

## Waterford Township Policemen and Firemen Retirement System

### Summary Annual Report - December 31, 2017

#### 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, 2017 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  
J. Thomas Lesnau, Citizen Member

##### Investment Consultant

AndCo Consulting

##### Investment Managers

World Asset Management  
Hamlin Capital  
Seizert Capital Partners  
Edgewood  
iShares  
Reinhart Partners  
Clarkston Capital  
HGK Asset Management  
Vanguard  
Loomis Sayles  
JP Morgan  
Franklin Templeton  
American Realty  
Intercontinental Real Estate  
Penn Square Real Estate  
Bloomfield Capital  
Alidade  
McMorgan

##### 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

**Waterford Township Policemen and Firemen Retirement System**  
**Summary Annual Report - December 31, 2017**

Asset and Investment Information		
<b>Changes in Plan Net Assets</b>		<b>Average Annual Market Rate of Return</b>
		<i>Period Ending December 31, 2017</i>
Additions	<u>12/31/2017</u>	1 Year 15.54%
Contributions		3 Years 8.58%
Employer	\$ 2,946,541	5 Years 9.85%
Plan members	381,439	7 Years 9.24%
Total	3,327,980	10 Years 6.60%
Investment Income	19,423,401	
Total Additions	22,751,381	
Deductions:		
Benefits Paid	\$ 7,656,113	<b>Expenses</b>
Refund of Contributions	-	Administrative \$ 14,731
Expenses	458,499	Investment 394,544
Total Deductions	8,114,612	Professional 64,022
Net Increase	\$ 14,636,769	
Net assets held in Trust Fund at Fair Value:		
Beginning of Year	\$ 88,760,295	<b>Projected Expenses for Next Fiscal Year</b>
End of Year	\$ 97,481,517	Administrative \$ 16,204
<b>Actuarial Value of Assets</b>	<b>\$ 92,511,847</b>	Investment 433,998
		Professional 70,424

Actuarial Information		
<b>Funded Status - Pension Benefits</b>		
Actuarial Accrued Liabilities	\$110,153,757	
Actuarial Value of Assets	92,511,847	
Percent Funded	84.0%	
<b>Contributions for the Fiscal Year Ending December 31, 2019</b>		
Valuation Payroll (12/31/2017)*	\$6,605,568	
Employer Normal Cost <sup>#</sup>	18.09%	
Total Employer Contribution	43.17%	
Employee Contribution	5.00%	
Computed Employer Dollar as of 12/31/2019	\$3,046,883	
Annual Required Contribution as of December 31, 2017	\$2,946,541	
Actual Employer Contribution	\$2,946,541	
Percent Contributed	100%	
<b>Plan Membership</b>		<b>Actuarial Assumptions</b>
Active Members		<i>Assumed Rate of Investment Return</i>
Count	80	6.75%
Valuation Payroll*	\$6,605,568	
Retirees/Beneficiaries		<i>Assumed Rate of Long-term Wage Inflation</i>
Count	154	3.50%
Total Annual Benefits	\$6,287,432	
Average Annual Benefit	\$ 40,827	<i>Smoothing Method for Actuarial Value of Assets</i>
Deferred Vested Members		4-year smoothed market
Count	2	80%/120% Corridor
Total Annual Benefits	\$ 82,631	
* DB payroll, including applicable DROP members.		<i>Amortization Method and Period</i>
		Closed, level dollar
		17 years remaining
# Before administrative expenses.		<i>Actuarial Cost Method</i>
		Entry age actuarial cost method

**Waterford Township Policemen and Firemen Retirement System**  
**Summary Annual Report - December 31, 2017**

Brief Summary of Benefit Provisions	
Eligibility	Amount
<b>Service Retirement</b>	
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.
<b>Covered Compensation</b>	
<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.	
<b>Deferred Retirement</b>	
<i>Management &amp; 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.	
<b>Death After Retirement Survivor's Pension</b>	
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.
<b>Non-Duty Death-In-Service Survivor's Pension</b>	
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.
<b>Duty Death-In-Service Survivor's Pension</b>	
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.
<b>Duty Disability</b>	
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.
<b>Non-Duty Disability</b>	
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.
<b>Member Contributions</b>	
<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.	

**Waterford Township Policemen and Firemen Retirement System**  
**Summary Annual Report - December 31, 2017**

**Brief Summary of Benefit Provisions (Concluded)**

<b>Eligibility</b>	<b>Amount</b>
<b>Post-Retirement Benefit Increases</b>	
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.
<b>Service Purchases</b>	
<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.
<b>Employer Contributions</b>	
Employer pays an annual contribution based on an actuarial valuation. The employer's actuarially determined rate covers all costs net of employee contributions.	
<b>Deferred Retirement Option Program (DROP)</b>	
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.	
<i>All Others:</i> 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 33 <sup>rd</sup> 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.	
<b>Membership</b>	
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.	