Difference between expected and actual experience	157,448		157,448
Contributions--Employer	-	1,062,080	(1,062,080)
Net investment income	-	(217,621)	217,621
Benefit payments, including refunds	(945,017)	(945,017)	-
Administrative expense	-	(10,549)	10,549
Other changes	(26,652)	-	(26,652)
Net changes	269,402	(111,107)	380,509
Balances as of December 31, 2017	$12,882,205	$5,300,966	$7,581,239

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 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability at December 31, 2018		$ 7,581,239	
Change in Net Pension Liability (NPL)	$ 1,214,402		$ (1,046,780)

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

For the year ended December 31, 2018, the Road Commission recognized pension expense of ($229,352). At December 31, 2018, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ 78,724	$ -
Excess (Deficit) Investment Returns	470,662	
	-	-
Total	$ 549,386	$ -

*The amount reported as deferred outflows 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 December 31, 2019.

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

Years Ending December 31	Amount
2019	$ 237,542
2020	69,313
2021	96,442
2022	146,089

NOTE G--OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Iron County Road Commission Retiree Medical Plan is a single employer plan established and administered by Iron County Road Commission and can be amended at its discretion. The Road Commission provides post-employment healthcare insurance and life insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 50, Section 9, and Article 51, Section 2, of the union agreement.

Benefits Provided: Healthcare benefits are provided upon retirement as follows: Medical is provided from age 60 with 10 years of service or age 55 with 15 years of service. Employees hired prior to February 1, 1986 will receive benefits for the retiree's lifetime. Employees hired after February 1, 1986 will receive fully paid pre-65 benefits provided for one year. Life Insurance will be provided from age 60 and 10 years of service and hired prior to September 13, 2011. The Road Commission will provide Blue Cross / Blue Shield pre 65 insurance coverage, plan coverage complementary to Medicare and life insurance coverage of $8,000. No coverage is offered for spouses. If retiring at or after age 60, no retiree contribution is required. If hired prior to February 1, 1986 and retiring prior to age 60, employee contribution shall be ½ of 1% for every month of retirement prior to age 60; for those who retire prior to age 60, coverage and contributions commence at age 60 and end when the retiree reaches age 70.

Employees covered by benefit terms. At the December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members receiving or entitled to future benefits	23
Covered Spouse	0
Active Plan Participants	21
Total Participants	44

Contributions. The Iron County Road Commission Retiree Medical Plan was established and is being funded under the authority of the Road Commission and under agreements with the unions representing various classes of employees. The plan's funding policy is to pay expected plan benefits from general operating funds on a "pay-as-you-go" basis. Active participants do not make contributions to pre-fund the Plan. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves. During the year, the Road Commission contributed $173,802 for the benefit.

Net OPEB Liability. The Road Commission's net OPEB liability was measured as of December 31, 2018. The December 31, 2018 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018.

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	N/A; plan is not pre-funded
Salary increases	3.5%
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal bond rate	3.0%
Mortality	RP-2014 adjusted 2006 Total Data Set, Headcount-weighted, MP-2018 with no pre-retirement mortality

As the plan is not pre-funded, no long-term expected rate of return on plan investments was determined.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.0%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. December 31, 2018 is the first year of required compliance with GASB 75, so there is no required discount rate change to disclose.

Changes in Net OPEB Liability

	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2017	$ 3,311,906	$ -	$ 3,311,906
Changes for the Year:			
Service Cost	26,028	-	26,028
Interest	97,531	-	97,531
Contributions - Employer	-	173,802	(173,802)
Benefit Payments, Including Refunds	(173,802)	(173,802)	-
Net Changes	(50,243)	-	(50,243)
Balance at December 31, 2018	$ 3,261,663	$ -	$ 3,261,663

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0%) or 1-percentage-point higher (4.0%) than the current discount rate:

	1% Decrease (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
Net OPEB liability of the Road Commmission	$ 3,657,490	$ 3,261,663	$ 2,931,616

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Health Care Trend Rate	1% Increase
Net OPEB liability of the Road Commmission	$ 2,936,507	$ 3,261,663	$ 3,649,112

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2018, the Road Commission recognized OPEB expense of ($50,243). At December 31, 2018, the Road Commission did not have any deferred outflows of resources and deferred inflows of resources related to OPEB.