

# Waterford Township Policemen and Firemen Retirement System

## Summary Annual Report - December 31, 2013

### 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 percentage of payroll 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, 2013 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

Graystone Consulting

#### Investment Managers

Seizert Capital Partners  
Reinhart Partners  
NorthPointe Capital  
Hamlin Capital  
WHV International  
Research Affiliates  
Franklin Templeton  
Loomis Sayles  
American Realty  
Intercontinental Real Estate  
Penn Square Real Estate  
World Asset Management  
Vanguard

#### 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**  
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**Asset and Investment Information**

**Changes in Plan Net Assets**

	2013
<b>Additions</b>	
Contributions	
Employer	\$ 3,251,498
Plan members	443,309
Total	3,694,807
Investment Income	12,863,991
Total Additions	16,558,798
<b>Deductions:</b>	
Benefits Paid	\$ 5,271,097
Refund of Contributions	-
Expenses	449,572
Total Deductions	5,720,669
Net Increase	10,838,129
Net assets held in Trust Fund at Fair Value:	
Beginning of Year	\$ 74,612,739
End of Year	\$ 85,450,868
<b>Actuarial Value of Assets</b>	<b>\$ 79,398,528</b>

**Average Annual Market Rate of Return**

*Period Ending December 31, 2013*

1 Year	17.95%
3 Years	10.91%
5 Years	14.08%
7 Years	6.00%
10 Years	7.62%

**Detailed Expenses**

Administrative	\$ 33,548
Education	5,628
Investment	379,279
Professional	30,309

**Projected Expenses for Next Fiscal Year**

Administrative	\$ 36,903
Education	6,190
Investment	417,207
Professional	33,339

**Actuarial Information**

**Funded Status - Pension Benefits**

Actuarial Accrued Liabilities	\$100,292,714
Actuarial Value of Assets	79,398,528
Percent Funded	79.2%

**Contributions for the Fiscal Year Ending December 31, 2015**

Valuation Payroll (12/31/2013)	\$8,494,364
Employer Normal Cost	18.10%
Total Employer Contribution	36.53%
Employee Contribution	5.61%
Computed Employer Dollar as of 12/31/2015	\$3,263,241

Annual Required Contribution as of December 31, 2013	\$3,251,498
Actual Employer Contribution	\$3,251,498
Percent Contributed	100%

**Plan Membership**

<b>Active Member</b>	
Count	107
Payroll	\$8,494,364
<b>Retirees/Beneficiaries</b>	
Count	122
Total Annual Benefits	\$4,992,183
Average Annual Benefit	\$40,920
<b>Deferred Vested Members</b>	
Count	2
Total Annual Benefits	\$49,700

**Actuarial Assumptions**

*Assumed Rate of Investment Return*  
7.0%

*Assumed Rate of Long-term Wage Inflation*  
4.0%

*Smoothing Method for Actuarial Value of Assets*  
4-year smoothed market  
80%/120% Corridor

*Amortization Method and Period*  
Closed, level percent of payroll  
21 years remaining

*Actuarial Cost Method*  
Entry age actuarial cost method

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**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 after January 1, 2004 and 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>	
8 years of service for Management & Administrative.	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.	<i>To Age 55</i> : 50% of AFC (62.5% for Police). <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>Police Patrol Union</i> : 7% of pay	
<i>Management</i> : 5% of pay.	
<i>Others</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
<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.

**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.

*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**

All current and future Police Officers and Police Supervisors participate in this 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.