

How to Read Your Statement of Fiduciary Net Position



As an employer with a MERS Defined Benefit Plan, you will receive a quarterly statement detailing the actual market value of your plan's assets at the end of each quarter. Following the end of the calendar year, you will also receive an annual statement that reflects all the activity on your account for the calendar year. This is also known as your plan's *fiduciary net position* for Governmental Accounting Standards Board (GASB) reporting.

When reading your statement, it helps to understand how the information is organized. For example:

- Within the six-digit Customer Number, the first four digits are the municipality number (5555) and the last two digits represent the reporting unit (01).
- Under Bargaining Unit, each of the divisions within the plan are accounted for separately. This customer has four divisions (01, 11, 12, 13 and 14), as well as one surplus division (S1).

Muni Number
(first 4 digits)

Reporting Unit Number
(last 2 digits)

Division Number
(last 2 digits)

Statement is divided
into 3 sections



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Finance Contact Name
Employer Name
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**Statement of Fiduciary Net Position
For the Year Ending 12/31/2019**

Customer Number: **555501**

Reserve for Employee Contributions							
Bargaining Unit	Balance as of 12/31/2018	Invoiced & Other Contributions	Transfers	EE Refunds	Interest on EE Balance		Balance as of 12/31/2019
55550101	\$1,081,956.69	\$70,177.91	(\$1,931.78)	(\$23,091.20)	\$17,109.74		\$1,144,221.36
55550112	\$130,388.50	\$28,587.63	\$0.00	\$0.00	\$2,073.18		\$161,049.31
55550113	\$37,172.92	\$38,408.85	\$0.00	(\$3,674.82)	\$578.03		\$72,484.98
55550114	\$4,173.72	\$372.84	\$0.00	\$0.00	\$66.36		\$4,612.92
Total	\$1,253,691.83	\$137,547.23	(\$1,931.78)	(\$26,766.02)	\$19,827.31		\$1,382,368.57

Reserve for Employer Contributions and Benefit Payments							
Bargaining Unit	Balance as of 12/31/2018	Invoiced & Other Contributions	Transfers & Fees	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2019
55550101	\$10,539,901.89	\$824,208.00	\$1,931.78	(\$1,971,282.22)	\$1,502,789.13	(\$26,144.74)	\$10,871,403.84
55550111	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
55550112	\$131,622.17	\$27,072.00	\$0.00	\$0.00	\$37,060.27	(\$677.35)	\$195,077.09
55550113	\$32,038.44	\$38,402.92	\$0.00	\$0.00	\$13,096.41	(\$239.27)	\$83,298.50
55550114	\$65,056.87	\$2,628.00	\$0.00	(\$12,289.92)	\$8,845.50	(\$153.17)	\$64,087.28
555501S1	\$2,874,343.23	\$2,066,000.00	\$0.00	\$0.00	\$482,039.53	(\$8,376.21)	\$5,414,006.55
Total	\$13,642,962.60	\$2,958,310.92	\$1,931.78	(\$1,983,572.14)	\$2,043,830.84	(\$35,590.74)	\$16,627,873.26

Combined Reserves							
	Balance as of 12/31/2018	Invoiced & Other Contributions	Transfers	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2019
Total	\$14,896,654.43	\$3,095,858.15	\$0.00	(\$2,010,338.16)	\$2,063,658.15	(\$35,590.74)	\$18,010,241.83

Outstanding Accounts Receivable at 12/31/2019: \$0.00

NOTE: Any amounts in parenthesis indicate a negative number (money going out of the account due to transfers, refunds, benefits paid, or market losses).

The statement is broken down into three sections, each of which is described in detail as follows.

Reserve for Employee Contributions

Employee contributions to the plan, as well as any refunds that have been processed during the period covered by the statement, are reflected in this section.

NOTE: Not all municipalities and/or divisions have employee contributions.

- **Invoiced & Other Contributions:** This shows any contributions applied to a participant's account, including regular billed monthly contributions, service purchases and additional contributions made for prior service.
- **Transfers:** Funds transferred in and out of the division due to an employee retiring or transferring to a different division with different benefits are shown here. At retirement, the employee's accumulated contributions, including interest, are transferred into the employer reserve to be used to pay the retiree's monthly benefits.
- **Employee Refunds:** Shows any employee contributions that were refunded, typically for participants who have terminated employment and are not vested.
- **Interest on Employee Balance:** Employee contributions earn interest using the one-year T-bill rate as of December 31 each year. Members requesting a refund of their contributions will also receive interest at the one-year T-bill rate for the subsequent year at the time of refund.

Reserve for Employer Contributions and Benefit Payments

This section shows employer activity on the account, including contributions made to the plan, as well as payments, transfers and charges paid out.

- **Invoiced & Other Contributions:** This shows any contributions credited as employer dollars, including regular billed monthly contributions, additional voluntary and new monies rolled over from a prior plan.
- **Transfers & Fees:** This includes funds transferred in due to a member retiring or transferring out due to the employee taking a new position at the municipality with different benefits. Any fees charged to the municipality's account for paying invoices late or reporting late.
- **Benefits Paid:** This is the amount paid out to retirees.
- **Net Investment Income:** The market gains or losses are combined with the investment expenses and allocated to each division based on their average daily balance for the quarter. This could be a positive or negative number, depending on how the market performs.
- **Admin Expenses:** Administrative expenses vary by quarter and are determined by the actual expenses MERS incurs for the quarter. Administrative Expenses are allocated to each division based on their average daily balance for the quarter and are charged as a percentage of your assets. Administrative Expenses include expenses incurred for plan governance, an on-staff auditor, legal counsel, state and federal legislative advocacy, financial reporting, administration of benefits (life changes, participant statements, retirement processing, tax administration, death and disability, etc.), actuarial services, participant education and resources.

Combined Reserves

This section summarizes the impact that the activity detailed in the previous two sections had on the market value of plan assets and provides the balance for the municipality as a whole.

Any amount shown as Outstanding Accounts Receivable is as of the last day of the quarter and may not be outstanding as of the statement date. This amount may be based on reported wages and contributions for the last month of the quarter, which will be due the following month.

FIDUCIARY NET POSITION FAQs

Below are answers to some frequently asked questions we receive about this statement.

How much are administrative and investment expenses?

As a multiple-employer plan, MERS creates economies of scale by pooling together assets for investment purposes, while maintaining separate accounts for each municipality. As MERS' assets grow, our expenses continue to go down. In fact, the administrative and investment costs for the MERS Defined Benefit Plan have gone down more than 60% over the past 10 years. These expenses are charged to your plan as percentage of your assets each quarter. Administrative expenses are listed as a separate column for each division, while the Net Investment Income reported on this statement is equal to the market gains or losses, less the investment expense. As of December 31, 2020, the administrative expense was 0.18% and the investment cost was just 0.08%.

Where can I find quarterly investment returns?

Quarterly Investment Reports are available on www.mersofmich.com. Commonly called a CIO Report, this report includes both economic and market updates, as well as detailed performance metrics for the MERS Defined Benefit Portfolio.

What is the difference between the numbers in this statement and what is shown in my Annual Actuarial Valuation (AAV)?

Because terms used in this Statement of Fiduciary Net Position and in your Annual Actuarial Valuation are similar, it's important to understand how they differ.

This statement shows the market value of your assets, which is also called the fiduciary net position. Table 4 in your AAV also shows the reported assets for each division, as well as the total asset amount for the municipality. The information in this table should match your financial recordkeeping information, as well as this statement.

Statement of Fiduciary Net Position	Annual Actuarial Valuation
Market Value of Assets Shown in as the Total under the Combined Reserves section, this is actual amount of assets held in the pension trust for your plan as of the date of this statement. This is also called fiduciary net position for GASB reporting. Accounting is done by division , and provided to you quarterly.	Valuation Assets This number is the notional value of pension plan investments that is used by the actuary in your Annual Actuarial Valuation. This number uses a smoothed asset value , which causes the Valuation Assets to be different than the amount actually held in the trust for the plan (also known as the Market Value of Assets).
Net Investment Income Actual market gains or losses (less investment expenses) that are allocated to each division based on their average daily balance for the quarter. This could be a positive or negative number depending on how the market performs.	Investment Income (Valuation Assets) Actuarially recognized investment income based on Valuation Assets. This number does not reflect the market value of investment return in any given year.