

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, OCTOBER 9, 2012 @ 10:30 A.M.
 COMMISSIONERS CHAMBERS
 515 CENTER AVENUE - 4TH FLOOR
 BAY CITY, MI 48708

PAGE	<ul style="list-style-type: none"> I. CALL TO ORDER II. ROLL CALL III. PUBLIC INPUT IV. PETITIONS & COMMUNICATIONS <ul style="list-style-type: none"> A. GABRIEL ROEDER SMITH & COMPANY - ACTUARY MARK BUIS AND JIM ANDERSON <ul style="list-style-type: none"> 1. ACTUARY PRESENTATION FOR 12-31-2011 HANDOUT TO BE PROVIDED AT THE MEETING 2. INTEREST ON ACCUMULATED MEMBER CONTRIBUTIONS 3. 5-YEAR EXPERIENCE ANALYSIS V. ANNOUNCEMENTS VI. UNFINISHED BUSINESS VII. NEW BUSINESS VIII. MISCELLANEOUS BUSINESS IX. ADJOURNMENT
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Date: October 3, 2012

To: Bay County Employees' Retirement System
c/o Ms. Danean Wright

From: Mark Buis, FSA, EA, MAAA and James D. Anderson, FSA, EA, MAAA

cc: Shana Neeson

Re: Interest on Accumulated Member Contributions

As requested, we have investigated your recent inquiry into the Interest earned on Accumulated Member Contributions. The ordinance defines "Regular Interest" as the rate or rates of interest per annum, compounded annually, which the Board shall adopt annually. This has been set at 4% for the Bay County Employees' Retirement System for as long as we could find in our records. The selection of interest for this purpose varies from system to system. A common approach is to set this rate of interest based on a long term savings rate or long term inflation rate. A rate of 2% to 4% is fairly common for this purpose. For example, the current long term inflation assumption used by the Social Security Trustees is 2.8%. While short term rates are somewhat below this at the moment, changing the interest rate from year to year can add complexity and cost to the plan administration. A lower rate will result in lower plan costs, however, this typically will have a relatively minor impact on the liabilities of the Retirement System.

Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

This communication shall not be construed to provide tax advice, legal advice or investment advice.



July 24, 2012

Ms. Danean Wright
Staff Accountant
Bay County
515 Center Avenue, Suite 706
Bay City, Michigan 48708-5128

**Subject: 5-Year Experience Analysis for the Bay County
Employees' Retirement System**

Dear Board Members:

As requested, we prepared an engagement letter describing the scope and fees for conducting an experience study for the above named plan for the 5-year period 2007 through 2011.

As you know, the plan costs developed in the annual actuarial valuations are based upon various assumptions about future occurrences. The results of the valuation are reliable only if the underlying assumptions are reasonable. These assumptions are recommended by the actuary for consideration by the Board. No single set of assumptions will be suitable indefinitely. Periodically the actuary should be authorized to review the assumptions for reasonableness by comparing them to actual experience. This type of analysis is called an experience study. The last experience study was performed in 2002. Since it has been almost 10 years since the last study, we recommend an experience analysis be conducted following the 2011 actuarial valuation.

Scope

Gabriel, Roeder, Smith & Company will provide an analysis of plan experience with respect to the assumptions and methods on the following page.

Assumptions/Methods

Economic Assumptions:	- Investment Return - Rate of Pay Inflation
Non-Economic Assumptions:	- Mortality (pre and post retirement) - Retirement - Salary increases due to merit and longevity - Disability - Termination (other than retirement, disability) - Lump Sum Payments (for sick leave/vacation) utilization - Administrative expenses
Other:	- Asset smoothing method - Amortization method/policy - Alternate assumptions for optional forms of payment

We will summarize the results of our analysis in a report including the following:

- An analysis of non-economic assumptions and proposed changes
- An analysis of alternative economic assumptions
- The impact of proposed changes as of 12/31/2011 including a comparison with existing valuation results

This report will be presented to the Retirement Board.

Data

The study would be based on retirement system data reported to the actuary for the five year period ending December 31, 2011. This study will not include the impact of any recommended changes on the County's retiree health program.

Consulting Fees

Gabriel, Roeder, Smith & Company's consulting fees are based on the time spent by our associates in performing the services for you. Our proposed fees for this project fall in the range of \$18,000 - \$22,000. This fee includes illustrating the results based on 2 to 3 alternative set of economic assumptions. This fee includes one meeting with the Board to discuss the results of the study. During the course of our engagement, we will advise you promptly if as a result of unforeseen circumstance our fees will exceed this estimate.

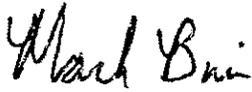
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Timing

Upon approval to proceed with this project, we will discuss timing with you.

Gabriel, Roeder, Smith & Company appreciates the opportunity to be of service to you. Please let us know of your decision regarding this project. In the meantime, if you have any questions do not hesitate to call me.

Sincerely,



Mark Buis, EA, FSA, MAAA

MB:sc

cc: James Anderson - GRS

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