



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING 12.31.2025

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ending
December 31, 2025

PREPARED BY
The Finance Department of the
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, MI 48917

Contact MERS of Michigan
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Kerrie Vanden Bosch
Chief Executive Officer

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INTRODUCTION

2025 ACHIEVEMENTS



Certificate of Achievement for Excellence in Financial Reporting

The Municipal Employees' Retirement System of Michigan (MERS) received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the December 31, 2024, Annual Comprehensive Financial Report. This marks the 37th consecutive year MERS has received this honor.



Public Pension Standards Award

MERS also received the Public Pension Standards Award for 2025 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This award is presented by the Public Pension Coordinating Council (PPCC), a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).





LETTER OF TRANSMITTAL, MAY 21, 2026

Dear MERS Customers and Board Members:

We are pleased to submit the Annual Comprehensive Financial Report for the Municipal Employees' Retirement System of Michigan (MERS) for the fiscal year ending December 31, 2025. In 2025, MERS continued momentum along a strategic plan that began in 2022 and reaches out to 2030, aiming at several stages of progress along the way and entering the "Get Ready" phase of an ambitious strategic plan.

Our vision is:

Through exceptional service and comprehensive solutions, MERS will deliver a seamless experience that engages and enables customers to achieve their financial goals.

In order to accomplish this vision, the MERS 2022-2030 Strategic Plan focuses on the following objectives:

- Evolve our suite of products and services to help customers **ESTABLISH and ACHIEVE FINANCIAL GOALS.**
- **INCREASE OUR MARKET SHARE** and diversify our customer base.
- **MAKE IT EASY** to work with MERS.
- **POSITION OUR WORKFORCE** to achieve business results.

Some highlights of accomplishments made in 2025 include:

- Made significant progress with the Defined Contribution recordkeeper transition to Empower, scheduled for March 2026, with major milestones in data mapping, payroll validation, communications, staff training, and contract finalization.
- Completed several process and technology initiatives to drive operational readiness, most notably customer management software updates, login system alignment, enhancements to cybersecurity, improvements to fraud controls, improvements to the way we store and manage records, and automating processes to drive efficiency.
- Achieved 102% of our targets on our 2025 Balanced Scorecard (BSC), including exceeding the market growth target by 292%.
- Hosted our 79th Annual Conference for more than 400 attendees. This conference was our highest satisfaction rating to date with an average score of 9.17 (out of 10).

MERS Profile

MERS administers retirement and post-employment benefit plans for Michigan's local governments on a not-for-profit basis. By managing daily operations and long-term plan oversight, we allow municipalities to focus on core services. Our scale enables pooled investments and lower administrative costs. Services include governance, auditing, legal and actuarial support, financial management, IT, legislative advocacy, and comprehensive benefits administration. Governed by a member elected Retirement Board, MERS is committed to transparency, cost efficiency, and acting in the best interest of our members.

Report Structure and Contents

MMCL 38 .1536 requires the Board to prepare this annual report in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The financial information shown throughout this report meets that requirement. The MERS management team, under the oversight of the Board, is responsible for the preparation, integrity, and fairness of the financial statements and other information presented in this report.

Section 38 .1536 also requires the Board to arrange for an annual audit of the MERS financial statements. Plante Moran, PLLC, MERS external auditor, conducted an independent audit of the financial statements in accordance with Generally Accepted Auditing Standards. This audit is described in the Independent Auditor's Report in the Financial Section following this letter. MERS management provides external auditors with unrestricted access to records and staff. This external audit is conducted annually to ensure our financial statements are fairly stated.

As a part of our financial statement process, we have identified necessary internal controls and have them in place to ensure that transactions are authorized, assets are safeguarded, and all supporting records are properly retained and managed. The cost of a control should not exceed the benefits of being derived. The internal control objective is to provide reasonable assurance that the financial statements are free of any material misstatements. We have an internal auditor on staff to help ensure we meet high standards for internal control. As part of continually strengthening internal controls, MERS completed a Service Organizational Control Audit (SOC 1, Type II audit).

This Annual Comprehensive Financial Report is divided into five sections:

- Introduction – Achievements and structure of MERS
- Financial – Management’s Discussion and Analysis, which is the MERS management team’s narrative and overview of the financial statements, financial statements, notes, and supplementary information
- Investment – Investment activities and performance information
- Actuarial – Actuarial assumptions and methods as well as the actuary’s certification letter
- Statistical – Various schedules on member data and ten-year trends

Financial Summary

The MERS Total Market Portfolio returned 15.72% gross of fees for the year, outperforming the actuarial assumption for investment return as well as its benchmark at the 3-, 5- and 10-year time periods. More information regarding our investment management performance, policies and processes are found with the Schedule of Fees and Commissions in the Investments Section.

MERS ended the year with a net position of \$19.9 billion for all plan types, up \$2.6 billion from 2024. The increase in asset size occurred primarily due to the investment gains for the year. Employer contributions added to the overall growth as nearly all plans experienced increases over 2024, especially the Defined Benefit Plan. One measure of a defined benefit retirement system’s financial health is the percentage of its actuarial liabilities owed that is covered by its available actuarial assets. Using this ratio, 94% of MERS’ municipalities were funded at 60% or higher (708 municipalities).

More detail on these financial metrics is included in the Management Discussion & Analysis in the Financial Section of the report . A complete copy of the Annual Comprehensive Financial Report is provided to the Governor, the members of both the State House and Senate, and the Office of the State Treasurer, as required by law. The Annual Comprehensive Financial Report is available on our website.

Acknowledgements

We are honored that for the 37th consecutive year, the Government Finance Officers Association (GFOA) awarded MERS its Certificate of Achievement for Excellence in Financial Reporting for our 2024 Annual Comprehensive Financial Report.

We are very grateful to our Board members for their time and dedication. Their diligence and conscientious oversight of our well-run system is greatly appreciated.

We also express our deep gratitude to the entire staff for their hard work and attention to detail in ensuring successful MERS operations. Our staff applies their energy, innovation, skill and a commitment to excellent service every day to deliver the security of a retirement plan for all of our participants.



Kerrie Vanden Bosch
Chief Executive Officer

INTRODUCTION

2025 annual comprehensive financial report

MERS RETIREMENT BOARD

Officer Members



Keith Van Beek
(Chairperson)
City of Holland



Lesley Foxx
Saginaw Housing
Commission



Kirk Harrier
Otsego County
Road Commission

Employee Members



Jason Sarata
Delta Charter
Township



Lisa Rauch
Gerald R. Ford
International
Airport Authority



Kyle Lewis
Northville Charter
Township

Expert Members



Michael Gilmore
The 4100 Group,
Inc., Lansing



James Wiersma
Family Investment
& Resource
Management, LLC,
Holland



John Ogden
City of Port Huron
(Retired)

Retiree Member

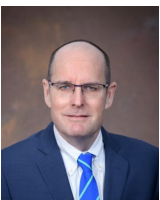
MERS OFFICERS



Kerrie Vanden Bosch
Chief Executive Officer



Erin Boertman
Chief Strategic and
External Affairs Officer

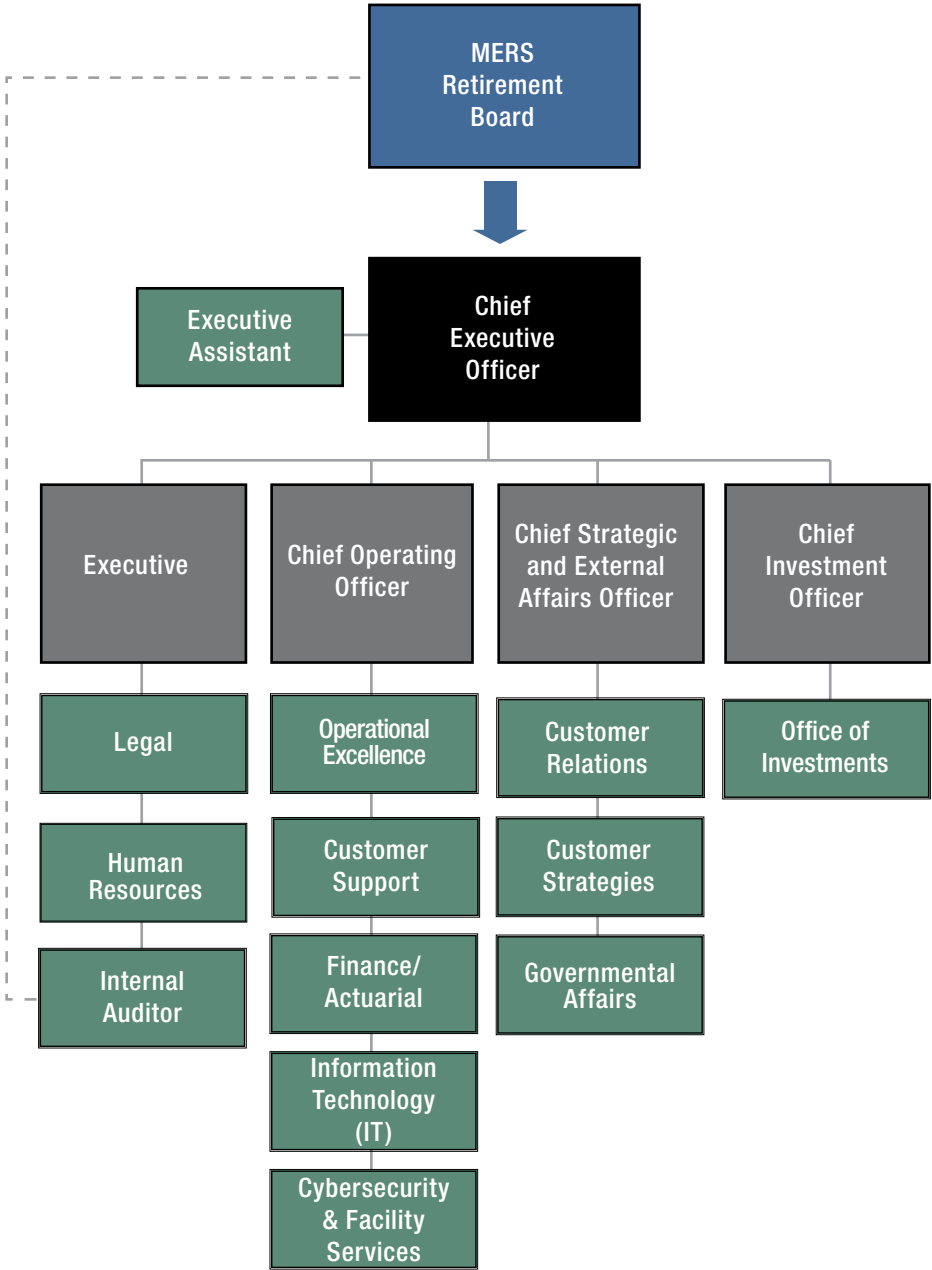


Jeb Burns
Chief Investment Officer



Brom Stibitz
Chief Operating Officer

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN ORGANIZATIONAL STRUCTURE – 2025



The Schedule of Fees and Commissions is found in the Investment Section on pages 62-63.

INTRODUCTION

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OUTSIDE PROFESSIONAL SERVICES

Actuarial

Cavanaugh Macdonald Consulting, LLC
Gabriel, Roeder, Smith & Company

Auditing

Plante & Moran, PLLC

Banking

BNY
JP Morgan Chase & Co.
Mercantile

Business Consulting

Byrum & Fisk Advocacy
Callan, LLC
LexisNexis
Martin Commercial Properties, Inc.
Pension Benefit Information

Custodial Banking and Securities Lending

BNY

Human Resource Consulting

Arbinger
Arthur J. Gallagher & Co.
Droste Group
Jubilant
McLagan Partners, Inc.
Salary.com
Wendell Rhoads Consulting

Insurance

Marsh USA Inc.

Investment Consulting/Research

Backstop Solutions
BCA Research
BDO USA, LLC
BlackRock
Bloomberg Finance LP
Canoe Intelligence
Gavekal Capital
Global Financial Data, Inc.
Morningstar
MSCI
Nasdaq eVestment
Ned Davis Research
NYSE Market (DE) Inc
Russell Napier
Stratfor

Investment Management

50T Capital
Acadian Asset Management Inc.
ACP Peru
Barings LLC
AlpInvest Partners
Altaris Capital Partners
Angelo Gordon & Co.
Appian Natural Resources
Ares Management
Arlington Capital Partners
Asterion Industrial Partners
Bentall GreenOak
BlackRock
Blackstone Real Estate Partners
Blackstone Alternative Asset
Blue Owl Capital
Brookwood U.S. Real Estate
Burford Capital
Carnelian Energy
Colony Capital, LLC
Comvest Partners
Consilium Investment Management
Domain Capital Advisors
Electrum Group, LLC
Exeter Property Group, LLC
Fortress Investment Group, LLC
Frontier Market Asset Management
Goldman Sachs
GMO LLC
Grosvenor Capital Management
H/2 Capital Partners
Hancock Natural Resource Group
Harbert Management Corporation
Hunter Point Capital
IL&FS Capital Advisors Limited
Influence Media Partners
Invictus Growth Partners
J.P. Morgan Asset Management
Kennedy Capital Management
LaSalle Investment Management
Lead Edge Capital Management
MC Credit Partners, LP
Mellon Investments
Meta VC Partners LLC
Metropolitan Real Estate
Michigan eLab Capital Partners, LP
MiddleGround Capital
Miravast Asset Management, LLC
Moelis General Catalyst
Mubadala Capital

MUFG
 Napier Park Global Capital
 Niobrara Capital
 Oak Hill Advisors, LP
 Oberland Capital Management, LLC
 Orchard Global Asset Management
 Ospraie Management
 Parametric Portfolio Associates
 Pelican Energy Partners
 Petrichor Healthcare Capital Mgt, LP
 Pioneer Asset Management SA
 Polunin Capital Partners
 Punch & Associates
 Rialto Capital Management
 Safanad
 Sculptor Real Estate
 Sentinel Capital Partners
 Siddhi Capital
 Silver Hill Energy Partners, LP
 SK Capital Partners
 Starwood Capital Group
 Ten Coves Capital
 Terra Partners Asset Management
 Trace Energy Resources
 Trice Medical Inc.
 Vanbarton Group
 Valar Ventures
 Veritas Capital
 Walden International
 Wellington

Legal Consulting

Bar and Karrer AG
 Bernstein, Litowitz, Berger and Grossmann, LLP
 Bonelli Erede Lombardi Pappalardo
 Gorrissen Federspiel
 Hamilton Locke Pty LTD
 Hengeler Mueller
 Ice Miller, LLP
 Kessler Topaz Meltzer and Check, LLP
 Labaton Keller Sucharow, LLP
 Miller, Canfield, Paddock and Stone, PLC
 Perez-Llorca
 Rabaza, Alcazar and De Las Casas
 Robbins Geller Rudman and Dowd, LLP
 Seyfarth Shaw, LLP
 Stone Hilton PLLC
 Uria Menendez
 Woodsford Group Limited

Legislative Consulting

Karoub Associates
 Michigan Legislative Consultants

Medical Advising

Managed Medical Review Organization

Systems Implementation

Cobalt Labs
 Databank IMX LLC
 Dewpoint Inc.
 Gartner Inc.
 GovInvest Inc.
 Innova Solutions, Inc
 Maner Costerisan Consulting LLC
 Tegrit Software Ventures, Inc.
 TTEC Digital, LLC

Third-Party Administration

Alerus Retirement Solutions

INTRODUCTION

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ACKNOWLEDGEMENTS

The Office of Finance and Actuarial Services prepared the MERS Annual Comprehensive Financial Report for the year ended December 31, 2025. Special thanks to the individuals who contributed significant amounts of time and energy to help complete this report.

Office of Internal Operations

Betsy Waldofsky, Finance Director

Britney Rosier, Accounting Analyst

Courtney Allen, Senior Accountant

Cristal Ballard, Office Administrator

Danielle Williams, Senior Accountant

Office of Investments

Peter Wujkowski, Investment and Administrative Officer

Cameron Holmes, Investment Analyst

Office of Strategic and External Affairs

Allison Meyer, Business Development Manager

James Scofield, Creative Services Manager

Jennifer Mausolf, Customer Strategies Director

Executive Office

Brian LaVictoire, Senior Deputy General Counsel

Carri Simon, Internal Auditor

Special thanks are also extended to Plante Moran PLLC, Alerus Retirement Solutions, Gabriel Roeder Smith & Company, Bank of New York Mellon, and Tegrity Software Ventures, Inc.

FINANCIAL

INTRODUCTION

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INDEPENDENT AUDITOR'S REPORT



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Fax: 248.352.0018
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Independent Auditor's Report

To the Retirement Board
Municipal Employees' Retirement System
of Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Municipal Employees' Retirement System of Michigan (MERS) as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise MERS' basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of Municipal Employees' Retirement System of Michigan as of December 31, 2025 and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of MERS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MERS' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

FINANCIAL

2025 annual comprehensive financial report

To the Retirement Board
Municipal Employees' Retirement System
of Michigan

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MERS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MERS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Municipal Employees' Retirement System of Michigan's basic financial statements. The schedule of administrative expenses, schedule of investment expenses, and schedule of payments to consultants are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses, schedule of investment expenses, and schedule of payments to consultants are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory, investments, actuarial, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Retirement Board
Municipal Employees' Retirement System
of Michigan

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited Municipal Employees' Retirement System of Michigan's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2026 on our consideration of Municipal Employees' Retirement System of Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Municipal Employees' Retirement System of Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipal Employees' Retirement System of Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 20, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the Municipal Employees' Retirement System of Michigan's (MERS or System) financial condition for the year ended December 31, 2025, is presented in conjunction with the Chief Executive Officer's Letter of Transmittal. The Financial Section is comprised of the Independent Auditor's Report, Management's Discussion and Analysis, two basic financial statements with explanatory notes, three required supplementary schedules with explanatory notes, and three supplementary expense schedules.

Financial Highlights

The following financial highlights occurred during the year ended December 31, 2025:

- Total fiduciary net position for the Defined Benefit Plan, Defined Contribution Plan, Health Care Savings Program, Retiree Health Funding Vehicle, 457 Program, Investment Services Program, and Individual Retirement Account Program increased by 14.0%, primarily due to market gains for the year. MERS finished the year with over \$19.9 billion in net fiduciary position.
- The portfolio investment returns saw a money-weighted return of 15.43% net of investment expenses for the year. The 10-year return was 8.28%, net of investment expenses, above the long-term target of MERS' expected investment rate of return of 6.93%. The portfolio investment income was \$2.8 billion in 2025.
- Revenue from contributions and transfers-in increased by 2.62% in 2025 due to both higher actuarially required contributions and new plans brought into the system for the Defined Benefit Plan.
- Total annual benefits, transfers, and withdrawals increased by \$165.2 million or 12.3%, for a total of \$1.5 billion. The majority of the increase was due to plans withdrawing from the RHFV and ISP Plans.
- Administrative expenses increased by 1.6% in 2025, rising to \$36.2 million from \$35.6 million. Major drivers of this increase included personnel services, third party administrator costs, and building maintenance.
- Investment expenses increased slightly from \$11.4 million in 2024 to \$12.1 million in 2025 due to increases in personnel services and investment manager costs.
- The most recent MERS actuarial valuation, dated December 31, 2024, showed that 708 of 750 defined benefit municipalities were funded 60% or better, with 96 municipalities over 100% funded.
- The difference between the MERS actuarial and fair value assets decreased, as the actuarial calculation for 2024 is 106.54% of the fair value of assets as calculated by the actuaries (the ratio was 109.96% as of December 31, 2023). Total Defined Benefit Plan actuarial assets and fair value of assets were valued at \$13.6 billion and \$12.4 billion, respectively, on December 31, 2024.
- MERS invested \$5.2 million in capital projects for 2025, with a large portion dedicated to pension administration system enhancements. The MERS investment in all capital assets is \$25.9 million, net of accumulated depreciation.

This Management's Discussion and Analysis is an introduction to the MERS basic financial reporting statements:

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to Basic Financial Statements

The "Comparison Statement of Fiduciary Net Position" and "Comparison Statement of Changes in Fiduciary Net Position" provide a comparative summary of the financial condition of the plan as a whole with the prior year results.

The "Statement of Fiduciary Net Position" and "Statement of Changes in Fiduciary Net Position" provide the current financial condition of each MERS product.

Required Supplementary Information

1. Schedule of Annual Money Weighted Rates of Return
2. Schedule of Employer Contributions
3. Schedule of Changes in Employer Net Pension Liability/(Asset) and Related Ratios

Supplementary Expense Schedules

1. Schedule of Administrative Expenses
2. Schedule of Investment Expenses
3. Schedule of Payments to Consultants

The expense schedules summarize all expenses associated with administering all MERS' programs.

Comparison Statement of Fiduciary Net Position (Dollars in Thousands)

	December 31, 2025	December 31, 2024	\$ Increase (Decrease)	% Increase (Decrease)
Assets				
Cash and Short-Term Investments	\$29,523	\$40,580	\$(11,058)	-27%
Receivables	73,526	67,014	6,512	10%
Loans	14,294	11,508	2,786	24%
Investments, at fair value	19,819,877	17,241,244	2,578,633	15%
Invested Securities Lending Collateral	580,894	909,601	(328,707)	-36%
Prepays/Other Assets	654	523	131	25%
Net Capital Assets	25,880	25,717	163	1%
Total Assets	20,544,648	18,296,187	2,248,460	12%
Deferred Outflow of Resources				
Outflows Related to Pension	12,465	12,272	193	2%
Liabilities				
Purchase of Investments	19,929	19,550	379	2%
Securities Lending Collateral	580,894	909,601	(328,707)	-36%
Administrative/Investment Costs	19,787	15,831	3,956	25%
Total Liabilities	620,610	944,982	(324,373)	-34%
Deferred Inflow of Resources				
Inflows Related to Pension	-	-	-	0%
Net Position - Restricted for:				
Pensions	16,744,134	14,579,563	2,164,572	15%
Postemployment Benefits Other than Pensions	3,174,539	2,728,935	445,604	16%
Pool Participants	17,830	54,979	(37,149)	-68%
	\$19,936,503	\$17,363,476	\$2,573,026	15%

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Comparison Statement of Changes in Fiduciary Net Position (Dollars in Thousands)

	December 31, 2025	December 31, 2024	\$ Increase (Decrease)	% Increase (Decrease)
Additions				
Contributions/Transfers-In	\$1,325,993	\$1,292,197	\$33,797	3%
Investment Net Income / (Loss) Investing Activities	2,771,475	1,303,726	1,467,749	113%
Investment Net Income-Securities Lending	5,171	4,562	609	13%
Miscellaneous Income	14,092	12,781	1,311	10%
Total Additions	4,116,731	2,613,266	1,503,466	58%
Deductions				
Benefits/Transfers and Withdrawals	1,507,492	1,342,277	165,215	12%
Forfeitures, Miscellaneous	6	9	(3)	-31%
Administrative Expense	36,207	35,643	564	2%
Total Deductions	1,543,705	1,377,930	165,776	12%
Net Increase/(Decrease)	2,573,026	1,235,334	1,337,692	108%
Net Position - Beginning of Fiscal Period	17,363,476	16,128,142	1,235,334	8%
Net Position - End of Fiscal Period	\$19,936,503	\$17,363,476	\$2,573,026	15%

Analysis of Fiduciary Net Position

The fiduciary net position increased by \$2.6 billion over the previous fiscal year, primarily due to investment gains. The MERS receivables consist chiefly of investment and employer contribution billings that settled in early 2026.

Additions to the plan primarily consisted of investment gains and contributions. Investment total net gains amounted to \$2.8 billion, compared to a gain in 2024 of \$1.3 billion. Contributions and transfers-in increased by \$33.8 million compared to 2024. All plans, other than Defined Contribution and Health Care Savings Program, contributed to this change, with the Defined Benefit Plan experiencing the largest increase due to larger required contributions and new plan enrollment.

Deductions from the plan for 2025 are primarily due to retirement benefit payments. Benefit payments paid out to participants and employers totaled \$1.5 billion, which is up 12.3% from December 31, 2024. Most of this increase is attributed to employers withdrawing from the Retiree Health Funding Vehicle and Investment Services Program.

MERS had capital assets, net of accumulated depreciation, of \$25.9 million. Of this total, \$19.8 million is attributed to the software needed to run the pension administration and financial programs, \$612 thousand represents office furniture and equipment, and \$5.5 million is in buildings and land.

MERS has no long-term liabilities. The bulk of MERS' liabilities at year-end are related to investment purchases that did not settle until early 2026, accrued administrative and investment expenses, and securities lending collateral.

Investment Activities

The performance of the Defined Benefit Portfolio was up for the year and surpassed the investment benchmark. The money-weighted return (net of investment expenses) of 15.43% was above the 6.93% actuarial return assumption target for the year. By comparison, for 3-, 5-, and 10-year periods, the net returns were 11.52%, 7.26%, and 8.28%, respectively. Net investment income (net appreciation in fair value less investment expenses plus securities lending income) totaled \$2.8 billion. A more detailed analysis of investment returns is provided in the Investments Section.

Investments are managed to control downside risk while maximizing long-term gain potential. This strategy positions MERS to limit the impact of adverse market conditions. Portfolio diversification by asset class and style is an important element of investment risk control.

MERS is an investment fiduciary under the Public Employee Retirement System Investment Act, PA 314 of 1965, MCL 38.1132 et seq., as amended, and, as such, is subject to the "prudent person" standard of care with respect to the management and investment of the System's assets. This standard requires that MERS discharge its duties solely in the interest of the System's participants and beneficiaries, and with the diligence, care, and skill that a prudent person would ordinarily exercise under similar circumstances.

In accordance with its fiduciary duties, the Board has adopted an investment policy that outlines the investment goals, objectives, and policies of the System's pension fund. The investment policy guides the Board, Investment Committee, and Office of Investments in effectively and prudently monitoring and administering MERS investments. A summary of the total assets is found in the Investments section of this report.

Funding Status

A pension plan is well funded when it has sufficient assets invested to meet all the expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. While some municipalities are not fully funded, annual contributions are made at an actuarially determined rate to reach full funding over a fixed period of years. There is no single, all-encompassing test for measuring a retirement system's funding progress and current funded status. However, some common indicators that a retirement system has achieved progress in funding its obligations include observing the changes over time of the ratio of valuation assets to actuarial accrued liabilities and the pattern of the unfunded actuarial accrued liability as a percentage of active payroll.

The Board has adopted a funding policy for MERS to achieve the following major objectives:

- Adequacy;
- Inter-Period Equity (in particular, intergenerational equity) and Transparency; and
- Contribution Stability and Governance.

The actuarial method for calculating the accrued liability for all plans is entry-age normal with the objective of maintaining employer contributions approximately level as a percentage of member payroll. A detailed discussion of the funding method is in the Actuarial Section.

MERS is an agent multiple-employer retirement system that pools assets of participating employers for investment purposes but maintains separate trusts for each individual employer. For this reason, MERS does not have a "funded status;" rather, each municipality has its own funded level. Each municipality is responsible for its own plan liabilities; a municipality cannot borrow from another municipality's account to pay for pension expenses. A measure of a municipality's funding progress is the ratio of its actuarial assets to its actuarial accrued liabilities.

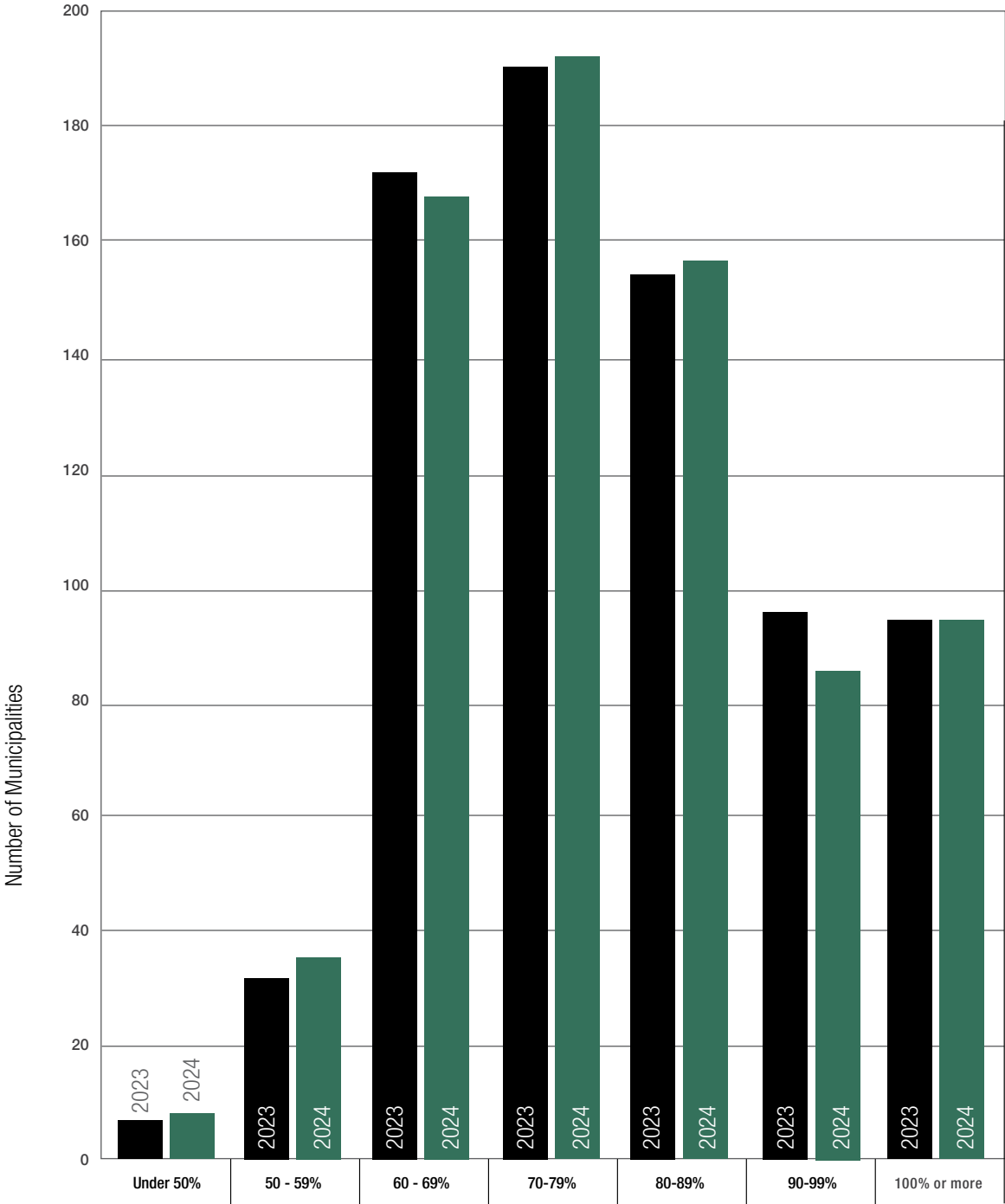
The most recent MERS actuarial valuation is as of December 31, 2024. On that date, of all 750 Defined Benefit and Hybrid municipalities, 708 municipalities in MERS were funded at 60% or higher (94% of all Defined Benefit and Hybrid municipalities) and 96 municipalities (12.8% of all Defined Benefit and Hybrid municipalities) are funded over 100%. The median funded percentage based on actuarial assets was 78% in both 2024 and 2023.

MERS partners with our participating municipalities to:

- Determine the best retirement fit for each municipality;
- Offer cost-reducing strategies; and
- Provide fiscal best practices.

For the December 31, 2024, valuation, the actuarial value of assets is equal to 106.54% of fair value (compared to 109.96%, 115.77%, 99.85%, and 97.24%, 2023, 2022, 2021, and 2020, respectively).

Distribution of Funded Percentage of Actuarial Accrued Liability among the 750 participating municipalities as of December 31, 2024, and the 748 participating municipalities as of December 31, 2023



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Statement of Fiduciary Net Position as of December 31, 2025 (Dollars in Thousands)

Pension (and Other Employee Benefits) Trust Funds			
	Defined Benefit	Defined Contribution	Health Care Savings Program
Assets			
Cash and Short-Term Investments	\$27,726	\$41	\$22
Receivables			
Employer and Member Contributions	57,444		
Sale of Investments	196	1	0
Investment Income	5,110	15	8
Loans		12,011	
Intercompany Receivables		2,537	207
Other	1,270		
Total Receivables/Loans/Other	64,020	14,564	216
Investments			
Global Equities	6,646,503	19,442	10,527
Global Fixed Income	3,956,402	11,573	6,266
Private Investments	3,881,788	11,355	6,148
Short Term Interest Fund	291,227	852	19,991
Land	1,402		
Mutual Funds		1,801,401	698,491
Self Directed Accounts		14,094	
Investments, at Fair Value	14,777,322	1,858,718	741,424
Invested Securities Lending Collateral	515,193	1,507	816
Prepaid Expenses/Other Assets	654		
Capital Assets, at cost, net of accumulated depreciation	25,880		
Total Assets	15,410,796	1,874,830	742,478
Deferred Outflow of Resources			
Outflows related to pension	12,465		
Liabilities			
Purchase of Investments	17,676	52	28
Securities Lending Collateral	515,193	1,507	816
Intercompany Payables	8,570		
Administrative and Investment Costs	10,959		
Total Liabilities	552,398	1,559	844
Deferred Inflow of Resources			
Inflows Related to Pension			
Net Position - Restricted for:			
Pensions	14,870,864	1,873,271	
Postemployment Benefits Other Than Pensions			741,634
Pool Participants			
Balance End of Fiscal Period	\$14,870,864	\$1,873,271	\$741,634

The accompanying notes are an integral part of these Financial Statements.

Pension (and Other Employee Benefits) Trust Funds			Investment Trust Funds		
457 Program	Individual Retirement Account	Retiree Health Funding Vehicle	Investment Services Program	As of December 31, 2025	As of December 31, 2024
\$14	\$4	\$1,699	\$17	\$29,523	\$40,580
				57,444	51,496
0	0	24	0	222	1,727
5	1	616	6	5,762	6,358
2,283				14,294	11,508
520		5,505	59	8,828	5,620
				1,270	1,813
2,809	1	6,145	65	87,820	78,522
6,403	1,755	801,482	7,993	7,494,105	7,027,834
3,811	1,045	477,091	4,758	4,460,946	3,382,443
3,740	1,025	468,093	4,668	4,376,817	3,752,470
281	77	35,118	350	347,896	569,071
				1,402	1,402
591,932	26,043	1,531		3,119,399	2,492,346
5,219				19,314	15,678
611,386	29,944	1,783,314	17,769	19,819,877	17,241,244
496	136	62,126	620	580,894	909,601
				654	523
				25,880	25,717
614,704	30,085	1,853,284	18,470	20,544,648	18,296,187
				12,465	12,272
17	5	2,131	21	19,929	19,550
496	136	62,126	620	580,894	909,601
	258			8,828	5,620
				10,959	10,212
513	399	64,257	641	620,610	944,982
				-	-
				16,744,134	14,579,563
614,191	29,686	1,789,027		3,174,539	2,728,935
			17,830	17,830	54,979
\$614,191	\$29,686	\$1,789,027	\$17,830	\$19,936,503	\$17,363,476

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Statement of Changes in Fiduciary Net Position for the Year Ended December 31, 2025 (Dollars in Thousands)

Pension (and Other Employee Benefits) Trust Funds			
	Defined Benefit	Defined Contribution	Health Care Savings Program
Additions			
Contributions and Transfers-In			
Employer Contributions and Other	\$843,577	\$93,130	\$44,647
Nonemployer Contributing Entity Contributions	27,000		
Plan Member Contributions	93,705	65,325	26,557
Total Contributions and Transfers-In	964,282	158,455	71,204
Net Appreciation/Depreciation in Fair Value	1,827,820	254,139	99,275
Interest and Dividend Income	264,511	774	419
Subtotal of Investment Income/(Loss)	2,092,331	254,913	99,694
Less Investment Expense	11,006	124	50
Net Investment Income/(Loss) Before Securities Lending Activities	2,081,324	254,789	99,643
Securities Lending Activities			
Securities Lending Income	30,209	88	48
Securities Lending Expenses			
Borrower Rebates/(Income)	25,556	75	40
Management Fees	66	0	0
Total Securities Lending Expenses	25,622	75	41
Net Income from Securities Lending	4,587	13	7
Total Net Investment Income/(Loss)	2,085,911	254,802	99,651
Miscellaneous Income	206	5,548	2,100
Total Additions	3,050,399	418,805	172,955
Deductions			
Benefits/Transfers and Withdrawals	1,182,165	93,139	21,559
Forfeitures and Other Miscellaneous	6		
Administrative Expenses	25,635	3,687	2,048
Total Deductions	1,207,806	96,826	23,607
Net Increase/(Decrease)	1,842,593	321,979	149,348
Net Position - Beginning of Fiscal Period	13,028,271	1,551,292	592,286
Net Position - End of Fiscal Period	\$14,870,864	\$1,873,271	\$741,634

The accompanying notes are an integral part of these Financial Statements.

Pension (and Other Employee Benefits) Trust Funds			Investment Trust Funds		
457 Program	Individual Retirement Account	Retiree Health Funding Vehicle	Investment Services Program	For the Year Ended December 31, 2025	For the Year Ended December 31, 2024
\$5,397		\$42,511	\$102	\$1,029,364	\$1,011,518
				27,000	26,183
76,866	7,176			269,629	254,496
82,263	7,176	42,511	102	1,325,993	1,292,197
79,137	3,547	218,057	3,341	2,485,316	1,037,994
255	70	31,897	318	298,243	277,134
79,392	3,617	249,954	3,659	2,783,559	1,315,128
40	3	849	11	12,084	11,402
79,353	3,614	249,105	3,648	2,771,475	1,303,726
29	8	3,643	36	34,061	36,619
25	7	3,082	31	28,816	31,990
0	0	8	0	74	67
25	7	3,090	31	28,890	32,057
4	1	553	6	5,171	4,562
79,357	3,615	249,658	3,653	2,776,647	1,308,288
1,785	79	4,293	81	14,092	12,781
163,404	10,870	296,462	3,836	4,116,731	2,613,266
39,371	1,706	128,715	40,837	1,507,492	1,342,277
			0	6	9
2,067	270	2,353	149	36,207	35,644
41,438	1,976	131,067	40,986	1,543,705	1,377,930
121,966	8,894	165,395	(37,149)	2,573,026	1,235,334
492,225	20,792	1,623,632	54,979	17,363,476	16,128,142
\$614,191	\$29,686	\$1,789,027	\$17,830	\$19,936,503	\$17,363,476

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2025

1. REPORTING ENTITY AND PLAN DESCRIPTION

MERS is a statutory public corporation and governmental retirement plan trust, independent from the State of Michigan, which was established to provide a pooled program for retirement benefits on a voluntary basis to the State of Michigan's municipal and court employees. MERS has helped provide retirement plans for municipal and court employees for over 80 years.

MERS was established by the Michigan Legislature under Public Act 135 of 1945. This act was repealed and replaced by the Municipal Employees' Retirement Act of 1984, Public Act 427, (MERS Act). On August 15, 1996, pursuant to Public Act 220 of 1996, MERS became independent from the State of Michigan.

Since 1996, MERS has been solely administered by a 9-member retirement board (the Board). The Board consists of the following members, each of whom, except for the Retiree Member and the Board Appointees, must be from a different county at the time of election:

- Expert Members: Two members, appointed by the Board, who have knowledge or experience in retirement systems, administration of retirement systems, investment management, or advisory services
- Retiree Member: One member, a retiree of the System, who is appointed by the Board
- Officer Members: Three officers of participating municipalities or courts, who are elected by the delegates at the MERS Annual Conference
- Employee Members: Three employees who are not officers of a participating municipality or court, who are elected by the delegates at the MERS Annual Conference

The regular term of office for members of the Board is three years. Members of the Board serve without compensation with respect to their duties but are reimbursed by the System for their actual and necessary expenses incurred in the performance of their duties.

The Board establishes, in its Plan Document, the benefit plans and provisions that are available for adoption. The participating employers' governing body adopts the benefits of the plan. The various plans are discussed in the Actuarial Section.

MERS is an agent multiple-employer retirement system that pools assets of the participating employers for investment purposes but maintains separate accounts for each individual employer.

Employee contribution rates vary depending on the benefit plan adopted by the local government. If an employee leaves employment or dies before becoming eligible for retirement benefits, accumulated employee contributions (plus interest) are refunded to the employee or designated beneficiary upon application.

The Internal Revenue Service (IRS) has determined that MERS' Defined Benefit, Defined Contribution and Hybrid Plans are governmental plans that are tax-qualified trusts under Internal Revenue Code (the Code or IRC) Section 401(a) and tax-exempt under Section 501(a). The IRS issued the most recent Letter of Favorable Determination for MERS on October 18, 2016. The benefits of tax-qualified status include the preferential deferred taxability of contributions, accumulated earnings, pensions, rollovers, annual compensation limits, and benefit limitations.

Under the Code, a retiree's pension becomes subject to taxation upon periodic distribution unless the distribution is "rolled over" if permitted by law. Pursuant to IRC Section 72(d), any "after tax contributions" are recovered tax-free over the life expectancy of the retiree (or beneficiary, if applicable).

IRC Section 401(a)(17) limits the amount of compensation that can be taken into account for benefit calculation purposes and, correspondingly, limits the amount of employer and employee contributions. Compensation in excess of the limit (\$345,000 and \$350,000 for 2024 and 2025 respectively) will not be included by MERS in any benefit determination. Employee contributions in excess of the limit will not be collected or accepted, nor included in final average compensation for benefit purposes.

In addition, IRC Section 415(b)(1)(a) imposes certain limitations on pension benefit payments from the MERS qualified trust. Any amounts that exceed the limitations shall be paid from a Qualified Excess Benefit Arrangement

(QEBA), as authorized by IRC Section 415(m) and the Michigan Public Employee Benefit Protection Act, MCL 38.1686 (2002 PA 100). The QEBA is a separate plan and is annually cash-funded by the affected participating municipality or court. The Board established the MERS QEBA in 2003 solely for the purpose of providing retirees and beneficiaries that portion of the retirement allowance exceeding the Section 415 limits, which is otherwise not payable by the trust under the terms of the MERS plan. The IRS approved the QEBA in a Private Letter Ruling issued on December 15, 2003. Retirees and beneficiaries do not have an election, directly or indirectly, to defer compensation to the QEBA.

The MERS Defined Contribution Plan utilizes a third-party administrator for recordkeeping and administrative functions. The plan is available to all MERS participating municipalities and may be adopted on a division-by-division basis. Plan provisions and requirements are specified in the MERS Plan Document. MERS' Defined Contribution Plan provides participants with an account they manage. At retirement, benefits are based solely on the amount contributed by the participant and employer and the performance of investments. IRC Section 415(c) imposes certain limitations on the annual additions that can be accepted by the MERS qualified trust (for 2025, the limit was the lesser of \$70,000 or 100% of compensation). The plan's investment menu is designed to help participants meet their retirement goals and allows for simple and strategic investing.

The MERS Hybrid Plan is an option for municipalities that includes both a defined benefit and a defined contribution component. The defined benefit component (Part I) is employer-funded, with various benefit multipliers. The defined contribution component (Part II) is a combination of employer and participant contributions that are invested in available fund options selected by the individual participant within the applicable MERS investment menu. On the financial statements, the Hybrid Plan is reflected in both Defined Benefit and Defined Contribution columns.

MERS received a Private Letter Ruling dated January 13, 2004, allowing the establishment of an IRC Section 115 Integral Governmental Trust, giving MERS the ability to create two programs – the Health Care Savings Program and the Retiree Health Funding Vehicle.

The MERS Health Care Savings Program became operational in June 2004 and was made available to all municipalities in Michigan. The employer-sponsored program provides medical reimbursement accounts to participants. Medical expenses are reimbursed, in accordance with Code Section 213, once participants terminate employment, are on medical leave for 6 months or longer, or are on disability from any public pension plan. There are four types of contributions that may be used in the program: 1) Basic Employer (tax-favored); 2) Mandatory Salary Reductions (tax-favored); 3) Mandatory Leave Conversions (tax-favored); and 4) Voluntary Employee Contributions (post-tax). Pursuant to the Private Letter Ruling and Code Sections 106 and 213, reimbursements for medical expenses are tax-exempt for the participant, their spouse, and/or Code Section 152 dependent(s). The Health Care Savings Program accounts are invested in the applicable MERS investments, and earnings are also tax-exempt under the IRC. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust.

The MERS Retiree Health Funding Vehicle became operational in the fall of 2004 and was made available to all municipalities in Michigan. Participating municipalities can contribute monies to the Trust as desired, and no contribution method is imposed. These funds constitute a health care fund, which enables municipalities to accumulate assets to provide or subsidize health benefits for retirees and beneficiaries. MERS does not provide health benefits, only the funding vehicle for local governments to fund the health benefits they provide. The Retiree Health Funding Vehicle accounts are invested in the applicable MERS investments and earnings are also tax-exempt under the IRC. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust.

The MERS 457(b) Deferred Compensation Program was established on November 8, 2011, as a deferred compensation plan and trust. Its purpose is to provide benefits under the Program to participants and beneficiaries upon retirement, termination, disability, or death, pursuant to the terms and conditions contained in the Plan Document. The Program is intended to comply with Code Section 457(b). All assets held in connection with the Program, including all contributions and amounts of compensation deferred pursuant to the Program,

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all property and rights acquired or purchased with such amounts, and all income attributable to such amounts, property, or rights shall be held in trust for the exclusive benefit of participants and their beneficiaries under the Program. No part of the assets and income shall be used for, or diverted to, purposes other than for the exclusive benefit of participants and their beneficiaries and for defraying reasonable expenses of the Program.

The Investment Services Program is an investment trust fund that is available to all municipalities in Michigan to invest IRC 401(a) funds through the applicable MERS investments while maintaining administrative functions at the municipal level. The Program was established by the Board in March 2006. The Program complies with the Public Employee Retirement System Investment Act, 1965 PA 314. Like the other non-retirement plans, participation in the Investment Services Program alone does not qualify as membership in MERS, and the participating employer that does not otherwise participate in MERS' 401(a) plan, does not have a vote at the MERS Annual Conference.

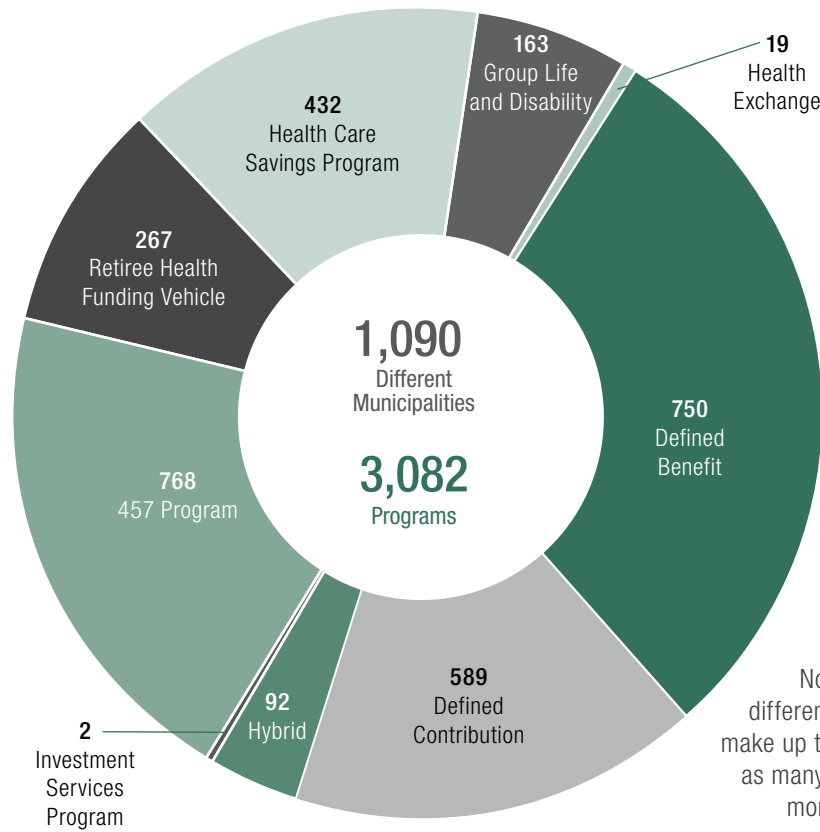
The MERS-deemed Individual Retirement Account (IRA) was established in 2018 and is a tax-advantaged retirement account for the exclusive benefit of current and former employees of MERS-partnered municipalities and their spouses. MERS offers two types of IRAs: A Roth IRA that provides tax-free income in retirement via taxed contributions and a traditional IRA that allows tax-deductible contributions for taxable distributions later. Both allow the participant to withdraw money at any time, without penalty, for qualified expenses including education expenses, buying a first home, and some medical expenses.

Through The Standard Insurance Company, MERS offers quality group life and disability insurance to Michigan municipalities. This group buying program offers comprehensive benefit features, a variety of plan designs, and family-friendly provisions at an affordable cost. The Standard Insurance Company fully administers the plan and MERS does not have any financial liability for the arrangement. In exchange for offering the insurance, MERS receives a small reimbursement that is reported in the service fee line item of the Defined Benefit administrative expenses.

MERS partners with Mercer Marketplace 365 to offer a private healthcare exchange for eligible members. A private exchange is a marketplace where retirees can purchase benefits from the carrier of their choice with a wide variety of coverage options for pre-65 and Medicare-eligible retirees. Participants may use their MERS Health Care Savings Program funds for insurance premiums, co-payments, deductibles, etc., paid to providers available on the Exchange. The individual Health Care Savings Program account would reflect any reimbursement for eligible expenses as a distribution. As part of its collaboration agreement, MERS receives a quarterly reimbursement from Mercer to promote this partnership, which is reported in the service fee line item of the Defined Benefit administrative expenses. Employers who partner with Mercer to manage their retiree group health plan receive a reimbursement for their retiree member list.

Any "municipality" (a term defined in Section 2b(2) of the MERS Act, MCL 38.1502b(2)) within the State of Michigan may elect to become a participating member of MERS by a majority vote of the municipality's governing body or by an affirmative vote of the qualified electors. Changes in retirement plan coverage are subject to approval by a majority vote of the municipality's governing body.

MERS Participating Municipalities



MERS Participants

	Defined Benefit	Defined Contribution	Hybrid	Health Care Savings Program	457	Health Exchange	IRA
Active	24,700	24,394	4,883	29,762	13,451	655	3,077
Deferred	7,548	NA	970	NA	NA	NA	NA
Retired	47,742	NA	455	NA	NA	NA	NA
Contributions not Vested	14,793	NA	703	NA	NA	NA	NA
Terminated	NA	13,782	NA	20,610	5,018	NA	NA
Product Totals	94,783	38,176	7,011	50,372	18,469	655	3,077
Total MERS Accounts*							212,543

*Total MERS Accounts represents the total number of accounts within MERS; individuals may be represented multiple times across categories.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board is responsible for the administration of the System, has fiduciary responsibility for the investment of assets, and oversees all funds included in these financial statements. The Board appoints the Chief Executive Officer who manages and administers the System under the supervision and direction of the Board.

MERS' financial statements are not included in the financial statements of any other organization.

Blended Component Units

MERS Real Estate Corporation (MREC) is governed by a three-member board appointed by MERS as the sole member of the corporation. Although it is legally separate from MERS, MREC is reported as if it were part of MERS because it is solely owned by MERS to function as a real estate holding company for certain properties owned by MERS.

Cost Allocation

The costs of administering the MERS Defined Benefit Plan are allocated proportionally based on a municipality's average asset daily balance along with investment gains/losses on a quarterly basis.

Employers and participants in the MERS Defined Contribution Plan, Health Care Savings Program, Retiree Health Funding Vehicle, Investment Services Program, 457 Program and IRAs are charged an administrative expense percentage, as well as their investment expenses based on fund choices. Actual expenses incurred to administer each plan are allocated to each plan based on estimated time and costs for work during the year.

Basis of Accounting

The financial statements for MERS are prepared on an economic resource measurement focus and accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to government organizations in the U.S. The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

MERS Defined Benefit Plan employer and employee contributions are recognized when due pursuant to legal, statutory, and contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses and the associated liabilities for those expenses are also recorded using the accrual method when the liability is incurred.

The Defined Contribution Plan, 457 Program, Health Care Savings Program, Retiree Health Funding Vehicle, Investment Services Program and IRA financial statements are prepared using the accrual accounting method for revenues, which are recorded when either payroll reports and/or funds are received. Expenses and the associated liabilities for those expenses are also recorded using the accrual method when the liability is incurred.

Plan investments are presented at fair value using the accrual method for those investments that are invested in the MERS portfolio. Investment purchases, sales and associated payables and receivables are recorded on their trade date.

Post-Employment Benefits

MERS offers pension benefits to its retirees through the MERS Defined Benefit Plan. MERS records a net pension asset or liability for the difference between the total pension liability calculated by the actuary and the Plan's fiduciary net position. To measure the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the

Plan and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments including refunds of employee contributions, are recognized when due and payable in accordance with the Plan Document. Investments, which are part of the plan assets credited to MERS, are reported at fair value.

MERS does not provide other post-employment benefits to its employees and accordingly does not have any expense or liabilities for these benefits.

Fair Value of Investments

Plan investments are presented at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based upon equivalent values of comparable securities with similar yield and risk. Other investments that do not have established markets are recorded at an estimated fair value. Real estate and private equity investments typically have a quarter lag in reporting, but the values as of December 31 are estimated based on the third-quarter capital statements plus fourth-quarter cash flows, adjusted for any other known events.

Investment Act Disclosures

The Public Employee Retirement System Investment Act, MCL 38.1132, et seq., 1965 PA 314, requires MERS to follow certain financial management practices and investment guidelines. Compliance with these requirements is achieved, in part, in this Annual Comprehensive Financial Report found at mersofmich.com. MERS limits board member professional training, education and travel expenses in compliance with the Act and those expenses are reported in the Schedule of Administrative Expenses.

Capital Assets

Capital assets represent land, buildings, office furniture, equipment, and software with a value of \$50,000 or more with a minimum useful life of 4 years. This threshold increased from \$5,000 beginning in 2025. Assets are carried at cost, less accumulated depreciation. Depreciation expense is calculated by allocating the net cost of assets over their estimated useful lives using the straight-line method. Useful lives of the related assets vary from 3 to 30 years.

Capital Assets	Buildings	Land	Office Furniture and Equipment	Software	Total Capital Assets
Balances Dec 31, 2024	\$6,950,661	\$1,266,516	\$3,283,602	\$38,719,812	\$50,220,590
Additions	272,475		246,076	4,730,753	5,249,304
Deletions and Transfers	(57,751)		(56,200)	(3,058,071)	(3,172,021)
Balances Dec 31, 2025	7,165,386	1,266,516	3,473,478	40,392,494	52,297,873
Accumulated Depreciation					
Balances Dec 31, 2024	2,613,732		2,742,153	19,147,674	24,503,560
Depreciation Expense	354,300		175,202	4,514,883	5,044,385
Deletions and Transfers	(15,613)		(56,200)	(3,058,071)	(3,129,883)
Balances Dec 31, 2025	2,952,419		2,861,156	20,604,486	26,418,061
Net Capital Assets Dec 31, 2025	\$4,212,967	\$1,266,516	\$612,322	\$19,788,008	\$25,879,812

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Total Columns on Statements

The “Total” columns on the “Statement of Fiduciary Net Position” and “Statement of Changes in Fiduciary Net Position” are presented to facilitate financial analysis. Amounts in these columns do not present the plan net position and changes in plan net position in conformity with GAAP, nor is such data comparable to a Consolidation. Transactions between the Defined Benefit Plan, Defined Contribution Plan, Health Care Savings Program, 457 Program, Retiree Health Funding Vehicle, Investment Services Program and IRAs have not been eliminated from the “Total” columns.

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government’s financial statements for the year ended December 31, 2024, from which the summarized information was derived.

New Accounting Pronouncements

In December 2023, the Governmental Accounting Standards Board (GASB) issued GASB Statement No.102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. MERS has implemented this standard with the 2025 fiscal year.

In April 2024, GASB issued GASB Statement No.103, Financial Reporting Model Improvements. This Statement seeks to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. MERS will implement this standard in the 2026 fiscal year.

In September 2024, GASB issued GASB Statement No.104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34 and also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. MERS will implement this standard in the 2026 fiscal year.

In December 2025, GASB issued GASB Statement No. 105, Subsequent Events. This Statement seeks to improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. MERS will implement this standard in the 2026 fiscal year.

3. CONTRIBUTIONS AND RESERVES

Contributions

The Defined Benefit Plan contribution funding requirements are actuarially determined using the entry age normal actuarial cost method and are based upon the benefit plan adopted by the municipality. Some municipalities fund their entire pension obligations solely from employer contributions. Most municipalities jointly fund pension obligations from employee and employer contributions. Monthly employee contributions are based upon a percentage of actual compensation as determined by the employer. Employer contributions are based upon projected or accrued compensation as determined by an annual actuarial valuation. For details about normal cost and total employer contributions by employer, please see the MERS Summary Actuarial Report found on our website at mersofmich.com. Employee contributions are held in individual member accounts that are credited with interest annually. Pursuant to the Board resolution adopted November 9, 2005, the interest rate for each year beginning in 2005 is the 1-year T-bill rate as of December 31 each year for the ensuing December 31 employee interest calculation. It is also used for interest calculations the subsequent year for those employees requesting a refund of their contributions.

The Michigan Department of Treasury (Treasury) was appropriated funds for the purpose of assisting local governments with pension liabilities. MERS, as the plan sponsor, received payments directly from Treasury through these grants totaling \$27.0 million that were applied to qualified employer accounts within the MERS Defined Benefit Plan. The funds were recorded as nonemployer contributing entity contributions for 2025.

Contributions to the Defined Contribution Plan are reported directly to MERS third-party administrator by the participating municipalities and are separate from contributions made to the MERS Defined Benefit Plan. Both employer contributions and employee voluntary and mandatory contributions are governed by the contribution limits under the IRC. Municipalities may elect to have mandatory employee contributions where the participant pays a fixed dollar or percentage. If the municipality has a match contribution type, the participant will elect the amount of contribution at the time of enrollment and will not be allowed to make any changes to that contribution amount. Municipalities may also choose to allow additional voluntary after-tax contributions through payroll deduction. Municipalities may also choose to offer matching contributions into the Defined Contribution Plan based on elective deferrals made by participants to the MERS 457(b) Program.

Participating municipalities may, upon adoption of a Defined Contribution Plan resolution for new hires, offer current defined benefit employees an opportunity to opt into the Defined Contribution Plan. MERS transfers the actuarial present value of the employee's accrued benefit in the Defined Benefit Plan into the employee's Defined Contribution Plan account (at a stipulated funded ratio between 80%-100%). Employees direct their contributions to various investment options offered with the applicable MERS investment menu and may transfer their account balances between investment options or make changes to their allocation on a daily basis.

Contributions to the 457 Program are made pre-tax and can be either a flat dollar amount or a percentage of payroll. An employer may also adopt a Roth provision allowing for after-tax contributions. Participation in the program is voluntary, so contributions can start and stop at any time, as well as increase or decrease.

Participants can make contributions to the MERS IRAs at any frequency and work directly with MERS third-party administrator to set this up. It is the participant's responsibility to ensure they do not exceed the IRA limits. Contributions are made post-tax to the Roth IRA, and participants may be able to deduct the contributions on their federal income tax returns for the traditional IRA.

Contributions to the Health Care Savings Program can come in many different forms based on the employer's election. Mandatory pre-tax salary deductions can be elected based on a fixed dollar or required percentage that is mandatory for the entire group of participants or through a leave conversion election where vacation, personal time, sick time, or severance can be deposited into a Health Care Savings Program upon termination. In addition, post-tax voluntary employee contributions can be elected and can start or stop at any time.

Contributions to the Retiree Health Funding Vehicle and Investment Services Program can be made at any frequency for any amount the employer wishes.

Defined Benefit Plan Reserves

Pursuant to the MERS Plan Document, three reserves have been established. See “Schedule of Changes in Reserves” in the Statistical Section.

- **Reserve for Employee Contributions**

All additions to and deductions from this reserve are for the Defined Benefit Plan and the Defined Benefit portion of the Hybrid Plan. Employee contributions and interest are credited to this reserve. Also credited are monies received from the purchase of service credit and monies received in repayment of previously refunded contributions. The reserve is reduced by amounts paid to employees who terminate employment and request refunds, and by amounts transferred into the “Reserve for Employer Contributions and Benefit Payments” upon an employee’s retirement. Interest is credited to each employee’s account, as provided in the Board’s November 9, 2005, resolution. As of December 31, 2025, the balance was \$1.0 billion.

- **Reserve for Employer Contributions and Benefit Payments**

All additions to and deductions from this reserve are for the Defined Benefit Plan and the Defined Benefit portion of the Hybrid Plan. All employer contributions are credited to this reserve. Net income is allocated to this reserve from the “Reserve for Expenses and Undistributed Investment Income.” At retirement, the employee’s accumulated contributions, if any, and interest are transferred into this reserve from the “Reserve for Employee Contributions.” Monthly benefits paid to retirees reduce this reserve. As of December 31, 2025, the balance was \$12.6 billion.

- **Reserve for Expenses and Undistributed Investment Income**

All additions to and deductions from this reserve are for the Defined Benefit Plan and the Defined Benefit portion of the Hybrid Plan. All investment earnings and other monies received that are not dedicated to other areas are credited to this reserve. All administrative and investment expenses are paid from this reserve. Transfers from this reserve to the “Reserve for Employer Contributions and Benefit Payments” are at allocation rates determined by the Board. The unallocated reserve at the end of December 31, 2025, was \$122.0 million.

Other Reserves

Each of the products outside of the Defined Benefit Plan has its own reserve for additions and deductions to be recorded. MERS maintains separate employer account records for each municipality within the products. The December 31, 2025, reserve balances were as follows: Defined Contribution Plan \$1.9 billion, Health Care Savings Program \$741.6 million, Retiree Health Funding Vehicle \$1.8 billion, Investment Services Program \$17.8 million, 457(b) Program \$614.2 million and Individual Retirement accounts \$29.7 million. A more detailed analysis of the reserves can be found in the Statistical Section.

4. DEFERRED RETIREMENT OPTION PROGRAM (DROP)

Deferred Retirement Option Program (DROP): Traditional

If a municipality has added a DROP benefit to its plan, a participant covered by the Benefit Program DROP may, when eligible for retirement, choose a specified DROP period in which they will cease to accrue any additional retirement benefits but remain employed by the participating municipality or court. The participant must elect a DROP end date at least six months after the beginning date, but no more than 60 months after the beginning date, in one-month increments.

Upon the participant's election of DROP and the receipt of an application to enroll in DROP, MERS will calculate the participant's service retirement and benefit payment as of the beginning date. The System shall also calculate any age differential between the participant and the participant's beneficiary as of the calendar year of the DROP exit date in accordance with the IRC and applicable regulations. Upon the beginning date of the DROP period, the participant shall be responsible for continuing to pay participant contributions, if any.

On the next available benefit payment date after processing is complete, and monthly thereafter, an amount equal to 100% of the monthly service retirement benefit payment the participant would have received if they had retired as of the DROP beginning date will be credited to a notional account for the benefit of the participant.

Funds in the DROP account are credited with interest in the amount of 3% annually or prorated in the event of a DROP period that is less than 12 months.

Upon the end date, the participant shall receive a lump-sum distribution of the participant's DROP account and on the first day of the calendar month following the end date, the participant will begin receiving monthly service retirement benefit payments.

Deferred Retirement Option Program (DROP+) Partial Lump Sum

If a participant is covered by the Benefit Program DROP+ and retires at least 12 months after first becoming eligible for unreduced benefits, they have the option to receive a partial lump sum and a reduced monthly benefit: The participant can elect a lump sum equal to 12, 24, 36, 48, or 60 times their monthly accrued benefit.

For each 12 months included in the lump sum, the participant's lifetime benefit is reduced by the DROP+ percentage adopted by the employer. The employer can adopt any of the following DROP+ reduction percentages: 6, 7, 8, 9, or 10%.

As of June 30, 2013, Benefit Program DROP+ may no longer be adopted; 2 employers adopted the program prior to it ending.

The balance for the DROP accounts was \$2,069,673 for the year ending December 31, 2025.

5. INVESTMENTS AND DEPOSITS

The Board has the fiduciary responsibility and authority to oversee MERS assets and its investment portfolio. Pursuant to the MERS Plan Document and applicable state and federal law, MERS' investments are made for the exclusive purpose of providing benefits to plan participants and their beneficiaries, and for defraying reasonable expenses of the System. All investment decisions are subject to the Michigan Public Employee Retirement System Investment Act (PERSIA), 1965 PA 314, MCL 38.1132, et seq., and the investment policy established by the Board. Michigan law allows for diverse investment in stocks, corporate and government bonds, mortgages, real estate, and other investments. PERSIA requires that the System invest its assets prudently and solely in the interest of the plan participants and beneficiaries.

The MERS Investment Policy Statements are adopted by the Board with the Chief Executive Officer (CEO) being responsible for all activities and duties of the System. The CEO has delegated to the Office of Investments authority to manage MERS investment assets and direct all investment management activities not reserved by the Board.

The Board has appointed an Investment Committee (IC) delegated with authority to make certain investment decisions and assist in investment policy development. The IC monitors investment management activity, asset allocation and policy recommendations developed by the MERS Office of Investments. The IC is composed of three voting Board members, including two public members with investment experience. The CEO and Chief Investment Officer also serve on the committee as non-voting members. The Board also appoints one non-voting Board member to observe meetings.

The Office of Investments carries out day-to-day investment activity for the System, regularly reports to the Board and IC on investment activities, performance, and other material matters, and monitors external investment managers.

Various professional investment managers are contracted to manage the System's assets. Investment manager selection is an important decision involving complex due diligence. Managers are selected after a lengthy process involving a review of quantitative and qualitative components. Policy objectives prioritize identifying stable, long-term, financially secure, experienced, and disciplined investment managers. Once selected, managers are monitored and reviewed based on investment returns, asset allocation compliance, and market-related factors. Other investment processes and procedures include capital calls, cash flow reconciliations, trade settlements, regular portfolio reviews, monthly account reconciliation, performance reporting and review, and asset allocation reviews.

The investment policy requires independent performance measurement of investment managers and establishes total return objectives for the MERS Defined Benefit portfolio and investment asset classes. As of December 31, 2025, MERS Defined Benefit portfolio was in compliance with PERSIA and Board policy.

MERS asset allocation policy is an important determinant of achieving the investment goals of the Plan. MERS follows a Valuation Based Allocation (VBA) approach to allocate the Plan's assets. A proprietary model is utilized to evaluate market opportunities across investable asset classes and determine appropriate allocations. The VBA model is updated on a real-time basis, resulting in ongoing asset allocation and portfolio rebalancing within established risk parameters and Board-approved asset class allocation ranges. Factors influencing the Plan's asset allocation include projected actuarial liabilities, historical and expected long-term asset class returns and risk, future economic conditions, inflation and interest rate risks, and liquidity requirements.

The base allocation was as follows:

- Global Equity 60.0%
- Global Fixed Income 20.0%
- Private Investments 20.0%

Each MERS plan has a diversified investment portfolio or a diversified investment menu from which employers or participants may allocate their plan assets:

- The Total Market Portfolio is the investment portfolio for the Defined Benefit Plan, which includes a diversified mix of investments including global equities, global bonds, and private investments. This portfolio is also an available investment option for several other MERS plans.

- The Defined Contribution Plan, Health Care Savings Program, 457 Program, and IRAs have several investment options. One is a target date fund option that automatically adjusts the participant's investment allocation over time as they approach retirement based on their projected retirement year. MERS also offers pre-built index-based fund options. A third option for only the Defined Contribution and 457 participants is the self-directed brokerage account for those investors who understand the risks of selecting their own investment choices.
- The Retirement Health Funding Vehicle and Investment Services Program include the Total Market Portfolio and other pre-built fund options as part of their investment menu.

The Net Asset Value (NAV) per unit for each investment option as of December 31, 2025, is as follows:

Name	Fund Identifier	Net Asset Value Price per Unit
MERS Total Market Portfolio	99WB0842	35.880305
Bond IDX SEC Series	58551R101	10.055286
Emerging Market Stock	06427W705	17.558654
International Stock Index	58551R853	17.749138
Large Cap Stock Index	58551R200	39.537808
Mid Cap Stock Index	58551R507	26.246361
Small Cap Stock Index	06428R499	20.245706

The annual money-weighted rate of return on Plan investments is calculated as the internal rate of return on Plan investments, net of investment expenses. This expresses investment performance adjusted for the changing amounts invested throughout the year, measured on monthly inputs with expenses measured on an accrual basis. For the year 2025, the annual money-weighted rate of return, net of investment expenses, measured on monthly inputs was 15.43% for the Defined Benefit Plan. (see Required Supplemental Information).

Cash Deposits

Custodial credit risk for cash deposits is the risk that, in the event of a failure of a depository financial institution, the system may not be able to recover its deposits. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. MERS has not experienced any losses in its accounts and believes it is not exposed to a significant credit risk on its cash, as we keep low cash balances on the custodial bank's balance sheet.

Credit Risk

Credit risk is the financial risk that an issuer, or other counterparty, will not fulfill its obligations to MERS. Credit risk exposure is dictated by each investment manager's agreement. MERS investments in fixed income are primarily in exchange traded funds (ETFs) that are not individually rated for credit risk. There are a few fixed-income investments that are not in ETFs.

As of December 31, 2025, the domestic fixed income portfolio consisted of fixed-income investments with respective quality ratings, excluding those obligations of the U.S. government.

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Credit Ratings Summary

Investment Type	Fair Value	Credit Ratings
Exchange Traded Funds	\$4,209,847,328	Not Rated
Emerging Country Debt	251,017,747	Not Rated
Corporate (Residual Account)	79,530	Not Rated
Corporate (Residual Account)	1,027	A+
Total Fair Value of Debt Securities	\$4,460,945,632	

Concentration of Credit Risk Debt Securities

The concentration of credit risk is the risk of loss attributed to the magnitude of an entity's exposure in a single issuer. The MERS investment policy and PERSIA prohibits investing in more than 5% of the outstanding debt and/or equity of any one company/issuer, and more than 5% of the System's assets in any one company/issuer. MERS did not hold any organization's securities that exceeded 5% of the investment portfolio other than investments in mutual funds, external investment pools, ETFs, and those issued or explicitly guaranteed by the U.S. government. As of December 31, 2025, MERS did not hold more than 5% of any one company/issuer's debt and/or equity, nor did it invest more than 5% of the System's assets in any one company/issuer's debt and/or equity.

Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates. Interest rate risk is controlled through diversification of portfolio management styles. Duration is a measure of interest rate risk. The greater the duration of a bond or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice versa. MERS investments in fixed income are primarily in ETFs that are invested in numerous individual investments with various ranges of durations. Sensitivity to changing interest rates may derive from prepayment options embedded in an investment.

The term duration has a special meaning in the context of bonds. It is a measurement of how long, in years, it takes for the price of a bond to be repaid by its internal cash flows. It is an important measure for investors to consider, as bonds with higher durations carry more risk and have higher price volatility than bonds with lower durations.

Effective Duration

Investment Type	Fair Value	Weighted Effective Duration
Exchange Traded Funds	\$4,209,847,328	Not available
Emerging Country Debt	251,017,747	Not available
Corporate (Residual Account)	80,557	1-15 years
Total Fair Value of Debt Securities	\$4,460,945,632	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. MERS currency risk exposure, or exchange rate risk, is primarily derived from its holdings in foreign currency-denominated equities and fixed-income investments. The Board investment policy for the global non-investment grade fixed-income portfolio allows currency hedging to mitigate currency exposure. Hedging the non-U.S. dollar currency exposure of the portfolio is permitted.

MERS exposure to foreign currency risk in U.S. dollars as of December 31, 2025, is summarized below.

Foreign Currency Risk in U.S. Dollar Denominations

Currency	Equities	Cash	Private Equity	Real Estate	Total
Australian Dollar			\$94,000,000		\$94,000,000
Canadian Dollar		\$6,143			6,143
Danish Krone		31,054			31,054
Euro		242,176	306,583,338	\$41,657,233	348,482,747
Japanese Yen	\$253,735,018	2,018,593			255,753,611
New Taiwan Dollar		14,843			14,843
Norwegian Krone			34,453,210		34,453,210
Pound Sterling		273			273
Singapore Dollar		158,901			158,901
Total Investment Securities	\$253,735,018	\$2,471,983	\$435,036,548	\$41,657,233	\$732,900,782

Custodial Credit Risk of Deposits

Custodial credit risk is the risk that deposits may not be recovered in the event of failure of a depository financial institution. As of December 31, 2025, the total carrying amount of deposits of the System's cash and short-term investments was \$5.5 million, \$5.0 million of which was subject to custodial credit risk because it was uninsured and uncollateralized.

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Securities Lending

MERS investment policy and state law authorize participation in securities lending. MERS' securities lending program is administered by its global custodian, Bank of New York Mellon. MERS receives income from the lending of securities it owns. There are no dividends or coupon payments owed on the securities on loan. Securities lending earnings are credited to MERS and other participating clients on approximately the 15th day of the following month. The securities are open contracts and, therefore, could be terminated at any time by either party.

Repurchase transactions (including tri-party repurchase agreements) collateralized at 102% or greater at the time of purchase are marked to market on each business day. Collateral will consist of one or more approved instruments without limitation on maturity, including equity securities, which are approved only as collateral for repurchase transactions. Equity securities consist of securities from major global indices. Due to the nature of the program's collateralization of U.S. fixed-income securities on loan at 102% plus accrued interest, MERS believes that there is no credit risk per GASB 40 because the lender owes the borrower more than the borrower owes the lender. Interest rate risk arises due to the duration of the cash collateral. Cash collateral is invested for MERS in a dedicated short-term investment fund consisting of investment grade fixed income securities. The custodian will, at its expense, make MERS whole for any differences that might occur in the event of borrower default after selling the securities. Securities on loan are marked to fair value daily to ensure the adequacy of the collateral. There are no restrictions on the amount of securities that can be loaned at one time. MERS does not receive securities as collateral.

MERS securities lending is also in compliance with PERSIA Section 38.1140e.

MERS has never experienced a loss on securities lending transactions resulting from the default of a borrower or lending agent since it began lending securities in March 1995. As of December 31, 2025, the fair value of fixed-income securities invested in the cash collateral pool was \$580.9 million. Securities lending produced a net return of \$5.2 million, excluding unrealized gains and losses.

Collateral Held and Fair Value of Securities on Loan

Fair Value of Securities on Loan	Nature of Collateral	Collateral Held
\$568,095,051	Cash	\$580,893,579
	Calculated Mark	
	Non-Cash	
\$568,095,051		\$580,893,579

Securities Lending Collateral

S & P Rating	Percentage	Amount
A-1+*	0.00%	
A-1*	0.00%	
A-2	0.00%	
AAA	28.75%	\$167,006,904
AA	19.59%	113,797,052
A	20.12%	116,875,788
BBB+	0.00%	
BBB	0.00%	
BBB-	0.00%	
BB+	0.00%	
BB	0.00%	
NR_Repo	30.44%	176,824,006
NR Other	1.21%	7,028,812
Payable/Receivable	-0.11%	(638,983)
Market Value Not Reflected in Amortized Cost		
Invested Securities Lending Collateral	100.00%	\$580,893,579

**A short-term obligation rated A-1 is rated in the highest category by both Standard & Poor's (S&P) and Moody's Investor Services. These Issuers have a superior ability to repay short-term obligations. S&P will designate certain issues with a plus sign (+) to indicate that the obligor's capacity to meet its financial commitment is extremely strong.*

Derivatives

Derivative instruments are financial contracts whose value depends on the values of underlying assets, reference rates, or financial indices. They include futures contracts, swap contracts, credit-linked notes (CLN), and forward foreign currency exchange. MERS' investment policy implements guidelines for investing in derivatives in compliance with state law. MERS holds investments in futures contracts, swap contracts, credit-linked notes, and forward foreign currency exchange; MERS enters these derivative contracts primarily to obtain exposure to different markets to enhance their performance and reduce the volatility of the portfolio. It enters swaps and futures contracts to gain or hedge exposure to certain markets. MERS also manages interest rate risk and forward foreign exchange contracts primarily to hedge foreign currency exposure.

The following tables summarize the various contracts in the portfolio as of December 31, 2025. The notional value associated with these derivative instruments is generally not recorded on financial statements; however, the amount of exposure (unrealized gains/losses) on these instruments is recorded. Interest rate risk associated with these investments is included in the table. MERS does not anticipate additional significant market risk from the swap arrangements.

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Swap and Foreign Currency Forward Contracts

There are no swap or foreign currency forward contracts as of December 31, 2025.

Futures and Options Contracts

Futures Contract	Expiration Date	Long/Short	Cost	Market Value	Unrealized Gain/(Loss)
AUDUSD Currency Future (CME)	3/16/2026	Short	\$(115,888,820)	\$(116,243,660)	\$(354,840)
CANADIAN Currency Future (CME)	3/17/2026	Short	(218,189,418)	(219,652,480)	(1,463,062)
E-MINI RUSSELL 2000 Index Future (CME)	3/20/2026	Short	(121,977,098)	(118,405,200)	3,571,898
EURO Currency Future (CME)	3/16/2026	Short	(162,066,604)	(162,858,500)	(791,896)
MEXICAN Currency Future (CME)	3/16/2026	Long	8,870,240	8,984,560	114,320
S&P Currency Future (CME)	3/20/2026	Long	120,175,846	118,895,625	(1,280,221)

MERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MERS and its investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. MERS anticipates that counterparties will be able to satisfy their obligations under the contracts. Investments in limited partnerships and commingled funds may include derivative investments that are not shown in the derivative totals.

Private Equity and Capital Calls

During 2025, \$679.9 million was approved for new private market investments. As of December 31, 2025, the private markets portfolio unfunded commitments totaled \$1.7 billion.

MERS has various investments that can be difficult to value because there is not a public market to price against or available market comparisons to determine value. MERS also has level 3 investments of approximately \$192.7 million (private equity, real assets, and diversifying strategies). These investments tend to be illiquid and do not trade frequently. As a result, there may not be available market pricing for them. The estimated values of these investments are determined by MERS investment managers or in consultation with third party valuation agents with expertise in the applicable asset class. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the values that would have been used had a ready market for these securities existed. The differences could be material.

Fair Value Measurements

Investments are presented at fair value. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (or NAV) (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The table on the following page shows the fair value leveling on MERS investments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation (an investment having both level 2 and level 3 inputs would be categorized as level 3). The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. The table on the following page shows the fair value leveling of the investments for MERS. Global equities and global fixed income classified in level 1 are valued using prices quoted in active markets for those securities.

Global fixed income and global equities classified in level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 2 fixed-income securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

Private Investments classified in level 3 are primarily investments in real estate and infrastructure, generally valued using the market approach. Level 3 Private Investments are valued by the responsible investment manager using various data points including, but not limited to, independent appraisers or valuation agents, audited financials, cash-flow analysis, purchase and sales of comparable investments, other practices used within the industry, or other information provided by the investment managers. The estimated fair value of these investments may differ significantly from values that would have been used had a ready market existed. MERS obtains an external appraisal or valuation at least every three years for properties that it directly owns and controls. In practice, some investments are appraised/valued annually. Appraisals are performed by an independent appraiser with preference for Member Appraisal Institute designated appraisers. The appraisals are performed using generally accepted valuation approaches applicable to the investment type.

Self-directed participant accounts are valued at quoted prices for those securities in active markets and classified in level 1.

The valuation method for investments measured at the net asset value (NAV) per share is presented in the table on the following page. The System holds shares or interests in investment companies (funds) where the fair value of the investments is measured on a recurring basis using the net asset value per share (or its equivalent) of the fund as a practical expedient. Global equity and private investments at NAV are generally long-term, illiquid investments.

During the funds' life, fund investments are realized and income distributed to the fund's investors (like MERS). As of December 31, 2025, MERS' fund investments will likely be sold at an amount different from the NAV per share identified by the fund investment manager.

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GASB 72 Disclosures for MERS

		Quoted Prices in Active Markets Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Fair Value Investments		Level 1	Level 2	Level 3	Totals
Global Equities		\$5,525,126,134	\$899		\$5,525,127,033
Global Fixed Income (includes ETFs)		4,460,865,075	80,557		4,460,945,632
Private Investments				\$192,730,369	192,730,369
Self Directed accounts (DC and 457)		19,313,571			19,313,571
Total Investments by Fair Value		10,005,304,780	81,456	192,730,369	10,198,116,605
Investments at Net Asset Value (NAV)	NAV				Totals
Global Equities	\$1,968,978,129				1,968,978,129
Fixed Income					-
Private Investments	4,184,086,316				4,184,086,316
Mutual Funds (DC, 457, HCSP, IRA)	3,059,367,436				3,059,367,436
Total Investments at NAV	9,212,431,882				9,212,431,882
Total Fair Value and NAV Investments	9,212,431,882	10,005,304,780	81,456	192,730,369	19,410,548,487
Securities Lending Collateral			405,073,921		405,073,921
Total Fair Value and NAV Investments with Securities Lending	\$9,212,431,882	\$10,005,304,780	\$405,155,377	\$192,730,369	\$19,815,622,408

In accordance with GASB No. 79, the System has \$524.2 million of investments reported at amortized cost, of which \$176.3 million directly relates to securities lending. These investments are not subject to any limitations or restrictions on withdrawals.

Reconciliation to Investments on Financial Statements	
Investments at Fair Value and NAV from Above	\$19,410,548,487
Investment in Land	1,402,094
Stable Value Fund-Valued at Contract Value, which approximates Fair Value	60,031,298
Rounding	(438)
Amortized Cost	347,895,559
Investments on Financial Statements	\$19,819,877,000

NAV Investments

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

As of December 31, 2025, the fair value, unfunded commitments, redemption frequency and redemption notice periods of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (if Eligible)	Redemption Notice Period
Global Equities	\$1,968,978,129		Monthly, quarterly, semi-annually, annually	30 days
Global Fixed Income	-		Monthly, quarterly, semi-annually, annually	N/A
Private Investments	4,184,086,316	\$1,725,000,000	Monthly, quarterly, semi-annually, annually	N/A
Mutual Funds*	3,059,367,436			N/A
Total Investments at NAV	\$9,212,431,882	\$1,725,000,000		

**Redemptions may be subject to penalty depending on fund choice and holding period.*

The Global Equities Portfolio is diversified by geographic region, styles, sectors and market capitalizations. Active management is used to take advantage of less efficient areas of the market. This strategy is expected to perform well in periods of low/falling inflation and rising economic growth. It is also projected to provide ongoing income as well as downside protection in volatile markets. The fair value of the investments has been estimated using the net asset value of the investments.

The Private Investments Portfolio includes investments in real estate, timber, infrastructure, commodities and agriculture and farmland strategies. The real assets strategy is designed to provide a hedge against unexpected spikes in inflation as well as capitalize on long-term themes such as an emerging middle class in developing markets and global population growth. Many of the investments within this portfolio are private investments, making the portfolio relatively illiquid and of longer duration. The fair value of the investments has been estimated using the net asset value of the investments.

Mutual fund investments at NAV are not publicly traded. The funds are comprised of a diversified mix of investments in global equities, fixed income, and other investments with an appropriate level of risk that is consistent with its asset mix. The fair value of the investments has been estimated using the net asset value of the investments.

6. RISK MANAGEMENT AND INSURANCE

MERS maintains a comprehensive portfolio of insurance coverage including, but not limited to, fiduciary liability, workers' compensation, auto, property, cyber liability and general commercial liability.

In addition, MERS provides its employees with insured medical, prescription, vision, life/disability benefits and self-insured dental benefits, among other benefits.

7. COMMITMENTS AND CONTINGENCIES

In the normal course of business, MERS is involved in a number of disputes over benefits or other claims. MERS does not anticipate any material loss as a result of these claims. Furthermore, the cost of a successful benefits claim is ultimately the responsibility of the affected municipality in most cases, as it becomes a funding obligation of that municipality.

8. FUNDED STATUS AND FUNDING PROGRESS

The MERS funded status is summarized in the Management's Discussion and Analysis section.

Actuarial valuations are prepared annually as of December 31 for each participating municipality. To facilitate budgetary planning needs, employer contribution requirements are provided for each municipality's unique fiscal year that commences after the following calendar year-end. For example, the contribution requirements for fiscal years that began in 2025 were determined by actuarial valuations as of December 31, 2023. Approximately 78% of the participating municipalities have fiscal years that begin January 1 or July 1.

9. RELATED PARTIES

MERS did not conduct any material transactions with related parties during 2025.

10. GASB 68

The Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", requires certain disclosures for employers who provide pensions. MERS employees participate in the MERS Defined Benefit Plan. The sections below are required and pertain to MERS staff only.

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The employer's defined benefit pension plan provides certain retirement benefits to plan members and beneficiaries. MERS is an agent of multiple employers, a statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a 9-member Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on the MERS website at mersofmich.com.

Benefits Provided

Benefit Multiplier: 2.25% Multiplier (80% max)	Early Retirement (Reduced): 50/25, 55/15
Normal Retirement Age: 60	Final Average Compensation: 3 years
Vesting: 6 years	COLA for Future Retirees: 2.50% (Non-Compounded)
Early Retirement (Unreduced): 55/30	Employee Contributions: 4.00%
Act 88: Yes (Adopted 9/24/1996)	

At the December 31, 2024, valuation date, the following employees were covered by the benefit terms:

- Inactive Employees or Beneficiaries Currently Receiving Benefits: 64
- Inactive Employees Entitled to but Not Yet Receiving Benefits (including refunds): 85
- Active Employees: 136
- Total Employees: 285

Contributions

As the employer, MERS is required to contribute amounts at least equal to the actuarially determined rate, as established by the 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 actuarial determined contribution rate for 2025 was 20.47% of payroll. MERS total employer contributions totaled \$3,578,065. MERS employees are required to contribute 4.00% of their salaries to help fund the pension.

Net Pension Liability/Asset

MERS Net Pension Asset, measured as of December 31, 2024, was \$3,553,626 and the total pension liability used to calculate the Net Pension liability was determined by an annual valuation for that date.

Actuarial Assumptions

The total pension liability in the December 31, 2024, 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
- Investment Rate of Return: 6.93% net of investment and administrative expenses, including inflation

This valuation incorporates fully generational mortality. The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

Pre-Retirement Mortality:

1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100% of PubG-2010 Employee Mortality Tables for Ages 18-80
3. 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120

Non-Disabled retired plan members and beneficiaries:

1. 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 106% of PubG-2010 Employee Mortality Tables for Ages 18-49
3. 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

Disabled retired plan members:

1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

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The economic and demographic assumptions used in this valuation are based on the results of a study of plan experience that covered the period from January 1, 2019, through December 31, 2023, which was dated 2025.

In February 2022, the Retirement Board adopted a Dedicated Gains Policy. The purpose of the Policy is to automatically reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year's market value of investment income exceeds the expected investment income. The assumed rate of return used in this valuation is 6.93%, which was first used for the 2023 valuation.

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 weighing 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 Gross Return	Long-Term Expected Gross Return Contribution	Price Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.00%	9.00%	1.80%	2.50%	1.30%
Total	100.00%		6.93%		4.43%

Discount Rate

The discount rate used to measure the total pension liability was 7.18% for 2024 net of investment expenses. 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 currently 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/(Asset)

	Total Pension Liability/(Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at December 31, 2023	\$65,422,901	\$66,122,516	\$(699,615)
Changes for the Year			
Service Cost	2,192,751		2,192,751
Interest on Total Pension Liability	4,714,151		4,714,151
Changes in benefits	-		-
Difference Between Expected and Actual Experience	142,994		142,994
Changes in Assumptions	56,094		56,094
Employer Contributions		4,199,828	(4,199,828)
Employee Contributions		896,424	(896,424)
Net Investment Income		5,013,729	(5,013,729)
Benefit Payments, Including Employee Refunds	(1,725,165)	(1,725,165)	-
Administrative Expenses		(149,980)	149,980
Other Changes	0		0
Net changes	5,380,825	8,234,836	(2,854,011)
Balances as of December 31, 2024	\$70,803,726	\$74,357,352	\$(3,553,626)

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the Net Pension Liability of MERS, calculated using the discount rate of 7.18%, as well as what the employer's Net Pension Asset would be using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate.

Sensitivity of Net Pension Liability/(Asset)

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net Pension Liability (Asset)		\$(3,553,626)	
Change in Net Pension Liability	\$11,662,693		\$(9,498,646)
Adjusted Net Pension Liability (Asset)	\$8,109,067	\$(3,553,626)	\$(13,052,272)

Note: the current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because GASB 68 requires that the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. MERS has a net position asset due to the Plan Fiduciary Net Position exceeding the total Pension Liability.

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

For the year ended December 31, 2025, MERS recognized a defined benefit pension expense of \$1,306,942. MERS also reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Experience	\$2,111,698	\$-
Differences in Assumptions	988,634	
Excess (Deficit) Investment Returns	2,233,286	
Contributions Subsequent to the Measurement Date*	3,578,065	
Total	\$8,911,683	\$-

**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 measurement date of December 31, 2025, which is recorded in 2026.*

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

Year Ended	Deferred Outflows
2026	\$2,569,852
2027	2,609,314
2028	144,734
2029	9,719

REQUIRED SUPPLEMENTARY INFORMATION

The following schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, information is presented for those years where information is available.

Annual Money-Weighted Return

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of investment expenses. This expresses investment performance adjusted for the changing amounts invested throughout the year, measured on monthly inputs with expenses measured on an accrual basis.

Schedule of Annual Money Weighted Returns

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual money-weighted rate of return, net of investment expenses	10.78%	13.38%	-3.59%	14.05%	13.46%	14.13%	-10.42%	11.62%	7.55%	15.43%

The following schedules refer to MERS' staff only. A measurement date of December 31, 2024, was used. Note that while the measurement date for calculation of the net pension liability and pension expense is December 31, 2024, the schedule of employer contributions shows the actuarial contributions that have been remitted through December 31, 2025, and the preceding ten years.

Schedule of Employer Contributions

The Schedule of Employer Contributions shows the employer's required annual contributions from the annual actuarial valuation, compared with the actual contributions remitted over the past ten years.

	2016	2017	2018	2019	2020
Actuarial Determined Contributions	\$1,172,934	\$1,367,084	\$1,612,796	\$1,406,884	\$1,629,051
Contributions in Relation to the Actuarially Determined Contribution	1,672,934	2,367,084	2,612,796	2,406,884	2,629,051
Contribution Deficiency (Excess)	\$(500,000)	\$(1,000,000)	\$(1,000,000)	\$(1,000,000)	\$(1,000,000)
Covered Payroll	\$10,080,837	\$10,643,044	\$11,048,903	\$11,669,868	\$12,669,789
Contributions as a Percentage of Covered Payroll	12%	13%	15%	12%	13%

	2021	2022	2023	2024	2025
Actuarial Determined Contributions	\$1,845,369	\$2,247,865	\$2,363,147	\$2,699,828	\$3,078,065
Contributions in Relation to the Actuarially Determined Contribution	2,845,369	4,547,865	3,863,147	4,199,828	3,578,065
Contribution Deficiency (Excess)	\$(1,000,000)	\$(2,300,000)	\$(1,500,000)	\$(1,500,000)	\$(500,000)
Covered Payroll	\$12,757,833	\$12,978,361	\$14,196,695	\$14,464,059	\$14,821,020
Contributions as a Percentage of Covered Payroll	14%	17%	17%	19%	21%

Notes to Schedule of Employer Contributions:

Actuarial Cost Method: Entry Age Normal
Amortization Method: Level percentage of payroll, open
Remaining Amortization Period: 15 years
Asset Valuation Method: 5-year smoothed
Inflation: 2.5% long-term price inflation
Salary Increases: 3.00%

Investment Rate of Return: 6.93% net of investment and administrative expenses
Normal Retirement Age: 60
Mortality: 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

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Schedule of Changes in Employer's Net Pension Liability/(Asset) and Related Ratios

The Schedule of Changes in Employer's Net Pension Liability and Related Ratios shows the changes in the total pension liability less the statement of changes in fiduciary net position resulting in the net Pension Liability calculation for the employer.

Schedule of Changes in the Net Pension Liability/(Asset)

Total Pension Liability	2016	2017	2 018
Service Cost	\$1,269,997	\$1,379,059	\$1,457,033
Interest	1,706,312	1,985,384	2,192,266
Changes of Benefit Terms			
Difference Between Expected and Actual Experience	313,939	(134,179)	95,943
Changes of Assumptions	1,386,692		
Payments Including Refunds	(565,862)	(627,619)	(738,847)
Other	1	(1)	(1)
Net Change in Total Pension Liability	4,111,079	2,602,645	3,006,394
Total Pension Liability Beginning Balance	20,330,504	24,441,583	27,044,228
Total Pension Liability Ending Balance	\$24,441,583	\$27,044,228	\$30,050,622
Plan Fiduciary Net Position			
Contributions-Employer	\$2,099,146	\$1,672,934	\$2,367,084
Contributions-Employee	520,710	514,304	525,320
Net Investment Income	(343,573)	2,735,307	3,753,767
Payments Including Refunds	(565,862)	(627,619)	(738,847)
Administrative Expense	(48,754)	(53,870)	(59,178)
Net Change Net Position	1,661,667	4,241,055	5,848,147
Plan Fiduciary Net Position Beginning Balance	21,484,849	23,146,516	27,387,571
Fiduciary Net Ending Balance	\$23,146,516	\$27,387,571	\$33,235,718
Employer Net Liability/(Asset)	\$1,295,067	\$(343,343)	\$(3,185,096)
Fiduciary Net Position as a % of the Total Pension Liability/(Asset)	95%	101%	111%
Covered Payroll	\$9,694,637	\$10,080,837	\$10,643,044
Employer's Net Pension Liability/(Asset) as a % of covered payroll	13%	-3%	-30%

There were changes in the actuarial assumptions or methods affecting the 2015, 2019, 2020, 2021, 2023, and 2024 valuations for smoothing, price and wage inflation, discount rate, and mortality tables based on experience studies and the implementation of a dedicated gains policy. These calculations were done with an effective date of December 31, 2015, 2019, 2020, 2021, 2023, and 2024, impacting the 2016, 2020, 2021, 2022, 2024, and 2025 fiscal periods respectively.

2019	2020	2021	2022	2023	2024	2025
\$1,507,070	\$1,601,106	\$1,734,494	\$1,750,375	\$1,919,500	\$2,116,728	\$2,192,751
2,429,062	2,686,643	2,886,270	3,453,001	3,785,787	4,197,045	4,714,151
189,688	12,338	1,787,274	144,111	1,350,935	2,380,178	142,994
	1,122,227	2,249,052	2,674,943	-	681,284	56,094
(881,777)	(1,024,365)	(1,165,256)	(1,250,821)	(1,396,122)	(1,568,492)	(1,725,165)
2			(1)	(0)	(0)	(0)
3,244,045	4,397,949	7,491,834	6,771,609	5,660,100	7,806,743	5,380,825
30,050,622	33,294,667	37,692,616	45,184,449	51,956,058	57,616,158	65,422,901
\$33,294,667	\$37,692,616	\$45,184,449	\$51,956,058	\$57,616,158	\$65,422,901	\$70,803,726
\$2,610,796	\$2,406,884	\$2,629,051	\$2,845,369	\$4,547,865	\$3,863,147	\$4,199,828
461,803	521,092	852,920	1,579,425	1,381,069	677,809	896,424
(1,378,989)	4,722,235	6,114,163	6,848,194	-6,547,693	6,599,037	5,013,729
(881,777)	(1,024,365)	(1,165,256)	-1,250,821	-1,396,122	-1,568,492	-1,725,165
(66,335)	(81,434)	(84,290)	-80,729	-111,202	-136,556	-149,980
745,498	6,544,411	8,346,588	9,941,439	(2,126,083)	9,434,946	8,234,836
33,235,718	33,981,216	40,525,627	48,872,215	58,813,654	56,687,571	66,122,517
\$33,981,216	\$40,525,627	\$48,872,215	\$58,813,654	\$56,687,571	\$66,122,517	\$74,357,352
\$(686,549)	\$(2,833,011)	\$(3,687,765)	\$(6,857,595)	\$928,588	\$(699,615)	\$(3,553,626)
102%	108%	108%	113%	98%	101%	105%
\$11,048,903	\$11,669,868	\$12,669,789	\$12,757,833	\$12,978,365	\$14,196,698	\$14,464,057
-6%	-24%	-29%	-54%	7%	-5%	-25%

SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses

	Budget (Unaudited)	Actual	Variance	Percentage of Budget
Personnel Services				
Salaries	\$14,902,400	\$14,253,241	\$649,159	96%
Social Security	1,094,000	1,000,846	93,154	91%
Retirement	4,366,200	3,828,523	537,677	88%
Insurance	2,689,000	2,589,178	99,822	96%
Total Personnel Services	23,051,600	21,671,788	1,379,812	94%
Professional Services				
Third Party Administrator	3,146,795	3,072,577	74,218	98%
Actuarial Services	2,038,000	1,385,324	652,676	68%
Audit Services	310,400	298,600	11,800	96%
Commercial Banking	338,888	25,269	313,619	7%
IT Services/Continuity/Records	397,600	276,050	121,550	69%
Business Consultants	674,087	438,715	235,372	65%
Legal Services	55,268	27,456	27,812	50%
Medical Services	85,000	31,326	53,674	37%
Total Professional Services	7,046,038	5,555,317	1,490,721	79%
Communication				
Annual Conference	155,000	176,046	(21,046)	114%
Board Travel, Education and Meetings ¹	45,000	25,852	19,148	57%
Outreach	259,505	252,310	7,195	97%
Postage/Shipping	298,800	173,903	124,897	58%
Printing and Copying Services	96,300	63,772	32,528	66%
Travel and Meetings	151,400	131,191	20,209	87%
Total Communication	1,006,005	823,074	182,931	82%
Miscellaneous				
Depreciation	5,267,800	5,086,523	181,277	97%
Equipment Purchases & Rental	68,800	126,285	(57,485)	184%
Insurance	613,000	585,230	27,770	95%
Building/Maintenance/Utilities	313,800	308,289	5,511	98%
Office Supplies/Subscriptions	94,300	68,264	26,036	72%
Operating Expenses	547,475	38,985	508,490	7%
Personnel Support	221,750	105,604	116,146	48%
Professional Development	291,839	128,789	163,050	44%
Software Support	2,208,223	1,709,091	499,132	77%
Total Miscellaneous	9,626,987	8,157,060	1,469,927	85%
Total Administrative Expenses	\$40,730,630	\$36,207,239	\$4,523,391	89%
Less Service Product Fees ²	(13,027,814)	(13,324,025)	296,211	102%
Total Net Administrative Expenses	\$27,702,816	\$22,883,214	\$4,819,602	83%

¹Board Travel, Education, and Meetings includes \$8,840.85 for board members' training and education, including related travel expenditures. These expenditures comply with the requirements of Section 38.1133 of the Michigan Compiled Laws.

²Service fees come primarily from fees paid on participant-directed accounts to cover administrative expenses. They are reported as miscellaneous income.
Note: See accompanying Independent Auditor's Report.

Schedule of Investment Expenses

	Budget (Unaudited)	Actual	Variance	Percentage of Budget
Personnel Services				
Salaries	\$2,135,700	\$2,208,753	\$(73,053)	103%
Incentive Pay	1,153,300	82,766	1,070,534	7%
Social Security	156,900	129,374	27,526	82%
Retirement	504,200	514,746	(10,546)	102%
Insurance	255,600	246,548	9,052	96%
Total Personnel Services	4,205,700	3,182,187	1,023,513	76%
Professional Services				
Commercial Banking	900,112	1,188,296	(288,184)	132%
Investment Managers	7,250,000	6,904,164	345,836	95%
Business Consultants	290,000	149,027	140,973	51%
Total Professional Services	8,440,112	8,241,487	198,625	98%
Miscellaneous				
Travel	205,000	194,031	10,969	95%
Diligence	70,000	60,900	9,100	87%
Office Supplies	2,000	481	1,519	24%
Professional Development	30,000	31,667	(1,667)	106%
Operating Expenses	10,000	5,130	4,870	51%
Research and Portfolio Management	420,000	368,318	51,682	88%
Total Miscellaneous	737,000	660,527	76,473	90%
Total Investment Expenses	\$13,382,812	\$12,084,201	\$1,298,611	90%
Less Service Product Fees ¹	(743,825)	(640,241)	(103,584)	86%
Total Net Investment Expenses	\$12,638,987	\$11,443,960	\$1,195,027	91%

¹Service fees come primarily from fees paid on participant directed accounts to cover administrative expenses. They are reported as miscellaneous income.

FINANCIAL

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Schedule of Payments to Consultants

Firm	Nature of Services	Amount
Tegrit Software Ventures, Inc.	Software Consulting and Configuration Services	\$4,359,552
Alerus Retirement Solutions	Third Party Administration	3,073,327
Gabriel, Roeder, Smith & Company	Actuarial Consultant	1,348,174
BNY	Depository Trust Banking Services	1,062,148
Dewpoint Inc.	Software Consulting and Configuration Services	464,986
Miller, Canfield, Paddock, and Stone, PLC	Legal Services	344,766
Plante & Moran, PLLC	Auditing Services	332,890
Innova Solutions, Inc.	Software Consulting and Configuration Services	228,125
Bloomberg Finance L.P.	Investment Data Services	142,240
GovInvest Inc.	Software Consulting and Configuration Services	121,500
Presidio Networked Solutions	Software Consulting and Configuration Services	119,030
Rapid7 LLC	Software Consulting and Configuration Services	116,671
Cavanaugh Macdonald Consulting, LLC.	Actuarial Consultant	90,000
BCA Research	Investment Consultant	85,500
Ice Miller LLP	Legal Services	65,852
BDO USA LLP	Investment Consultant	60,900
Vergence Institutional Partners LLC	Investment Consultant	52,000
Treo Capital Advisors LLC	Investment Consultant	50,000
Colmore Inc.	Investment Consultant	46,000
Byrum & Fisk Advocacy	Marketing and Public Relations Services	45,500
TTEC Digital LLC	Software Consulting and Configuration Services	45,000
L.P. Gavekal Capital	Investment Consultant	43,710
Michigan Legislative Consultants	Legislative Consultant	42,840
Cobalt Labs	Software Consulting and Configuration Services	39,000
Level Access Inc	Business Consultant	37,000
Managed Medical Review Organization	Medical Advisors	31,326
Wendell Rhoads Consulting	Executive Coaching	30,000
Seyfarth Shaw, LLP	Investment Consultant	29,502
Karoub Associates	Legislative Consultant	24,720
PBI Research Services	Research Services	24,585
Ned Davis Research	Investment Consultant	24,007
NEPC LLC	Investment Consultant	21,027
Total		\$12,601,878

This schedule only includes firms whose annual payment amount was \$20,000 or above. Fees paid to investment managers are included in the Investments Section.

Payments to consultants are included in the Administrative and Investments Expenses reported in the Statement of Changes in Fiduciary Net Position. See accompanying Independent Auditor's Report.

INVESTMENTS

INVESTMENTS

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INVESTMENT ACTIVITY

MERS Total Market Portfolio

The MERS Total Market Portfolio (gross) returned 15.72% for the year, underperforming the MERS Policy Benchmark by 0.77%. The Total Market Portfolio continued to outperform at the 5-year period, outpacing the benchmark by 0.51%. The MERS Global Equity Portfolio returned 24.64%, outperforming the Global Equity Policy Blend by 2.58%, mainly due to outperformance in U.S. mid- and small-cap equities. The MERS Global Fixed Income portfolio delivered positive returns of 8.17% and underperformed the Global Fixed Income Policy Blend by 0.16%. The MERS Private Investments Portfolio delivered a positive return of 9.03%. The drivers of that portfolio were the commodities and the infrastructure strategies, as they returned 49.59% and 25.38%, respectively. The Liquid Natural Resources portfolio, designed to protect MERS' assets from rising inflation, returned 49.53%

MERS 2025 highlights:

- MERS Total Market Portfolio returned 15.72% gross of fees for the year, outperforming its actuarial assumption rate for the year.
- MERS Total Market Portfolio outperformed its benchmark at the five-year period.
- Strong fund performance versus industry peers.
- The Office of Investments expanded work on a Valuation Based Allocation (VBA) approach to its investment program.
- The base asset allocation breakdown is shown below

Global Equity	60.00%
Global Fixed Income	20.00%
Private Investments	20.00%
- At the broad asset class level, absolute returns gross of investment fees for the year were as follows:

Global Equity	24.64%
Global Fixed Income	8.17%
Private Investments	
Private Equity	10.19%
Real Assets	8.69%
Diversifying Strategies	12.54%

DEFINED BENEFIT INVESTMENT POLICY STATEMENT

The Investment Policy Statement (IPS) outlines the investment goals, objectives, and policies of the MERS' Defined Benefit Portfolio. The purpose of the IPS is to ensure that the investment activities are carried out within the framework established by the Board in accordance with applicable law. The IPS assists the Board, Investment Committee, and the Office of Investments in effectively and prudently monitoring and administering MERS' investment program. The policy supersedes all previous Board policies pertaining to MERS' investments.

The IPS is designed to provide sufficient flexibility in the management and oversight process to reflect the dynamic nature of the capital markets and facilitate proactive decision-making. It is a working document and may be modified as needed or as market conditions change. At a minimum, the IPS is reviewed and approved annually by the Board.

In accordance with GASB Statement No. 67, plan investments are presented at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price using current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Other investments that don't have established markets are recorded at an estimated fair value. Real estate, private equity and certain alternative investments typically have a quarter lag in reporting, which is the industry standard, but the values as of December 31 are estimated based on the third-quarter capital statements plus the fourth-quarter cash flows, adjusted for any other known events. MERS maintains its books and adjusts to fair market value as statements and valuations are received. Periodic and independent appraisals of the assets are performed to ensure an accurate valuation to determine the fair value of the Defined Benefit Portfolio. MERS uses a time-weighted rate of return calculation methodology based on the market rate of return for a time-weighted rate of return calculation methodology based on the market rate of return for schedule of investment results in this report.

INVESTMENTS

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DEFINED BENEFIT PLAN INVESTMENT GOALS AND OBJECTIVES

In conformity with PERSIA, the primary goal of MERS' investment program is to grow assets at a rate that, when coupled with employer and employee contributions, satisfies promised benefits to MERS' members. To achieve this objective, the Board prudently allocates the Total Market Portfolio's assets with a strategic, long-term perspective to reduce risk by:

- Exceeding the Board-approved actuarial investment return assumption on a long-term basis;
- Maintaining adequate liquidity to pay promised benefits;
- Adopting an asset allocation approach that reflects current and future liabilities, balances Total Market Portfolio risk, and maximizes the long-term total rate of return;
- Minimizing costs through the efficient use of internal and external resources;
- Maintaining above-median peer rankings for the tenyear time period; and
- Exceeding the return of the Total Market Portfolio's Policy Benchmark, which currently consists of:

Index	Weighting
Russell 3000	60%
MSCI ACWI IM ex-US	30%
Bloomberg US Aggregate	5%
Bloomberg Global Aggregate ex-US	5%

Valuation Based Allocation Program Monitoring and Reporting

Adequate oversight and monitoring of the VBA program is critical to ensure portfolio performance and positioning are within established parameters and risks are well understood and incorporated into the investment decision-making process. A dedicated Asset Allocation Team (AAT) is responsible for maintaining and enhancing the VBA model on an ongoing basis. The VBA model is updated on a weekly basis and the AAT meets monthly to review the model and recommended positioning. The AAT provides formal recommendations to the PRC as necessary, but quarterly at a minimum. The PRC is responsible for implementing the recommended allocation in compliance with the PRC Guidelines. The AAT conducts a VBA model input review annually to evaluate all economic assumptions which drive asset class fair values as well as risk and correlation estimates. If it is determined that model inputs need revision or model changes are necessary, they are approved by the PRC and communicated to the Investment Committee. The Office provides and presents a formal asset allocation report to the Board on an annual basis. The report summarizes asset class valuations, long-term expected returns, the Portfolio's asset allocation, and portfolio performance (including risk) and attribution. The report also includes the forward-looking long-term absolute risk and active risk (vs Policy Benchmark) of the Portfolio including and excluding Private Markets' investments.

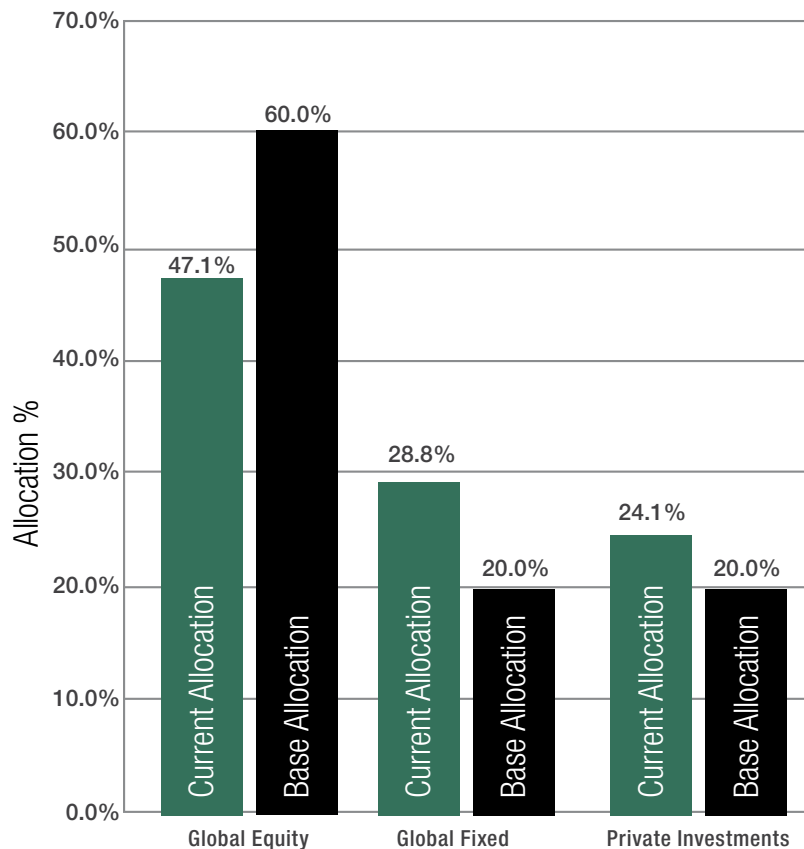
A formal review of the VBA program is conducted every five years, starting from program inception, to ensure performance is within modeled expectations and to revalidate Board support. In conjunction with this review, the Policy Benchmark is analyzed to assess its suitability. An independent, third-party consultant conducts the benchmark and VBA program review and reports its findings and recommendations to the Board. Following the review and presentation of findings, the Board formally approves or rejects any changes to the VBA program and the Policy Benchmark.

Total Market Portfolio Rebalance Policy

In conducting portfolio rebalancing activities, the AAT, Office of Investments and Portfolio Review Committee (PRC) are responsible for the following:

- Approving all rebalancing transactions;
 - The AAT (with CIO approval) has discretion to rebalance up to 5% (total notional) of the Portfolio. All decisions are communicated to the PRC and larger allocation shifts require PRC approval.
- Running the VBA model and assessing the recommended portfolio on a weekly basis or any time there is an equity market decline or increase in excess of 5%;
- Reviewing the asset allocation at least monthly to ensure compliance with the asset class allocation ranges set by the Board;
- Initiating rebalancing transactions to bring all asset class allocations inside the approved range or promptly seeking Board approval to remain outside of the range in the event that an asset class falls out of said range;
- Rebalancing the Portfolio on a quarterly basis in line with the VBA model-recommended allocations;
- Initiating a rebalancing transaction when an asset class or sub-asset class deviates more than 5% from the VBA model-recommended weight;
- Implementing rebalancing activities at a reasonable cost using index futures via an external derivatives manager, ETFs, CITs or other index funds, or active managers; and
- Initiating approved rebalancing transactions in a timely manner (generally within 24 hours of approval).

Current Asset Allocation versus Base Allocation



INVESTMENTS

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Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	7 Year	10 Year
Annualized Return (gross of fees)	15.72%	11.86%	7.51%	9.27%	8.50%
Annualized Standard Deviation	3.35%	6.45%	8.02%	9.01%	8.01%
Sharpe Ratio	3.10	1.00	0.52	0.71	0.77
Excess Return	-0.77%	-2.88%	0.51%	-0.76%	-0.15%
Correlation to Policy Benchmark	0.92	0.98	0.98	0.98	0.97

	1 Year	3 Year	5 Year	7 Year	10 Year
MERS Total Market Portfolio (Gross of Fees)	15.72%	11.86%	7.51%	9.27%	8.50%
MERS Total Market Portfolio (Net of Fees)	15.45%	11.55%	7.26%	9.05%	8.28%
TMP Custom Benchmark*	16.49%	14.74%	7.00%	10.03%	8.65%
Excess (Gross)	-0.77%	-2.88%	0.51%	-0.76%	-0.15%

*45% Russell 3000, 20% MSCI ACWI ex USA IMI (Net), 25% Bloomberg Aggregate, 10% Bloomberg Global Aggregate ex US

Investment Summary for Defined Benefit, Defined Contribution, Hybrid, Health Care Savings Program, Retiree Health Funding Vehicle, 457 Program, IRA, and Investment Services Program

Type of Investment	Fair Value	Percentage
Global Equities	\$7,464,492,791	45.3%
Global Fixed Income	4,460,945,632	27.1%
Private Investments	4,248,864,815	25.8%
Cash	314,993,427	1.9%
Sub Total Investments	\$16,489,296,665	100.0%

Reconciliation of Investments to Financial Statements	Fair Value
Total Investments from Above	\$16,489,296,665
Receivables - Sale of Investments, Interest & Dividends	(5,983,033)
Alternative Asset Adjustment not in BNY Portfolio	172,876,869
Investment in Land	1,402,094
Investments in Mutual Funds and Self Directed Accounts	3,158,242,100
Investments in Cash	(15,886,879)
Payables - Purchases of Investments	19,929,622
Rounding	(438)
Investments on Financial Statements	\$19,819,877,000

Note: Includes receivables and payables for sales and purchases of securities with settlement dates after December 31, 2025.

Defined Benefit Plan Performance Chart

		1 Year	3 Years	5 Years	10 Years
Global Equity	MI6G11100000	24.64%	18.24%	10.33%	10.60%
Global Equity Policy Blend ¹	MI6GX0903GEH	22.06%	20.88%	11.65%	12.37%
Excess		2.58%	-2.64%	-1.32%	-1.77%
Global Fixed Income	MI6G20000000	8.17%	6.33%	0.64%	3.75%
Global Fixed Income Policy Blend ²	MI6GX0903FIH	8.33%	4.47%	-1.17%	1.64%
Excess		-0.16%	1.86%	1.81%	2.11%
Private Investments	MI6G50000000	9.03%	5.93%	9.15%	
Policy Benchmark ³	MI6GX0903TOT	16.49%	14.74%	7.00%	
Excess		-7.46%	-8.81%	2.15%	

¹ 70% R.U.S.sell 3000, 30% MSCI ACWI ex USA IMI (net)

² 70% Bloomberg U.S. Aggregate, 30% Bloomberg Global Aggregate ex U.S.

³ 45% R.U.S.sell 3000, 20% MSCI ACWI ex USA IMI (net), 25% Bloomberg U.S. Aggregate, and 10% Bloomberg Global Aggregate ex U.S.

Asset Description	Fair Value	Percentage of Total Fair Value
Invesco S&P 500 QVM Multi-factor ETF	\$1,371,318,353	8.33%
iShares Core S&P 500 ETF	\$946,056,252	5.75%
Vanguard FTSE Europe ETF	\$763,885,709	4.64%
Invesco S&P Mid Cap 400 QVM Multi-factor ETF	\$365,739,748	2.22%
iShares Core MSCI Emerging Markets ETF	\$351,426,026	2.14%
iShares Core S&P Mid Cap ETF	\$303,387,678	1.84%
Invesco S&P Small Cap 600 QVM Multi-factor ETF	\$200,872,634	1.22%
iShares MSCI Global Select Metals and Mining Producers ETF	\$136,505,667	0.83%
Franklin FTSE Canada ETF	\$133,971,787	0.81%
J.P. Morgan BetaBuilders Canada ETF	\$84,579,222	0.51%

A complete list of MERS Total Market Portfolio holdings is available upon request.

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INVESTMENT MANAGEMENT FEES

Management fees directly affect the net returns of an investment, so best efforts are made to achieve the lowest management fee possible. The Office of Investments leverages the scale of the Portfolio to negotiate deals that are at the lower end of industry standards and are highly competitive with peers. However, management fees cannot be considered in isolation. Performance expectations and fees need to be carefully balanced. Managers with a track record of superior returns and capacity-constrained strategies often have higher fee structures. Fee transparency is critical to ensure all fees are understood and appropriate. Future investment performance is uncertain, but fees constitute the only investment variable determinable beforehand; thus, it is critical to minimize fees to the extent possible. All else being equal, managers with lower fees will be favored.

Schedule of Investment Fees

Investment Managers	Average Assets Under Management	Annual Fee	Average Basis Points
Global Equity	\$7,464,492,791	\$6,897,357	9.24
Global Fixed Income	4,460,945,632	6,807	0.02
Private Investments	4,248,864,815	0	0.00
Total	\$16,174,303,238	\$6,904,164	4.27
Investment Custodian			
BNY		1,188,296	
Securities Lending Agent			
BNY		74,386	
Total Investment Fees		\$8,166,845	

Schedule of Investment Commissions

Brokerage Firm	Shares Traded	Total Dollars	Commission/Share
Goldman Sachs & Co, Ny	2,151,894	\$150,223	\$0.07
Bank Of America Corp, Charlotte	36,593,449	268,659	0.01
Bnp Paribas Peregrine Sec Ltd, Hong Kong	14,600	179	0.01
Bnp Paribas Sec Srvs Sa, Singapore	665,870	4,158	0.01
Citigroup Gbl Mkts Inc, New York	283,043	3,463	0.01
Credit Lyonnais Secs, Singapore	379,877	3,595	0.01
Daiwa Sec Smbc Singapore Ltd, Singapore	253,810	2,926	0.01
Daiwa Secs (Hk) Ltd, Hong Kong	122,300	1,052	0.01
Daiwa Secs Amer Inc, New York	1,173,988	5,507	0.00
Goldman Sachs Intl, London (Gsilgb2X)	648,718	4,397	0.01
Ichiyoshi Sec Co Ltd, Tokyo	586,762	2,868	0.00
Instinet Europe Limited, London	1,083,055	15,267	0.01
J P Morgan Secs Ltd, London	369,941	4,046	0.01
Jefferies & Co Inc, New York	1,202,139	21,205	0.02
Merrill Lynch Gilts Ltd, London	752,052	9,606	0.01
Mizuho Securities Asia, Hong Kong	215,000	1,451	0.01
Mizuho Securities Usa Inc, New York	178,491	3,307	0.02
Morgan Stanley And Co., Llc, New York	657,373	8,123	0.01
Nomura Secs Intl, London	342,400	2,239	0.01
Okasan International (Asia), Hong Kong	97,800	920	0.01
Smbc Securities, Inc New York	278,767	3,012	0.01
Societe Generale, Paris	175,057	641	0.00
Ubs Warburg Asia Ltd, Hong Kong	1,417,817	18,626	0.01
Barclays Capital, London (Barcgb33)	14,000	25	0.00
Citigroup Global Markets Ltd, London	500	3	0.01
Daiwa Secs Sb Cap Mkts Co Ltd, Japan	38,700	426	0.01
Hsbc Secs Inc, New York	7,200	34	0.00
Instinet Corp, New York	52,987	477	0.01
International Advisory Svcs Gr, Toronto	850,400	13,008	0.02
Jonestrading Inst Svcs Llc, New York	373,976	3,762	0.01
National Finl Svcs Corp, New York	24,975,022	549,450	0.02
Pershing Llc, Jersey City	2,606,239	23,456	0.01
Raymond James & Assoc Inc, St Petersburg	60,030	2,401	0.04
Smbc Nikko Securities Ltd, Wan Chai	32,400	306	0.01
Tokai Tokyo Secs (Asia) Ltd, Hong Kong	162,000	718	0.00
Virtu Americas Llc, Jersey City	1,146,856	10,322	0.01
William Blair & Co, Chicago	1,620	49	0.03
Total Commissions	79,966,133	\$1,139,906	\$0.01

ACTUARIAL



September 30, 2025

Retirement Board
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

Dear Board Members:

The basic financial objective of the Municipal Employees' Retirement System of Michigan (MERS) is to establish and receive contributions for each municipality and court which:

- (1) fully cover the cost of benefits that members earn during the coming fiscal year;
- (2) amortize the unfunded costs of benefits earned based on past service; and
- (3) when combined with present assets and future investment return will be sufficient to meet the financial obligations of each municipality and court under MERS, to present and future retirees and beneficiaries.

In order to measure progress toward this fundamental objective, MERS has annual actuarial valuations completed. Separate actuarial valuations are prepared for each participating municipality and court. The purposes of the December 31, 2024 annual actuarial valuations were to:

- measure funding progress as of December 31, 2024;
- establish contribution requirements for the fiscal years beginning in 2026;
- provide information regarding the identification and assessment of risk;
- provide actuarial information in connection with applicable Governmental Accounting Standards Board (GASB) Statements; and
- provide information to assist the local unit of government with state reporting requirements.

Each valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund the plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The findings of each report are based on data and other information through December 31, 2024. Each valuation was based upon information furnished by MERS concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by MERS.

ACTUARIAL

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Each report was prepared at the request of the MERS Retirement Board and may be provided only in its entirety by the municipality to other interested parties (MERS customarily provides the full report on request to associated third parties such as the auditor for the municipality). GRS is not responsible for the consequences of any unauthorized use. Individual reports should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in each report, for purposes other than those identified above may be significantly different.

The Municipal Employees' Retirement Act, Public Act 427 of 1984 and the MERS' Plan Document Article VI Sec. 71 (1)(d), provides the MERS Board with the authority to set actuarial assumptions and methods after consultation with the actuary. As the fiduciary of the plan, the MERS Retirement Board sets certain assumptions for funding and GASB purposes. These assumptions are checked regularly through a comprehensive study called an Experience Study.

The Michigan Department of Treasury provides required assumptions to be used for purposes of Public Act 202 of 2017 reporting. These assumptions are for reporting purposes only and do not impact required contributions. For a full list of all the assumptions used, please refer to the division-specific assumptions described in the table(s) in each report and to the Appendix on the MERS website at:

<https://www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2024AnnualActuarialValuation-Appendix.pdf>

Assets are valued on a market related basis that fully recognizes expected investment return and averages unanticipated market return over a five-year period. MERS also uses a dedicated gains policy. The policy accelerates recognition of asset returns in excess of expected returns in conjunction with lowering the assumed rate of investment return.

MERS' staff prepared various supporting schedules in the Annual Comprehensive Financial Report based upon the information included in the annual actuarial valuations prepared by Gabriel, Roeder, Smith & Company (GRS). Specifically, these exhibits are:

- Actuarial Section Schedules
 - Summary of Actuarial Methods and Assumptions
 - Assumptions and Method Changes
 - Schedule of Active Member Valuation Data
 - Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Statistical Section Schedules
 - Schedule of Average Benefit Payments – Defined Benefit Plan
 - Schedule of Retired Members by Type of Benefit – Defined Benefit Plan
 - Schedule of Retired Members by Option Selected – Defined Benefit Plan



The actuarial assumptions used for each valuation are reasonable for purposes of the measurement. The combined effect of the assumptions is expected to have no significant bias (i.e., not significantly optimistic or pessimistic).

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to the Actuarial Standard of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions. Beginning with the December 31, 2023 annual actuarial valuation, the revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDROM). The LDROM calculation is provided in aggregate, in the Summary Report, provided annually.

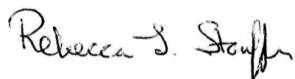
Each report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in each report is accurate and fairly presents the actuarial position of the plans as of the valuation date. All calculations, including all actuarial assumptions and methods used for funding purposes, have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.

Rebecca L. Stouffer, Mark Buis, Kurt Dosson, and Shana M. Neeson are Members of the American Academy of Actuaries (MAAA). These actuaries meet the Academy’s Qualification Standards to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsors. GRS maintains independent consulting agreements with certain local units of government for services unrelated to the actuarial consulting services provided in this report.

The Retirement Board of the Municipal Employees' Retirement System of Michigan confirms that the System provides for payment of the required employer contribution as described in Section 20m of Act No. 314 of 1965 (MCL 38.1140m).

The information in each report is purely actuarial in nature. It is not intended to serve as a substitute for legal, accounting or investment advice.

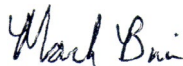
Sincerely,
Gabriel, Roeder, Smith & Company



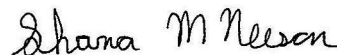
Rebecca L. Stouffer, ASA, FCA, MAAA



Kurt Dosson, ASA, FCA, MAAA



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SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An actuarial valuation is the mathematical model that estimates plan liabilities and employer contribution requirements for purposes of funding the individual employer plans within the Michigan Municipal Employees' Retirement System (MERS), for determining plan costs for Governmental Accounting Standards Board (GASB) accounting purposes, and for State Reporting. This model is updated annually to adjust the liabilities and contribution requirements for changes in member census and plan features, and to reflect actual plan experience in the process. Annual valuations are required by the Municipal Employees' Retirement Act, MCL 38.1501, et seq., as amended (MERS Act).

Each annual actuarial valuation uses current membership and financial data. In addition, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. The assumptions and methods used in the December 31, 2024, Actuarial Valuation are those adopted by the Retirement Board on February 12, 2025, based on the results of a study of plan experience that covered the period from January 1, 2019, through December 31, 2023.

There have been no changes in the funding method that was adopted by the Board commencing with the December 31, 1993, valuations. The basic funding method is entry age normal and employer contribution amounts are developed as a level percentage of payroll. For purposes of determining plan accounting costs under GASB, there has been a modification to the implementation of the individual level percent method of the entry age normal cost method for divisions with bridged benefits or frozen accrued benefits.

Valuation assets were valued for each municipality by taking the difference in investment income between expected return and market return and recognizing it over a five-year period. This asset valuation method was first adopted for the December 31, 2016, valuation. The transition from the 10-year to the 5-year asset method was fully recognized as of December 31, 2019.

The employer contribution rate is determined for each municipality based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the amortization payment required to fund the unfunded actuarial accrued liability over a period of years. For open divisions (new hires are included in the division) the amortization period is 14 years. The year period will decline by one each year until the initial unfunded accrued liability is paid off. For divisions of active municipalities that closed to new hires prior to 2016 (new hires are not covered by the MERS Defined Benefit Plan or Hybrid Plan (Part I) provisions in a linked division), the employer had two amortization options. Under the Accelerated to 5-Year Option, the amortization period decreases annually by two years until the period reaches 6 or 5 years. Each year thereafter it decreases by one each year until the unfunded liability is paid off. Under the Accelerated to 15-Year Option, the amortization period decreases annually by two years until the period reaches 16 or 15 years. Each year thereafter the amortization period decreases annually by one year until the unfunded accrued liability is paid off. Negative unfunded accrued liabilities are amortized over ten years, with the ten-year period reestablished with each annual actuarial valuation. As of December 31, 2024, there were 2,400 closed divisions.

The total normal cost is, for each active participant, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the participant's retirement to pay for his or her projected benefit. The employer normal cost is the total normal cost reduced by the participant contribution rate. Closed municipalities (no longer actively participating in MERS) are subject to special funding requirements as set forth in the Actuarial Policy. Employers' computed normal cost of benefits expressed as a percentage of valuation payroll is 7.40% and the total required contribution rate expressed as a percentage of valuation payroll is 34.19%.

There have been no recent changes that have had an impact on the System. Municipalities could modify provisions that apply to their individual plan if set forth in a collective bargaining agreement. The individual municipality contribution rates are modified to account for changes in provisions of the plan selected by the municipality.

MERS' staff provided the data about participants and presented asset data to GRS for the valuation. Although examined for general reasonableness, the actuary has not audited the data. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The Board adopted the assumptions used in the actuarial valuations after consulting with the actuary.

Note: The Annual Actuarial Valuation addresses assets and liabilities for participation under the MERS Defined Benefit Plan, including the defined benefit portion (Part I) of the Hybrid Plan. The defined contribution portion of the Hybrid Plan (Part II) is not addressed in the valuation results as it is not a defined benefit plan.

ASSUMPTIONS AND METHOD CHANGES

Actuarial Assumptions

To calculate MERS' contribution requirements, assumptions are made about future events that could affect the amount and timing of benefits to be paid, and the assets to be accumulated. The economic and demographic assumptions include:

- An assumed rate of investment return is used to discount liabilities and project what plan assets will earn.
- A mortality assumption projecting the number of participants who will die before retirement and the duration of benefit payments after retirement.
- Assumed retirement rates project when participants will retire and commence receiving retirement benefits.
- A set of withdrawal and disability rates to estimate the number of participants who will leave the workforce before retirement.
- Assumed rate of pay increases to project participant compensation in future years.

Interest Rate

Funding plan benefits involve the accumulation of assets to pay future benefits. These assets are invested, and the net rate of investment earnings is a significant factor when determining the contributions required to support the ultimate cost of benefits. For the 2024 actuarial valuation, the long-term investment yield, net of administrative and investment expenses, is assumed to be 6.93%. This assumption was first used for the December 31, 2023, actuarial valuations.

Pay Increases

Because benefits are based on a participant's final average compensation (FAC), it is necessary to assume with respect to each participant's estimated pay progression. The pay increase assumption used in the actuarial valuation projects annual pay increases of 3.00% in the long term plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases.

The pay increase assumption for sample ages is shown on the following page. The 3.00% long-term wage inflation assumption was first used for the December 31, 2019, actuarial valuations. The merit and longevity pay increase assumption was first used for the December 31, 2020, actuarial valuations.

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Annual Percentage Increase in Salary

Sample Years of Service	Base (Wage Inflation)	Merit and Longevity	Total Percentage Increase in Salary
0	3.00%	6.70%	9.70%
5	3.00%	1.90%	4.90%
10	3.00%	1.10%	4.10%
15	3.00%	0.70%	3.70%
20	3.00%	0.60%	3.60%
25	3.00%	0.40%	3.40%
30	3.00%	0.20%	3.20%
35	3.00%	0.10%	3.10%
40 and Over	3.00%	0.00%	3.00%

Inflation

Although no specific price inflation assumption is needed for this valuation, the assumed long-term annual rate of price inflation is 2.50%.

Increase in Final Average Compensation

Prior experience studies determined that for some retirees of some municipalities, the actual final average compensation (FAC) at retirement was larger than would be expected based on reported annual pays and FACs for the years just before retirement. Some possible sources for the differences are:

- Lump sum payments for unused paid time off. Unused sick leave payouts have been excluded from FAC since the mid-1970s. However, since that time it has become popular to combine sick and vacation time into paid time off, which is included in the FAC. Consequently, the lump sums that are includible in FAC have grown over the years.
- Extra overtime pay during the final year of employment. Our studies only reflect any increase in overtime during the final year, not any increase that occurs during the full three or more-year averaging period.

The amount of unexpected FAC increase varies quite a bit between municipalities. Some municipalities show no sign of FAC loading, while other municipalities show increases above the average increase. This is presumably the result of different personnel policies and collective bargaining agreements among municipalities.

The Board adopted FAC assumptions reflecting an FAC load of 1% to 15% for each municipality, based on the 2014-2018 experience study to be applied to the December 31, 2020, actuarial valuations.

The Board adopted additional FAC assumptions to be applied to the December 31, 2024, actuarial valuations based on the 2019-2023 experience study adding a 0.5% FAC load for employers with base wage definition of compensation, an increase in minimum FAC load for pay definitions other than base wages from 1% to 1.5%, and applying the 1.5% minimum FAC load to SLIF divisions.

Retirement Rates

A schedule of retirement rates is used to measure the probability of eligible participants retiring during the next year.

The retirement rates for Normal Retirement are determined by each participant's replacement index and employment classification, as defined previously, at the time of retirement. The replacement index is defined as the approximate percentage of the participant's pay (after reducing participant contributions) that will be replaced by the participant's benefit at retirement. The index is calculated as:

$$\text{Replacement Index} = 100 \times \text{Accrued Benefit} \div \text{by } [\text{Pay} - \text{Participant Contributions}].$$

The assumed retirement percentage is 100% at the later of age 75, for Public Safety, 85, for all others, or a member's age on the valuation date.

Retirement rates for Normal Retirement (Frozen Benefit) and Early Retirement (Reduced Benefit) are determined by the member's age at normal or early retirement. The normal retirement rates and early retirement rates below were first used for the December 31, 2024, actuarial valuations.

Normal Retirement – Service Based Benefit F(N) Adopted

Sample Replacement Index	Percent of Eligible Active Participants Retiring Within the Next Year	
	Public Safety	General
5	11.0%	9%
10	14.0%	11%
15	16.0%	15%
20	17.0%	19%
25	19.0%	19%
30	21.0%	19%
35	22.0%	19%
40	24.0%	19%
45	25.0%	20%
50	26.5%	21%
55	29.0%	21%
60	31.0%	24%
65	34.0%	24%
70	36.0%	25%
75	39.0%	27%
80	41.0%	30%
85	45.0%	33%
90	48.0%	38%
95	52.0%	42%
100+	60.0%	48%

Early Retirement – Reduced Benefit

Retirement Ages	Percent of Eligible Active Members Retiring Within the Next Year
50	2.6%
51	2.8%
52	3.0%
53	3.2%
54	3.4%
55	3.6%
56	3.8%
57	4.0%
58	4.0%
59	4.0%

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Withdrawal Rates

The withdrawal rates are used to estimate the number of participants at each age that are expected to terminate employment before qualifying for retirement benefits. The withdrawal rates do not apply to participants eligible to retire, and do not include separation on account of death or disability. The assumed rates of withdrawal applied in the current valuation are based on years of service and employment classification. Divisions 02, 20-29, 05, and 50-59 are a Public Safety employment classification. All other divisions are considered a General employment classification.

Sample rates of withdrawal from active employment, prior to the scaling factor, are shown. These rates were first used for the December 31, 2024, actuarial valuations.

Disability Rates

Disability rates are used in the valuation to estimate the incidence of participant disability in future years.

The assumed rates of disability at various ages are shown. These rates were first used for the December 31, 2015, actuarial valuations.

A member may become disabled as the natural and proximate result of a personal injury or disease arising out of, and in the course of, the member's actual performance of duty (Duty) or generally (Non-Duty). The assumption regarding the type of disability is shown in the table below.

Rates of Withdrawal (Excluding Death or Disability) from Active Employment Before Retirement

Sample Years of Service	% of Active Participants Withdrawing Within the Next Year	
	Public Safety	General
0	13.90%	23.40%
1	11.60%	19.50%
2	9.40%	15.80%
3	7.40%	12.50%
4	6.10%	10.30%
5	4.90%	8.30%
10	3.20%	5.40%
15	2.40%	4.00%
20	1.80%	3.10%
25 and over	1.50%	2.60%

Sample Ages	Percent of Active Participants Becoming Disabled Within Next Year
20	0.02%
25	0.02%
30	0.02%
35	0.05%
40	0.08%
45	0.20%
50	0.29%
55	0.38%
60 and above	0.39%

Employment Classification	Percent of Disabilities Assumed to be	
	Duty	Non-Duty
Public Safety	55%	45%
All Others	15%	85%

Mortality Tables

In estimating the amount of reserves required at retirement to pay a participant's benefit for the remainder of their lifetime, it is necessary to make an assumption with respect to the probability of surviving to retirement, and the life expectancy after retirement.

This valuation incorporates fully generational mortality. The base mortality tables used are constructed as described below and are based on the weighted sex distinct rates:

Pre-Retirement Mortality:

1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100% of PubG-2010 Employee Mortality Tables for Ages 18-80
3. 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120

Non-Disabled retired plan members and beneficiaries:

1. 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 106% of PubG-2010 Employee Mortality Tables for Ages 18-49
3. 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

Disabled retired plan members:

1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120

Future mortality improvements are assumed each year using Scale MP-2021 applied fully generationally from the Pub-2010 base year of 2010.

These mortality tables were first used for the December 31, 2020, actuarial valuations and the mortality improvement scale was first used in the December 31, 2024, actuarial valuations. Sample life expectancies and mortality rates are shown below.

Pre-Retirement Mortality:

Age on Dec 31, 2024	Expected Years of Life Remaining		Mortality Rates	
	Male	Female	Male	Female
20	69.55	72.09	0.038%	0.014%
25	64.32	66.85	0.033%	0.011%
30	59.08	61.60	0.051%	0.021%
35	53.89	56.38	0.072%	0.033%
40	48.75	51.18	0.091%	0.043%
45	43.65	46.01	0.108%	0.055%
50	38.57	40.85	0.141%	0.075%
55	33.54	35.73	0.207%	0.120%
60	28.61	30.68	0.324%	0.191%
65	23.81	25.73	0.468%	0.280%

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An active member may die as a result of injury of disease arising out of and in the course of duty (Duty) or generally (Non-Duty). The assumption regarding the type of death is shown in the table here.

Percent of Deaths Assumed to Be	
Duty	Non-Duty
10%	90%

Post-Retirement Mortality:

Disabled Plan Members

Age on December 31, 2024	Expected Years of Life Remaining		Mortality Rates	
	Male	Female	Male	Female
45	30.24	33.29	1.107%	0.961%
50	26.41	29.36	1.515%	1.340%
55	22.91	25.76	1.998%	1.695%
60	19.73	22.42	2.539%	2.004%
65	16.77	19.12	3.042%	2.134%
70	13.94	15.73	3.583%	2.481%
75	11.16	12.43	4.555%	3.461%
80	8.57	9.47	6.483%	5.402%
85	6.36	7.07	9.804%	8.689%
90	4.59	5.28	15.087%	12.950%

Non-Disabled Plan Members

Age on December 31, 2024	Expected Years of Life Remaining		Mortality Rates	
	Male	Female	Male	Female
45	40.26	43.28	0.114%	0.058%
50	35.06	38.02	0.298%	0.213%
55	30.20	33.06	0.432%	0.295%
60	25.50	28.20	0.661%	0.417%
65	21.02	23.48	0.967%	0.615%
70	16.79	18.97	1.486%	0.977%
75	12.89	14.75	2.484%	1.726%
80	9.45	10.96	4.465%	3.203%
85	6.65	7.77	8.255%	6.125%
90	4.59	5.34	14.437%	11.539%

Schedule of Active Member Valuation Data

Valuation Dec 31	Participating Municipalities	Active Participants	Active Participants Annual Payroll	Annual Average Pay	Percent Increase in Average Pay	Participants on Deferred Status
2015	732	35,274	\$1,786,825,334	\$50,656	2.5%	8,340
2016	735	34,843	1,779,919,980	51,084	0.8%	8,252
2017	743	34,787	1,812,477,401	52,102	2.0%	8,361
2018	745	33,891	1,812,758,776	53,488	2.7%	8,605
2019	745	33,710	1,850,299,634	54,889	2.6%	8,638
2020	742	32,314	1,851,572,891	57,299	4.4%	8,663
2021	744	31,019	1,833,562,238	59,111	3.2%	8,916
2022	746	30,438	1,890,680,777	62,116	5.1%	9,128
2023	748	30,153	1,958,236,023	64,943	4.6%	9,239
2024	750	29,579	2,021,972,605	68,358	5.3%	9,393

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Valuation Dec 31	Added to Rolls		Removed from Rolls	
	Retirees/ Beneficiaries Number	Annual Allowance	Retirees/ Beneficiaries Number	Annual Allowance
2015	2,714	\$68,984,180	1,001	\$13,947,540
2016	2,847	70,269,768	1,540	25,743,252
2017	2,479	60,140,628	1,105	16,084,776
2018	2,406	60,508,490	1,204	18,264,095
2019	2,304	58,870,634	1,168	18,699,589
2020	2,555	68,137,414	1,444	24,315,326
2021	2,488	66,827,838	1,362	23,046,770
2022	2,521	70,333,043	1,405	25,800,481
2023	2,256	64,719,178	1,458	27,510,791
2024	2,270	64,817,380	1,348	24,674,623

End-of-Year Rolls				
Valuation Dec 31	Retirees/ Beneficiaries Number	Annual Allowance	% Increase in Annual Allowance	Average Annual Allowance
2015	37,467	\$778,114,296	7.6%	\$20,768
2016	38,774	822,640,812	5.7%	21,216
2017	40,148	866,696,664	5.4%	21,588
2018	41,350	908,941,059	4.9%	21,982
2019	42,486	949,112,105	4.4%	22,339
2020	43,597	992,934,193	4.6%	22,775
2021	44,723	1,036,715,292	4.4%	23,181
2022	45,839	1,081,247,846	4.3%	23,588
2023	46,637	1,118,456,220	3.4%	23,982
2024	47,559	1,158,598,972	3.6%	24,361

SUMMARY OF PLAN DOCUMENT PROVISIONS

There were no recent changes in the nature of the Defined Benefit Plan that would have a material impact on the actuarial valuations for December 31, 2024. Pursuant to a collective bargaining agreement, a participating municipality may provide for retirement benefits that are modifications of some of the MERS standard retirement benefits otherwise included, although the Hybrid Plan and Defined Contribution Plan are not modifiable. The actuary took the known modifications into consideration when determining the municipality contribution rates in the December 31, 2024, actuarial valuations for the Defined Benefit Plan.

The benefits summarized in this section are intended only as general information regarding MERS. The Annual Financial Report and valuation are not a substitute for the language of the MERS Act and the MERS Plan Document, as revised. If any conflict occurs between the information in this summary and the MERS Act or the MERS Plan Document, as revised, the provisions of the Act and the MERS Plan Document governs.

The December 31, 2024, actuarial valuations were based on the provisions of the MERS Plan Document as of that date.

Defined Benefit Plan

Eligibility for Retirement

Monthly retirement payments are made over the lifetime of the retiree, the lifetime of the retiree and a beneficiary, or the lifetime of the retiree and a period-certain. The final payment option is elected by the retiring participant.

Participants are eligible to retire after vesting and meeting age and service requirements. Vesting occurs after a number of years of credited service as selected by the municipality.

Early retirement benefits are available if the vested participant meets eligibility requirements. The monthly payment is reduced for each month the participant is younger than the normal retirement age selected by the municipality. If selected by the municipality, an unreduced early retirement benefit may be payable if the eligibility requirement for that benefit is met.

Benefit Formula

The annual benefit equals a specified percentage of the participant's final average compensation, multiplied by the number of years and months of credited service. The plan has several benefit multipliers available. The benefit multipliers vary and are adopted by a participating municipality.

Mandatory Retirement

There is no mandatory retirement age; however, participants must take a required minimum distribution as required by law.

Deferred Vested Benefits

Retirement can be deferred if membership is terminated before the applicable retirement age, other than by retirement or death, after becoming vested (six years of credited service is required for vesting). The retirement allowance begins when the application is filed with MERS and eligibility requirements for retirement are met. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the final average compensation and years of service at termination of membership.

Maximum Benefit Payable by MERS

The maximum benefit that may be paid by MERS is governed by Section 415 of the Internal Revenue Code. Benefits in excess of the maximum benefit will be paid by the MERS Qualified Excess Benefit Arrangement.

Act 88 (Reciprocal Retirement Act)

If a municipality elects to come under the provisions of Act 88, service with former and future public employers in Michigan may be used to satisfy the eligibility requirements for that municipality.

Final Average Compensation

MERS Plan benefits are based on a member's FAC, subject to the dollar compensation limits under Section 401(a)(17) of the Internal Revenue Code, as applicable. For this purpose, FAC means one-fifth of the aggregate amount of compensation paid to a member and earned during the period of five consecutive years of the member's credited service in which the aggregate compensation paid is highest. The employer may optionally

adopt a FAC averaged over N years, where N is a whole number of years not less than three. Alternate rules apply for members with less than N years of credited service and for members with credited service in force with more than one participating municipality or court.

Disability Retirement Allowance – Duty or Non-Duty

A disability retirement benefit is available to an active participant who becomes totally and permanently disabled from performing their job while employed by a participating municipality after meeting the vesting requirement of the benefit program. If the disability is determined to be the natural and proximate result of a personal injury or disease arising out of and in the course of the participant's actual performance of duty with a municipality, the service requirement is waived.

The allowance is computed in the same manner as a service retirement allowance, except that the reduction for retirement before normal retirement age is not applied.

If disability is duty-related, the amount of the retirement allowance shall be the greater of 25% of the members' FAC or a benefit based on ten years of credited service in addition to the member's actual period of service, provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

A disability retirement benefit commences the first day of the month following the date on which the completed application for disability retirement benefits is received by the System, or, if later, the date of the participant's termination of employment with the participating municipality or court resulting from the incapacity. Applications for disability retirement benefits must be filed within two years of termination of employment.

Death Allowance – Duty or Non-Duty

If a participant or vested former participant with the minimum years of service required to be vested dies before retirement, a monthly allowance may be made payable. If the participant is married, the spouse is the automatic beneficiary unless the spouse, in writing, declines a benefit in favor of another named beneficiary.

A monthly pension beneficiary of a deceased active participant will receive a retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at death, but reduced to reflect a 100% joint and survivor election. The reduction for retirement before attainment of normal retirement age is not applied. If the monthly pension beneficiary of a deceased active participant is a spouse, the spouse will receive a monthly benefit in the amount of 85% of the deceased active participant's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at the time of death (but not less than the amount that would have been payable under the 100% form, above). Payment to the monthly pension beneficiary of a deceased active participant commences on the first day of the month in which the deceased active died.

Payment to the monthly pension beneficiary of a deceased active participant commences immediately. If the beneficiary of a deceased vested former participant is a spouse, the spouse will receive a monthly benefit in the amount of 85% of the deceased vested form participant's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at the time of death (but not less than the amount that would have been payable under the 100% form, above). Payment to the pension beneficiary of a deceased vested former participant commences on the later of the first day of the month following the month in which the vested former participant would have first satisfied the age requirement for an unreduced service retirement allowance, or upon the receipt by MERS of a completed application on the form prepared by the System, along with other forms and documents required by the System.

The amount of a surviving spouse's benefit is always the larger of (1) the benefit computed as a monthly pension beneficiary, and (2) the 85% of accrued retirement allowance benefit described above. If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under 21 will be paid an equal share of 50% of the deceased participant's or the deceased former vested participant's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

If no retirement benefits are payable on death, the beneficiary or, if none, the decedent's estate would receive a refund of any remaining participant contributions.

A duty death allowance, computed in the same manner as a non-duty death allowance, may be payable to a spouse or child/children if death occurs as the natural and proximate result of a personal injury or disease arising out of and in the course of the participant's actual performance of duty with a municipality. The vesting

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requirement is waived, and the minimum benefit is 25% of the deceased participant's final average compensation.

Participant Contributions

Each member contributes a percentage of annual compensation, as selected by the municipality, on the member's annual compensation, up to the compensation limit under Section 401(a)(17) of the Internal Revenue Code, as applicable. Any percentage in 0.1% increments may be selected. Interest is credited to accumulated member contributions each December 31 (and reflected in the Annual Member Statement provided to each member) at a rate determined by MERS, currently the one-year U.S. Treasury Bill rate determined as of each December 31.

If a member leaves the employ of the municipality or dies without a retirement allowance or other benefit payable on their account, the member's accumulated contributions plus interest (as described above) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary (after spousal consent, if applicable). Any accumulated member contributions remaining on account for a non-vested former member, based on service that preceded a break in membership of more than 240 consecutive months (20 years) by that former member, shall be transferred to a deemed IRA.

Post-Retirement Adjustments

Each municipality may elect to provide post-retirement adjustments to retirees and their beneficiaries. The municipality can choose a one-time adjustment, an annual adjustment for all retirees, or an adjustment for future retirees only. This cost-of-living adjustment (COLA) increase is effective in January of each year. The COLA may be compounded, or based upon the original retirement benefit, as selected by the municipality in the adoption agreement.

Forms of Benefit Payment

The participant elects a payment option as part of the retirement application process. Once the election is made, the selection is irrevocable after receipt of the first payment. The payment options include:

- Straight Life paid over the retiree's life only.
- A reduced benefit paid over the joint lives of the retiree and beneficiary and continuing at 100% of the original reduced amount for the life of the beneficiary if the beneficiary survives the retiree. If the retiree survives the beneficiary, the retiree's benefit is prospectively converted to a straight life benefit.
- A reduced benefit paid over the life of the retirement, continuing as 75% or 50% of the original reduced amount for the life of the beneficiary if s/he survives the retiree. If the retiree survives the beneficiary, the retiree's benefit is prospectively converted to a straight life benefit.
- A reduced benefit paid to the retiree for life, and if the retiree dies before the number of monthly benefits elected at retirement (60, 120, 180, or 240) is reached, the reduced benefit continues to the beneficiary until the sum of the number of the monthly benefits paid to the retiree and to the beneficiary reaches the number elected at retirement.

Deferred Retirement Option Program (DROP): Traditional

If a municipality has added a DROP benefit to its plan, a participant covered by the Benefit Program DROP may, when eligible for retirement, choose a specified DROP period in which they will cease to accrue any additional retirement benefits, but remain employed by the participating municipality or court. The participant must elect a DROP end date at least 6 months after the beginning date, but no more than 60 months after the beginning date, in 1-month increments.

Upon the participant's election of DROP and the receipt of an application to enroll in DROP, MERS will calculate the participant's service retirement and benefit payment as of the beginning date. The System shall also calculate any age differential between the participant and the participant's beneficiary as of the calendar year of the DROP exit date in accordance with Treasury Regulation 26 CFR § 1.401(a)(9)-6. Upon the beginning date of the DROP period, the participant shall be responsible to continue paying participant contributions, if any.

On the next available benefit payment date after processing is complete, and monthly thereafter, an amount equal to 100% of the monthly service retirement benefit payment the participant would have received had they retired as of the DROP beginning date will be credited to a notional account for the benefit of the participant.

Funds in the DROP account are credited with interest in the amount of 3% annually or prorated in the event of a DROP period that is less than 12 months.

Upon the end date, the participant shall receive a lump-sum distribution of the participant's DROP account and on the first day of the calendar month following the end date, the participant will begin receiving monthly service retirement benefit payments.

Deferred Retirement Option Program (DROP+) Partial Lump Sum

If a participant is covered by the Benefit Program DROP+ and retires at least 12 months after first becoming eligible for unreduced benefits, they have the option to receive a partial lump sum and a reduced monthly benefit:

- The participant can elect a lump sum equal to 12, 24, 36, 48, or 60 times their monthly accrued benefit.
- For each 12 months included in the lump sum, the participant's lifetime benefit is reduced by the DROP+ percentage adopted by the employer. The employer can adopt any of the following DROP+ reduction percentages: 6, 7, 8, 9, or 10%.

As of June 30, 2013, Benefit Program DROP+ may no longer be adopted; two employers adopted the program prior to it ending.

Annuity Withdrawal

Under the Annuity Withdrawal Program, a retiring participant may elect to receive a refund of their accumulated participant contributions with interest in a lump sum at retirement. The participant's monthly pension would then be reduced by the actuarial equivalent of the lump sum payment. The employer has two options for the interest discount rate used to compute the actuarial equivalent reduction: the current investment return assumption used in the annual actuarial valuations, or the most recent December 31 interest rate used for crediting interest on participant contributions.

Non-Standard Benefit Provisions

Some municipalities have collectively bargained benefit provisions that differ from the benefit provisions described in this section, and MERS has agreed to administer such provisions. Such benefit provisions, if any, are listed in Table 2 of a municipality's annual actuarial valuation report, or are reflected in the actuarial assumptions that are specific to a municipality and are listed individually in a municipality's annual actuarial valuation report.

Lump Sum Buyout (LSB) Benefit Program

The MERS Plan Document provides a participating municipality or court the ability to adopt a temporary Benefit Program LSB, which provides eligible persons (vested terminated deferred participants) the option to elect an accelerated pension payment in lieu of monthly pension benefits. Following adoption by a participating municipality or court and election by an eligible person, the accelerated payment will be paid by the end of the Benefit Program LSB.

Legacy Provisions

A number of plan provisions, primarily service retirement allowance programs and member contribution programs, have been sunset (are no longer available for adoption). A participating municipality or court may continue such benefit program. Such benefit provisions, if any, are listed in the municipality's annual actuarial valuation report.

HYBRID PLAN

Part I - Defined Benefit Portion of Hybrid Plan

Eligibility for Retirement

Monthly retirement payments are made over the lifetime of the retiree and/or over the lifetime of the beneficiary. Payments are based on the choice of benefits adopted by each municipality and the final payment option elected by the retiring participant.

The normal retirement age shall be an age between 60 and 70, as selected by the participating municipality or court in the Hybrid Plan Adoption Agreement, with 6 years of service. The unreduced early retirement age shall be an age between 55 and 65, as selected by the participating municipality or court in the Hybrid Plan Adoption Agreement, with 25 years of service.

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Benefit Formula

Where the employee division has Social Security coverage, the choices of multipliers are 1.00%, 1.25% or 1.50%.

Where the employee division does not have Social Security coverage, the choices of multipliers are 1.00%, 1.25%, 1.50%, 1.75% or 2.00%.

Service credit purchases are not permitted in the Hybrid Plan.

Mandatory Retirement

There is no mandatory retirement age; however, all benefits must commence by the required beginning date determined under IRC Section 401(a)(9).

Deferred Vested Benefits

Retirement can be deferred if membership is terminated before the applicable retirement age, other than by retirement or death, after becoming vested (six years of credited service is required for vesting). The retirement allowance begins when the application is filed with MERS and eligibility requirements for retirement are met. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the final average compensation and years of service at termination of membership.

Maximum Benefit Payable by MERS

The maximum benefit that may be paid by MERS is governed by Section 415 of the Internal Revenue Code (IRC). Benefits in excess of the maximum benefit will be paid by the MERS Qualified Excess Benefit Plan under Plan Section 88.

Act 88 (Reciprocal Retirement Act)

If the municipality has elected to come under the provisions of Act 88, service with former and future public employers in Michigan may be used to satisfy the eligibility requirements for that municipality.

Final Average Compensation

Benefits are based on a member's FAC, subject to the dollar compensation limits under Section 401(a)(17) of the Internal Revenue Code, as applicable. For this purpose, FAC means one-third of the aggregate amount of compensation paid to a member and earned during the period of three consecutive years of the member's credited service in which the aggregate compensation paid is highest.

Disability Benefit – Duty or Non-Duty

Benefits are the same as are provided in the Defined Benefit Plan, except that optional benefit program D-2 does not apply.

Death Allowance – Duty or Non-Duty

Benefits are the same as are provided in the Defined Benefit Plan, except that the optional benefit program D-2 does not apply.

Participant Contributions

In the event the municipality elects an employer cap under Plan Document section 66(3), each participant is required to contribute a percentage of their annual compensation, up to the compensation limit under IRC Section 401(a)(17), once the employer cap is exceeded. Interest is credited to accumulated participant contributions each December 31 at a rate determined by MERS. Currently MERS is using the one-year U.S. Treasury bill rate determined as of December 31.

If a participant leaves the municipality or dies without a retirement allowance or other benefit payable on their account, the participant's accumulated contributions plus interest are refunded with spousal consent to the participant, if living, or to the participant's surviving spouse or a named beneficiary.

Post-Retirement Adjustments

There are no post-retirement adjustments within the Hybrid Plan.

Forms of Benefit Payment

The participant elects a payment option as part of the retirement application process. Once the election is made, the selection is irrevocable after receipt of the first payment. The payment options include:

- Straight Life paid over the retiree's life only.
- A reduced benefit paid over the joint lives of the retiree and beneficiary and continuing as 100% of the original reduced amount for the life of the beneficiary if the beneficiary survives the retiree. If the retiree survives the beneficiary, the retiree's benefit is prospectively converted to a straight life benefit.
- A reduced benefit paid over the life of the retiree, continuing as 75% or 50% of the original reduced amount for the life of the beneficiary if the beneficiary survives the retiree. If the retiree survives the beneficiary, the retiree's benefit is prospectively converted to a straight life benefit.

A reduced benefit paid to the retiree for life, and if the retiree dies before the number of monthly benefits elected at retirement (60, 120, 180, or 240) is reached, the reduced benefit continues to the beneficiary until the sum of the number of the monthly benefits paid to the retiree and to the beneficiary reaches the number elected at retirement.

Deferred Retirement Option Program (DROP): Traditional

There is no DROP option in the Hybrid Plan.

Deferred Retirement Option Program (DROP+) Partial Lump Sum

There is no DROP+ option in the Hybrid Plan.

Annuity Withdrawal

There is no Annuity Withdrawal option in the Hybrid Plan.

Part II - Defined Contribution Portion of Hybrid Plan

Contributions — Employer

The employer shall contribute the amount determined under the contribution plan elected in the Adoption Agreement. Such contribution plans may include contributions determined as a flat dollar amount, as a percentage of compensation, as a combination of these, or contingent upon and/or in proportion to the amount of employee contributions elected under this or a related plan sponsored by the employer. Contributions are limited by the requirements of Internal Revenue Code Section 415.

There are three vesting schedules from which an employer may choose to adopt:

- Immediate vesting upon participation
- 100% vesting after stated years (participant is 100% vested after not to exceed maximum 15 years of service ("cliff" vesting))
- Graded whole number vesting with full vesting attained between 10 and 20 years, provided that vesting must commence no later than following the completion of three years of service.

Notwithstanding the above, a participant shall be vested in their entire employer contribution account, to the extent that the balance of such account has not previously been forfeited, if the participant is employed on or after their Normal Retirement Age. "Normal Retirement Age" is age 60 or as otherwise specified by the employer in the Adoption Agreement.

In the event of the disability or death of an active participant, the participant shall be 100% vested in their entire employer contribution account.

Contributions — Participant

Mandatory employee pre-tax employee contributions and voluntary after-tax employee contributions are allowed. No pre-tax elective deferral contributions are permitted. Participant contributions are vested immediately.

Contributions are limited by the requirements of Internal Revenue Code Section 415.

Note: The Annual Actuarial Valuation addresses assets and liabilities for participation under the MERS Defined Benefit Plan and the Defined Benefit portion of the Hybrid Plan. The Defined Contribution portion of the Hybrid Plan is not addressed in the valuation results.

STATISTICAL

STATISTICAL SUMMARY

The Statistical Section provides pertinent information to assist readers when viewing the Financial Statements, Notes to the Financial Statements, and Required Supplementary Information to help in understanding and assessing the System's overall financial condition. The information reported here is in compliance with GASB Statement No. 44, Economic Condition Reporting: The Statistical Section. This statement establishes standardized reporting requirements for the supplementary information provided in this section.

The schedules and graphs beginning on the next page show financial trend information about the growth of the MERS assets for the past ten years. These schedules provide detailed information about the trends of key sources of additions and deductions to the System's assets, and assist in providing a context framing of how MERS' financial position has changed over time. The financial trend schedules presented are:

- Changes in Fiduciary Net Position – Last ten Years
- Schedule of Changes in Reserves

The schedules below show demographic, economic, operating and trend information about the MERS environment.

- Schedule of Average Benefit Payments
- Schedule of Benefit Payments by Type
- Schedule of Retired Members by Type of Benefit
- Schedule of Retired Members by Type of Option Selected

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Changes in Fiduciary Net Position – Last 10 Years (Dollars in Thousands)

Year	2016	2017	2018	2019
Defined Benefit Plan				
Additions:				
Plan Member Contributions	\$87,043	\$88,192	\$87,739	\$86,400
Employer Contributions	566,815	609,707	707,958	622,384
Nonemployer Contributions				
Net Investment Gain (Loss)	867,584	1,176,099	(394,517)	1,193,686
Total Additions to Net Assets	1,521,442	1,873,998	401,180	1,902,470
Deductions:				
Benefits and Employee Refunds	917,084	849,734	892,536	934,739
Special Litigation Expense		4,250		
Administrative Expenses	17,446	17,389	17,463	19,708
Total Deductions from Net Assets	934,530	871,373	909,999	954,447
Net Increase (Decrease)	586,912	1,002,625	(508,818)	948,023
Net Position				
Balance Beginning of Fiscal Period	7,887,112	8,473,498	9,476,123	8,967,305
Balance End of Fiscal Period	\$8,474,024	\$9,476,123	\$8,967,305	\$9,915,328
Defined Contribution Plan				
Additions:				
Plan Member Contributions	\$20,882	\$22,259	\$25,412	\$28,036
Employer Contributions	56,696	32,666	49,077	76,517
Net Investment Gain (Loss)	45,744	85,984	(41,168)	136,874
Total Additions to Net Assets	123,322	140,909	33,321	241,427
Deductions:				
Benefits and Withdrawals	61,088	34,722	39,015	39,619
Administrative Expenses	619	648	555	628
Total Deductions from Net Assets	61,707	35,370	39,570	40,247
Net Increase (Decrease)	61,615	105,539	(6,249)	201,180
Net Position				
Balance Beginning of Fiscal Period	499,686	561,301	666,840	660,591
Balance End of Fiscal Period	\$561,301	\$666,840	\$660,591	\$861,771
Health Care Savings Program				
Additions:				
Employer Employee Contributions	\$27,158	\$23,477	\$27,846	\$36,192
Net Investment Gain (Loss)	11,393	19,926	(6,817)	30,913
Miscellaneous Income				
Total Additions to Net Assets	38,551	43,403	21,029	67,105
Deductions:				
Medical Disbursements Paid	4,925	5,645	5,954	7,267
Forfeitures and transfers				
Administrative Expenses	165	187	168	195
Total Deductions from Net Assets	5,090	5,832	6,123	7,462
Net Increase (Decrease)	33,461	37,571	14,906	59,643
Net Position				
Balance Beginning of Fiscal Period	111,557	145,018	182,589	197,495
Balance End of Fiscal Period	\$145,018	\$182,589	\$197,495	\$257,138

2020	2021	2022	2023	2024	2025
\$88,986	\$88,179	\$88,520	\$87,118	\$91,136	\$93,705
722,022	899,518	785,582	721,728	808,591	843,577
			464,446	23,531	27,000
1,404,124	1,503,832	(1,383,633)	1,263,610	919,734	2,086,117
2,215,132	2,491,529	(509,531)	2,536,902	1,842,992	3,050,399
975,756	1,029,742	1,069,073	1,110,046	1,169,365	1,182,171
17,854	17,801	22,540	25,339	26,564	25,635
993,610	1,047,543	1,091,613	1,135,385	1,195,929	1,207,806
1,221,522	1,443,986	(1,601,144)	1,401,517	647,062	1,842,593
9,915,328	11,136,850	12,580,836	10,979,692	12,381,209	13,028,271
\$11,136,850	\$12,580,836	\$10,979,692	\$12,381,209	\$13,028,271	\$14,870,864
\$45,952	\$35,335	\$39,800	\$54,144	\$61,664	\$65,325
54,032	64,154	57,232	92,576	97,597	93,130
111,772	155,438	(180,503)	180,179	171,622	260,350
211,756	254,927	(83,471)	326,899	330,883	418,805
47,353	58,600	70,069	75,362	87,780	93,139
717	905	3,055	3,677	3,957	3,687
48,070	59,505	73,124	79,039	91,736	96,826
163,686	195,422	(156,595)	247,861	239,147	321,979
861,771	1,025,457	1,220,879	1,064,284	1,312,145	1,551,292
\$1,025,457	\$1,220,879	\$1,064,284	\$1,312,145	\$1,551,292	\$1,873,271
\$35,495	\$44,519	\$45,693	\$57,787	\$87,630	\$71,204
33,788	44,348	(58,080)	60,513	57,786	101,751
69,283	88,867	(12,387)	118,300	145,416	172,955
7,623	9,545	16,475	17,089	19,293	21,559
229	299	979	1,344	1,456	2,048
7,852	9,844	17,454	18,433	20,748	23,607
61,431	79,023	(29,841)	99,868	124,667	149,348
257,138	318,569	397,592	367,751	467,619	592,286
\$318,569	\$397,592	\$367,751	\$467,619	\$592,286	\$741,634

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Changes in Fiduciary Net Position – Last 10 Years (Dollars in Thousands)

Year	2016	2017	2018	2019
Retiree Health Funding Vehicle				
Additions:				
Employer Contributions	\$71,741	\$59,219	\$88,650	\$98,326
Nonemployer Contributions				
Net Investment Gain (Loss)	70,585	107,415	(42,560)	133,376
Total Additions to Net Assets	142,326	166,634	46,090	231,702
Deductions:				
Disbursements Paid to Municipalities	24,893	12,286	35,004	14,531
Transfers and Special Expenses				
Administrative Expenses	773	841	731	811
Total Deductions from Net Assets	25,666	13,127	35,735	15,342
Net Increase (Decrease)	116,660	153,507	10,355	216,360
Net Position				
Balance Beginning of Fiscal Period	636,352	753,012	906,519	916,874
Balance End of Fiscal Period	\$753,012	\$906,519	\$916,874	\$1,133,234

Investment Services Program				
Additions:				
Employee and Employer Contributions	\$289	\$142		
Net Investment Gain (Loss)	6,699	7,385	\$(2,035)	\$6,207
Total Additions to Net Assets	6,988	7,527	(2,035)	6,207
Deductions:				
Disbursements and Transfers	3,309	3,355	10,554	16,459
Administrative Expenses	74	71	55	42
Total Deductions from Net Assets	3,383	3,426	10,609	16,501
Net Increase (Decrease)	3,605	4,101	(12,644)	(10,294)
Net Position				
Balance Beginning of Fiscal Period	65,113	68,718	72,819	60,175
Balance End of Fiscal Period	\$68,718	\$72,819	\$60,175	\$49,881

2020	2021	2022	2023	2024	2025
\$57,878	\$57,450	\$50,421	\$40,467	\$32,711	\$42,511
				2,526	
164,540	170,147	(162,578)	156,141	117,441	253,951
222,418	227,597	(112,157)	196,608	152,678	296,462
16,291	106,822	16,429	22,462	25,969	128,715
913	1,107	1,893	2,342	2,518	2,353
17,204	107,929	18,322	24,804	28,487	131,067
205,214	119,668	(130,479)	171,804	124,191	165,395
1,133,234	1,338,448	1,458,116	1,327,637	1,499,441	1,623,632
\$1,338,448	\$1,458,116	\$1,327,637	\$1,499,441	\$1,623,632	\$1,789,027

\$3,479	\$535	\$950	\$649	\$91	\$102
7,067	7,458	(6,793)	5,843	4,152	3,734
10,546	7,993	(5,843)	6,492	4,243	3,836
4,105	2,738	2,827	4,387	3,936	40,837
39	45	73	90	94	149
4,144	2,783	2,900	4,477	4,030	40,986
6,402	5,210	(8,743)	2,015	213	(37,149)
49,881	56,283	61,493	52,750	54,766	54,979
\$56,283	\$61,493	\$52,750	\$54,766	\$54,979	\$17,830

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Changes in Fiduciary Net Position – Last 10 Years (Dollars in Thousands)

Year	2016	2017	2018	2019
457 Program				
Additions:				
Employee Contributions	\$20,646	\$22,566	\$36,803	\$52,039
Employer Contributions			1,048	1,254
Net Investment Gain (Loss)	3,643	11,698	(7,729)	24,199
Total Additions to Net Assets	24,289	34,264	30,122	77,492
Deductions:				
Benefits	1,717	3,389	4,386	8,550
Administrative Expenses	66	86	93	129
Total Deductions from Net Assets	1,783	3,475	4,479	8,679
Net Increase (Decrease)	22,506	30,789	25,642	68,813
Net Position				
Balance Beginning of Fiscal Period	29,889	52,395	83,184	108,826
Balance End of Fiscal Period	\$52,395	\$83,184	\$108,826	\$177,639
IRA Program				
Additions:				
Employee Contributions			\$53	\$2,022
Employer Contributions				
Net Investment Gain (Loss)			(2)	139
Total Additions to Net Assets			51	2,161
Deductions:				
Benefits			5	5
Administrative Expenses				9
Total Deductions from Net Assets			5	14
Net Increase (Decrease)			46	2,147
Net Position				
Balance Beginning of Fiscal Period			-	46
Balance End of Fiscal Period			\$46	\$2,193

The Changes in Fiduciary Net Position over the last 10 years chart shows contributions being received from municipalities, investment gains/losses and disbursements to retirees/municipalities. The IRA program has been in existence for less than 10 years.

2020	2021	2022	2023	2024	2025
\$48,986	\$44,007	\$53,473	\$69,895	\$77,237	\$76,866
1,944	2,332	3,011	3,580	4,430	5,397
22,596	33,332	(45,073)	49,125	48,423	81,142
73,526	79,671	11,411	122,601	130,091	163,405
11,068	15,131	15,846	22,690	35,077	39,371
173	229	634	884	981	2,067
11,241	15,360	16,480	23,574	36,058	41,438
62,285	64,311	(5,069)	99,027	94,032	121,966
177,639	239,924	304,235	299,166	398,193	492,225
\$239,924	\$304,235	\$299,166	\$398,193	\$492,225	\$614,191
\$1,791	\$2,647	\$3,897	\$4,253	\$5,053	\$7,176
537	735	(1,269)	1,689	1,911	3,694
2,328	3,382	2,628	5,942	6,964	10,870
244	266	366	658	867	1,706
23	34	42	69	75	270
267	300	408	727	941	1,976
2,061	3,082	2,220	5,213	6,023	8,894
2,193	4,254	7,336	9,556	14,769	20,792
\$4,254	\$7,336	\$9,556	\$14,769	\$20,792	\$29,686

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Schedule of Changes in Reserves (Dollars in Thousands)

	Reserve for Employee Contributions	Reserve for Employer Contributions and Benefit Payments	Reserve for Expenses and Undistributed Investment Income	Total Reserve for Defined Benefit Plan
Additions				
Member Contributions	\$93,705			\$93,705
Employer Contributions		\$843,577		843,577
Nonemployer Contributing Entity Contributions		27,000		27,000
Net Investment Income			\$2,085,911	2,085,911
Miscellaneous Income			206	206
Total Additions	93,705	870,577	2,086,117	3,050,399
Deductions				
Benefits and Withdrawals	13,871	1,168,300		1,182,171
Administrative Expense			25,635	25,635
Total Deductions	13,871	1,168,300	25,635	1,207,806
Net Increase (Decrease)	79,835	(297,724)	2,060,482	1,842,593
Other Changes in Reserves				
Investment Income Allocations	32,694	1,933,542	(1,966,236)	-
Retirement and Division Transfers	(78,002)	78,002		-
Total Other Changes in Reserves	(45,308)	2,011,544	(1,966,236)	-
Net Increase in Reserves After Other Changes	34,527	1,713,820	94,246	1,842,593
Reserve Balance Beginning of Year	1,014,542	11,985,990	27,739	13,028,271
Reserve Balance End of Year	\$1,049,069	\$13,699,810	\$121,985	\$14,870,864

The Schedule of Changes in Reserves shows the balance in each of the reserves and changes to those reserve balances over the year. The Employee Contributions, Employer Contributions and Reserve for Expenses and Undistributed Investment Income are components of the Defined Benefit Plan. A balance in the Reserve for Expenses and Undistributed Investment Income will be allocated at a future date.

Reserve for Defined Contribution	Reserve for Health Care Savings Program	Reserve for Individual Retirement Account	Reserve for Retiree Health Funding Vehicle	Reserve for Investment Services Program	Reserve for 457 Program	Total Reserve for Pension Trust Funds
\$65,325	\$26,557	\$7,176			\$76,866	\$269,629
93,130	44,647		\$42,511	\$102	5,397	1,029,364
						27,000
254,802	99,651	3,615	249,658	3,653	79,357	2,776,647
5,548	2,100	79	4,293	81	1,785	14,092
418,805	172,955	10,870	296,462	3,836	163,404	4,116,731
93,139	21,559	1,706	128,715	40,837	39,371	1,507,498
3,687	2,048	270	2,353	149	2,067	36,207
96,826	23,607	1,976	131,067	40,986	41,438	1,543,705
321,979	149,348	8,894	165,395	(37,149)	121,966	2,573,026
						-
						-
-	-	-	-	-	-	-
321,979	149,348	8,894	165,395	(37,149)	121,966	2,573,026
1,551,292	592,286	20,792	1,623,632	54,979	492,225	17,363,476
\$1,873,271	\$741,634	\$29,686	\$1,789,027	\$17,830	\$614,191	\$19,936,503

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Schedule of Average Benefit Payments – Defined Benefit Plan

Retirements Effective	Years Credited Service								Total Retirees
	0*	>0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 30	30+	
2022									
Average Monthly Benefit	\$1,851	\$335	\$638	\$886	\$1,496	\$2,002	\$3,236	\$3,484	\$1,966
Average Final Average Salary	\$322	\$32,568	\$35,272	\$35,956	\$41,996	\$43,985	\$54,868	\$52,842	\$30,755
Number of Active Recipients	14,326	1,302	2,640	5,898	4,872	5,392	6,388	5,021	45,839
2023									
Average Monthly Benefit	\$1,874	\$334	\$648	\$897	\$1,525	\$2,056	\$3,293	\$3,522	\$1,999
Average Final Average Salary	\$376	\$30,570	\$32,557	\$33,886	\$40,069	\$42,117	\$51,893	\$50,003	\$29,850
Number of Active Recipients	13,782	1,386	2,792	6,132	5,071	5,549	6,705	5,220	46,637
2024									
Average Monthly Benefit	\$1,902	\$326	\$652	\$915	\$1,550	\$2,111	\$3,345	\$3,567	\$2,030
Average Final Average Salary	\$448	\$25,437	\$27,595	\$30,110	\$35,930	\$37,755	\$45,834	\$45,581	\$27,193
Number of Active Recipients	13,246	1,515	2,957	6,414	5,267	5,710	7,040	5,410	47,559

The Schedule of Average Benefit Payments shows the historical record and trends of retirees and the benefits they are drawing.

*Records with 0 Final Average Salary or 0 Years of Service Credit are categorized in the 0 bucket.

Schedule of Benefit Payments by Type – Defined Benefit Plan (Dollars in Thousands)

Fiscal Year Ended	Pension Benefits	Employer Withdrawals	Disability Benefits	Employee Refunds	Employee Withdrawals	Total
December 31, 2016	\$764,368	\$106,372	\$35,829	\$7,858	\$2,656	\$917,084
December 31, 2017	801,852	185	37,250	10,021	411	849,719
December 31, 2018	845,443	245	38,209	8,464	168	892,530
December 31, 2019	885,660	39	38,858	10,150	31	934,738
December 31, 2020	927,062	250	39,210	9,154	65	975,742
December 31, 2021	968,910	9,819	39,524	11,477	-	1,029,729
December 31, 2022	1,013,910	22	40,420	13,635	1,071	1,069,058
December 31, 2023	1,056,005	1,465	40,910	11,481	182	1,110,043
December 31, 2024	1,090,802	25,486	41,134	11,620	315	1,169,356
December 31, 2025	1,126,958	100	41,237	13,854	17	1,182,165

The Schedule of Benefit Expenses by Type shows the benefits paid as regular pension benefits, disability benefits, employee refunds for employees who have been terminated and request refunds of their employee contribution, and employer withdrawals and employee withdrawals due to a plan termination or transfer to DC.

Schedule of Retired Members by Type of Benefit – Defined Benefit Plan

Tabulated by Optional Form of Benefit Being Paid, Tabulated by Type of Benefit Being Paid

Type of Benefit	Number of Retirees	Total Monthly Benefits
Normal Retirement for age and service	39,239	\$85,003,855
Non-Duty Disability ¹	1,032	1,603,836
Duty Disability ¹	554	1,187,207
Beneficiaries ²	5,796	7,499,081
Non-Duty Death	891	1,190,470
Duty Death	47	65,465
Totals	47,559	\$96,549,914

¹At age 60, these benefit types are converted to normal retirement for age and service

²Includes EDRO alternate payees

Schedule of Retired Members by Type of Option Selected – Defined Benefit Plan

Tabulated by Optional Form of Benefit Being Paid

Type of Benefit	Number of Retirees	Total Monthly Benefits
Beneficiary draws 100% of retiree's benefit	16,236	\$34,835,183
Beneficiary draws 67% of retiree's benefit	3	11,744
Beneficiary draws 75% of retiree's benefit	3,506	9,311,625
Beneficiary draws 60% of retiree's benefit	378	1,443,594
Beneficiary draws 50% of retiree's benefit	6,287	14,875,770
Equated Option (changing at Social Security age)	229	251,327
5 year certain and life	335	635,196
10 year certain and life	782	1,649,574
15 year certain and life	321	604,364
20 year certain and life	660	1,133,777
Straight life allowance	18,822	31,797,760
Totals	47,559	\$96,549,914

The Schedule of Retired Members by Type of Benefit and by Type of Option Selected present distributions of retirees and beneficiaries on the rolls by the types of benefit being paid and option selected.



This publication contains a summary description of MERS' benefits, policies, or procedures. MERS endeavors to ensure that the information provided is accurate and up to date. Where the publication conflicts with the relevant Plan Document, the Plan Document controls.