

# Summary Annual Report to Members of the Retirement Plan for the Employees of the Charter Township of West Bloomfield December 31, 2016

Dear Retirement Plan Member and Retirants:

The Retirement Plan, which is managed by the Pension Board of Trustees, is designed to help you meet your financial needs should you retire, become disabled, or die. ***The Township also supports a retiree health insurance program, which is separate from the Retirement Plan.***

The Pension Board of Trustees' fiduciary responsibility to you is to supervise the general administration of the Plan and invest its assets. Our Pension Board retains professional advisors to assist us in fulfilling these duties.

We have prepared this summary report to give you a brief overview of the Retirement Plan and how it operates. We hope you will find it useful and informative. However, a summary cannot cover all the details of the Plan, which is governed by the provisions of the Plan Document. Additional information about the Plan, including the Plan Document and the actuarial valuation, is available from the Budget and Pension Office.

Respectfully submitted,

***Pension Board of Trustees  
Charter Township of West Bloomfield***

Steve Kaplan

Joe Ketchum

Chris Martindale

Edmond Prifti

Nancy Savickas

## **SERVICE PROVIDERS**

### *Plan Administrator*

- AETNA

### *Auditors/Accountants*

- Plante & Moran

### *Legal Counsel*

- VanOverbeke, Michaud & Timmony, P.C.

### *Actuaries and Consultants*

- Gabriel, Roeder, Smith & Company

### *Medical Director*

- None

### *Custodial Bank*

- Comerica

### *Investment Consultant*

- AndCo

### *Investment Managers*

- World Asset Management
- Rothschild
- MacKay Shields
- First Eagle
- PRISA III
- RREEF
- AETNA
- Nantucket
- Cornerstone
- Cube Capital
- Phoenix

## SUMMARY RESULTS OF ACTUARIAL VALUATION

Your Retirement Plan's financial objective is to accumulate 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. The Pension Board of Trustees confirms that the Plan provides for payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728 of 2002.

To determine an appropriate employer contribution level for the ensuing year and to gauge how the Plan'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 Plan's past experience, information about current participation and financial markets, and assumptions concerning the Plan's future demographic and economic activity. The results of the December 31, 2016 actuarial valuation, based on the established funding objective, are summarized below:

| <b>Fiscal Year Beginning January 1, 2018</b>                                      |  |                               |                    |
|---|--|-------------------------------|--------------------|
| <b>Employer Contribution / Rate</b>   |  |                               |                    |
| <b>Contributions for</b>  | <b>Parks and<br/>Recreation <sup>(1)</sup></b> | <b>General <sup>(1)</sup></b> | <b>Police/Fire</b> |
| Total Normal Cost of Benefits   | 8.62 %   | 11.44 %                       | 19.85 %            |
| Member Contributions (weighted average)   | 0.00   | 1.32                          | 5.00               |
| Employer Normal Cost  | 8.62 %   | 10.12 %                       | 14.85 %            |
| Projected Normal Cost Dollars (closed groups)                                     | \$ 26,689                                      | \$ 273,912                    |                    |
| Amortization of Unfunded Accrued Liability  | \$ (48,302)                                    | \$ 16,461                     | 13.63 %            |
| Preliminary Employer Contribution / Rate  | \$ 0   | \$ 290,373                    | 28.48 %            |
| Funded Ratio (Valuation Asset Basis)  | 107.66 %                                       | 99.73 %                       | 82.19 %            |
| Funding Policy Minimum Contribution <sup>(2)</sup><br>(Employer Normal Cost Rate) | \$ 26,689                                      | \$ 273,912                    | 14.85 %            |
| <b>Computed Employer Contribution / Rate</b>                                      | <b>\$ 26,689</b>                               | <b>\$ 290,373</b>             | <b>28.48 %</b>     |

<sup>(1)</sup> Closed to new hires.

<sup>(2)</sup> In cases where the Retirement Plan is less than 120% funded, the funding policy requires a minimum employer contribution of the employer normal cost.

| <b>Funded Status (in total)</b>          | <b>\$ Millions</b> |
|--|--------------------|
| • Actuarial accrued liabilities          | \$ 150.5           |
| • Applied assets (smoothed market value) | \$ 131.5           |
| • % funded                               | 87 %               |

### *Actuary's Opinion*

It is the actuary's opinion that the contribution rates recommended in the most recent actuarial report are sufficient to meet the Plan's financial objective.

## SUMMARY OF PRIMARY ACTUARIAL ASSUMPTIONS AND METHODS

|                                     |   |
|-------------------------------------|---|
| Valuation Date                      | December 31, 2016                           |
| Actuarial Cost Method               | Individual entry age normal cost            |
| Amortization Method                 |   |
| Police/Fire Group                   | Level percent-of-payroll, closed periods    |
| General/Parks and Recreation Groups | Level dollar, closed periods                |
| Remaining Amortization Period       |   |
| Police/Fire Group                   | 13 years                                    |
| General/Parks and Recreation Groups | 9 years                                     |
| Asset Valuation Method              | Market value with 5-year smoothing          |
| Actuarial Assumptions               |   |
| Investment Rate of Return           | 7.00%                                       |
| Projected Salary Increases          | 3.5% pay inflation plus merit and longevity |

## SUMMARY OF PLAN MEMBERSHIP

|   | <u>Parks and<br/>Recreation</u> | <u>General</u> | <u>Police/Fire</u> | <u>Total</u>  |
|---|---------------------------------|----------------|--------------------|---------------|
| Retirees and beneficiaries receiving benefits                         | 11                              | 103            | 119                | 233           |
| Terminated plan members entitled to but not<br>yet receiving benefits | 4                               | 33             | 11                 | 48            |
| Active plan members   | 5                               | 43             | 167                | 215           |
| Total   | 20                              | 179            | 297                | 496           |
| Valuation payroll   | \$ 304,908                      | \$ 2,820,736   | \$ 13,086,964      | \$ 16,212,608 |
| Annual pensions paid  | \$ 182,499                      | \$ 2,039,522   | \$ 4,534,756       | \$ 6,756,777  |
| Average annual pensions paid  | \$ 16,591                       | \$ 19,801      | \$ 38,107          | \$ 28,999     |

## SUMMARY OF REPORTED ASSET INFORMATION

| Revenues & Expenditures (Market Value) |  |
|--|--|
|--|--|

|   | <u>2016</u>       |
|---|-------------------|
| A. Market Value - January 1               | \$ 120,618,404    |
| Revenues                                  |                   |
| Member contributions                      | 697,808           |
| Employer contributions                    | 4,061,305         |
| Bonding proceeds                          | 0                 |
| Investment income                         | 9,193,965         |
| B. Total                                  | <u>13,953,078</u> |
| Expenditures                              |                   |
| Benefit payments & refunds                | 6,315,185         |
| Investment & administrative expenses      | 872,878           |
| C. Total                                  | <u>7,188,063</u>  |
| D. Market Value - December 31 (A + B - C) | \$ 127,383,419    |

## SUMMARY OF REPORTED ASSET INFORMATION (CONCLUDED)

### Average Annual Market Rates of Return\*

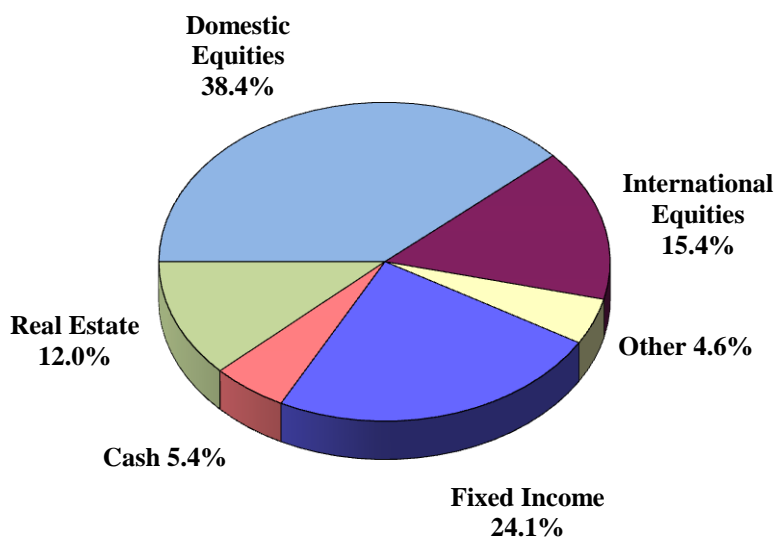
Period ending December 31, 2016

|         |       |
|---------|-------|
| 1-Year  | 7.76% |
| 3-Year  | 5.57% |
| 5-Year  | 9.00% |
| 7-Year  | 8.63% |
| 10-Year | 5.34% |

### Expenditures

|  | As of<br>Fiscal Year<br>Ending<br><u>December 31, 2016</u> | Projected<br>Fiscal Year<br>Ending<br><u>December 31, 2017</u> |
|--|--|--|
| Administrative                         | \$ 129,589   | \$ 200,000   |
| Investment<br>(including soft dollars) | \$ 738,300   | \$ 850,000   |
| Professional Training/<br>Education    | \$ 4,989   | \$ 12,000  |

### Investments (Market Value)\*



\* Average annual market rates of return and investment allocation as reported by the investment manager, AndCo.

## BRIEF SUMMARY OF PLAN PROVISIONS

| Eligibility   | Amount   |
|---|--|
| <b>NORMAL RETIREMENT</b>  |  |
| General employees - age 60.<br>Dispatchers - age 57 or age 55 with 25 or more years of service.<br>Police and Fire employees - age 52 (age 55 with 25 or more years of service for those hired after 1/1/2011).                             | 2.0% (1.5% for Police and Fire hired before 1/1/2011 and 2.25% for Police and Fire hired after 1/1/2011) of Final Average Earnings (FAE) times years and completed months of service (maximum service is 30 years).<br><br>Type of Final Average Earnings. Highest 4 (5 for Dispatchers) consecutive years out of the last 10 years. Final year is annualized.   |
| General employees hired on or after October 10, 2003 are no longer eligible to participate in the Defined Benefit Plan. Dispatch employees hired after February 16, 2010 are no longer eligible to participate in the Defined Benefit Plan. |  |
| <b>MINIMUM PENSION</b>  |  |
| Police and Fire employees hired before 1/1/2011 and retiring directly from Township service.  | The difference between (i) and (ii), where (i) is 2-3/4% of FAE times service for payments until Social Security age, and 2-1/4% of FAE times service for payments after Social Security age; and (ii) is the amount of the level life annuity that could be purchased at retirement by the member's balance in the defined contribution plan. Service includes years and completed months. The maximum pension is 80% of FAC. |
| <b>REDUCED EARLY RETIREMENT</b>   |  |
| Within 5 years of normal retirement age.  | Normal or minimum pension reduced for early commencement.  |
| <b>DEFERRED RETIREMENT</b>  |  |
| Benefit begins at normal retirement age.  | Computed as regular retirement based on service and final average compensation at time of termination multiplied by the vesting percent.   |
| General Office Non-Union and Parks and Recreation members.  | Required service:<br>6 years, with vesting percent 100% at 6 years.  |
| General Office Union, Water/Sewer, and Dispatch members.  | 8 years, with vesting percent 100% at 8 years.   |
| All Others.   | 6 years, with vesting percent equal to 20% per year of service over 5, not to exceed 100%.   |

## BRIEF SUMMARY OF PLAN PROVISIONS (CONCLUDED)

| Eligibility  | Amount  |
|--|---|
| <b>DUTY DEATH-IN-SERVICE</b>                                     |   |
| Police and Fire – no minimum age or service.                     | Survivor pension to spouse equal to the greater of 66-2/3% of base wage or full pension benefit.  |
| <b>NON-DUTY DEATH-IN-SERVICE</b>                                 |   |
| General employees – age 50 with 10 or more years of service.     | Survivor pension to the spouse equal to 50% (66-2/3% for Police and Fire) of the accrued pension, reduced if the spouse is more than 5 years younger than the member. Also paid for death after vested termination. |
| Police and Fire – 10 or more years of service.                   |   |
| <b>DISABILITY (POLICE AND FIRE ONLY)</b>                         |   |
| Duty related disablement with Worker’s Compensation award.       | Until normal retirement age, 66-2/3% of FAE less Worker’s Compensation and disability insurance. At normal retirement age, normal pension including service for disablement period. One year wait period.           |
| <b>ANNUAL ADJUSTMENT AFTER RETIREMENT</b>                        |   |
|  | Yearly change in the cost-of-living, maximum (+/-) 3% per year. For Police and Fire employees - the percentage is applied to the regular pension, not the minimum amount.   |
| <b>MEMBER CONTRIBUTIONS<sup>(1)</sup></b>                        |   |
| Police and Fire.   | 5%.   |
| Dispatchers (Hired before February 16, 2010).                    | 5%.   |
| General and Water/Sewer employees hired before October 10, 2003. | 1%.   |
| Parks and Recreation.  | None.   |

<sup>(1)</sup> Employees are not entitled to an interest credit on their member contributions.

*Unless otherwise noted, “General” description includes Parks and Recreation.*