

**City of Madison Heights
Police and Fire Employees Retirement System
Summary Annual Report to Members
June 30, 2014**



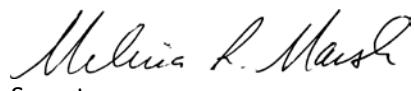
Dear Retirement System Member:

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. You will notice that the format of this report has changed significantly from last year to this year. This was done in order to comply with new 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,


Secretary
City of Madison Heights Police and Fire Employees Retirement System

FY 2013-14 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, 2013, based on the established financial objectives, are summarized below. The valuation as of June 30, 2014 is not available until approximately February 2015. The report will be made available at that time.

Membership

While the multiplier has been reduced for new hires, no other benefits changes have been implemented resulting in a Defined Benefit plan that remains open. As of June 30, 2013 there were 72 active employee members in the plan. During this same period there were 120 retirees and beneficiaries receiving benefits from the plan with an average retirement allowance of \$34,808. Total annual retirement allowances were \$4,177,010.

Contributions

As of June 30, 2013 the valuation payroll was \$5,867,119 with the employer normal cost being 10.76% of payroll and total contributions rate as a percentage of payroll at 27.82%. The Board of Trustees has confirmed that the System has received the required employer contribution for the current year in the amount of \$1,711,368. Total accrued liabilities for the plan are \$67,929,700 with unfunded portion equaling \$20,237,949; resulting in the fund being 71.0% funded.

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 2013 fiscal year \$534,290 and 2014 fiscal year \$549,025.

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, 2014

Fund 732 - Police And Fire Retirement

GL Number	Description	Balance at June 30, 2013	Balance at June 30, 2014
** Assets**			
732-000-0011-000	Claim On Cash	98	30,952
732-000-0560-100	Accrued Interest Receivable	190,379	192,811
732-000-1200-100	Money Market Fixed 88664	418,731	84,645
732-000-1200-106	Money Market Admin 91429	402,423	1,106,060
732-000-1200-109	Money Mkt Allegnt Lcg 88698	93,161	64,596
732-000-1200-111	Money Market - Wentworth 88680	277,437	179,699
732-000-1202-100	Gov't Securities Fixed 88664	7,751,278	5,472,203
732-000-1203-100	Gov't Agency 88664	1,116,526	653,063
732-000-1204-100	Corp. Bonds Fixed 88664	6,597,108	4,968,390
732-000-1205-100	Mortgage Backed Sec. Fixed 88664	241,922	0
732-000-1207-109	Common Stock 4787-2 Allegnt Lcg 88698	6,381,769	6,273,221
732-000-1207-111	Common Stock Wentworth 88680	3,527,922	4,623,228
732-000-1212-107	Mutual Funds M/F Cust 88703	18,016,541	25,515,208
732-000-1820-000	Employee Contribution Rec	39,435	69,941
732-000-1821-000	Employer Contribution Rec	170,940	195,476
732-000-1822-000	Employer Rec-Admin Charges	225,341	255,710
Total Assets		45,451,011	49,685,203
Fund Balance			
732-000-3832-000	Reserve For Employee Contrib	7,838,993	8,040,221
732-000-3833-000	Reserve For Employer Contrib	8,910,148	13,667,011
732-000-3834-000	Reserve For Retiree Annuity	28,701,870	27,947,191
Total Fund Balance		45,451,011	49,685,203
Beginning Fund Balance			
	Net of Revenues VS Expenditures	45,299,335	45,451,011
	Fund Balance Adjustments	151,676	4,203,411
	Ending Fund Balance	0	0
Total Liabilities And Fund Balance		45,451,011	49,654,422
		45,451,011	49,654,422

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

current YTD 3.65% 1 Year 15.10% 3 year 5.44% 5 year 8.01% 7 year 2.87% 10 year 3.45%

Fiscal Year 2014-15 Projected Budget

Revenues:	FY 2013-14 Actual	FY 2014-15 Budget
Member's contributions	\$ 549,025	\$ 545,000
Employer's contributions	2,105,693	2,475,000
Investment Income	6,943,979	6,450,000
Total Revenues	\$ 9,598,697	\$ 9,470,000
Expenditures:		
<u>Benefit Payments</u>		
Pension payments	\$ 4,311,785	\$ 4,500,000
Refund of Member contributions	544,552	450,000
Retiree health insurance	1,088,558	1,215,500
Total Benefit Payments	4,964,895	6,165,500
<u>Contracted Services</u>		
Legal Services	450	1,500
Actuarial Services	10,755	17,500
Auditing Services	10,368	10,500
Total Contracted Services	21,573	29,500
<u>Administrative expenses</u>		
Pension Administration	165,160	165,000
Investment expenses	255,704	230,000
Travel	378	2,500
Conferences and Workshops	150	1,250
Memberships and Dues	750	160
Total Administrative	443,715	398,910
Total Expenditures	\$ 5,408,610	\$ 6,992,820
Net Revenues over/(under) expenditures	\$ 4,190,087	\$ 2,477,180