

Monroe County Employees' Retirement System

**Financial Report
with Supplemental Information
Year Ended December 31, 2016**

Monroe County Employees' Retirement System

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Independent Auditor's Report

To the Board of Trustees
Monroe County Employees'
Retirement System

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position and the related statement of changes in fiduciary net position of Monroe County Employees' Retirement System (the "System"), a pension trust fund of the County of Monroe, Michigan, as of and for the year ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Monroe County Employees'
Retirement System

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Monroe County Employees' Retirement System as of December 31, 2016, and the changes in fiduciary net position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Morse, PLLC

June 12, 2017

Monroe County Employees' Retirement System

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplemental information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior year:

	2016	2015
Total assets	\$ 199,380,359	\$ 183,675,264
Total liabilities	10,369,427	233,048
Net position restricted for pensions	\$ 189,010,932	\$ 183,442,216
Net investment income (loss)	\$ 12,409,450	\$ (1,133,015)
Total contributions	8,895,675	8,836,515
Retiree pension and annuity benefits	(15,094,283)	(14,597,298)
Refunds of contributions	(472,721)	(484,034)
General and administrative expenses	(169,405)	(233,746)
Net increase (decrease) in net position restricted for pensions	\$ 5,568,716	\$ (7,611,578)

Overall Fund Structure and Objectives

Monroe County Employees' Retirement System (the "System") exists to pay benefits to its members and retirees. Active members earn service credit that entitles them to receive benefits in the future. Benefits currently being paid are significantly greater than contributions currently being received. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of investments.

Monroe County Employees' Retirement System

Management's Discussion and Analysis (Continued)

Asset Allocation

The System has established asset allocation policies that are expected to deliver sufficient investment income over a very long period of time to satisfy the obligations to pay the benefits promised to the members of the System. The following is a summary of the adopted asset allocation as of December 31, 2016:

Equities	60%
Fixed income	28%
Real estate	5%
Alternatives	5%
Cash and cash equivalents	2%

Investment Results

The first week of January 2016 was the worst opening on record with concerns of the global economies slowing down and possible global recession fears. These fears soon subsided, and the equity markets bounced back. In June, the BREXIT vote for Britain to leave the European Union again created concerns with stability of the global economies, and again, these fears too subsided. On the back of a surprising U.S. presidential win, the equity markets neared or broke new levels on the assumption of tax reform, deregulation, and infrastructure spending. For the year, the S&P 500 was up 12.0 percent; the small-cap index, the Russell 2000, was up 21.3 percent; the MSCI EAFE Index, a proxy for international stocks, returned a positive 1.5 percent; and the MSCI Emerging Market Index, a proxy for international emerging market stocks, returned a positive 11.6 percent. The U.S. Federal Open Market Committee (FOMC) increased the Fed Fund interest rates in December, the first time in a year, causing the aggregate bond market to fall in the fourth quarter and finishing the year at a positive 2.6 percent. The total fund returned a positive 7.6 percent for 2016.

The System's total return must always be considered in a longer-term context. The fund's investment horizon is long term, corresponding to the long-term nature of the System's liabilities. Therefore, the board of trustees establishes an asset allocation policy to control risks and generate expected returns that will enable the System to pay the benefits promised to members and retirees. Accordingly, the board of trustees must make investment decisions that it believes will be the most beneficial to the System over many years, not just one or two years.

Contacting the System's Management

This financial report is intended to provide a general overview of the System's finances and investment results in relation to actuarial projections. It shows the System's accountability for the money it receives from employer and employee contributions. If you have questions about this report or need additional information, we welcome you to contact the System's office at 840 South Roessler Street, Monroe, Michigan 48161.

Monroe County Employees' Retirement System

Statement of Fiduciary Net Position December 31, 2016

Assets

Cash and cash equivalents	\$ 14,810,262
Investments:	
U.S. Treasuries	11,458,756
Corporate bonds	18,396,523
Hedge fund	11,558,375
Mutual fund	4,489,764
Stocks	108,716,532
Commingled funds	11,861,252
Equity real estate	17,431,977
Receivables:	
Accrued interest and dividend receivable	278,881
Contributions receivable	378,037
Total assets	<u>199,380,359</u>

Liabilities

Accounts payable and accrued expenses	222,295
Payables for investment purchases	<u>10,147,132</u>

Net Position - Restricted for pensions \$ 189,010,932

Monroe County Employees' Retirement System

Statement of Changes in Fiduciary Net Position Year Ended December 31, 2016

Additions

Investment income (loss):	
Interest and dividends	\$ 3,594,435
Net increase in fair value of investments	9,630,128
Less investment-related expenses	<u>(815,113)</u>
Net investment income	12,409,450
Contributions:	
Employer contributions	7,944,526
Supplemental pension benefit contributions	99,999
Participants:	
Regular	829,542
Time purchase	<u>21,608</u>
Total contributions	<u>8,895,675</u>
Total additions	21,305,125

Deductions

Benefit payments	15,094,283
Refunds of contributions	472,721
Administrative expenses	<u>169,405</u>
Total deductions	<u>15,736,409</u>

Net Increase in Net Position Held in Trust	5,568,716
Net Position Restricted for Pensions - Beginning of year	<u>183,442,216</u>
Net Position Restricted for Pensions - End of year	<u>\$ 189,010,932</u>

Monroe County Employees' Retirement System

**Notes to Financial Statements
December 31, 2016**

Note I - Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used by Monroe County Employees' Retirement System:

Reporting Entity

Monroe County Employees' Retirement System (the "System") is a single-employer defined benefit contributory pension plan administered by the Monroe County Employees' Retirement System Board of Trustees (the "Board"). The System primarily provides pension, disability, and death benefits, covering substantially all full-time employees of Monroe County and its component units, including the following:

- Monroe County Library System
- Monroe County Road Commission
- Monroe County Agency
- Monroe County Community Mental Health Authority

The System was adopted by Monroe County (the "County") pursuant to Michigan Compiled Laws, Section 46.12a. Benefit provisions are established and may be amended by the Board as permitted by county ordinances. The financial statements of the System are also included in the combined financial statement of the County as a pension trust fund. The assets of the pension trust fund include no securities of or loans to the County or any other related party.

Basis of Accounting

The System uses the economic resources measurement focus and the full-accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. System member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value as determined by the System's management.

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Pension Plan

Plan Administration - The Board administers the Monroe County Employees' Retirement System Pension Plan - a single-employer defined benefit pension plan that provides pensions for substantially all permanent full-time general employees of the County. Benefit terms have been established by contractual agreements between the County and the various employee union representations; amendments are subject to the same process.

Management of the System is vested in the retirement board, which consists of nine members - The Monroe County Board of Commissioners' (the "County Commission") chair or vice-chair, at the discretion of the chair; a county commissioner selected by the County Commission; a citizen who is an elector of the County, selected by the County Commission; three members of the System, elected by the members of the System; one member of the System appointed by the Monroe County Library Board; one member elected from the Monroe County Road Commission; and one member who is a retiree and beneficiary of the System, elected by the Association of County Retired Employees, Inc.

Plan Membership - At December 31, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	736
Inactive plan members entitled to but not yet receiving benefits	150
Active plan members	<u>717</u>
Total	<u><u>1,603</u></u>

Benefits Provided - The System provides retirement, disability, and death benefits. For the County and Monroe County Agency employees, benefit terms are established by negotiations between the County Commission and the employees through collective bargaining agreements and may be amended by the County Commission.

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 2 - Pension Plan (Continued)

For Monroe County Library System employees, the terms are established by the library administration and library board of trustees. For Monroe County Road Commission employees, the terms are established by the road commission board of trustees through collective bargaining. For Monroe County Community Mental Health Authority employees, the terms are established by the mental health board of trustees through collective bargaining.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the union contracts and plan provisions. For the year ended December 31, 2016, the active member contribution rate ranged from 0.0 percent to 5.0 percent of annual pay and the contribution as a percentage of payroll for the various departments was 29.36 percent for the general County, 39.69 percent for Monroe County Agency, 28.78 percent for the sheriff's office, 14.13 percent for Monroe County Library System, 19.94 percent for Monroe County Road Commission, and 22.84 percent for Central Dispatch. The Monroe County Community Mental Health Authority's contributions are expressed in dollars and the required contribution was \$556,609.

Pension Plan Investments - Policy and Rate of Return

Investment Policy - The System's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2016:

Asset Class	Target Allocation Percentage
Equities	60%
Fixed income	28%
Real estate	5%
Alternative	5%
Cash or cash equivalents	2%

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 2 - Pension Plan (Continued)

Rate of Return - For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.56 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with state law, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions, which are received throughout the year; the System maintains a record of the amount contributed by each employee and that crediting of interest shall be the rate of interest per annum, compounded annually, as reflected in the 10-year U.S. Treasury rate for the prior calendar year ending on December 31. For any employee who terminates before vesting in the pension plan, his or her balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

The balances of the reserve accounts at December 31, 2016 are as follows:

Retiree reserve (as of the beginning of the year)	\$ 156,188,776
Employee reserve	7,894,900

Net Pension Liability of the County

The net pension liability of the County has been measured as of December 31, 2016 based on benefits in force as of that date and is composed of the following:

Total pension liability	\$ 280,595,290
Plan fiduciary net position	<u>189,010,932</u>
County's net position liability	<u>\$ 91,584,358</u>
Plan fiduciary net position as a percentage of the total pension liability	67.36 %

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 2 - Pension Plan (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, which used updated procedures to roll forward the estimated liability to December 31, 2016. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3%
Salary increases	3.5-5.5% Vary by employee group
Investment rate of return	7% Net of pension plan investment expense, including inflation

Mortality rates were based on the Fully Generational RP-2014 Blue Collar Mortality Table for males and females, using Projection Scale MP-2014.

Discount Rate - The discount rate used to measure the total pension liability as of December 31, 2016 was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the System's fiduciary net position was projected to be available to make 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.

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 2 - Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	5.63 %
Fixed income	1.81 %
Real estate	5.06 %
Alternatives	7.60 %
Cash or cash equivalents	1.00 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County, calculated using the discount rate of 7.00 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net pension liability of the System	\$ 126,191,646	\$ 91,584,358	\$ 62,656,976

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 3 - Deposits and Investments

The System is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments according to Michigan Public Act 314 of 1965, as amended. The System's deposits and investment policies are in accordance with statutory authority.

The System's cash and investments are subject to several types of risk, which are examined in more detail below:

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System's investment policy does not restrict investment maturities.

At December 31, 2016, the System had the following investments and maturities:

Investment Type	Fair Value	Less than One Year	1-5 Years	6-10 Years
U.S. Treasuries	\$ 11,458,756	\$ -	\$ -	\$ 11,458,756
Corporate bonds	18,396,523	1,801,133	13,436,444	3,158,946
Total	<u>\$ 29,855,279</u>	<u>\$ 1,801,133</u>	<u>\$ 13,436,444</u>	<u>\$ 14,617,702</u>

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314 of 1965, as amended, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 3 - Deposits and Investments (Continued)

As of December 31, 2016, the System's investments in debt securities were rated by Standard & Poor's as follows:

Investment Type	AAA	A	A-	BBB+	BBB	BBB-	Not Rated
Corporate bonds	\$ 563,313	\$ 657,054	\$ 1,174,382	\$ 8,154,663	\$ 5,094,696	\$ 2,215,131	\$ 537,284
Total	\$ 563,313	\$ 657,054	\$ 1,174,382	\$ 8,154,663	\$ 5,094,696	\$ 2,215,131	\$ 537,284

Concentration of Credit Risk - The System's investment policy requires that no manager will hold more than 5 percent of its portion of the total fund in any single company and no more than 5 percent may be held in any single common stock. At December 31, 2016, the System's investment portfolio was not concentrated.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 3 - Deposits and Investments (Continued)

The System has the following recurring fair value measurements as of December 31, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury securities	\$ 11,458,756	\$ -	\$ 11,458,756	\$ -
Corporate bonds	18,396,523	-	18,396,523	-
Total debt securities	29,855,279	-	29,855,279	-
Equity securities - Stocks	108,716,532	108,716,532	-	-
Mutual funds	4,489,764	4,489,764	-	-
Total investments by fair value level	143,061,575	\$ 113,206,296	\$ 29,855,279	\$ -
Investments measured at net asset value (NAV):				
Commingled funds	11,861,252			
Hedge fund	11,558,375			
Equity real estate	17,431,977			
Total investments measured at NAV	40,851,604			
Total investments measured at fair value	\$ 183,913,179			

Mutual funds and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of debt securities at December 31, 2016 was determined primarily based on Level 2 inputs. The fair value of these investments is based on prices that have been evaluated by independent pricing services. Such evaluated prices may be determined by using inputs such as interest rates and yield curves that are observable at commonly quoted intervals, maturities, call features, and ratings among other factors.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Monroe County Employees' Retirement System

Notes to Financial Statements December 31, 2016

Note 3 - Deposits and Investments (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The System holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended December 31, 2016, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Commingled funds	\$ 11,861,252	\$ -	Immediate	N/A
Hedge fund	11,558,375	-	Quarterly	Up to 90 days
Equity real estate	<u>17,431,977</u>	<u>-</u>	Quarterly	Up to 90 days
Total investments measured at NAV	<u>\$ 40,851,604</u>	<u>\$ -</u>		

The commingled fund class includes investments in funds that invest predominantly in fixed-income instruments in U.S., developed, and emerging market countries. The funds invest across a diverse group of security types, including government, corporate, and mortgage-backed debt and across the credit quality spectrum of investment grade and high yield. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The equity real estate class includes investments in funds whose objective is to acquire, develop, own, and operate a diversified portfolio of real estate investments in commercial property. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The hedge fund class includes investment in funds whose objective is to achieve substantial capital appreciation with limited volatility. The strategy is designed to achieve modest correlation to global equity and fixed-income returns. The funds pursue a multi-strategy, multi-manager approach to hedge fund investing and invest in four broad strategies: long/short equity, relative value, event-driven/distressed, and global macro. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Monroe County Employees' Retirement System

**Notes to Financial Statements
December 31, 2016**

Note 4 - Upcoming Accounting Pronouncements

In March 2016, the Governmental Accounting Standards Board issued GASB Statement No. 82, *Pension Issues*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplemental information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this statement are effective for the System's financial statements for the year ended December 31, 2016.

Required Supplemental Information

Monroe County Employees' Retirement System

Required Supplemental Information Schedule of Changes in the County Net Pension Liability and Related Ratios Last Fiscal Year

(schedule is built prospectively upon implementation
of GASB 67)

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 4,007,459	\$ 3,901,674	\$ 4,475,473
Interest	18,590,127	18,114,296	17,360,575
Differences between expected and actual experience	4,215,420	(1,665,060)	-
Changes in assumptions	-	4,100,832	-
Benefit payments, including refunds	(15,567,005)	(15,081,332)	(14,348,289)
Net Change in Total Pension Liability	11,246,001	9,370,410	7,487,759
Total Pension Liability - Beginning of year	269,349,289	259,978,879	252,491,120
Total Pension Liability - End of year	\$ 280,595,290	\$ 269,349,289	\$ 259,978,879
Plan Fiduciary Net Position			
Contributions - Employer	\$ 8,044,525	\$ 7,938,586	\$ 7,275,798
Contributions - Member	851,150	897,929	773,806
Net investment income (loss)	12,409,450	(1,133,015)	7,866,098
Administrative expenses	(169,405)	(233,746)	(154,756)
Benefit payments, including refunds	(15,567,004)	(15,081,332)	(14,348,289)
Net Change in Plan Fiduciary Net Position	5,568,716	(7,611,578)	1,412,657
Plan Fiduciary Net Position - Beginning of year	183,442,216	191,053,794	189,641,137
Plan Fiduciary Net Position - End of year	\$ 189,010,932	\$ 183,442,216	\$ 191,053,794
County's Net Pension Liability - End of year	\$ 91,584,358	\$ 85,907,073	\$ 68,925,085
Plan Fiduciary Net Position as a Percent of Total Pension Liability	67.36 %	68.11 %	73.49 %
Covered Employee Payroll	\$ 34,322,000	\$ 34,514,128	\$ 33,045,751
County's Net Pension Liability as a Percent of Covered Employee Payroll	266.8 %	248.9 %	208.6 %

Monroe County Employees' Retirement System

Required Supplemental Information Schedule of County Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 8,044,525	\$ 7,938,586	\$ 7,275,798	\$ 7,169,324	\$ 7,114,103	\$ 5,994,825	\$ 5,938,425	\$ 5,547,369	\$ 5,938,425	\$ 4,910,784
Contributions in relation to the actuarially determined contribution (includes supplemental pension benefit funding)	8,044,525	7,938,586	7,275,798	7,169,324	7,114,103	5,994,825	5,938,425	5,547,369	5,938,425	4,910,784
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$34,322,000	\$34,514,128	\$33,045,751	\$37,587,747	\$38,891,988	\$42,893,135	\$43,961,798	\$43,152,156	\$41,821,305	\$41,047,874
Contributions as a percentage of covered employee payroll	23.4 %	23.0 %	22.0 %	19.1 %	18.3 %	14.0 %	13.5 %	12.9 %	14.2 %	12.0 %

Notes to Schedule of County Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for FY 2016 were determined based on the actuarial valuation as of December 31, 2014. The most recent actuarial valuation for funding purposes was as of December 31, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Liabilities were amortized using a 25-year level percent of payroll with the exception of Monroe County Community Mental Health Authority liabilities that were amortized using a level-dollar method for the valuation as of December 31, 2012.
Remaining amortization period	25
Asset valuation method	Seven-year adjusted market value
Inflation	3.0%
Salary increases	3.5%-5.5% vary by employee group
Investment rate of return	7.0% (net of investment expenses)
Retirement age	Experience-based table of rates specific to the type of eligibility condition
Mortality	The Fully Generational RP-2014 Blue Collar Mortality Table for males and females, using Projection Scale MP-2014
Other information	None

Monroe County Employees' Retirement System

**Required Supplemental Information
Schedule of Investment Returns
Last Ten Fiscal Years
(schedule is built prospectively upon implementation of GASB 67)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.6 %	(0.2)%	5.7 %