

Waterford Township Policemen and Firemen Retirement System

Summary Annual Report - December 31, 2020

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, 2020 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

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Asset and Investment Information

Changes in Plan Net Assets		Average Annual Market Rate of Return	
	<u>12/31/2020</u>	<i>Period Ending December 31, 2020</i>	
Additions		1 Year	12.99%
Contributions		3 Years	9.00%
Employer	\$ 3,328,794	5 Years	10.95%
Plan members	<u>375,095</u>	7 Years	8.37%
Total	3,703,889	10 Years	9.17%
Investment Income	<u>12,767,216</u>		
Total Additions	16,471,105		
		Expenses	
Deductions:		Administrative	\$ 26,683
Benefits Paid	\$ 7,652,405	Investment	340,563
Refund of Contributions	-	Professional	106,000
Expenses	<u>43,891</u>		
Total Deductions	7,696,296		
		Projected Expenses for Next Fiscal Year	
Net Increase	\$ 8,774,809	Administrative	\$ 29,351
		Investment	374,620
Net assets held in Trust Fund at Fair Value:		Professional	116,600
Beginning of Year	\$ 100,321,017		
End of Year	\$ 109,095,826		
Actuarial Value of Assets	\$ 101,487,695		

Actuarial Information

Actuarial Information		
Funded Status - Pension Benefits		
Actuarial Accrued Liabilities	\$116,874,883	
Actuarial Value of Assets	101,487,695	
Percent Funded	86.8%	
Contributions for the Fiscal Year Ending December 31, 2022		
Valuation Payroll (12/31/2020)*	\$5,786,009	
Employer Normal Cost#	24.1%	
Total Employer Contribution	50.1%	
Employee Contribution	5.00%	
Computed Employer Dollar as of 12/31/2021	\$2,898,154	
Annual Required Contribution as of December 31, 2020		\$3,328,794
Actual Employer Contribution		\$3,328,794
Percent Contributed		100%
Plan Membership		Actuarial Assumptions
Active Members		Assumed Rate of Investment Return
Count	60	6.75%
Valuation Payroll*	\$5,786,009	
Retirees/Beneficiaries		Assumed Rate of Long-term Wage Inflation
Count	172	3.50%
Total Annual Benefits	\$7,142,856	
Average Annual Benefit	\$ 41,528	Smoothing Method for Actuarial Value of Assets
Deferred Vested Members		4-year smoothed market
Count	1	80%/120% Corridor
Total Annual Benefits	\$ 41,328	
		Amortization Method and Period
		Closed, level dollar
		14 years remaining
		Actuarial Cost Method
		Entry age actuarial cost method

* DB payroll, excluding applicable DROP members.

Before administrative expenses.

* DB payroll, excluding applicable DROP members.

[#] Before administrative expenses.

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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

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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.