

## Waterford Township Policemen and Firemen Retirement System

### Summary Annual Report - December 31, 2021

#### Introduction

Dear Retirement System Member:

The Retirement System, which is managed by the Retirement Board, is designed to help you meet your financial needs you become disabled, retire, or die. ***The Township also supports a Retiree Health Insurance Program, which is separate from the Retirement System.***

The Retirement Board's responsibility is to supervise the general administration of the System and its assets. Our Board retains professional advisors to assist us in fulfilling these duties.

We have prepared this summary report to give a brief overview of the Retirement System and how it operates. However, a summary cannot cover all the details of the System, any applicable collective bargaining agreements, and the Retirement Board's official rules and regulations. Additional information about the System and its financial operation is available in the treasurer's office.

Your Retirement System's financial objective is to accumulate the assets necessary to pay the promised benefits in an orderly manner. To accomplish this, contribution rates are established in a manner that is designed to keep those rates approximately level as a dollar amount from year to year. Contribution levels are expressed in terms of percents of the Township's active member payroll, and provide for the payment of the required employer contribution in compliance with Section 20m of Michigan Public Act 314 of 1965 as amended.

To determine the appropriate Employer contribution level for the next year and to gauge how the System's funding is meeting this fundamental objective, an independent firm of actuaries and employee benefit consultants, Gabriel, Roeder, Smith & Company, conducts annual actuarial valuations.

These valuations are based on your System's past experience, information about current participation and financial markets, and assumptions concerning the System's future demographic and economic activity. The results of the December 31, 2021 valuation, based on the establish funding objective, are summarized in this report.

#### Actuary's Opinion

It is the actuary's opinion that the Retirement System is meeting its financial objective, based on continued receipt of the computed contribution, when due.

#### Plan Information

##### Board of Trustees

Matthew Covey, Chairmen & Fire Member  
Steven Thomas, Township Treasurer  
Kevin Kazyak, Police Member & Sec.  
Jeffrey Wise, Citizen Member  
Thomas Lesnau, Citizen Member

##### Investment Consultant

AndCo Consulting

##### Investment Managers

Hamlin Capital  
Seizert Capital Partners  
Reinhart Partners  
Clarkston Capital  
Loomis Sayles  
American Realty  
Penn Square Real Estate  
Bloomfield Capital  
Alidade  
McMorgan  
WAM Capital Ltd  
Edgewood Management  
HGK Asset Management  
American Funds  
Vanguard Group  
JPMorgan Chase & Co  
Franklin Templeton Investments

##### Plan Administrator

Charter Township of Waterford

##### Actuary

Nyhart

##### Auditors/Accountants

Plante Moran

##### Legal Counsel

VanOverbeke, Michaud & Timmony, PC

##### Custodial Bank

Comerica Bank

**Waterford Township Policemen and Firemen Retirement System**  
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Asset and Investment Information			
Changes in Plan Net Assets		Average Annual Market Rate of Return	
<u>12/31/2021</u>			<i>Period Ending December 31, 2021</i>
Additions			1 Year 16.81%
Contributions			3 Years 17.00%
Employer	\$ 3,051,813	5 Years 11.81%	
Plan members	303,661	7 Years 9.90%	
Total	3,355,474	10 Years 10.50%	
Investment Income	17,937,349	Expenses	
Total Additions	21,292,823	Administrative	\$ 21,051
Deductions:		Investment	396,436
Benefits Paid	\$ 7,989,006	Professional	106,717
Refund of Contributions	-	Projected Expenses for Next Fiscal Year	
Expenses	25,979	Administrative	\$ 23,156
Total Deductions	8,014,985	Investment	436,080
Net Increase	\$ 13,277,838	Professional	117,388
Net assets held in Trust Fund at Fair Value:			
Beginning of Year	\$ 109,095,826		
End of Year	\$ 122,373,664		
Actuarial Value of Assets	\$ 108,247,340		

Actuarial Information					
Funded Status - Pension Benefits					
Actuarial Accrued Liabilities	\$118,354,615				
Actuarial Value of Assets	108,247,340				
Percent Funded	91.5%				
Contributions for the Fiscal Year Ending December 31, 2023					
Valuation Payroll (12/31/2021)*	\$5,521,826				
Employer Normal Cost <sup>#</sup>	22.0%				
Total Employer Contribution	42.0%				
Employee Contribution	5.00%				
Computed Employer Dollar as of 12/31/2022	\$2,317,855				
Annual Required Contribution as of December 31, 2021	\$3,051,813				
Actual Employer Contribution	\$3,051,813				
Percent Contributed	100%				
Plan Membership		Actuarial Assumptions			
Active Members		<i>Assumed Rate of Investment Return</i>			
Count	53	6.75%			
Valuation Payroll*	\$5,521,826	<i>Assumed Rate of Long-term Wage Inflation</i>			
Retirees/Beneficiaries		5.00%			
Count	173	<i>Smoothing Method for Actuarial Value of Assets</i>			
Total Annual Benefits	\$7,273,676	4-year smoothed market			
Average Annual Benefit	\$ 42,044	80%/120% Corridor			
Deferred Vested Members		<i>Amortization Method and Period</i>			
Count	1	Closed, level dollar			
Total Annual Benefits	\$ 41,328	13 years remaining			
<i>* DB payroll, excluding applicable DROP members.</i>					
<i><sup>#</sup> Before administrative expenses.</i>					
<i>Actuarial Cost Method</i>					
<i>Entry age actuarial cost method</i>					

## Waterford Township Policemen and Firemen Retirement System

Summary Annual Report - December 31, 2021

### Brief Summary of Benefit Provisions

#### Plan Status

The plan is closed to new entrants and participants continue to accrue benefits

#### Eligibility for Participation

Police Officers and Police Supervisors hired prior to 11/1/2014 and Firefighters hired prior to January 1, 2012

#### Accrual of Benefits

A participant shall accumulate a benefit payable at Normal Retirement Date based on Compensation as of the date of determination of the accrued benefit and benefit service as of the date of determination.

#### Normal Retirement

Eligibility 25 years of service or age 60

Benefit 2.5% of Final Average Compensation times years of service with a maximum benefit of 75% of Final Average Compensation. Final Average Compensation for this benefit uses the highest 3 salaries out of the last 10 years.

For Police Officers and Police Supervisors hired between January 1, 2004 and November 1, 2014 and Firefighters hired between February 12, 2007 and December 31, 2011:

Eligibility Age 55 with 25 years of service or age 60 with 10 years of service  
Firefighters can also retire at any age with 30 years of service

Benefit 2.3% of Final Average Compensation times years of service (up to 25 years) plus 1.5% of Final Average Compensation for each year of service over 25 with a maximum benefit of 71% of Final Average Compensation  
Final Average Compensation for this benefit uses the highest 3 salaries out of the last 5 years.

#### Deferred Retirement

Eligibility 8 years of service for Management and Administration  
10 years of service for all others

Benefit Accrued retirement benefit payable at the date that retirement would have occurred had participant remained in employment using service, Final Average Compensation, and benefit formula at the date of termination

#### Late Retirement

Eligibility Participation continues after normal retirement date

Benefit Retirement benefit determined at Late Retirement Date based on Normal Retirement Benefit formula and plan compensation and benefit service at such date.

#### Non-Duty Death before Retirement

Eligibility 20 years of service (10 years of service for Fire and COAM)

Benefit Spouse receives 100% of the benefit the participant would have received if retirement occurred on the day before death and the joint and 100% survivor annuity option (Option 1) was elected. Payments begin immediately if participant is eligible for early retirement at death or deferred to earliest retirement date of participant if later.

#### Duty Death before Retirement

Eligibility Expiration of workers' compensation to the survivors of a member who died in the line of duty  
Benefit Same amount paid by workers' compensation

#### Non-Duty Disability

Eligibility 5 years of service and deemed to be totally and permanently disabled  
Benefit To Age 55: 1.5% of Final Average Compensation times years of service  
At Age 55: Same as Normal Retirement

#### Duty Disability

Eligibility Payable upon the total and permanent disability of a member in the line of duty. Members of the 401(a) Defined Contribution Plan are eligible for Duty Disability benefits, which are to be offset by the balance of their 401(a) account.  
Benefit To Age 55: 62.5% of Final Average Compensation  
At Age 55: Same as Service Retirement Pension with service credit from date of disability to age 55

**Waterford Township Policemen and Firemen Retirement System**  
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**Brief Summary of Benefit Provisions (Concluded)**

**COLA**

Eligibility	Police and Fire Management & Administrative with 25 years of service at retirement
Increase	2.0% of the original benefit. Each year of manager service completed after reaching retirement eligibility entitles a retired manger to 2 annual increases with a maximum of 10 annual increases.

**Credited Service**

For Vesting and Benefit Accrual  
All years and completed months of service.

**Compensation**

Management: Base pay  
Non-Management: Base pay plus holiday pay, overtime, and longevity pay.

**Average Compensation**

Average Compensation is the average of the 3 highest consecutive amounts of the last 10 completed years preceding retirement.

For Police Officers and Police Supervisors hired between January 1, 2004 and November 1, 2014 and Firefighters hired between February 12, 2007 and December 31, 2011:

Average Compensation is the average of the 3 highest consecutive amounts of the last 5 completed years preceding retirement.

**Employee Contributions**

5.00% of compensation

Refund of member contributions including interest at retirement is permitted. Annuity withdrawal is based on Merrill Lynch Corporate and Government Master Bond Average for the month of retirement (or upon entering the DROP)..

**Payment Forms**

Normal Form	A Single Life Annuity for single participants, Joint and 60% Survivor Annuity for married participants (not reduced for Actuarial Equivalence)
Optional Forms	Life Annuity, 60% Joint and Survivor Annuity, 100% Joint and Survivor Annuity

**Deferred Retirement Option Program (DROP)**

Participants in the Police Officer Union are ineligible to participate in the DROP. Effective January 1, 2012, Police Supervisors are ineligible to DROP. Management employees from both Police and Fire are no longer eligible for the DROP, apart from those already participating or grandfathered as of December 31, 2016.

*All Others:* A member may participate in the DROP after attaining eligibility for Normal Retirement. The monthly amount into the DROP account is based on the pension calculated at the time they enter the DROP. Participants continue to make contributions to the plan, but the additional contributions do not affect their benefit during the DROP period. Service and pay earned during DROP participation does not affect the benefit during or after DROP participation. The DROP account is credited with the System's prior calendar year's market rate of return (but not greater than 4% interest) each year. Additions cease at the earlier of 5 years of DROP participation, the 33rd year of service, or separation from service. Upon actual retirement, the member may receive the DROP account balance in the form of a lump sum or as an additional annuity. Interest on the DROP account will continue to accrue while balance remains (including after actual retirement).

DROP participants must elect whether or not to take the annuity withdrawal option upon entering the DROP. However, the actual payment of employee contributions does not occur until exiting the DROP. During the DROP period, monthly payments reflect the reduction for annuity withdrawal based on the employee contribution balance (including interest) upon entering the DROP. After the DROP period, monthly payments continue in the same amount, with no adjustment for the actual annuity withdrawal amount and timing at DROP exit.

**Actuarial Equivalence**

All optional forms (other than annuity withdrawal) are actuarially equivalent based on:  
- 7.0% interest  
- 1971 GAM Male table, blended 90% with no setback and 10% with 5-year setback

**Military Service Purchases**

Fire: Military service prior to employment may be purchased.  
Police Officers and Police Supervisors (as of 1/1/2013): Military and/or sworn service time may be purchased.