

City of Madison Heights
Police and Fire Employees Retirement System
Summary Annual Report to Members
June 30, 2015



Dear Retirement System Member:

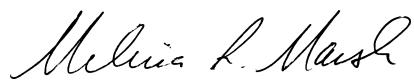
The Retirement System, which is managed by the Retirement Board, is designed to help you meet your financial needs should you become disabled, retire or die.

The Retirement Board's fiduciary responsibility to you is to supervise the general administration of the System and invest its assets. Our 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 System and how it operates. This report has been formatted to comply with the reporting requirements of PA 347 of 2012.

We hope you will find it useful and informative. However, a summary report cannot cover all details of the System which is governed by the provisions of Michigan Public Act 345, collective bargaining agreements, and the Retirement Board's official rules and regulations. Additional information about the System and its financial operations is available in the Finance Office.

Respectfully submitted,


Melissa L. Marsh
Secretary
City of Madison Heights Police and Fire Employees Retirement System

FY 2014-15 Board Members

Jeff Geralds, Chairman
Council Appointee
Corey Haines, Trustee
Police Department Representative
Kevin Powers, Trustee
Fire Department Representative
Melissa Marsh, Secretary
Deputy City Manager – Admin.
Mitch Namie, Trustee
Council Appointee

Investment Consultant

Brian Green
Graystone Consulting

Custodial Bank

PNC Bank

Investment Managers

CRM
First Eagle
iShares
JP Morgan
PNC Institutional Investments
Templeton Funds
Vanguard
Wentworth Hauser Violich

Actuaries

Gabriel, Roeder, Smith & Co.

Attorney

Sherman & Sherman

Auditor

Plante Moran

Summary Results of Actuarial Valuation

Your Retirement System's financial objective is to establish and receive contributions that will remain approximately level from year-to-year and will not have to be increased for future generations of taxpayers. Contribution levels are expressed in terms of percent of the City's active member payroll, and provide for the payment of the required employer contribution in compliance with Section 20m of Michigan Public Act 314 as amended.

To determine an appropriate employer contribution level for the ensuing year and to gauge how the System's funding is meeting this financial objective, an independent firm of actuaries and employee benefits consultants, Gabriel, Roeder, Smith and Company, conducts an annual actuarial valuation. 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 most recent valuation, June 30, 2014, based on the established financial objectives, are summarized below. The valuation as of June 30, 2015 is not available until approximately February 2016 and is used to set the rates for FY 2016-17. The report will be made available on the City's website at that time with a presentation at the Police and Fire Pension Board Meeting.

Membership

For members hired after July 1, 2009 the multiplier was reduced from 2.8% to 2.5% ; no other benefit changes have been implemented resulting in a Defined Benefit plan that remains open. As of June 30, 2015 there were 76 active employee members in the plan. During this same period there were 124 retirees and beneficiaries receiving benefits from the plan with an average retirement allowance of \$35,489. Total annual retirement allowances were \$4,400,648.

Contributions

As of June 30, 2014 the valuation payroll was \$5,561,732 with the employer normal cost being 11.79% of payroll and total contributions rate as a percentage of payroll at 24.99%. The Board of Trustees has confirmed that the System has received the required employer contribution for the current year in the amount of \$1,588,802. Total accrued liabilities for the plan are \$67,745,324 with unfunded portion equaling \$19,678,024; resulting in the fund being 71.0% funded.

During the year plan members also contribute to the plan at 8.9% of pay for Firefighters; 8.9% for Fire Command, 9.17% for Police Command; 9.17% for Police and 11.91% of pay for Police and Fire Department Heads. Total amount funded during the 2014 fiscal year \$549,025 and 2015 fiscal year \$501,899.

Assumptions

The actuary calculated the contribution requirements and benefit values of the System by applying actuarial assumptions. These valuation assumptions were as follows:

Rate of investment return	7.5% a year, compounded annually
Rate of long-term wage inflation	5.5% annually, (step, overtime, longevity, general increases)
Rate of membership growth	0.0%
Actuarial cost method	Individual entry-age actuarial cost method
Asset valuation method	4-Year Smoothed Market
Amortization method	Level percent-of-payroll
Amortization period	30 Years open
Funded Ratio	71.0%

Summary Results of Current Asset Information

Balance Sheet as of June 30, 2015
Fund 732 - Police And Fire Retirement

GL Number	Description	Balance at June 30, 2014	Balance at June 30, 2015
** Assets**			
732-000-0011-000	Claim On Cash	30,952	0
732-000-0560-100	Accrued Interest Receivable	192,811	185,392
732-000-1200-100	Money Market Fixed 88664	84,645	142,589
732-000-1200-106	Money Market Admin 91429	1,106,060	598,360
732-000-1200-109	Money Mkt PNC Lcg 88698	64,596	61,450
732-000-1200-111	Money Market - Wentworth 88680	179,699	211,671
732-000-1202-100	Gov't Securities Fixed 88664	5,472,203	4,114,813
732-000-1203-100	Gov't Agency 88664	653,063	0
732-000-1204-100	Corp. Bonds Fixed 88664	4,968,390	3,982,546
732-000-1205-100	Mortgage Backed Sec. Fixed 88664	0	727,769
732-000-1207-109	Common Stock 4787-2 Allegnt Lcg 88698	6,273,221	5,693,740
732-000-1207-111	Common Stock Wentworth 88680	4,623,228	3,640,987
732-000-1212-107	Mutual Funds M/F Cust 88703	25,515,208	26,083,527
732-000-1820-000	Employee Contribution Rec	69,941	36,012
732-000-1821-000	Employer Contribution Rec	195,476	223,659
732-000-1822-000	Employer Rec-Admin Charges	255,710	219,696
Total Assets		49,685,203	45,922,212
Fund Balance			
732-000-3832-000	Reserve For Employee Contrib	8,040,221	7,759,769
732-000-3833-000	Reserve For Employer Contrib	13,667,011	9,023,218
732-000-3834-000	Reserve For Retiree Annuity	27,947,191	29,139,055
Total Fund Balance		49,685,203	49,644,533
Beginning Fund Balance			
		45,451,011	49,654,422
Net of Revenues VS Expenditures		4,203,411	(3,732,210)
Fund Balance Adjustments		0	0
Ending Fund Balance		49,654,422	45,922,212
Total Liabilities And Fund Balance		49,654,422	45,922,212

Investment Performance net of fees on a rolling calendar year are as follows:

1 Year **-0.44%** 3 year 6.60% 5 year 6.28% 7 year 2.83% 10 year 3.04%

Fiscal Year 2015-16 Projected Budget

Revenues:	FY 2014-15 Actual	FY 2015-16 Budget
Member's contributions	\$ 501,899	\$ 515,000
Employer's contributions	1,408,153	1,638,830
Investment Income	(184,707)	3,444,166
Total Revenues	\$1,725,345	\$ 5,597,996
Expenditures:		
<u>Benefit Payments</u>		
Pension payments	\$ 4,688,700	\$ 4,700,780
Refund of Member contributions	978,759	851,000
Retiree health insurance	137,650	150,000
Total Benefit Payments	5,805,109	5,701,780
<u>Contracted Services</u>		
Legal Services	3,064	3,500
Actuarial Services	34,383	34,350
Auditing Services	9,194	9,200
Total Contracted Services	46,641	47,050
<u>Administrative expenses</u>		
Pension Administration	185,726	185,000
Investment expenses	219,696	220,750
Travel	0	1,000
Conferences and Workshops	65	1,250
Memberships and Dues	160	160
Total Administrative	405,647	408,160
Total Expenditures	\$ 6257,397	\$ 6,156,990
Net Revenues over/(under) expenditures	\$ (4,532,052)	\$ (558,994)