

Bay County Employees' Retirement System

Annual Actuarial Valuation Report
for County Employers Other Than BABH
December 31, 2023



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September 24, 2024

Board of Trustees
Bay County Employees' Retirement System
Bay City, Michigan

**Re: Bay County Employees' Retirement System - excluding BABH Actuarial Valuation
as of December 31, 2023 Actuarial Disclosures**

Dear Board Members:

The results of the December 31, 2023 Annual Actuarial Valuation of the Bay County Employees' Retirement System - excluding BABH are presented in this report.

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

The purposes of the valuation are to measure the System's funding progress and to determine the employer contribution rate for the fiscal year ending December 31, 2025. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

The contribution rate shown in this report is determined using the actuarial assumptions and methods disclosed in Section D of this report. This report includes risk metrics on pages F-1 and F-2, but does not include a more robust assessment of the risks of future experience not meeting the actuarial assumptions. This report also includes a discussion of the required Low-Default-Risk Obligation Measure (LDRM) on page F-3. Additional assessment of risks was outside the scope of this assignment. We encourage a review and assessment of investment and other significant risks which may have a material effect on the System's financial condition.

We have assessed that the contribution rates calculated under the current funding policy are reasonable Actuarially Determined Employer Contributions (ADECs) and it is consistent with the plan accumulating adequate assets to make benefit payments when due.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The findings in this report are based on data and other information through December 31, 2023. The valuation was based upon information furnished by the County, concerning Retirement System 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 County.

This report was prepared using assumptions adopted by the Board. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. The combined effect of the assumptions is expected to have no significant bias (i.e., not significantly optimistic or pessimistic). All actuarial assumptions used in this report are reasonable for the purposes of this valuation. All actuarial assumptions and methods used in the valuation follow the guidance in the applicable Actuarial Standards of Practice. Additional information about the actuarial assumptions is included in the section of this report entitled Actuarial Cost Methods and Actuarial Assumptions.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

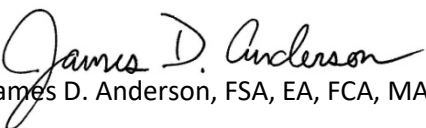
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Bay County Employees' Retirement System - excluding BABH as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

James D. Anderson, Shana M. Neeson, and Stephanie Sullivan 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.

Gabriel, Roeder, Smith & Company will be pleased to review this valuation and report with the Board of Trustees and to answer any questions pertaining to the valuation.

Respectfully submitted,
Gabriel, Roeder, Smith & Company


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


Shana M. Neeson, ASA, FCA, MAAA


Stephanie Sullivan, ASA, MAAA

JDA/SMN/SS:sc



SECTION A

EXECUTIVE SUMMARY

Executive Summary

1. Required Employer Contributions

The computed employer contributions **exclusive of employer paid "member" contributions** are as follows:

Division	Valuation Year Fiscal Year	Contribution Rate [#]	
		12/31/2022 1/1/2024	12/31/2023 1/1/2025
General County		0.00 %	0.00 %
DWS		14.31	13.04
Library*		\$ 0	\$ 0
Medical Care Facility		0.00 %	0.00 %
Sheriff's Department		0.00	0.00
Road Commission		11.15	10.19

* Beginning with the 2013 valuation, the Library contribution is calculated as a level dollar amount, since the Library is closed to future hires.

Beginning with the 2015 valuation, BABH results are provided in a separate report.

It is important to remember that the current contribution rates for General County, Library, Medical Care Facility, and Sheriff's Department are lower than the long-term cost of the plan (the normal cost). This is because these divisions have overfunding credits. The credits reduce the required contributions below the normal costs until the overfunding is eliminated. ***If future experience were to exactly match each of the assumptions, the employer contribution rates would not remain level. Increases would occur over time and contribution rates would increase towards the normal cost or long-term cost of the benefits.***

2. Funded Ratio Comparison

The funding percentage for each of the valuation groups is shown below.

Division	Funded Ratio	
	12/31/2022	12/31/2023
General County	128 %	132 %
DWS	89	92
Library	119	123
Medical Care Facility	120	124
Sheriff's Department	131	134
Road Commission	98	98

This year for all employment divisions combined, excluding BABH, valuation assets represent 122.8% of accrued liabilities; last year the ratio was 119.7%. If the valuation results were based on market value of assets instead of smoothed funding value, the funded percent of the plan would be 115.1%.



3. Reasons for Change

There are three general reasons why contribution rates change from one valuation to the next.

1. The first is a change in the benefits or eligibility conditions of the plan. There were no changes in benefits.
2. The second is a change in the valuation assumptions used to predict future occurrences. There were no changes in assumptions.
3. The third is the difference during the year between the plan's actual experience and what the assumptions predicted. This is discussed below.

4. 2023 Plan Experience

The aggregate experience during 2023 was favorable, with an overall gain/(loss) of \$7,623,039. The gain/(loss) information is shown separately for each group on page B-8.

Investment return on the market value of assets for calendar year 2023 exceeded the assumed rate of return for the valuation (see page C-5). However, the asset smoothing method only recognizes 20% of a given year's investment gain or loss. Partial recognition of gains and losses from prior years along with this year's gain resulted in an overall gain on the funding value of assets. In addition to the investment experience gain, there was a non-investment gain due to more terminations than expected for all groups. These gains were partially offset by larger than expected pay increases for all groups, except the Library.

5. Retiree Reserve Balance

The retiree accrued liabilities for all divisions are larger than the reported retiree reserve balances. For detail see Comment A on page B-5.

6. Looking Ahead

Investment income greater than or less than expected based on the investment return assumption is recognized over a five-year period under the current asset valuation method. As of December 31, 2023, the funding value of assets was 106.7% of market value. Due to investment performance during the previous five years, unrecognized investment gains and losses exist that are scheduled to be recognized over the next four years. Given that actuarial assumptions are realized, this is expected to put upward pressure on the required contribution amounts calculated in the near term.

SECTION B

VALUATION RESULTS AND COMMENTS

Financial Objective

The financial objective of the Retirement System is to establish and receive contributions, expressed as a percentage of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens.

Your annual actuarial valuations determine how well the objective is being met.

The Board of Trustees of the Bay County Employees' Retirement System confirms that the System provides for payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728 of 2002.

Contribution Rates

The Retirement System is supported by contributions from the employers, by member contributions and by the investment income earned on System assets. For some divisions, the required member contributions are paid by the Employer either through contributions to the System or by transferring funds from the employer reserves to the employee reserves. In addition, the Employer provides an actuarially determined contribution.

Member and Employer contributions cover both: i) normal cost, and ii) the financing of the unfunded accrued liability over a period of future years. The normal cost is the portion of System costs allocated to the current year by the valuation method described on page D-1. The unfunded accrued liability is the portion of System costs not covered by present System assets and future normal costs.

The contribution requirements for the fiscal year beginning January 1, 2025 are presented on page B-2.

Contributions to Provide Benefits Member Portion and Employer Portion Fiscal Year Beginning January 1, 2025

Contributions for	% of Active Payroll						Total
	General County	DWS	Library*	Medical Care Facility	Sheriff's Department	Road Commission	
Normal cost of benefits:							
Age & service	8.80 %	12.57 %	\$ 113,246	7.86 %	10.81 %	12.05 %	
Disability	0.33	0.47	4,143	0.47	1.81	0.85	
Death-in-service	0.17	0.25	2,393	0.09	0.20	0.32	
Total	<u>9.30</u>	<u>13.29</u>	<u>119,782</u>	<u>8.42</u>	<u>12.82</u>	<u>13.22</u>	
Member contributions [#] :							
Total	4.07	4.00	36,828	4.00	4.55	4.79	
Future refunds	0.05	0.04	2,026	0.46	0.18	0.22	
Available for pensions	<u>4.02</u>	<u>3.96</u>	<u>34,802</u>	<u>3.54</u>	<u>4.37</u>	<u>4.57</u>	
Administrative expenses	<u>0.45</u>	<u>0.45</u>	<u>4,143</u>	<u>0.45</u>	<u>0.45</u>	<u>0.45</u>	
Employer normal cost	5.73	9.78	89,123	5.33	8.90	9.10	
Unfunded accrued liability	<u>(13.95)</u>	<u>3.26</u>	<u>(270,586)</u>	<u>(9.40)</u>	<u>(18.54)</u>	<u>1.09</u>	
Computed Employer Rate	0.00	13.04		0.00	0.00	10.19	
Computed Employer \$ Contribution Amount			\$ 0				\$ 906,533

[#] For certain divisions, the member contributions are paid by the employer, either by directly contributing to the Retirement System or by transferring funds from employer reserves to employee reserves.

* Beginning with the 2013 valuation, the Library contribution is calculated as a level dollar amount, since the Library is closed to future hires.

Unfunded actuarial accrued liabilities were amortized as a level dollar amount for the Library and as a level percent of member payroll for all other groups over a closed period of 19 years and asset surpluses were amortized over an open period of 20 years.

The required employer contribution rate determined above is reasonable under Actuarial Standard of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, based on:

- The use of reasonable actuarial assumptions and cost methods; and
- The use of reasonable amortization and asset valuation methods.

The procedure for determining dollar contribution amounts is shown on page B-3.

Page B-4 displays the unfunded accrued liabilities (asset surpluses) that are amortized by the contribution rates shown above.



Determining Dollar Contributions

For any period of time, the percent-of-payroll contribution rates need to be converted to dollar amounts. We recommend one of the following procedures:

- (1) Contribute dollar amounts for a period which are equal to the employer's percent-of-payroll contribution requirement multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll payments that are covered compensation; or
- (2) Contribute the dollars for each group based on the table shown below.

	General County	DWS	Library	Medical Care Facility	Sheriff's Department	Road Commission	Total
Contribution:	\$ -	\$ 517,509	\$ -	\$ -	\$ -	\$ 389,024	\$ 906,533

These amounts are based on the payroll information provided for the valuation.

Timing of Contribution Payments

The contribution requirements in this report anticipate regular payments throughout the year. Examples would be at each payroll date or in 12 monthly installments. If the employer contribution pattern is significantly different, an adjustment to the costs may be appropriate. For example, a lump sum contribution at the beginning of the year is available for investment throughout the year and, therefore, ought to be somewhat smaller than 12 monthly payments. Similarly, a lump sum contribution at the end of the year will not generate any investment income that year.

Determination of Unfunded Accrued Liability

	General County	DWS	Library	Medical Care Facility	Sheriff's Department	Road Commission	Total
A. Accrued liability							
1. For retirees and beneficiaries	\$ 76,448,212	\$ 14,911,442	\$ 8,227,956	\$ 37,481,411	\$ 26,297,297	\$ 26,099,860	\$ 189,466,178
2. For vested terminated members	2,519,164	237,956	154,113	1,466,031	499,297	0	4,876,561
3. For present active members							
a. Value of expected future benefit payments	54,598,563	10,316,661	4,756,904	28,656,693	18,501,825	14,224,995	131,055,641
b. Value of future normal costs	13,700,871	4,259,355	823,098	6,495,459	6,328,992	3,988,655	35,596,430
c. Active member liability: (a) - (b)	40,897,692	6,057,306	3,933,806	22,161,234	12,172,833	10,236,340	95,459,211
4. Total actuarial accrued liability	119,865,068	21,206,704	12,315,875	61,108,676	38,969,427	36,336,200	289,801,950
B. Valuation assets	157,679,756	19,463,422	15,122,194	75,548,685	52,193,809	35,755,513	355,763,379
C. Unfunded accrued liability (Excess assets):							
(A.4) - (B)	(37,814,688)	1,743,282	(2,806,319)	(14,440,009)	(13,224,382)	580,687	(65,961,429)
D. Funding ratio: (B) / (A.4)							
	131.5%	91.8%	122.8%	123.6%	133.9%	98.4%	122.8%



Comments

Comment A: We developed the value of anticipated future benefit payments to retired members and their beneficiaries. We then compared this accrued liability to the reported value of the retirement reserve account. The figures below compare the retired liabilities and reserves for each division.

Division	Retiree Accrued Liability	Reported Retiree Reserve	Unfunded Retiree Liability
General County	\$ 76,448,212.00	\$ 68,750,052.78	\$ 7,698,159.22
DWS	14,911,442.00	13,321,804.11	1,589,637.89
Library	8,227,956.00	7,322,429.69	905,526.31
Medical Care Facility	37,481,411.00	33,890,091.97	3,591,319.03
Sheriff's Department	26,297,297.00	23,800,088.16	2,497,208.84
Road Commission	26,099,860.00	23,066,542.97	3,033,317.03
Total	\$189,466,178.00	\$170,151,009.68	\$19,315,168.32

As of the valuation date, there is a shortfall in the retiree reserve for all groups. This valuation anticipates that the difference between the accrued liability and the reported reserve will be transferred from the Retirement System employer reserve to the retiree reserve effective January 1, 2024 to fully fund the retiree accrued liability.

Comment B: Contribution rates generally decreased during the year, primarily due to favorable investment performance and more terminations than expected. Results varied by group and are discussed further in items 4 and 5 on page A-2 and on page C-5.

Comment C: The chart on page B-8 shows the experience gain/(loss) for 2023. The development of the investment gain/(loss) is shown on page B-9.

Comment D: The introduction of GASB Statements No. 67 and No. 68 served to completely disconnect pension accounting from pension funding. This means that the Annual Required Contribution is no longer applicable. As part of good governance, we would be happy to supply the Board with a draft funding policy for consideration. In particular, this document would codify methods, assumptions and other key items related to pension funding, including perhaps a minimum contribution equal to a percentage of the normal cost for currently overfunded plans.

Comment E: Assumptions were updated for the December 31, 2022 valuation after a review was performed.

Comments

Comment F: Under Public Act 202 of the State of Michigan, Michigan municipalities are required to report liabilities under uniform assumption guidelines. While the current guidelines are only for reporting purposes (and not funding), governments may be encouraged to use these new assumptions for funding. For efficiency in compliance, and consistent with past practice, we produce this information for inclusion with the annual GASB valuation.

Comment G: Under Sec. 4(1)(d) of Public Act 202 of the State of Michigan, local units of government are required to have a peer actuarial audit conducted by an actuary that is not the plan actuary or replace the plan actuary at least every eight years. Given the implementation of Public Act 202, it is our understanding that the audit requirement must be met prior to January 1, 2026. GRS can work with the Board and Staff to ensure compliance.

Disclosures

General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the DWS and Road Commission contribution allocation procedures, if all actuarial assumptions are met (including the assumption of the plan earning 7.25% on the actuarial value of assets), then the following outcomes are expected, for the above mentioned groups:

1. The employer normal cost as a percentage of pay is expected to remain level as a percentage of payroll.
2. The unfunded liability is expected to be paid off in approximately 19 years, which is the number of years remaining in the closed amortization schedule of the unfunded liability. The funded status of the plan is expected to reach a 100% funded ratio in approximately 19 years, which is the number of years remaining in the closed amortization schedule of the unfunded liability.
3. The funded status of the plan is expected to increase gradually towards a 100% funded ratio.

Given the General, Library, Medical Care Facility, and Sheriff's Department contribution allocation procedures, if all actuarial assumptions are met (including the assumption of the plan earning 7.25% on the actuarial value of assets), then the following outcomes are expected, for the above mentioned groups:

1. For General, Medical Care Facility, and Sheriff's Department groups - the employer normal cost as a percentage of pay is expected to remain level as a percentage of payroll.
2. For the Library group, the Normal cost is calculated as a level dollar amount due to the closure of the plan to future Library active members.
3. The funded status of the plan is expected to decrease gradually towards a 100% funded ratio.

Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets. Unless otherwise indicated, with regards to any funded status measurements presented in this report:

1. The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.
2. The measurement is inappropriate for assessing the need for or the amount of future employer contributions.
3. The measurement would produce a different result if the market value of assets were used instead of the actuarial value of assets, unless the market value of assets is used in the measurement.

Determination of Experience Gain/(Loss) Year Ended December 31, 2023

Actual experience will never (except by coincidence) exactly match assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the determination of the experience gain/(loss) is shown below:

	General County	DWS	Library	Medical Care Facility	Sheriff's Department	Road Commission	Total
(1) Unfunded Actuarial Accrued Liabilities (UAAL) at start of year	\$ (33,219,511)	\$ 2,245,565	\$ (2,377,713)	\$ (11,966,382)	\$ (11,715,999)	\$ 736,103	\$ (56,297,937)
(2) Normal cost for the year 2023	1,942,392	518,476	138,405	1,046,717	689,643	510,634	4,846,267
(3) Actual employer & employee contributions	(817,541)	(733,555)	(135,718)	(449,017)	(262,685)	(477,203)	(2,875,719)
(4) Net interest accrual on (1), (2) and (3)	(2,368,114)	155,098	(172,288)	(846,149)	(834,113)	54,565	(4,011,001)
(5) Expected UAAL before changes: (1) + (2) + (3) + (4)	(34,462,774)	2,185,584	(2,547,314)	(12,214,831)	(12,123,154)	824,099	(58,338,390)
(6) Change from benefit changes	-	-	-	-	-	-	-
(7) Change from revised actuarial assumptions and methods	-	-	-	-	-	-	-
(8) Expected UAAL after changes: (5) + (6) + (7)	(34,462,774)	2,185,584	(2,547,314)	(12,214,831)	(12,123,154)	824,099	(58,338,390)
(9) Actual UAAL at end of year	(37,814,688)	1,743,282	(2,806,319)	(14,440,009)	(13,224,382)	580,687	(65,961,429)
(10) Actuarial accrued liabilities (AAL) at start of year	118,403,060	20,707,166	12,333,369	60,765,097	38,275,108	35,656,572	286,140,372
(11) Total Gain/(Loss): (8) - (9)	3,351,914	442,302	259,005	2,225,178	1,101,228	243,412	7,623,039
As a percent of AAL at start of year: (11)/(10)	2.8%	2.1%	2.1%	3.7%	2.9%	0.7%	2.7%
(12) Investment Gain/(Loss) ¹ :	\$ 2,367,395	\$ 292,223	\$ 227,044	\$ 1,134,284	\$ 783,635	\$ 536,831	\$ 5,341,412
As a percent of AAL at start of year: (12)/(10)	2.0%	1.4%	1.8%	1.9%	2.0%	1.5%	1.9%
(13) Non-Investment Gain/(Loss): (11) - (12)	\$ 984,519	\$ 150,079	\$ 31,961	\$ 1,090,894	\$ 317,593	\$ (293,419)	\$ 2,281,627
As a percent of AAL at start of year: (13)/(10)	0.8%	0.7%	0.3%	1.8%	0.8%	(0.8)%	0.8%

¹ Allocated based on Market Value.



Development of Valuation Investment Gain/(Loss) Year Ended December 31, 2023

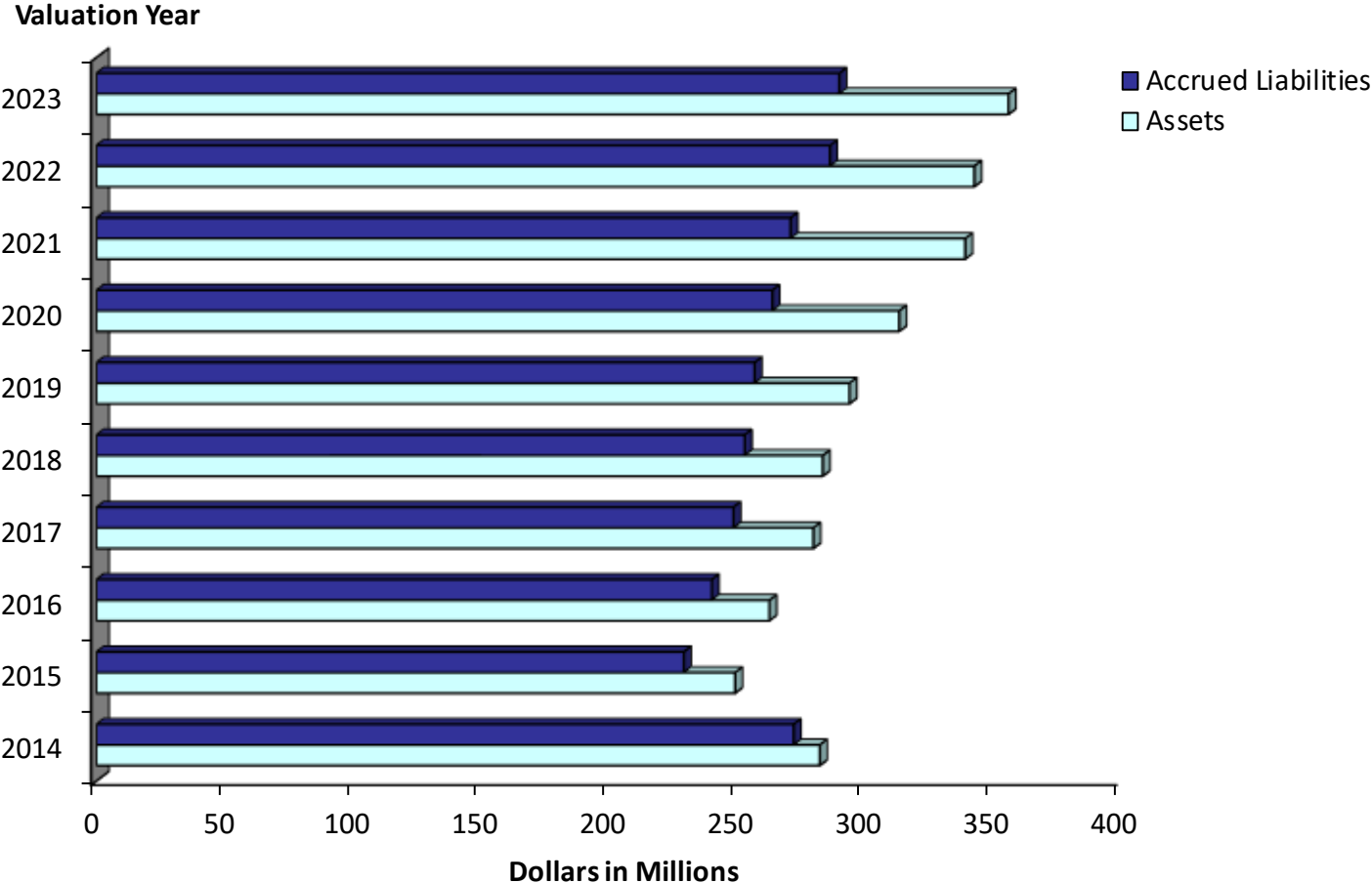
We anticipate an average return on valuation assets of 7.25% for future years. The chart below details the development of the investment gain/(loss) for the entire Bay County Employees' Retirement System, including BABH.

(1) Total 2023 valuation investment income	\$ 35,641,801
(2) Average valuation assets	402,794,352
(3) Expected investment income: $(.0725) \times (2)$	29,202,591
(4) Gain/(Loss): $(1) - (3)$	6,439,210
(5) Valuation rate of return for 2023: $(1) / (2)$	8.85 %

Please note that this analysis uses asset values and investment income as defined for the actuarial valuation. It is not, therefore, appropriate as a measure of manager performance.



Assets and Accrued Liabilities



For Valuation Years prior to 2015, the results displayed are for the entire Retirement System (including BABH). Beginning with the Valuation Year 2015, the results displayed are for the Retirement System (excluding BABH).

2014 assets equaled 103.7% of accrued liabilities.
 2023 assets equaled 122.8% of accrued liabilities.

Computed Contributions - Comparative Statement

Valuation Date	Valuation Payroll			Annual Dollar Requirement	Employer Requirements as Percents of Valuation Payroll@						
	Total	Average	% Incr.		General County	DWS	Library	BABH	Medical Care Facility	Sheriff's Department	Road Commission
12/31/2004 #	\$43,550,999	\$36,202	2.9 %	\$ 405,110	0.00 %	0.00 %	0.68 %	1.11 %	0.00 %	0.00 %	8.19 %
12/31/2005	43,104,046	36,010	(0.5)	588,948	0.00	0.00	1.60	2.53	0.00	0.00	9.34
12/31/2006 #	42,024,045	37,455	4.0	644,945	0.00	0.00	0.00	3.24	0.00	0.00	10.82
12/31/2007 #	44,687,752	39,269	4.8	688,871	0.00	0.00	0.00	3.70	0.00	0.00	9.17
12/31/2008	46,482,897	39,695	1.1	1,578,548	0.00	4.44	0.00	6.95	2.32	0.00	14.13
12/31/2009 ^	47,244,573	40,208	1.3	2,443,118	0.00	7.40	2.74	8.83	5.05	0.00	17.64
12/31/2010	47,090,560	40,771	1.4	3,074,891	1.19	11.71	6.91	9.08	7.36	0.00	18.05
12/31/2011 #	48,583,176	41,702	2.3	4,289,438	4.08	13.77	9.89	10.17	9.57	0.00	20.78
12/31/2012 *	48,571,798	41,444	(0.6)	4,038,100	3.87	15.75	9.26	10.01	7.22	0.55	21.32
12/31/2013 # \$	44,535,708	39,447	(4.8)	4,477,504	0.03	15.72	\$ 89,491	27.04	4.20	0.00	19.14
12/31/2014	46,494,417	40,081	1.6	2,535,295	0.00	14.16	34,265	11.36	2.87	0.00	18.09
12/31/2015	36,658,462	39,760	N/A	1,088,320	0.00	12.83	57,008		0.27	0.00	19.19
12/31/2016 #*	36,761,949	41,075	3.3	1,546,699	0.00	14.91	74,780		2.76	0.00	21.28
12/31/2017	38,491,118	41,929	2.1	1,152,393	0.00	14.22	10,430		0.57	0.00	18.66
12/31/2018	39,208,285	42,664	1.8	1,278,469	0.00	14.42	7,906		1.37	0.00	18.29
12/31/2019	41,829,803	43,437	1.8	1,246,043	0.00	15.00	0		1.20	0.00	15.08
12/31/2020	41,943,737	44,244	1.9	980,443	0.00	14.44	0		0.00	0.00	13.04
12/31/2021	42,100,617	43,403	(1.9)	799,393	0.00	12.99	0		0.00	0.00	8.91
12/31/2022 *	41,968,387	49,375	13.8	925,904	0.00	14.31	0		0.00	0.00	11.15
12/31/2023	44,208,748	50,873	3.0	906,533	0.00	13.04	0		0.00	0.00	10.19

For Valuation Dates prior to 2015, the results displayed are for the entire Retirement System (including BABH). Beginning with the 2015 Valuation Date, the results displayed are for the Retirement System (excluding BABH).

Retirement System amended.

* Revised actuarial assumptions or methods.

^ Implementation of a one-year lag between valuation date and first day of the fiscal year to which the contributions apply.

@ Beginning with the 2013 valuation, the Library contribution is calculated as a level dollar amount, since the Library is closed to future hires.

\$ Contribution reflects an advanced payment of the BABH unfunded ERIP liability.



SECTION C

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

Brief Summary of Plan Provisions as of December 31, 2023

Division		Retirement Eligibility					
No.	Name	Normal	Early	Deferred			
1	Elected Officials and Department Heads	Age 55 with 30 [%] yrs of svc or age 60 with 8/60 with 10 [*] /62 with 10 [#] yrs of svc	Age 55 with 8/55 with 10 [*] yrs of svc	8/10 [*] yrs of svc			
2	Judges						
3	General County						
4	General Circuit Court						
5	General District Court						
6	General Probate Court						
7	BCAMPS						
8	USWA General						
9	USWA Part-Time Employees						
15	District Court AFSCME						
33	Elected Officials and Department Heads: Elected Sheriff and Appointed Undersheriff				25 [%] yrs of svc regardless of age, or age 55 with 30 [%] yrs of svc, or age 60 with 8/60 with 10 [*] /62 with 10 [#] yrs of svc	Age 55 with 8/55 with 10 [*] yrs of svc	8/10 [*] yrs of svc
10	Nurses				Age 55 with 30 yrs of svc or age 60 with 8/62 with 10 [#] yrs of svc	Age 55 with 8/55 with 10 [#] yrs of svc	8/10 [#] yrs of svc
16	Probate Court USWA				Age 55 with 30 yrs of svc or age 60 with 8/62 with 8 [#] yrs of svc	Age 55 with 8 yrs of svc	8 yrs of svc
18	Library - Employee Members of UWUA Local 542				Age 55 with 30 yrs of svc or age 60 with 8/60 with 10 [!] yrs of svc	Age 55 with 8/55 with 10 [!] yrs of svc	8/10 [!] yrs of svc
19	General Library						
30	ICEA/PERA 1203						
31	ICEA/PERA 612						
14	Circuit Court Govt. Employees Labor Council (GELC)	Age 55 with 30 [%] yrs of svc or age 60 with 8/60 with 10 [@] /62 with 10 [#] yrs of svc	Age 55 with 8/55 with 10 [@] yrs of svc	8/10 [@] yrs of svc			
32	Road Patrol Supervisory Unit	25 yrs of svc regardless of age or age 60 with 8/60 with 10 [@] yrs of svc	Age 55 with 8/55 with 10 [@] yrs of svc	8/10 [@] yrs of svc			
11	Sheriff - Road Patrol	25 yrs of svc regardless of age or age 60 with 8/60 with 10 [*] yrs of svc	Age 55 with 8/55 with 10 [*] yrs of svc	8/10 [*] yrs of svc			
12	Sheriff Correctional Facility Officers	Age 55 with 25 yrs of svc or age 60 with 8/60 with 10 [*] yrs of svc	25 yrs of svc regardless of age or age 55 with 8/55 with 10 [*] yrs of svc	8/10 [*] yrs of svc			
13	Dispatchers	30 yrs of svc regardless of age, age 55 with 25 yrs of svc, or age 60 with 8 yrs of svc/60 with 10 [*] yrs of svc	25 yrs of svc regardless of age or age 55 with 8/55 with 10 [*] yrs of svc	8/10 [*] yrs of svc			
20	Medical Care Facility United Steel Workers Local 15301	30 yrs of svc regardless of age, age 55 with 25 ⁺ yrs of svc, or age 60 with 8/60 with 10 [^] /62 with 10 [?] yrs. of svc	Age 55 with 8/55 with 10 [^] yrs of svc	8/10 [^] yrs of svc			
21	Medical Care Facility RN & LPN Nursing Council - USW 15301-01						
22	General Medical Care Facility						
25	Road Commission AFSCME Local 1096	30 yrs of svc regardless of age or age 60 with 8/60 with 10 [*] yrs of svc	Age 55 with 8/55 with 10 [*] yrs of svc	8/10 [*] yrs of svc			
26	Road Commission Class I Supervisory and Admin. Employees						
28	Water and Sewer UWUA Local 546	30 yrs of svc regardless of age or age 60 with 8/60 with 10 [^] yrs of svc	Age 55 with 8/55 with 10 [^] yrs of svc	8/10 [^] yrs of svc			
29	Water and Sewer General						

@ Members hired after 1/1/2006.

* Members hired after 1/1/2007.

^ Members hired after 7/1/2008.

! Members hired after 3/1/2008.

% Members hired on or before 1/1/2012 only.

Members hired after 1/1/2012.

+ Members hired before 7/30/2015 only.

\$ Members hired on or after 7/30/2015.

- Members hired before 1/1/2018 (4/1/2019 for Div. 22) only.

? Members hired on or after 1/1/2018 (4/1/2019 for Div. 22).



Brief Summary of Plan Provisions as of December 31, 2023 (Continued)

Eligibility	Amount
	Normal Retirement
See prior page or age 65 with 0 or more years of service.	<p>Total service times FAC times:</p> <ul style="list-style-type: none"> 2.25% for divisions 1-10, 14, 16, 33 hired before 1/1/2012 2.25% for divisions 18, 19, and 28-31 2.25% for divisions 20-22 hired before 7/30/2015 2.50% for divisions 12, 13, and 15 hired before 1/1/2012 2.50% for division 25 hired before 1/1/2011 2.50% for division 26 hired before 1/1/1996 2.80% for divisions 11 and 32 hired before 1/1/2012 2.25% for division 25 hired on or after 1/1/2011 and before 1/1/2016 2.50% for division 26 hired on or after 1/1/1996 and before 1/1/2016 for service through 3/31/2011 and 2.25% for service after 3/31/2011 1.60% for divisions 1-16, 32, and 33 hired on or after 1/1/2012* 1.75% for divisions 20-22 hired on or after 7/30/2015 and before 1/1/2018 (4/1/2019 for div. 22) 1.50% for divisions 20-22 hired on or after 1/1/2018 (4/1/2019 for div. 22) 1.50% for divisions 25 and 26 hired on or after 1/1/2016 <p>Maximum County-financed is 75% of FAC [70% of FAC for divisions 20-22 hired on or after 1/1/2018 (4/1/2019 for div. 22)]</p> <p>Type of FAC - Highest 5 years. Some lump sums included.</p>
See prior page.	<p style="text-align: center;">Early Retirement</p> <p>Normal retirement reduced to the actuarial equivalent of a pension at normal retirement age.</p>
Service condition as indicated on page C-1. Benefit begins at age 60 or reduced at age 55.	<p style="text-align: center;">Deferred Retirement</p> <p>Computed as a normal retirement but based on service and final average compensation at time of termination.</p>
10 or more years of credited service at any age.	<p style="text-align: center;">Non-Duty Death-In-Service</p> <p>Computed as a normal retirement but actuarially reduced in accordance with a 100% joint and survivor election.</p>
No age or service requirements. Benefits begin upon termination of Worker's Compensation.	<p style="text-align: center;">Duty Death-in-Service</p> <p>To the spouse, a refund of accumulated contributions plus a benefit equal to the Worker's Compensation amount. Unmarried children under 18 and parents receive a benefit equal to the Worker's Compensation amount.</p>

* Two members hired after 1/1/2012 continue to be eligible for the multiplier and member contribution rate in effect prior to the implementation of the 1.60% multiplier and 4% member contribution rate for members hired after 1/1/2012.



Brief Summary of Plan Provisions as of December 31, 2023 (Concluded)

Eligibility	Amount
Non-Duty Disability	
10 or more years of credited service.	Computed as a normal retirement. Worker's Compensation payments may be offset.
Duty Disability	
No age or service requirements.	Computed as a normal retirement with additional service credit granted to age 55. Worker's Compensation payments may be offset.
Post-Retirement Cost-of-Living Adjustments	
One-time increases have been granted.	
Member Contributions	
For members hired before 1/1/2012, 6% of annual compensation for:	
Sheriff-Road Patrol (div. 11)	
Sheriff Correctional Facility Officers (div. 12)	
Road Patrol Supervisory Unit (div. 32)	
Dispatchers (div. 13)	
District Court AFSCME (div. 15)	
4% of annual compensation for groups 11-13, 15, and 32 hired on or after 1/1/2012*.	
5% of annual compensation for Road Commission Local 1096 (div. 25).	
4% of annual compensation for remaining groups.	
For certain employee groups, the employer pays the member contribution either by directly contributing to the Retirement System or by transferring funds from the employer to the employee reserves.	
Employer Contributions	
Actuarially determined amounts which, together with member contributions, are sufficient to cover both: i) normal costs of the plan, and ii) financing of unfunded accrued liabilities over a selected period of future years.	
Retirement System Eligibility	
Library members hired on or after January 1, 2012 are no longer eligible to participate in the Bay County Employees' Retirement System - excluding BABH.	

* Two members hired after 1/1/2012 continue to be eligible for the multiplier and member contribution rate in effect prior to the implementation of the 1.60% multiplier and 4% member contribution rate for members hired after 1/1/2012.



Reported Financial Information
Year Ended December 31, 2023
Bay County Employees' Retirement System (in Total)
(Market Value)

Revenues and Disbursements during 2023

Revenues:

a. Employee contributions	\$ 2,226,649	
b. Employer contributions	1,800,797	
c. Investment income	46,782,569	
d. Miscellaneous income	<u>0</u>	
e. Total		\$50,810,015

Disbursements:

a. Benefits paid	\$ 22,328,500	
b. Refunds of member contributions	333,908	
c. Administrative expenses	473,481	
d. Investment expenses	<u>1,791,480</u>	
e. Total		<u>\$24,927,369</u>

Reserve Increase:

Total revenues minus total disbursements	<u><u>\$25,882,646</u></u>
--	----------------------------

Assets and Reserves as of December 31, 2023

Assets:

a. Cash & equivalents [#]	\$ 268,553
b. Short-term investments	5,392,718
c. Equities	307,621,893
d. Fixed Income	84,450,304
e. Real Estate	2,363,621
f. Other [^]	<u>1,996,088</u>
Total	<u><u>\$402,093,177</u></u>

Reserve Accounts:

a. Employee contributions	\$ 32,711,833
b. Reserve for benefits now being paid	206,480,567
c. Reserve for future benefits	162,900,777
Total	<u><u>\$402,093,177</u></u>

[#] Adjusted for accruals net of payables and deferred inflows of resources.

[^] Adjusted for deferred outflow of resources.



Development of Valuation Assets

Bay County Employees' Retirement System (in Total)

December 31, 2023

	2022	2023	2024	2025	2026	2027
1. Beginning of Year Assets						
a) Market Value	\$466,990,862	\$376,210,531				
b) Valuation Assets	407,460,369	412,348,573				
2. End of Year Market Value Assets	376,210,531	402,093,177				
3. Net Additions to Market Value						
a) Net Contributions	4,157,084	4,027,446				
b) Net Investment Income = (3d) - (3a) - (3c)	(72,504,541)	44,991,089				
c) Benefit Payments, Refunds, and Admin. Expenses	(22,432,874)	(23,135,889)				
d) Total Additions to Market Value = (2) - (1a)	(90,780,331)	25,882,646				
4. Average Valuation Assets =						
(1b) + .5 x [(3a) + (3c)]	398,322,474	402,794,352				
5. Expected Income at Valuation Rate = 7.25% x (4)	28,878,379	29,202,591				
6. Gain/(Loss) = (3b) - (5)	(101,382,920)	15,788,498				
7. Phased-In Recognition of Investment Return						
a) Current Year: 0.2 x (6)	(20,276,584)	3,157,700				
b) First Prior Year	7,380,289	(20,276,584)	\$ 3,157,700			
c) Second Prior Year	6,649,621	7,380,289	(20,276,584)	\$ 3,157,700		
d) Third Prior Year	9,528,183	6,649,621	7,380,289	(20,276,584)	\$ 3,157,700	
e) Fourth Prior Year	(8,995,894)	9,528,184	6,649,622	7,380,289	(20,276,584)	\$ 3,157,698
f) Total Recognized Investment Gain	(5,714,385)	6,439,210	(3,088,973)	(9,738,595)	(17,118,884)	3,157,698
8. Change in Valuation Assets						
(3a) + (3c) + (5) + (7f)	4,888,204	16,533,358				
9. End of Year Assets						
a) Market Value = (2)	376,210,531	402,093,177				
b) Valuation Assets = (1b) + (8)	412,348,573	428,881,931				
c) Difference between Market & Valuation Assets	(36,138,042)	(26,788,754)	(23,699,781)	(13,961,186)	3,157,698	0
10. Recognized Rate of Return = [(5) + (7f)] / (4)	5.82 %	8.85 %				
11. Market Rate of Return = 2 x (3b) / [(1a) + (2) - (3b)]	(15.84)%	12.27 %				
12. Market Value of Assets for County Employers Other Than BABH	\$312,427,171	\$333,541,744				
13. Funding Value of Assets for County Employers Other Than BABH	342,438,309	355,763,379				



Retirees and Beneficiaries Comparative Schedule

Year Ended	Added to Rolls*		Removed from Rolls		Rolls End of Year		% Incr. in Annual Allowances	Average Allowance	Discounted Value of Allowances	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances [#]			Total	Average
12/31/1999	23	\$ 295,915 @	29	\$ 83,717	439	\$ 3,746,858	6.0 %	\$ 8,535	\$ 36,670,326	\$ 83,531
12/31/2000	46	645,474	27	201,656	458	4,190,676	11.8	9,150	40,970,172	89,455
12/31/2001	31	732,306 @	13	45,724	476	4,877,258	16.4	10,246	46,616,261	97,933
12/31/2002	34	464,636	18	126,234	492	5,215,660	6.9	10,601	49,634,941	100,884
12/31/2003	37	514,935	17	72,960	512	5,657,635	8.5	11,050	53,369,747	104,238
12/31/2004	95	2,073,773	16	133,099	591	7,598,309	34.3	12,857	74,362,328	125,825
12/31/2005	43	786,641	26	170,645	608	8,214,306	8.1	13,510	80,594,476	132,557
12/31/2006	39	844,464	24	579,276	623	8,479,494	3.2	13,611	85,797,333	137,716
12/31/2007	29	423,246	14	93,660	638	8,809,080	3.9	13,807	88,063,580	138,031
12/31/2008	47	725,060	26	204,104	659	9,330,036	5.9	14,158	92,573,860	140,476
12/31/2009	58	1,303,182	34	338,544	683	10,294,674	10.3	15,073	102,921,818	150,691
12/31/2010	46	1,166,301	24	210,133	705	11,250,842	9.3	15,959	112,893,161	160,132
12/31/2011	51	953,802	16	199,264	740	12,005,380	6.7	16,223	119,532,453	161,530
12/31/2012	58	1,114,368	12	127,382	786	12,992,366	8.2	16,530	126,736,278	161,242
12/31/2013	98	2,545,500	1	20,928	883	15,516,938	19.4	17,573	153,936,777	174,334
12/31/2014	35	826,083	2	10,254	916	16,332,767	5.3	17,831	159,912,340	174,577
12/31/2015	59	1,175,838	48	599,270	808	14,182,023	N/A	17,552	136,341,590	168,740
12/31/2016	47	880,677	41	351,083	814	14,711,617	3.7	18,073	146,461,527	179,928
12/31/2017	47	1,011,470	28	376,492	833	15,346,595	4.3	18,423	152,492,699	183,064
12/31/2018	47	995,556	30	864,830	850	15,477,321	0.9	18,209	156,284,407	183,864
12/31/2019	41	737,764	33	501,284	858	15,713,801	1.5	18,314	157,506,038	183,573
12/31/2020	64	1,436,901	37	426,560	885	16,724,142	6.4	18,897	167,049,929	188,757
12/31/2021	47	1,151,394	9	98,261	923	17,777,275	6.3	19,260	177,078,345	191,851
12/31/2022	47	1,014,462	31	401,551	939	18,390,186	3.4	19,585	187,078,170	199,231
12/31/2023	28	696,342	28	340,007	939	18,746,521	1.9	19,964	189,466,178	201,774

For Years Ended prior to 2015, the results displayed are for the entire Retirement System (including BABH). Beginning with the Year Ended 2015, the results displayed are for the Retirement System (excluding BABH).

* Includes survivors of deceased retirees and annual allowance adjustments.

@ Includes one-time benefit increases.

Annual Allowances based on pre-change age amount for members with applicable pension benefit types.



Retirees and Beneficiaries December 31, 2023 Tabulated by Type of Pension Paid

Type of Pensions Being Paid	Group						Total
	General County	DWS	Library	MCF	Sheriff's Dept.	Road Comm.	
Regular	159	9	29	128	17	17	359
A - 10-Year Certain	25	2	6	5	4	1	43
B - 100% J & S	121	27	12	63	35	36	294
C - 50% J & S	45	4	4	30	6	4	93
Social Security Equated							
- Regular	9			4	5	1	19
- 10-Year Certain				1	2		3
- 100% J & S	7			4	4	3	18
- 50% J & S	2			2	1		5
Survivor	39	6	1	12	18	29	105
Total Pensions Being Paid	407	48	52	249	92	91	939

Retirees and Beneficiaries December 31, 2023 Tabulated by Attained Age*

Attained Age	General County		DWS		Library		MCF		Sheriff's Dept.		Road Comm.		Total	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
45 - 49			1	\$ 20,478			1	\$ 13,111	2	\$ 101,265			4	\$ 134,854
50 - 54	1	\$ 13,645	1	31,943					9	305,055	2	\$ 109,735	13	460,378
55 - 59	19	475,116	4	172,013			23	507,893	12	467,642	7	286,241	65	1,908,905
60 - 64	55	1,207,691	6	116,630	3	\$ 31,643	42	808,944	10	273,687	20	613,630	136	3,052,225
65 - 69	101	2,192,158	12	422,904	10	184,679	44	757,392	15	467,092	12	408,383	194	4,432,608
70 - 74	87	1,632,191	12	402,822	14	338,498	64	888,077	18	384,132	15	485,911	210	4,131,631
75 - 79	73	1,367,538	6	118,579	11	134,061	39	384,714	7	179,822	13	260,638	149	2,445,352
80 - 84	43	514,490	5	71,004	5	152,712	18	220,346	12	192,746	8	167,786	91	1,319,084
85 - 89	18	207,775			5	60,199	11	122,212	4	67,998	7	130,892	45	589,076
90 - 94	5	43,022	1	8,314	2	9,760	6	38,552	3	32,936	7	98,091	24	230,675
95 - 99	5	23,057			1	11,119	1	3,863					7	38,039
100 - 104					1	3,694							1	3,694
Totals	407	\$ 7,676,683	48	\$ 1,364,687	52	\$ 926,365	249	\$ 3,745,104	92	\$ 2,472,375	91	\$ 2,561,307	939	\$18,746,521

* Annual Allowances based on pre-change age amount for members with applicable pension benefit types.

Average Age at Retirement: 58.57 years

Average Age Now: 71.78 years



Inactive Members December 31, 2023

An inactive member is a person who has left County employment with entitlement to a retirement allowance after attaining voluntary retirement age. There were 51 inactive members as of December 31, 2023:

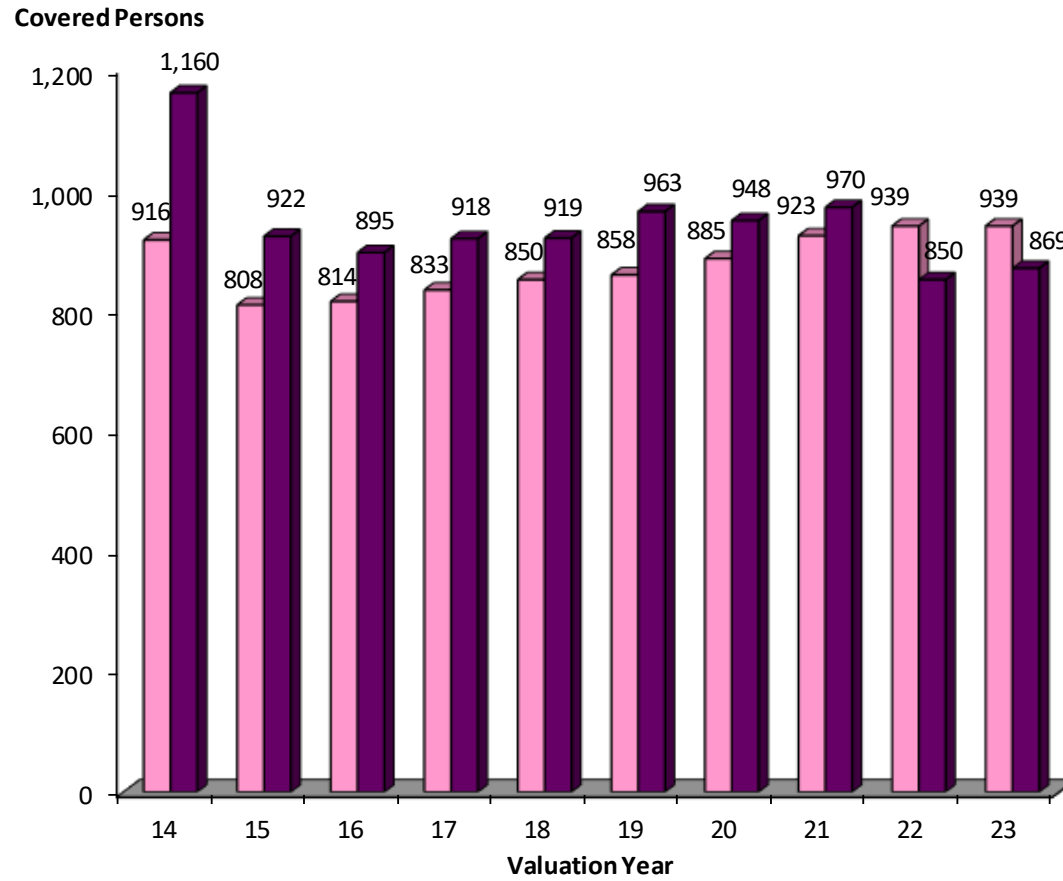
<u>Valuation Division</u>	<u>Number</u>	<u>Estimated Annual Deferred Pensions</u>
General County	25	\$311,919
DWS	3	28,798
Library	2	15,529
Medical Care Facility	14	189,750
Sheriff's Department	7	97,813
Road Commission	<u>0</u>	<u>0</u>
Total	51	\$643,809

The schedule on the next page is an age distribution of the inactive members.

Inactive Members December 31, 2023 Tabulated by Attained Age

Attained Age	No.	Estimated Deferred Allowances
30 - 34	2	\$ 17,084
35 - 39	2	31,544
40 - 44	5	57,699
45 - 49	6	63,862
50 - 54	10	142,849
55 - 59	25	330,525
60 - 64	1	246
Total	51	\$643,809

Active Members & Benefit Recipients



■ Benefit Recipients
 ■ Active Members

For Valuation Years prior to 2015, the results displayed are for the entire Retirement System (including BABH). Beginning with the 2015 Valuation Year, the results displayed are for the Retirement System (excluding BABH).

Active Members December 31, 2023 Tabulated by Valuation Division

Valuation Division	Number	Annual Payroll
General County	405	\$19,679,752
DWS	59	3,740,811
Library	17	1,009,519
Medical Care Facility	249	11,029,688
Sheriff's Department	78	5,150,430
Road Commission	61	3,598,548
Total Active Members	869	\$44,208,748

Comparative Schedule

Valuation Date	Active Members								Valuation Payroll	Average		
	General County	DWS	Library	BABH	MCF	Sheriff's Dept.	Road Comm.	Total		Age	Service	Pay
12/31/2004	427	41	72	208	303	76	76	1,203	\$43,550,999	44.3 yrs.	10.3 yrs.	\$36,202
12/31/2005	429	41	74	211	293	75	74	1,197	43,104,046	44.7	10.5	36,010
12/31/2006	412	41	30	205	292	75	67	1,122	42,024,045	45.0	11.1	37,455
12/31/2007	415	39	39	216	288	74	67	1,138	44,687,752	45.3	11.3	39,269
12/31/2008	410	38	42	235	305	75	66	1,171	46,482,897	45.3	11.4	39,695
12/31/2009	407	39	45	253	297	76	58	1,175	47,244,573	45.1	11.3	40,208
12/31/2010	389	37	45	261	295	74	54	1,155	47,090,560	45.4	11.4	40,771
12/31/2011	378	38	44	274	298	77	56	1,165	48,583,176	45.3	11.2	41,702
12/31/2012	365	39	42	276	319	75	56	1,172	48,571,798	45.0	11.1	41,444
12/31/2013	351	36	41	219	350	76	56	1,129	44,535,708	44.1	10.6	39,447
12/31/2014	365	40	36	220	361	79	59	1,160	46,494,417	43.8	10.4	40,081
12/31/2015	359	51	34		345	77	56	922	36,658,462	44.2	10.9	39,760
12/31/2016	372	55	32		308	72	56	895	36,761,949	44.8	11.1	41,075
12/31/2017	397	53	27		308	77	56	918	38,491,118	44.7	10.6	41,929
12/31/2018	399	58	25		302	80	55	919	39,208,285	45.1	10.5	42,664
12/31/2019	398	60	23		343	82	57	963	41,829,803	44.4	10.1	43,437
12/31/2020	397	59	20		335	82	55	948	41,943,737	43.8	9.8	44,244
12/31/2021	422	58	20		329	84	57	970	42,100,617	43.8	9.5	43,403
12/31/2022	385	57	18		255	80	55	850	41,968,387	45.2	9.9	49,375
12/31/2023	405	59	17		249	78	61	869	44,208,748	45.4	9.8	50,873

For Valuation Dates prior to 2015, the results displayed are for the entire Retirement System (including BABH). Beginning with the 2015 Valuation Date, the results displayed are for the Retirement System (excluding BABH).



General County Active Members December 31, 2023 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
15-19	1							1	\$ 32,861
20-24	9							9	384,887
25-29	25							25	1,025,308
30-34	22	14	1					37	1,814,458
35-39	22	13	4	2				41	2,122,977
40-44	18	11	7	5	5			46	2,300,175
45-49	17	12	6	6	6	2		49	2,695,638
50-54	24	11	5	8	14	5	2	69	3,582,217
55-59	10	6	5	6	8	13	2	50	2,513,729
60		3	1		1	2	1	8	421,446
61	4	1	2	1	3	1		12	452,616
62	4		1	1	1	1	1	9	368,039
63		1	1	2	2	2		8	392,534
64	1	1	4		2			8	495,368
65	3		2	1			1	7	293,520
66	2	1	1		1			5	164,898
67	1	1		2	1			5	244,774
68	2							2	21,076
69					1			1	57,123
70	2							2	24,073
71	1	1		1				3	47,763
72	1	1	1					3	157,327
75		1						1	15,755
76	1							1	14,681
77	1			1				2	29,900
79	1							1	6,609
Totals	172	78	41	36	45	26	7	405	\$19,679,752

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 47.8 years

Service: 10.1 years

Annual Pay: \$48,592



DWS Active Members December 31, 2023 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	3							3	\$ 157,023
25-29	4	2						6	313,557
30-34		3						3	157,894
35-39	3	4	2					9	584,323
40-44	3	4	3					10	634,172
45-49	3	4	2					9	589,875
50-54	3	1	1	1	1			7	489,271
55-59	1	3		2		1		7	473,785
60						1		1	66,940
61		1		1				2	128,880
63		1						1	75,480
64		1						1	69,611
Totals	20	24	8	4	1	2		59	\$3,740,811

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 43.7 years

Service: 8.0 years

Annual Pay: \$63,404

Library Active Members December 31, 2023 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44			2					2	\$ 124,988
45-49			1		1			2	100,487
50-54				2				2	93,869
55-59			1	1	3			5	350,735
60							1	1	52,326
61				1				1	61,638
62				1				1	49,380
63						1		1	70,204
64				1				1	54,434
66					1			1	51,458
Totals			4	6	5	1	1	17	\$1,009,519

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 55.3 years

Service: 19.3 years

Annual Pay: \$59,384

Medical Care Facility Active Members December 31, 2023 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	25	1						26	\$ 878,840
25-29	16	4	1					21	797,619
30-34	16	4	11					31	1,379,053
35-39	16	2	4	8				30	1,370,880
40-44	9	2	7	4	4			26	1,046,186
45-49	12	3	5	2	4	4		30	1,310,612
50-54	7	9	4	2	2	2	4	30	1,449,566
55-59	9	10	5	1	4	1		30	1,507,480
60	1	2	2	1				6	341,629
61	1	1			1	1		4	267,268
62	1	1	2					4	206,445
63	1		1					2	120,810
64			1					1	28,862
65	1			1				2	108,805
66		1		1			1	3	120,394
68	1							1	35,945
69			1					1	33,584
81			1					1	25,710
Totals	116	40	45	20	15	8	5	249	\$11,029,688

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 42.6 years

Service: 8.5 years

Annual Pay: \$44,296



Sheriff's Department Active Members December 31, 2023 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-15	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	4							4	\$ 199,142
25-29	4	1						5	311,941
30-34	6	5	1					12	823,531
35-39	5	7	2	1				15	965,254
40-44	2	4	3	6				15	999,115
45-49	2	2	2	2	5	1		14	924,816
50-54	2	2	1		1	1		7	461,299
55-59			1		2	1		4	292,734
73							1	1	78,576
74							1	1	94,022
Totals	25	21	10	9	8	3	2	78	\$5,150,430

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 40.7 years

Service: 10.7 years

Annual Pay: \$66,031

Road Commission Active Members December 31, 2023 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-15	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	5							5	\$ 276,603
25-29	2							2	116,706
30-34	3	1						4	184,960
35-39	4	1	4					9	398,170
40-44	2	3	1		1			7	374,817
45-49	2	3	1		1			7	381,943
50-54	2	2	3	1		2		10	707,771
55-59		2	1	1	2	3	2	11	811,388
61					1			1	56,191
63				2				2	187,008
65						1		1	68,353
73	1							1	17,411
77	1							1	17,227
Totals	22	12	10	4	5	6	2	61	\$3,598,548

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 45.9 years

Service: 11.1 years

Annual Pay: \$58,993

SECTION D

ACTUARIAL COST METHODS AND ACTUARIAL ASSUMPTIONS

Valuation Methodology

Normal Cost/Accrued Liability. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

- (i) The annual normal costs for each individual active member, payable from date of hire to the member's projected date of retirement, are sufficient to accumulate the actuarial present value of the member's anticipated benefit at the time of retirement; and
- (ii) Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Amortization of Unfunded Actuarial Accrued Liabilities. Unfunded Actuarial Accrued Liabilities (UAAL) or asset surpluses were amortized as a level dollar amount for the Library and as level percent-of-payroll contributions (principal and interest combined) for all other groups as follows: If the liabilities exceed the assets (unfunded liabilities), the difference is amortized over a closed period of 19 years; if the assets exceed the liabilities (overfunding) the difference is amortized over an open period of 20 years. The amortization method was first adopted for the December 31, 2016 actuarial valuation. The UAAL payment reflects any payments expected to be made between the valuation date and the date contributions determined by this report are scheduled to begin. For all divisions except Library, active member payroll was assumed to increase 3.00% for the purpose of determining the level-percent contributions.

Asset valuation method. The actuarial value equals:

- (a) Actuarial value of assets from the previous valuation, plus
- (b) Employer and member contributions since the last valuation, minus
- (c) Benefit payments and refunds since the last valuation, plus
- (d) Estimated investment income at the assumed investment return, plus
- (e) Portion of gain/(loss) recognized in the current valuation.

For the above purpose, gain/(loss) is defined as the excess during the period of the investment return on the market value of assets over the expected investment income. 20% of the difference is recognized over a five-year period in the actuarial value of assets. This method was first adopted for the December 31, 2003 actuarial valuation.

Actuarial Assumptions Used for the Valuation

The rationale for the assumptions used in this valuation is included in the five-year experience study ending December 31, 2021, issued August 31, 2023. All assumptions are expectations of future experience, not market measures.

Investment Return (net of investment expenses).

4.25% per year in excess of pay inflation. If pay inflation matches the assumption of 3.00%, this implies a 7.25% rate of return. This assumption was first adopted for the December 31, 2016 actuarial valuation and is used to equate the value of payments due at different points in time. Approximate rates of investment return, for the purpose of comparisons with assumed rates, are shown below for the Bay County Employees' Retirement System (in total). Actual increases in average active member pay for the Bay County Employees' Retirement System (in total) are also shown for comparative purposes.

	Year Ended December 31					5-Year Average*
	2023	2022	2021	2020	2019	
Rate of Investment Return	8.9 %	5.8 %	13.2 %	11.5 %	8.5 %	9.6 %
Average Increase in Pay [#]	<u>9.2</u>	<u>13.6</u>	<u>10.3</u>	<u>4.7</u>	<u>5.1</u>	<u>8.5</u>
Real Rate of Return	(0.3)	(7.8)	2.9	6.8	3.4	1.1

* Compound rate of increase.

Based on employees active during both years, for the Bay County Employees' Retirement System (in total).

The nominal rate of return was computed using the approximate formula $i = I$ divided by $1/2 (A + B - I)$, where I is actual investment income net of expenses, A is the beginning of year asset value, and B is the end of year asset value.

Please note that this analysis uses asset values and investment income as defined for the actuarial valuation which deals with market value changes on a gradual basis.

These rates of return should not be used for measurement of an investment advisor's performance or for comparisons with other systems.

Rates of price inflation are not specifically used for this valuation. However, a rate of price inflation of 2.50% would be consistent with other assumptions in this report. This assumption was first adopted for the December 31, 2016 actuarial valuation.

Pay Projections. These assumptions are used to project current pays to those upon which benefits will be based. In addition to the Merit and Longevity rates shown in the table, members are also assumed to receive a base increase of 3.00%.

Years of Service	Annual Rate of Pay Increase for Merit & Longevity					
	General County	DWS	Library	MCF	Sheriff's Dept.	Road Commission
1	3.00%	3.00%	3.00%	0.50%	5.25%	5.25%
2	2.25%	2.25%	2.25%	0.50%	4.50%	3.00%
3	1.50%	1.50%	1.50%	0.50%	4.50%	3.00%
4	1.50%	1.50%	1.50%	0.50%	3.75%	3.00%
5	0.75%	0.75%	0.75%	0.50%	3.00%	0.75%
6+	0.75%	0.75%	0.75%	0.50%	0.75%	0.75%

If the number of active members remains constant, the total active member payroll will increase by about the level of pay inflation (assumed to be 3.00% per year). This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities for all groups except for the Library, which is closed to future hires. The merit and longevity payroll growth assumptions were first adopted for the December 31, 2016 actuarial valuation. The base wage inflation assumption was first adopted for the December 31, 2022 actuarial valuation.

Changes actually experienced in pays have averaged as follows, for the Bay County Employees' Retirement System (in total):

	Year Ended December 31					5-Year Average*
	2023	2022	2021	2020	2019	
	9.2%	13.6%	10.3%	4.7%	5.1%	8.5%

* Compound rate of increase.

Lump sum payments. Lump sum payments for unused sick leave and vacation were assumed to increase final average compensation by 3.25% for the General County group, 4.50% for the Library, 4.00% for the Medical Care Facility, 4.50% for the Sheriff's Department, 6.00% for the DWS group, and 7.75% for the Road Commission. These lump sum payment assumptions were first adopted for the December 31, 2022 actuarial valuation.



Mortality. The mortality rates utilized are based upon Pub-2010 amount-weighted General tables for the Non-Public Safety groups and the Pub-2010 amount-weighted Safety tables for the Sheriff’s Department group, in conjunction with the MP-2021 projection scale on a fully generational basis. The mortality assumptions were first adopted for the December 31, 2022 actuarial valuation. The tables used were as follows:

Non-Public Safety (All Groups except Sheriff’s Department)

- **Pre-Retirement:** Pub-2010 General Employee Mortality Tables, amount weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
- **Healthy Post-Retirement:** Pub-2010 General Healthy Annuitant Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
- **Disability Retirement:** Pub-2010 General Disabled Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Public Safety (Sheriff’s Department)

- **Pre-Retirement:** Pub-2010 Safety Employee Mortality Tables, amount weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
- **Healthy Post-Retirement:** Pub-2010 Safety Healthy Annuitant Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
- **Disability Retirement:** Pub-2010 Safety Disabled Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Summary of Life Expectancies under the Proposed Tables

Non-Public Safety (All Groups except Sheriff’s Department)

Sample Ages	Pre-Retirement Future Life Expectancy (Years) [^]		Healthy Post-Retirement Future Life Expectancy (Years) [^]		Disabled Retirement Future Life Expectancy (Years) [^]	
	Men	Women	Men	Women	Men	Women
	50	39.14	41.30	35.52	38.45	26.29
55	34.13	36.20	30.63	33.48	22.79	25.64
60	29.23	31.17	25.91	28.61	19.62	22.31
65	24.47	26.24	21.42	23.88	16.69	19.04
70	19.82	21.41	17.16	19.34	13.88	15.67
75	15.28	16.69	13.23	15.09	11.12	12.37
80	10.86	12.14	9.75	11.27	8.53	9.43

[^] Based on retirements in 2023. Retirements in future years will reflect improvements in life expectancy.



Public Safety (Sheriff's Department)

Sample Ages	Pre-Retirement Future Life Expectancy (Years) [^]		Healthy Post-Retirement Future Life Expectancy (Years) [^]		Disabled Retirement Future Life Expectancy (Years) [^]	
	Men	Women	Men	Women	Men	Women
50	38.52	40.96	35.57	37.61	34.17	36.35
55	33.43	35.86	30.51	32.50	29.31	31.45
60	28.44	30.82	25.62	27.58	24.62	26.82
65	23.57	25.83	21.02	22.93	20.26	22.47
70	18.86	20.91	16.73	18.54	16.22	18.34
75	14.38	16.17	12.82	14.46	12.50	14.43
80	10.20	11.72	9.40	10.85	9.27	10.85

[^] Based on retirements in 2023. Retirements in future years will reflect improvements in life expectancy.

Administration Expenses. Non-investment administration expenses are assumed to average 0.45% of payroll annually. The administrative expenses assumption was first adopted for the December 31, 2022 actuarial valuation. This assumption was changed as a result of the experience study.

Active Member Group Size. The number of active members was assumed to remain constant for all groups except the Library, which is closed to future hires. This assumption is unchanged from the previous valuation for all groups.

Rates of separation from active membership. The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment. This assumption was first adopted for the December 31, 2016 actuarial valuation for Sheriff's and Road Commission and for the December 31, 2022 actuarial valuation for all other groups.

Sample Ages	Years of Service	% of Active Members Separating within Next Year				Sheriff's Dept.*	Road Commission*
		General County	DWS	Library	MCF		
ALL	0	15.00%	8.10%	8.25%	31.50%	N/A	N/A
	1	9.00	4.86	4.95	31.50	N/A	N/A
	2	9.00	4.86	4.95	18.90	N/A	N/A
	3	8.00	4.32	4.40	15.76	N/A	N/A
	4	8.00	4.32	4.40	11.03	N/A	N/A
20	5 & Over	6.00	4.50	4.13	5.91	4.50	4.50
25		6.00	4.50	4.13	5.91	4.50	4.50
30		5.60	4.20	3.85	3.94	3.75	3.90
35		5.60	4.20	3.85	3.94	2.25	2.30
40		3.20	2.40	2.20	2.95	1.50	0.90
45		2.40	1.80	1.65	1.97	1.50	0.50
50		1.60	1.20	1.10	1.58	1.25	0.50
55		1.60	1.20	1.10	1.58	0.75	0.50
60		1.60	1.20	1.10	1.58	0.75	0.50

* These groups do not have service based rates of separation. All rates of separation are based on ages.

Rates of Disability. These rates represent the probabilities of active members becoming disabled. This assumption was first adopted for the December 31, 2016 actuarial valuation.

Sample Ages	Percent Becoming Disabled within Next Year	
	Sheriff's Dept.	All Other Groups
20	0.15 %	0.07 %
25	0.15	0.07
30	0.15	0.07
35	0.15	0.07
40	0.38	0.19
45	0.50	0.25
50	0.92	0.46
55	1.67	0.84
60	2.65	1.33

We assumed that 50% of disabilities are duty related and 50% are non-duty related for the Sheriff's Department. For all other groups, we assumed 85% of disabilities are non-duty related and 15% are duty related.



Rates of Retirement. These rates are used to measure the probabilities of an eligible member retiring during the next year.

Retirement Ages	Percent of Active Members Retiring within Next Year					
	General County	DWS	Library	MCF	Sheriff's Dept.	Road Commission
50				20 %		18 %
51				20		18
52				20		28
53				20		28
54				20		28
55	20 %	28 %	17 %	30		28
56	13	23	12	40		18
57	13	23	12	50		18
58	13	23	12	50		18
59	13	23	12	50		18
60	30	38	27	30	13 %	18
61	25	33	22	30	13	18
62	13	23	12	50	28	38
63	13	23	12	25	13	38
64	13	23	12	25	13	38
65	30	38	27	100	100	100
66	13	23	12			
67	13	23	12			
68	13	23	12			
69	13	23	12			
70	100	100	100			

The following table shows the rates of retirement used for the Road Patrol, Road Patrol Supervisory Unit, and Elected Officials and Department Heads: Elected Sheriff and Appointed Undersheriff 25 & Out provision and the Correctional Facility Officers 55 & 25 provision.

25 & Out		55 & 25	
Years of Service	Sheriff's Road Patrol, Road Patrol Supervisory Unit, and Elected Sheriff and Appointed Undersheriff	Age	Correctional Facility Officers
25	35%	55	35%
26	35	56	35
27	35	57	35
28	25	58	25
29	25	59	25
30	25	60	25
31	25	61	25
32	25	62	25
33	25	63	25
34	100	64	100



The following table shows the rates of retirement for the 55 & 8 and/or 55 & 10 Early Retirement provision:

Retirement Ages	55 & 8 and/or 55 & 10 Early Retirement*		
	General County	DWS	Library
55	8 %	15 %	5 %
56	8	15	5
57	8	15	5
58	8	15	5
59	8	15	5
60	8	15	5
61	8		

** These rates do not apply to MCF, Sheriff and Road Commission.*

The retirement assumptions were first adopted for the December 31, 2012 actuarial valuation for Early Retirement and the December 31, 2022 actuarial valuation for Normal Retirement.

Miscellaneous and Technical Assumptions

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Pay Increase Timing:	Six months after the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and death-in-service decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is straight life form.
Loads:	Loads are included for lump sum payments for unused sick leave and vacation (see page D-3 for further details). For current retirees who elected a joint and survivor form of payment with a pop-up and retired prior to January 1, 2013, the liabilities are loaded 2% because the pop-up benefits are not provided in the data.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent-of-payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.
Data Adjustment:	Payroll was annualized for new entrants. Newly reported active members who were reported without any annual pay were assumed to have pay equal to the average annualized pay of the remaining new actives within their respective group.
Eligible Domestic Relations Orders (EDROs):	In the event the Participant is active and the Alternate Payee has commenced benefits, the liability associated with the Alternate Payee has been netted from the respective group's gross liability.

SECTION E

SUPPLEMENTARY SCHEDULES

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
12/31/2014	\$282,166,070	\$271,995,030	\$ (10,171,040)	103.7 %	\$46,494,417	none %
12/31/2015	249,163,890	229,142,613	(20,021,277)	108.7	36,658,462	none
12/31/2016 *#	262,485,987	240,033,781	(22,452,206)	109.4	36,761,949	none
12/31/2017	279,666,292	248,475,911	(31,190,381)	112.6	38,491,118	none
12/31/2018	283,327,021	252,850,800	(30,476,221)	112.1	39,208,285	none
12/31/2019	293,744,490	256,742,709	(37,001,781)	114.4	41,829,803	none
12/31/2020	313,176,555	263,649,967	(49,526,588)	118.8	41,943,737	none
12/31/2021	338,903,015	270,804,137	(68,098,878)	125.1	42,100,617	none
12/31/2022 #	342,438,309	286,140,372	(56,297,937)	119.7	41,968,387	none
12/31/2023	355,763,379	289,801,950	(65,961,429)	122.8	44,208,748	none

For Actuarial Valuation Dates prior to 2015, the results displayed are for the entire Retirement System (including BABH). Beginning with the 2015 Actuarial Valuation Date, the results displayed are for the Retirement System (excluding BABH).

* Plan amended.

Certain assumptions or methods revised.

Actuarial Cost Method

Individual Entry Age Normal Cost

Amortization Method

Level dollar amount for Library
Level percent-of-payroll for all other groups

Amortization Periods

19 years closed for groups that are underfunded (unfunded accrued liability is positive). 20 years open for groups that are overfunded (unfunded accrued liability is negative).

Asset Valuation Method

Market value with 5-year smoothing of gains and losses

Principal Actuarial Assumptions
(last revised for the 12/31/2016 valuation):

- Net Investment Return	7.25%
- Projected Salary Increases	3.00% pay inflation plus merit and longevity
- Price Inflation	2.50%
- Cost-of-Living Adjustments	None



Schedule of Employer Contributions

Valuation Year Ended December 31	Fiscal Year Ended December 31	Annual Required Contribution
2014	2016	\$ 2,535,295
2015	2017	1,088,320
2016	2018	1,546,699
2017	2019	1,152,393
2018	2020	1,278,469
2019	2021	1,246,043
2020	2022	980,443
2021	2023	799,393
2022	2024	925,904
2023	2025	906,533

For Valuation Years Ended prior to December 31, 2015, the results displayed are for the entire Retirement System (including BABH). Beginning with the Valuation Year Ended December 31, 2015, the results displayed are for the Retirement System (excluding BABH).

SECTION F

RISK DISCLOSURES

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

Determination of the accrued liability, the employer contribution, and the funded rate requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The computed contribution rate shown on page B-2 may be considered as a minimum contribution rate that complies with the Board's funding policy. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.



Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ratio of the market value of assets to total payroll	7.5	7.4	9.2	8.3	7.5	6.8	7.8
Ratio of actuarial accrued liability to payroll	6.6	6.8	6.4	6.3	6.1	6.4	6.5
Ratio of actives to retirees and beneficiaries	0.9	0.9	1.1	1.1	1.1	1.1	1.1
Ratio of net cash flow to market value of assets	-4.9%	-5.0%	-3.8%	-3.9%	-4.2%	-4.6%	-3.9%

Ratio of Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

Ratio of Actuarial Accrued Liability to Payroll

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.



Low-Default-Risk Obligation Measure

Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDRM). The rationale that the ASB cited for the calculation and disclosure of the LDRM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

The ASB believes that the calculation and disclosure of this measure provides appropriate, useful information for the intended user regarding the funded status of a pension plan. The calculation and disclosure of this additional measure **is not intended to suggest that this is the “right” liability measure** for a pension plan. However, the ASB does believe that **this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.**

Comparing the Accrued Liabilities and the LDRM

One of the fundamental financial objectives of the Bay County Employees’ Retirement System – excluding BABH is to finance each member’s retirement benefits over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of the Bay County Employees’ Retirement System – excluding BABH is set equal to the expected return on the System’s diversified portfolio of assets (referred to sometimes as the investment return assumption). For the Bay County Employees’ Retirement System – excluding BABH, the investment return assumption is 7.25%.

The LDRM is meant to approximately represent the lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDRM is very dependent upon market interest rates at the time of the LDRM measurement. The lower the market interest rates, the higher the LDRM, and vice versa. The LDRM results presented in this report are based on the entry age actuarial cost method and discount rates based upon the December 2023 Treasury Yield Curve Spot Rates (end of month). The 1-, 5-, 10- and 30-year rates follow: 4.96%, 4.06%, 3.94% and 4.15%. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligation.

The difference between the two measures (Valuation and LDRM) is one illustration of the savings the sponsor anticipates by taking on risk in a diversified portfolio.

Accrued Liabilities and LDRM

Valuation	LDRM
\$289,801,950	\$412,227,127

