

Waterford Township Policemen and Firemen Retirement System

Summary Annual Report - December 31, 2019

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, 2019 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
Margaret Birch, 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

Gabriel, Roeder, Smith & Company

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>12/31/2019</u>	<i>Period Ending December 31, 2019</i>	
Additions		1 Year	21.35%
Contributions		3 Years	9.81%
Employer	\$ 3,046,883	5 Years	7.97%
Plan members	<u>338,105</u>	7 Years	9.04%
Total	3,384,988	10 Years	9.26%
Investment Income	<u>9,024,299</u>		
Total Additions	12,409,287		
		Expenses	
Deductions:		Administrative	\$ 12,254
Benefits Paid	\$ 8,483,981	Investment	384,952
Refund of Contributions	-	Professional	116,200
Expenses	<u>467,671</u>		
Total Deductions	8,951,652	Projected Expenses for Next Fiscal Year	
		Administrative	\$ 13,479
Net Increase	\$ 3,457,635	Investment	423,447
		Professional	127,820
Net assets held in Trust Fund at Fair Value:			
Beginning of Year	\$ 87,358,531		
End of Year	\$ 100,321,017		
Actuarial Value of Assets	\$ 95,592,685		

Actuarial Information			
Funded Status - Pension Benefits			
Actuarial Accrued Liabilities	\$113,583,379		
Actuarial Value of Assets	95,592,685		
Percent Funded	84.2%		
Contributions for the Fiscal Year Ending December 31, 2021			
Valuation Payroll (12/31/2019)*	\$6,391,970		
Employer Normal Cost [#]	18.06%		
Total Employer Contribution	47.15%		
Employee Contribution	5.00%		
Computed Employer Dollar as of 12/31/2020	\$3,051,813		
Annual Required Contribution as of December 31, 2019		\$3,046,883	
Actual Employer Contribution		\$3,046,883	
Percent Contributed		100%	
Plan Membership		Actuarial Assumptions	
Active Members		<i>Assumed Rate of Investment Return</i>	
Count	72	6.75%	
Valuation Payroll*	\$6,391,970	<i>Assumed Rate of Long-term Wage Inflation</i>	
Retirees/Beneficiaries		3.50%	
Count	163	<i>Smoothing Method for Actuarial Value of Assets</i>	
Total Annual Benefits	\$6,666,456	4-year smoothed market	
Average Annual Benefit	\$ 40,899	80%/120% Corridor	
Deferred Vested Members		<i>Amortization Method and Period</i>	
Count	1	Closed, level dollar	
Total Annual Benefits	\$ 41,328	15 years remaining	
		<i>Actuarial Cost Method</i>	
		Entry age actuarial cost method	

* DB payroll, including applicable DROP members.

[#] Before administrative expenses.

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Brief Summary of Benefit Provisions

Eligibility	Amount
Service Retirement	
25 years of service, regardless of age or age 60 regardless of service.	2.5% of AFC times years of service. The maximum benefit at retirement is 75% of AFC.
Type of Average Final Compensation (AFC).	Highest 3 out of last 10 years.
<i>Police Officers and Police Supervisors hired between January 1, 2004 and November 1, 2014; Firefighters hired between February 12, 2007 and December 31, 2011:</i>	
Normal Retirement eligibility at age 55 with 25 years of service or 60 and 10 years.	2.3% of AFC times years of service up to 25 years and 1.5% for each year of service beyond 25 years of service to a maximum of 71% of AFC.
<i>Firefighters</i> can also retire at any age with 30 years of service.	
Type of Average Final Compensation (AFC).	Highest 3 out of last 5 years.
Covered Compensation	
<i>Management:</i> Average Final Compensation includes base pay.	
<i>Non-Management:</i> Average Final Compensation includes base pay plus holiday, overtime, and longevity pay, if any.	
Deferred Retirement	
<i>Management & Administrative:</i> 8 years of service.	Computed as service retirement but based upon service, AFC and benefit formula in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.
<i>All others:</i> 10 or more years of service.	
Death After Retirement Survivor's Pension	
Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.
Non-Duty Death-In-Service Survivor's Pension	
Payable to a surviving spouse, if any, upon the death of a member with 20 or more years of service. (10 years of service for Fire and COAM.)	Accrued straight life pension actuarially reduced in accordance with an Option I election.
Duty Death-In-Service Survivor's Pension	
Payable upon the expiration of Worker's Compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by Worker's Compensation.
Duty Disability	
Payable upon the total and permanent disability of a member in the line of duty. Police Patrol 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.	<i>To Age 55 :</i> 62.5% of AFC <i>At Age 55 :</i> Same as Service Retirement Pension with service credit from date of disability to age 55.
Non-Duty Disability	
Payable upon the total and permanent disability of a member with 5 or more years of service.	<i>To Age 55 :</i> 1.5% of AFC times years of service. <i>At Age 55 :</i> Same as Service Retirement Pension.
Member Contributions	
<i>All Members:</i> 5% of pay	
Refund of member contributions at retirement permitted.	
Merrill Lynch Bond Index determines interest rate used in adjusting pension.	

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Brief Summary of Benefit Provisions (Concluded)

Eligibility	Amount
Post-Retirement Benefit Increases	
Police and Fire Management & Administrative with 25 years of service at Retirement.	Up to 10 annual increases of 2.0% of the original benefit depending upon manager service earned after retirement eligibility. (Each year of manager service in excess of retirement eligibility will entitle a retired manager to 2 annual increases). Purchased service is used in calculating eligibility for the increases.

Service Purchases	
<i>Fire:</i>	Military service prior to employment may be purchased.
<i>Police Officers and Police Supervisors (as of 1/1/2003):</i>	Military and/or sworn service time may be purchased.

Employer Contributions

Employer pays an annual contribution based on an actuarial valuation. The employer's actuarially determined rate covers all costs net of employee contributions.

Deferred Retirement Option Program (DROP)

Employees 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 the minimum requirements for a normal service retirement. A monthly amount equal to the amount that would have been paid had the member retired and current member contributions accumulate in a DROP account. The 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 or separation from service, although interest on the DROP account will continue to accrue during such time. Management DROP participants may continue in covered employment after 5 years of participation, but do not accumulate additional service credit or make member contributions. DROP service for Management participants is included for purposes of eligibility for the escalator. Fire DROP participants may continue in covered employment after 5 years of participation or until their 33rd year of service, but do not accumulate additional service credit. Upon actual retirement the member may receive the DROP account balance in the form of a lump sum or as an additional annuity. Member contributions during the DROP period are not included in the computation of the annuity withdrawal reduction. Upon exit from the DROP, the original monthly amount established upon entry in the DROP continues in addition to any other benefits or adjustments.

Membership

This plan is closed to new members.

Police Officers and Police Supervisors hired prior to November 1, 2014, participate in this plan. Police Officers hired on or after November 1, 2014 participate in a different plan. Firefighters hired prior to January 1, 2012 participate in this plan. Firefighters hired on or after January 1, 2012 participate in a different plan. Those Police Patrol Officers and Fire members who are otherwise covered by a DC plan are covered by the duty disability benefits of this plan.