NOTE I--COMPENSATED ABSENCES (Continued)

Road Commission (component unit) post-1987 employees earn four hours sick leave per month, and pre-1987 employees earn eight hours a month. All employees are paid annually for accumulated leave in excess of 360 hours. Upon termination, the accumulated sick leave is paid in full. Sick leave for 2015 amounted to $116,594.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT

General Information about the Pension Plan

Plan Description. The County 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 is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS Web site at http://www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided--Defined Benefit. The County's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers full-time employees at the County. Retirement benefits for employees are calculated by multiplying the years of service by 2.25. The product is then multiplied by the employee's five year final average compensation. Normal retirement age for all groups is 60. UAW Unit 111 and UAW Units 1 & 2 provide for an early retirement at an unreduced benefit at 55 years of age and 25 years of service or a reduced benefit ranging from 50 years of age and 25 years of service to 55 years of age and 15 years of service. The Sheriff's Department and Elected Officials divisions provide for an early retirement at an unreduced benefit at 55 years of age and 20 years of service or a reduced benefit ranging from 50 years of age and 25 years of service to 55 years of age and 15 years of service.

Deferred retirement benefits vest after eight years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after eight years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately. If they are duty-related, they should be paid without the reduction for being under the age of 60, if applicable. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Benefit terms, within the guidelines established by MERS, are established and amended by the Clare County Board of Commissioners, usually after negotiation of terms with applicable unions. Any changes to the plan, including cost of living adjustments, would have to be approved by the County Board of Commissioners in this manner also.

Employees covered by benefit terms. At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to but not yet receiving benefits	26
Active employees	140
Total employees covered by MERS Plan	247

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, MERS retains an independent actuary to determine the annual contribution. 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 costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining units which required employees to contribute 3% of the first $4,200 of annual compensation and 5% of compensation over $4,200 for the Sheriff's Department, 4.7% for the UAW Unit 111 and UAW Units 1 & 2, and 4.5% for the elected officials. The County's pension contributions were 13.35%, 9.52%, 13.37%, and 8.88% of the covered payroll at December 31, 2014, for the General UAW Units 111, the Sheriff's Department, and UAW Units 1 and 2, and Elected Officials, respectively.

Net Pension Liability

The net pension liability reported as of September 30, 2015, was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014, total pension liability was determined by an actuarial valuation performed as of that date.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3-4%	
Salary Increases	4.50%	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment Rate of Return	8.25%	Gross of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of the most recent actuarial experience study in 2008.

The long-term expected rate of return on pension plan investments was determined using a model 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that the 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.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

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.

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance as of December 31, 2013	$ 19,051,723	$ 14,079,259	$ 4,972,464
Changes for the Year:			
Service Cost	525,910	-	525,910
Interest	1,545,996	-	1,545,996
Contributions - Employer	-	557,160	(557,160)
Contributions - Employee	-	252,177	(252,177)
Net Investment Income	-	886,213	(886,213)
Benefit Payments, Including Refunds	(1,150,664)	(1,150,664)	-
Administrative Expenses	-	(32,518)	32,518
Other	(29)	-	(29)
Net Changes	921,213	512,368	408,845
Balance as of December 31, 2014	$ 19,972,936	$ 14,591,627	$ 5,381,309

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 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the County	$ 7,769,306	$ 5,381,309	$ 3,377,523

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

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

For the year ending September 30, 2015, the County recognized pension expense of $758,081. At September 30, 2015, the County reported deferred outflow of resources related to pensions from the following sources:

Source	Deferred Ouflows of Resources
Employer contributions to the plan subsequent to the measurement date*	$ 502,018
Net difference between projected and actual earnings on pension plan investments**	207,924
Total	$ 709,942

*The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending September 30, 2016.

**Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	$ 51,981
2017	51,981
2018	51,981
2019	51,981