

**Waterford Township Employees Retirement System**  
**Summary Annual Report - December 31, 2017**

**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, 2017 valuation, based on the established 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

**Investment Consultant**

Wells Fargo Advisors

**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

**Plan Administrator**

Waterford Township General Pension Committee

**Actuary**

Gabriel, Roeder, Smith & Company

**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>2017</b>	<i>Period Ending December 31, 2017</i>
Additions		1 Year 15.92%
Contributions		3 Years 7.09%
Employer	\$ 989,146	5 Years 9.60%
Plan members	11,489	7 Years 8.48%
Total	1,000,635	10 Years 5.58%
Investment Income	9,243,114	
Total Additions	10,243,749	
Deductions:		<b>Detailed Expenses*</b>
Benefits Paid	\$ 3,755,288	Administrative \$ 12,082
DC Plan Transfers	-	Investment 317,586
Expenses	383,812	Professional 50,972
Total Deductions	4,139,100	
Net Increase	\$ 6,104,649	<b>Projected Expenses for Next Fiscal Year</b>
Net assets held in Trust Fund at Fair Value:		Administrative \$ 11,733
Beginning of Year	\$ 59,432,235	Investment 324,627
End of Year	\$ 65,536,884	Professional 54,756
<b>Actuarial Value of Assets</b>	<b>\$ 63,969,472</b>	

\*Net of approximately \$3,000 in credits.

<b>Actuarial Information</b>		
<b>Funded Status - Pension Benefits</b>		
Actuarial Accrued Liabilities	\$65,091,120	
Actuarial Value of Assets	63,969,472	
Percent Funded	98.3%	
<b>Contributions for the Fiscal Year Ending December 31, 2019</b>		
Valuation Payroll (12/31/2017)	\$4,037,556	
Employer Normal Cost	15.21%	
Total Employer Contribution Rate	18.47%	
Employee Contribution	0.20%	
Computed Employer Dollar as of 12/31/2019	\$761,758	
Annual Required Contribution as of December 31, 2017	\$989,146	
Actual Employer Contribution	\$989,146	
Percent Contributed	100%	
<b>Plan Membership</b>		<b>Actuarial Assumptions</b>
Active Member		<i>Assumed Rate of Investment Return</i>
Count	73	6.75%
Valuation Payroll	\$4,037,556	
Retirees/Beneficiaries		<i>Assumed Rate of Long-term Wage Inflation</i>
Count	167	3.5%
Total Annual Benefits	\$3,749,430	
Average Annual Benefit	\$22,452	<i>Smoothing Method for Actuarial Value of Assets</i>
Deferred Vested Members		4-year smoothed market
Count	37	75%/125% Corridor
Total Annual Benefits	\$498,770	
		<i>Amortization Method and Period</i>
		Closed, level dollar
		15 years remaining
		<i>Actuarial Cost Method</i>
		Entry age actuarial cost method

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**Brief Summary of Benefit Provisions**

<b>Eligibility</b>	<b>Amount</b>
<b>Regular Retirement</b>	
<p><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.</p> <p><b>Dispatchers:</b> 25 years of service regardless of age, or age 60 with 8 years of service.</p> <p><b>Crime Scene Investigators (CSI):</b> 25 years of service regardless of age, or age 60 with 10 years of service.</p> <p><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.</p>	<p><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.</p> <p><b>Teamsters hired on or prior to July 1, 2006:</b> Straight life pension equals total service times 2.375% of FAS.</p> <p><b>All Others:</b> Straight life pension equals total service times 2.25% of FAS. CSO has a maximum benefit of 75% of FAS.</p> <p><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.</p>
<b>Deferred Retirement</b>	
<p>8 or more years of service (5 years for Management &amp; 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.</p>	<p>Computed as a regular retirement but based upon service and final average salary at termination date.</p>
<b>Non-Duty Death-In-Service Survivor's Pension*</b>	
<p>Payable to the survivors of a member who dies with 10 years of service.</p>	<p>Pension payable to surviving spouse, computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.</p>
<b>Duty Death-In-Service Survivor's Pension*</b>	
<p>Payable to survivors of a member who died as a result of a job related injury. No age or service requirements.</p>	<p>Upon termination of worker's compensation the same amount is continued to widow or dependent, widower and unmarried children under 18 years old.</p>
<b>Non-Duty Disability*</b>	
<p>Payable upon the total and permanent disability of a member with 10 or more years of service.</p>	<p>Computed as a regular retirement with a minimum benefit of 10% of final average salary at time of disability.</p>
<b>Duty Disability*</b>	
<p>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.</p>	<p>Computed as a regular retirement with a minimum benefit of 10% of FAS. Based on service and FAS at time of disability.</p>
<b>Member Contributions</b>	
<p>Dispatchers and CSI</p>	<p>5.00% of annual earnings. Annuity withdrawal based on ML Bond index.</p>
<b>Township Contributions</b>	
	<p>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>
<p>* <i>Death and disability benefits for CSI members are the same as those for Police members in the Waterford Township Policemen and Firemen Retirement System.</i></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.

<u>Members of</u>	<u>Hire Date</u>
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.