

BRIEF SUMMARY OF BENEFIT PROVISIONS

Benefit	Eligibility	Amount*
Regular Retirement		
25 or more years of service regardless of age, or age 60 regardless of service.		Straight life pension = 2.8% of 3 yr final average compensation (FAC) times first 25 yrs of service plus 1% of FAC times yrs of service in excess of 25 yrs.
Members hired after 7/1/2009 – Age 55 with 25 years of service.		Straight life pension = 2.5% of 3 yr FAC, base wage only, times first 25 yrs of service plus 1% of FAC times yrs of service in excess of 25 yrs.
Deferred Retirement	10 or more years of service.	Computed as service retirement but based upon service, FAC and benefit in effect at termination of employment. Benefit begins at date retirement would have occurred had member remained in employment.
Death After Retirement Survivor's Benefit		Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.
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.		
Non-Duty Death Survivor's Benefit		Accrued straight life pension actuarially reduced in accordance with an Option I election.
Payable to a surviving spouse, if any, upon the death of a member with 20 or more years of service.		Same amount that was paid by Workers' Compensation.
Duty Death Survivor's Benefit		
Payable upon the expiration of Workers' Compensation to the survivors of a member who died in the line of duty.		
Non-Duty Disability		To Age 55: 1.5% of FAC times yrs of service.
Payable upon the total and permanent disability of a member with 5 or more years of service.		At Age 55: Same as Service Retirement Pension with actual yrs of service worked.
Duty Disability		To Age 55: 50% of FAC.
Payable upon the total and permanent disability of a member in the line of duty.		At Age 55: Same as Service Retirement Pension with service credit from the date of disability to age 55.

* Reduced optional forms of payment are also available to provide a benefit for an eligible survivor other than a spouse.

City of Madison Heights Policemen and Firemen Retirement System

SUMMARY ANNUAL REPORT TO MEMBERS JUNE 30, 2012

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. We hope you will find it useful and informative. However, a summary report cannot cover all the 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 operation is available in the Finance office.

Respectfully submitted,

The Retirement Board

City of Madison Heights Policemen and Firemen Retirement System

Jeff Geralds, Chairman
Council Appointee
Corey Haines, Trustee
Police Department Representative
Kevin Powers, Trustee
Fire Department Representative
Melissa Marsh, Secretary
Asst. City Manager - Administration
Mitch Namie, Trustee
Council Appointee

Investment Fiduciaries
Alger
CRM
First Eagle
Hussman
PNC Institutional Investments
Templeton Funds
Tradewinds
Wentworth Hauser Violich

Financial Advisor
Brian Green, Graystone Consulting

Actuaries
Gabriel, Roeder, Smith & Company

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 percents 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 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 most recent valuation, based on the established financial objective, are summarized below:

Contribution Rates as a Percentage of Active Member Payroll for Fiscal Year Beginning July 1, 2012

Contributions for	
Normal Cost of Benefits	
Total	21.32%
Member portion	<u>8.55</u>
Employer portion	12.77
Amortization of unfunded liability	9.95
Required Employer Rate	22.72%
Retiree Health Insurance Payments	24.96%
Administrative & Investment Expenses	6.94%
Funded Status	\$ in Millions
• Actuarial accrued liabilities	\$65.4
• Applied assets	\$51.4
• % funded	78.5%

Actuary's Opinion

It is the actuary's opinion that the required contribution rates determined by the most recent actuarial valuation are sufficient to meet the System's financial objective, presuming continued receipt of required contributions when due.

SUMMARY OF CURRENT ASSET INFORMATION

Revenues & Expenditures

Market Value - July 1, 2011 \$50,159,010

Revenues

Members' contributions	\$529,413
Employer's contributions	1,670,441
Investment income	(1,533,810)
Retiree health insurance	1,362,470
Administrative & investment contributions	<u>(242,560)</u>
Total	\$1,785,954

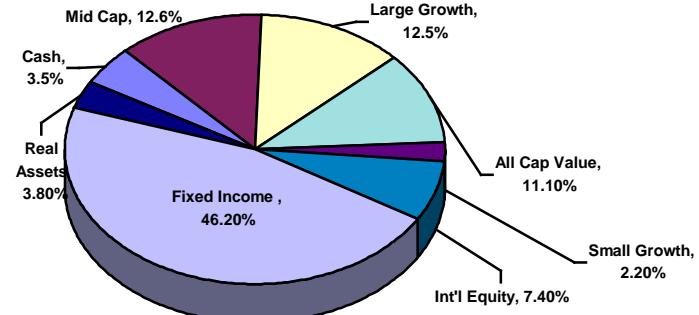
Expenditures

Benefit payments	\$3,930,752
Refund of member contributions	1,165,384
Retiree health insurance	1,362,470
Administrative & investment expenses	<u>187,023</u>
Total	\$6,645,628

Market Value - June 30, 2012 \$45,299,336

The Board of Trustees has confirmed that the System has received the required employer contribution for the year shown above.

Investments



The nominal rate of return for the year ended June 30, 2012 was -3.681%, net after expenses. The rate applies to member assets 3.5%.