NOTE 7 - RISK MANAGEMENT (Continued)

The government continues to carry commercial insurance for all other risks of loss, including Workers Compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments.

The Michigan Transit Pool publishes its own financial report, which can be obtained from BDO Seidman, LLP, and 99 Monroe Ave, NW Suite 800, Grand Rapids, MI 49503-2654.

NOTE 8 - CONTRACT CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under terms of the grants. Such audits could lead to reimbursements to the grantor agencies. Certain grants have not been audited and settled at September 30, 2023, and any resulting liabilities from those audits are therefore undeterminable.

NOTE 9 - COST ALLOCATION PLANS

The Authority has the following cost allocation plans approved by the Office of Passenger Transportation, for allocation of administrative expenses and mechanics wages and benefits. These cost allocation plans were adhered to in the preparation of these financial statements.

- 2002 Administrative costs
- 2004 Bus mechanic hours/ferry boats and building maintenance
- 2004 Package delivery cost
- 2008 JARC

NOTE 10 - DEFINED BENEFIT PENSION PLAN

The Authority participates in a statewide government agent multiple-employer public employee pension plan which covers substantially all employees of the Authority.

Description of Plan and Plan Assets

The Authority is in the Municipal Employees' Retirement System (MERS), an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for units of local government in Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. All full-time employees become a member of the System on the first day of employment and are completely vested after 10 years of service. Service retirement allowances are based upon percentages ranging from 1.5 to 2.25 percent of 3 to 5-year final average compensation depending on benefit program selected, social security coverage, etc. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2022.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

01 – General: Closed to new hires, linked to Division 11	
	2022 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
Cola for Future Retirees:	2.5% (non-compound)
Member Contributions:	0%
Act 88:	Yes (Adopted 1/17/19)

10 – Busing Union: Closed to new hires, linked to Division 11	
	2022 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
Cola for Future Retirees:	2.5% (non-compound)
Member Contributions:	0%
Act 88:	Yes (Adopted 1/17/19)

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

11 – Gnrl & Busing Union aft 6/1/16: Open Division, linked to Division 01, 10	
	2022 Valuation
Benefit Multiplier:	1.5% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Member Contributions:	0%
Act 88:	Yes (Adopted 1/17/19)

Employees Covered by Benefit Term. At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	3
Active employees	22
	55

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer monthly contributions as of September 30, 2023, for General (closed) is \$55,270, Bussing (closed) is \$6,029 and General & Busing (open) is \$4,567.

Net Pension Asset. The employer's Net Pension Liability was measured as of December 31, 2022, and the total pension liability used to calculate the Net Pension Asset was determined by an annual actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2022, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% in the long-term, plus percentage based on age related scale.

Investment rate of return: 7.00%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on the Pub-2010 Annual Mortality Table.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	2.70%
Global Fixed Income	20.0%	0.40%
Private Investments	20.0%	1.45%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary Net Position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increases (Decreases)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balances at December 31, 2021	$ 14,083,813	$ 6,632,906	$ 7,450,907
Service cost	148,489	-	148,489
Interest on total pension liability	997,465	-	997,465
Difference between expected and actual experience	(313,218)	-	(313,218)
Changes in assumptions	-	-	-
Employer contributions	-	763,373	(763,373)
Net investment income	-	(682,280)	682,280
Benefit payments, including employee refunds	(799,824)	(799,824)	-
Administrative expense	-	(12,176)	12,176
Other changes	1	-	1
Net changes	32,913	(730,907)	763,820
Balances as of December 31, 2022	$ 14,116,726	$ 5,901,999	$ 8,214,727

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability at 12/31/22	-	8,214,727	-
Change in Net Pension Liability	$1,632,997	-	($1,372,007)
Calculated Net Pension Liability	$9,847,724	$8,214,727	$6,842,720

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

For the year ended September 30, 2023, the employer recognized pension expense of $1,043,326. The employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ -	$ 379,556
Differences in assumptions	169,480	-
Excess (Deficit) Investment Returns	526,293	
Contributions subsequent to the measurement date	629,736	-
Total	$ 1,325,509	$ 379,556

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2023.

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

Year Ended September 30:	
2024	(67,235)
2025	(5,000)
2026	156,172
2027	232,280