

## Waterford Township Employees Retirement System

Summary Annual Report - December 31, 2016

### Introduction

Dear Retirement System Member:

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

The Pension Committee's responsibility is to supervise the general administration of the System and its assets. Our Committee 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 Pension Committee'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, 2016 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 in sound financial condition in accordance with the actuarial principles of level dollar financing presuming continued timely receipt of contributions.

### Plan Information

#### Board of Trustees

Andrew Mutch, Committee Chairperson  
Margaret Birch, Township Treasurer  
Barbara Miller, Employee Member  
Brian Seibert, Citizen Member  
William Flury, Citizen Member

#### Plan Administrator

Waterford Township General Pension Committee

#### Investment Consultant

Wells Fargo Advisors

#### Actuary

Gabriel, Roeder, Smith & Company

#### Investment Managers

Luther King Capital Management  
Victory Capital Management  
CS McKee, L.P.  
State Street Global Advisors  
Ridgeworth/Seix Investment Advisors  
StepStone Group LP  
Courtland Partners Ltd.  
Mesirow Financial Private Equity VI  
Landmark Equity Partners XV Capital

#### Auditors/Accountants

Plante Moran

#### Legal Counsel

Sullivan, Ward, Asher & Patton

#### Custodial Bank

Comerica Bank

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<b>Asset and Investment Information</b>			
<b>Changes in Plan Net Assets</b>		<b>Average Annual Market Rate of Return</b>	
	<b>2016</b>	<i>Period Ending December 31, 2016</i>	
Additions		1 Year	4.84%
Contributions		3 Years	4.02%
Employer	\$ 1,249,587	5 Years	8.81%
Plan members	14,822	7 Years	8.42%
Total	1,264,409	10 Years	5.13%
Investment Income	2,688,872		
Total Additions	3,953,281		
Deductions:		<b>Detailed Expenses*</b>	
Benefits Paid	\$ 3,893,369	Administrative	\$ 11,768
DC Plan Transfers	-	Investment	310,121
Expenses	368,089	Professional	37,368
Total Deductions	4,261,458		
Net Increase	\$ (308,177)	<b>Projected Expenses for Next Fiscal Year</b>	
Net assets held in Trust Fund at Fair Value:			
Beginning of Year	\$ 59,740,412	Administrative	\$ 11,059
End of Year	\$ 59,432,235	Investment	317,024
Actuarial Value of Assets	\$ 62,792,241	Professional	36,863

<b>Actuarial Information</b>			
<b>Funded Status - Pension Benefits</b>			
Actuarial Accrued Liabilities	\$62,111,982		
Actuarial Value of Assets	62,792,241		
Percent Funded	101.1%		
<b>Contributions for the Fiscal Year Ending December 31, 2018</b>			
Valuation Payroll (12/31/2016)	\$4,404,334		
Employer Normal Cost	17.08%		
Total Employer Contribution	14.93%		
Employee Contribution	0.27%		
Computed Employer Dollar as of 12/31/2018	\$674,987		
Annual Required Contribution as of December 31, 2016	\$1,249,587		
Actual Employer Contribution	\$1,249,587		
Percent Contributed	100%		
<b>Plan Membership</b>		<b>Actuarial Assumptions</b>	
Active Member		<i>Assumed Rate of Investment Return</i>	
Count	81	7.0%	
Valuation Payroll	\$4,404,334	<i>Assumed Rate of Long-term Wage Inflation</i>	
Retirees/Beneficiaries		4.5%	
Count	165	<i>Smoothing Method for Actuarial Value of Assets</i>	
Total Annual Benefits	\$3,599,814	4-year smoothed market	
Average Annual Benefit	\$21,817	75%/125% Corridor	
Deferred Vested Members		<i>Amortization Method and Period</i>	
Count	34	Closed, level dollar	
Total Annual Benefits	\$458,851	16 years remaining	
		<i>Actuarial Cost Method</i>	
		Entry age actuarial cost method	

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### Brief Summary of Benefit Provisions

Eligibility	Amount
<b>Regular Retirement</b>	
<b>Management, Elected Officials before January 1, 1999 (Court Supervisors before April 1, 2002):</b> Sum of age and credited service equals 75 or more, age 55 with 25 years of service or age 60 with 5 years of service.	<b>Management, Court Supervisors, Elected Officials, Dispatchers and CSI:</b> Straight life pension equals total service times 2.5% of Final Average Salary (FAS). Management, Court Supervisors, Elected Officials hired on or after January 1, 1999 and CSI have a maximum benefit of 75% of FAS.
<b>Dispatchers:</b> 25 years of service regardless of age, or age 60 with 8 years of service.	<b>Teamsters hired on or prior to July 1, 2006:</b> Straight life pension equals total service times 2.375% of FAS.
<b>Crime Scene Investigators (CSI):</b> 25 years of service regardless of age, or age 60 with 10 years of service.	<b>All Others:</b> Straight life pension equals total service times 2.25% of FAS. CSO has a maximum benefit of 75% of FAS.
<b>All Others:</b> Age 55 with 25 years of service, or age 60 with 8 years of service. Community Service Officers (CSO) may also retire with 30 years of service regardless of age.	<b>Type of FAS:</b> Highest 3 years out of the last 5 years of service. CSI: Highest 3 years out of the last 10 years of service.
<b>Deferred Retirement</b>	
8 or more years of service (5 years for Management & Administrative before January 1, 1999 and Court Supervisors before April 1, 2002). Benefit begins at age 60 (55 with 25 or more years of service at time of termination). <b>CSI:</b> Benefit begins at the date retirement would have occurred had the member remained in employment.	Computed as a regular retirement but based upon service and final average salary at termination date.
<b>Non-Duty Death-In-Service Survivor's Pension*</b>	
Payable to the survivors of a member who dies with 10 years of service.	Pension payable to surviving spouse, computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.
<b>Duty Death-In-Service Survivor's Pension*</b>	
Payable to survivors of a member who died as a result of a job related injury. No age or service requirements.	Upon termination of worker's compensation the same amount is continued to widow or dependent, widower and unmarried children under 18 years old.
<b>Non-Duty Disability*</b>	
Payable upon the total and permanent disability of a member with 10 or more years of service.	Computed as a regular retirement with a minimum benefit of 10% of final average salary at time of disability.
<b>Duty Disability*</b>	
Payable upon the total and permanent disability of a member as a result of a job related injury. No age or service requirements. Must be in receipt of worker's compensation.	Computed as a regular retirement with a minimum benefit of 10% of FAS. Based on service and FAS at time of disability.
<b>Member Contributions</b>	
Dispatchers and CSI	5.00% of annual earnings. Annuity withdrawal based on ML Bond index.
<b>Township Contributions</b>	
	Actuarially determined amounts which, are sufficient to cover both (i) normal costs of the plan, and (ii) financing of unfunded accrued benefit values over a selected period of future years.
<p style="text-align: center;">* Death and disability benefits for CSI members are the same as those for Police members in the Waterford Township Policemen and Firemen Retirement System.</p>	

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### Brief Summary of Benefit Provisions

#### Compensation

Covered compensation includes base pay plus longevity pay (Overtime is included for Crime Scene Investigators).

#### Participation

Full-time employees of the township not covered by the Act 345 plan participate in WTERS except firefighters. However, members hired after the dates below are not eligible to participate and are, instead, covered by a separate defined contribution plan.

Members of	Hire Date
Mgmt / Elected	1/1/2005
Court	1/1/2005
Dispatch	7/1/2006
Teamster	7/1/2006

#### Deferred Retirement Option Program (DROP)

Certain employees in the dispatch Union deemed eligible as of December 31, 2016 are able to participate in the DROP.

These members 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. 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 continue during the DROP period. Upon exit from the DROP, the original monthly amount established upon entry in the DROP continues in addition to any other benefits or adjustments. Member contributions made during the DROP period are added to the DROP account.