

City of Ypsilanti, Michigan Police and Fire Retirement System

For the Years
Ended June 30,
2020 and 2019

Financial
Statements

City of Ypsilanti, Michigan Police and Fire Retirement System

Financial Statements

For the Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

December 23, 2020

Retirement Board of the
City of Ypsilanti, Michigan
Police and Fire Retirement System
Ypsilanti, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the **City of Ypsilanti, Michigan, Police and Fire Retirement System** (the "System"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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.

Independent Auditors' Responsibility

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

Rehmann is an independent member of Nexia International.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Ypsilanti, Michigan, Police and Fire Retirement System as of June 30, 2020 and 2019, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 financial statements, and other knowledge we obtained during our audit of the 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.

Rehmann Lobson LLC

FINANCIAL STATEMENTS

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Statements of Plan Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,071,342	\$ 2,625,895
Investments:		
U.S. agencies	2,233,842	2,165,846
U.S. treasuries	345,863	-
Corporate bonds	4,744,020	3,164,396
Domestic equities	13,040,319	13,017,307
International equities	1,128,185	1,086,420
Mutual funds	2,584,504	4,096,036
Real estate investment trusts	203,379	168,702
Money market accounts	953,240	1,018,209
Total investments	<u>25,233,352</u>	<u>24,716,916</u>
Total assets	<u>26,304,694</u>	<u>27,342,811</u>
Liabilities		
Accounts payable	<u>1,907,903</u>	<u>2,007,774</u>
Net Position		
Restricted for pension benefits	<u>\$ 24,396,791</u>	<u>\$ 25,335,037</u>

The accompanying notes are an integral part of these financial statements.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Statements of Changes in Plan Net Position
Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<i>Additions</i>		
Contributions:		
Employer	\$ 2,026,131	\$ 1,517,865
Plan members	<u>218,505</u>	<u>200,724</u>
Total contributions	<u>2,244,636</u>	<u>1,718,589</u>
Investment earnings:		
Interest and dividends	588,159	648,636
Net appreciation in fair value of investments	<u>372,454</u>	<u>368,979</u>
Total investment earnings	960,613	1,017,615
Less: investment expenses	<u>(116,880)</u>	<u>(93,981)</u>
Net investment earnings	<u>843,733</u>	<u>923,634</u>
Total additions	<u>3,088,369</u>	<u>2,642,223</u>
<i>Deductions</i>		
Benefits	3,785,299	3,749,197
Refunds	178,280	90,870
Administrative expenses	<u>63,036</u>	<u>68,881</u>
Total deductions	<u>4,026,615</u>	<u>3,908,948</u>
Change in net position	(938,246)	(1,266,725)
Net position, beginning of year	<u>25,335,037</u>	<u>26,601,762</u>
Net position, end of year	<u>\$ 24,396,791</u>	<u>\$ 25,335,037</u>

The accompanying notes are an integral part of these financial statements.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Notes to the Financial Statements
Fiscal Years Ended June 30, 2020 and 2019

1. PLAN DESCRIPTION

Plan Administration. The City of Ypsilanti, Michigan Police and Fire Retirement System (the System) is a single-employer defined benefit pension plan that provides retirement, disability and death benefits to all police and fire employees of the City and their beneficiaries. Plan benefit provisions were established and may be amended under the authority of City of Ypsilanti ordinances. Cost of living adjustments are provided to members and beneficiaries. Contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the Retirement Board and City of Ypsilanti City Council. The financial statements of the System are included as a pension trust fund in the City's financial statements.

Management of the System is vested in the Retirement Board of the City of Ypsilanti, Michigan Police and Fire Retirement System, which consists of five members: two that are elected (one each representing fire and police employees), two that are appointed by the City Council of the City of Ypsilanti and one that is the Treasurer of the City of Ypsilanti.

Plan Membership. At June 30, membership in the plan consisted of the following:

	2019	2018
Retirees and beneficiaries receiving benefits	125	128
Terminated employees entitled to but not yet receiving benefits	3	2
Active employees	41	30
Total	169	160

Benefits Provided. The System provides retirement, disability, and death benefits. Generally, retirement benefits are calculated as a percentage of the member's final average compensation (AFC) for a certain number of years times the member's years of service as summarized in the following table:

Eligibility	Amount of Benefit
20 or more years of service (25 years for Fire Chief) regardless of age or age 60 regardless of service.	Straight life pension equals 3.0% of three-year AFC times years of service for police and 3.0% of AFC times first 25 years of service, plus 1.0% of AFC times years of service in excess of 25 years, for fire. Additional benefit provisions apply to COAM members depending on hire dates.
25 or more years of service regardless of age for fire members hired after July 1, 2009	Straight life pension equals 2.5% of three-year AFC times years of service, with a 75% maximum.
25 or more years of service regardless of age for POAM/COAM members hired after July 1, 2009	Straight life pension equals 2.0% of three-year AFC times years of service.
Members hired after July 1, 2012	Same as members hired after July 1, 2009, except there is no annuity withdrawal options.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Notes to the Financial Statements
Fiscal Years Ended June 30, 2020 and 2019

1. PLAN DESCRIPTION (continued)

Retirees who are receiving benefits below the estimated federal and state poverty levels have their benefits increased up to the poverty level.

Contributions. Plan members hired prior to July 1, 2009 are required to contribute 10% of their annual covered wages to the System for pension benefits. Plan members hired after July 1, 2009 are required to contribute 5% of their annual covered wages to the System for pension benefits. The City contributes such additional amounts as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The City's pension contributions for the years ended June 30, 2020 and 2019 represented 63.89% and 54.31%, respectively, of the annual covered payroll.

Deferred Retirement Option Program (DROP). In lieu of retiring and receiving a monthly benefit, an eligible participant may elect to participate in the DROP by making an irrevocable election to terminate employment with the City and retire upon ceasing participation in the DROP. The DROP election must specify the future retirement date which must be within the maximum time period permitted (typically 3 to 5 years, based on bargaining unit and hire date). Upon entry in the DROP, the participant ceases to accrue years of service in the defined benefit pension plan. The participant remains an employee of the City for all other purposes, but the retirement benefit payment is calculated, and payments commence into a separate, restricted account. These monthly payments, along with interest earnings thereon, are not distributed to the participant until employment has terminated. DROP activity for the fiscal years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Beginning balance	\$ 1,996,398	\$ 1,542,478
Credits	278,979	434,492
Interest	75,105	68,784
Distributions	(450,093)	(50,000)
Adjustments	3,957	644
Ending balance	\$ 1,904,346	\$ 1,996,398

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The financial statements of the System are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Valuation of Investments and Income Recognition. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have established market values are reported at estimated fair values as determined by the custodian under the direction of the Retirement Board with the assistance of a valuation service. Administrative costs are financed through investment earnings.

Administration. Administrative costs are financed through the System's earnings.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Notes to the Financial Statements
Fiscal Years Ended June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. DEPOSITS AND INVESTMENTS

Deposits

The System’s cash and cash equivalents consist of amounts deposited in the City’s cash management pool of demand deposit accounts and certificates of deposit. As such, it is not practicable to present separate custodial risk disclosures for the System’s portion of this pool; accordingly, please refer to the City of Ypsilanti’s comprehensive annual financial report for custodial risk disclosures of deposits.

Investments

The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Board has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the System’s assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

Investment Allocation Policy. The System’s policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board. The policy pursues an investment strategy that protects the financial health of the System and reduces risk through the prudent portfolio diversification. The adopted asset allocation policy as of June 30, 2020 and 2019, is presented in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	50%	7.67%
Domestic fixed income	15%	4.80%
International equity	33%	7.20%
Cash	2%	2.30%
	100%	

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Notes to the Financial Statements
Fiscal Years Ended June 30, 2020 and 2019

3. DEPOSITS AND INVESTMENTS (continued)

Investment Holdings. The following is a summary of the System's investments as of June 30:

	2020	2019
Investments at fair value, as determined by quoted market price:		
U.S. agencies	\$ 2,233,842	\$ 2,165,846
U.S. treasuries	345,863	-
Corporate bonds	4,744,020	3,164,396
Domestic equities	13,040,319	13,017,307
International equities	1,128,185	1,086,420
Mutual funds	2,584,504	4,096,036
Real estate investment trusts	203,379	168,702
Money market accounts	953,240	1,018,209
	\$ 25,233,352	\$ 24,716,916

Credit Risk. The System's investment policy provides that its investments in fixed income securities be limited to those rated BBB or better by a nationally recognized statistical rating organization. The System's investments in U.S. agencies and treasuries that were rated were rated Aaa by Moody's Investor Services at both June 30, 2020 and 2019. The System's investments in corporate securities were rated by Moody's Investor Services as follows at June 30:

	2020	2019
A2	\$ 1,480,666	\$ 531,207
A3	1,140,964	845,868
Aa1/Aa2	477,420	230,186
Baa1	1,033,050	779,238
Baa2	611,920	777,897
	\$ 4,744,020	\$ 3,164,396

The System's policy regarding credit risk provides that a minimum of 70% of fixed income investments must be in the top three major grades as determined by Moody's and the balance must be in the top four major grades.

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that investment securities be held in trust by a third-party institution in the System's name. As such, although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since securities are held by the counterparty's trust department in the System's name. Short-term investments in money market funds are not subject to custodial credit risk.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Notes to the Financial Statements
Fiscal Years Ended June 30, 2020 and 2019

3. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's policy regarding concentration of credit risk does not specify limits regarding concentration of credit risk, although it provides guidelines regarding target maximums for investment types.

At June 30, 2020 and 2019, the investment portfolio did not have holdings in any one issue greater than 5% of the total investment portfolio.

The System's policy regarding concentration of credit risk does not specify limits regarding concentration of credit risk, although it provides guidelines regarding target maximums for investment types.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's investment policy requires a maximum term of maturity of 30 years for any single fixed income security. The System's investment policy does not address weighted average portfolio maturities.

As of June 30, 2020, maturities of the System's debt securities were as follows:

	Fair Value	Maturities in Years			
		Less Than 1	1 to 5	6 to 10	More than 10
U.S. agencies	\$ 2,233,842	\$ -	\$ 1,370	\$ 8,595	\$ 2,223,877
U.S. treasuries	345,863	-	-	246,797	99,066
Corporate bonds	4,744,020	356,732	1,406,849	1,731,859	1,248,580
	<u>\$ 7,323,725</u>	<u>\$ 356,732</u>	<u>\$ 1,408,219</u>	<u>\$ 1,987,251</u>	<u>\$ 3,571,523</u>

As of June 30, 2019, maturities of the System's debt securities were as follows:

	Fair Value	Maturities in Years			
		Less Than 1	1 to 5	6 to 10	More than 10
U.S. agencies	\$ 2,165,846	\$ -	\$ -	\$ 10,930	\$ 2,154,916
Corporate bonds	3,164,396	200,516	1,340,503	852,342	771,035
	<u>\$ 5,330,242</u>	<u>\$ 200,516</u>	<u>\$ 1,340,503</u>	<u>\$ 863,272</u>	<u>\$ 2,925,951</u>

The System's policy regarding interest rate risk provides that fixed income maturities may not exceed 30 years; the System's holdings comply with this requirement.

Foreign Currency Risk. Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System's exposure to foreign currency risk is limited to holdings of international equities of predominantly Canadian, European and Caribbean denominated companies.

In addition to the above, the System's holdings in mutual funds are primarily composed of underlying investments in international equities (approximately 92% of total mutual fund holdings of \$2,584,504 at June 30, 2020 and 68% of total mutual fund holdings of \$4,096,036 at June 30, 2019), predominately in European, Japanese and other Asian companies. The residual mutual fund underlying investments are in cash and cash equivalents, domestic equities and alternatives.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Notes to the Financial Statements
Fiscal Years Ended June 30, 2020 and 2019

3. DEPOSITS AND INVESTMENTS (continued)

The System restricts the amount of investment in foreign currency-denominated investments to 20% of total pension system investments.

Rate of Return. For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on plan investments, net of investment expenses, was 3.56% and 3.92%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Fair Value Measurement. The System categorizes the fair value measurement of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the System's investment manager at the portfolio level based on a review of the investment class, structure and what kind of securities are held in the portfolio. The investment manager will request the information from the portfolio manager, if necessary.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The System had the following recurring fair value measurements as of June 30, 2020:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. agencies	\$ 2,233,842	\$ -	\$ 2,233,842	\$ -
U.S. treasuries	345,863	345,863	-	-
Corporate bonds	4,744,020	-	4,744,020	-
Domestic equities	13,040,319	13,040,319	-	-
International equities	1,128,185	1,128,185	-	-
Mutual funds	2,584,504	2,584,504	-	-
Real estate investment trusts	203,379	-	203,379	-
Money market accounts	953,240	953,240	-	-
	<u>\$25,233,352</u>	<u>\$18,052,111</u>	<u>\$7,181,241</u>	<u>\$ -</u>

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Notes to the Financial Statements
Fiscal Years Ended June 30, 2020 and 2019

3. DEPOSITS AND INVESTMENTS (continued)

The System had the following recurring fair value measurements as of June 30, 2019:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. agencies	\$ 2,165,846	\$ -	\$ 2,165,846	\$ -
Corporate bonds	3,164,396	-	3,164,396	-
Domestic equities	13,017,307	13,017,307	-	-
International equities	1,086,420	1,086,420	-	-
Mutual funds	4,096,036	4,096,036	-	-
Real estate investment trusts	168,702	-	168,702	-
Money market accounts	1,018,209	1,018,209	-	-
	<u>\$24,716,916</u>	<u>\$19,217,972</u>	<u>\$5,498,944</u>	<u>\$ -</u>

4. NET PENSION LIABILITY OF THE CITY

Net Pension Liability. The City's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 (as rolled forward to June 30, 2020). The components of the net pension liability of the City at June 30, was as follows:

	2020	2019
Total pension liability	\$ 50,485,022	\$ 50,053,391
Plan fiduciary net position	(24,396,791)	(25,335,037)
City's net pension liability	<u>\$ 26,088,231</u>	<u>\$ 24,718,354</u>
Plan fiduciary net position as a percentage of the total pension liability	48.32%	50.62%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.0% - 8.5%, including inflation
Investment rate of return	7.0%
Mortality rates	RP-2014 Healthy Annuitant Mortality Table for males and females projected 6 years to 2020, with MP-2014.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

Since the prior measurement date, the salary increases were reduced from 9.0% to 8.5%.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Notes to the Financial Statements
Fiscal Years Ended June 30, 2020 and 2019

4. NET PENSION LIABILITY OF THE CITY (continued)

The long-term expected rate of return on System’s investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 for each major asset class included in the pension plan’s target asset allocation are discussed in the System’s investment allocation policy in Note 3.

Discount Rate. The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) and 1% higher (8.0%) than the current discount rate:

	1% Decrease (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 31,574,154	\$ 26,088,231	\$ 21,374,407

GASB REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Schedule of Changes in Net Pension Liability and Related Ratios
Last Seven Fiscal Years (1)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Total pension liability					
Service cost	\$ 513,082	\$ 427,454	\$ 410,415	\$ 483,184	\$ 624,175
Interest	3,382,970	3,401,642	3,329,509	3,334,772	3,377,822
Benefit changes	-	-	-	-	-
Difference between expected and actual experience	79,724	(46,777)	989,272	297,192	-
Changes of assumptions	419,434	3,049,619	-	-	-
Benefit payments, including employee refunds	(3,963,579)	(3,840,067)	(3,711,871)	(4,585,964)	(4,425,057)
Net change in total pension liability	431,631	2,991,871	1,017,325	(470,816)	(423,060)
Total pension liability - beginning	50,053,391	47,061,520	46,044,195	46,515,011	46,938,071
Total pension liability - ending (a)	50,485,022	50,053,391	47,061,520	46,044,195	46,515,011
Plan net position					
Contributions - employer	2,026,131	1,517,865	1,466,261	1,355,989	1,240,657
Contributions - member	218,505	200,724	171,520	208,502	234,471
Net investment income	843,733	923,634	2,087,588	2,619,925	(253,617)
Benefit payments, including employee refunds	(3,963,579)	(3,840,067)	(3,711,871)	(4,585,964)	(4,425,057)
Administrative expense	(63,036)	(68,881)	(70,982)	(72,546)	(67,345)
Net change in plan net position	(938,246)	(1,266,725)	(57,484)	(474,094)	(3,270,891)
Plan net position - beginning	25,335,037	26,601,762	26,659,246	27,133,340	30,404,231
Plan net position - ending (b)	24,396,791	25,335,037	26,601,762	26,659,246	27,133,340
Net pension asset - ending (a) - (b)	\$ 26,088,231	\$ 24,718,354	\$ 20,459,758	\$ 19,384,949	\$ 19,381,671
Ratio of plan net position to total pension liability	48.32%	50.62%	56.53%	57.90%	58.33%
Covered payroll	\$ 3,171,434	\$ 2,794,588	\$ 2,844,954	\$ 3,174,402	\$ 3,170,835
Net pension liability as a percentage of covered payroll	822.60%	884.51%	719.16%	610.66%	611.25%

(1) Information prior to 2014 was not available. The System will continue to present information for years available until a full ten-year trend is available.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Schedule of Changes in Net Pension Liability and Related Ratios
Last Seven Fiscal Years (1)
(continued)

	2015	2014
Total pension liability		
Service cost	\$ 767,076	\$ 417,399
Interest	3,248,978	3,244,001
Benefit changes	-	88,956
Difference between expected and actual experience	481,589	(212,827)
Changes of assumptions	1,407,285	(203,836)
Benefit payments, including employee refunds	(3,806,050)	(3,078,288)
Net change in total pension liability	<u>2,098,878</u>	<u>255,405</u>
Total pension liability - beginning	<u>44,839,193</u>	<u>44,583,788</u>
Total pension liability - ending (a)	<u>46,938,071</u>	<u>44,839,193</u>
Plan net position		
Contributions - employer	1,395,423	1,358,167
Contributions - member	274,671	275,422
Net investment income	1,002,019	4,982,234
Benefit payments, including employee refunds	(3,806,050)	(3,078,288)
Administrative expense	(59,069)	(60,012)
Net change in plan net position	<u>(1,193,006)</u>	<u>3,477,523</u>
Plan net position - beginning	<u>31,597,237</u>	<u>28,119,714</u>
Plan net position - ending (b)	<u>30,404,231</u>	<u>31,597,237</u>
Net pension asset - ending (a) - (b)	<u>\$ 16,533,840</u>	<u>\$ 13,241,956</u>
Ratio of plan net position to total pension liability	64.78%	70.47%
Covered payroll	\$ 3,298,809	\$ 3,440,059
Net pension liability as a percentage of covered payroll	501.21%	384.93%

(1) Information prior to 2014 was not available. The System will continue to present information for years available until a full ten-year trend is available.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
 Schedule of City of Ypsilanti Contributions
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016
Actuarially determined employer contributions	\$ 2,026,129	\$ 1,517,865	\$ 1,466,261	\$ 1,355,989	\$ 1,240,657
Actual employer contributions	<u>(2,026,131)</u>	<u>(1,517,865)</u>	<u>(1,466,261)</u>	<u>(1,355,989)</u>	<u>(1,240,657)</u>
Contribution deficiency (excess)	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 3,171,434	\$ 2,794,588	\$ 2,844,954	\$ 3,174,402	\$ 3,170,835
Actual contributions as a percentage of covered payroll	63.89%	54.31%	51.54%	42.72%	39.13%

(1) Information prior to 2014 was not available. The System will continue to present information for years available until a full ten-year trend is available.

Notes to Schedule

Valuation date	Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years for 2018 valuation
Asset valuation method	5-year smoothing
Inflation	2.50%
Salary increases	3.0%-8.5%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2010 valuation.
Mortality	RP-2014 Health Annuitant Mortality Table for males and females projected six years to 2020, with MP-2014. The provision for future mortality improvement is the projection to 2020.

Previous Actuarial Methods and Assumptions

During the fiscal year ended June 30, 2014, the Plan implemented GASB Statement No. 67, resulting in a change in assumptions from those used previously under GASB Statement No. 25.

During the fiscal year ended June 30, 2015, the Plan experienced a change in actuarial assumptions, updating the mortality tables used from RP-2000 Mortality Table to the RP-2014 Mortality Table.

During the fiscal year ended June 30, 2019, the Plan experienced a change in actuarial assumptions that included a reduction in the discount rate assumption from 7.5% to 7.0% and a reduction in the salary increases assumption from 4.0% to 3.0%.

During the fiscal year ended June 30, 2020, the Plan reduced the salary increase from 9.0% to 8.5%.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
 Schedule of City of Ypsilanti Contributions
 Last Seven Fiscal Years (1)
 (continued)

	<u>2015</u>	<u>2014</u>
Actuarially determined employer contributions	\$ 1,395,423	\$ 1,347,529
Actual employer contributions	<u>(1,395,423)</u>	<u>(1,358,167)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (10,638)</u>
City covered payroll	\$ 3,298,809	\$ 3,440,059
Actual contributions as a percentage of covered payroll	42.30%	39.17%

(1) Information prior to 2014 was not available. The System will continue to present information for years available until a full ten-year trend is available.

CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM
Schedule of Investment Returns
Last Eight Fiscal Years (1)

<u>Fiscal Year End</u>	<u>Annual Money- Weighted Rate of Return, net</u>
6/30/2020	3.56%
6/30/2019	3.92%
6/30/2018	8.35%
6/30/2017	10.34%
6/30/2016	-0.27%
6/30/2015	3.70%
6/30/2014	19.22%
6/30/2013	13.99%

(1) Information prior to 2013 was not available. The System will continue to present information for years available until a full ten-year trend is available.