

Waterford Township Policemen and Firemen Retirement System
Summary Annual Report - December 31, 2014

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 Boards'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, 2014 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.

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
World Asset Management
Hamlin Capital
WHV International
Research Affiliates
Vanguard
Loomis Sayles
Franklin Templeton
JP Morgan
American Realty
Intercontinental Real Estate
Penn Square Real Estate
Bloomfield Capital
McMorgan

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

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Changes in Plan Net Assets		Average Annual Market Rate of Return	
	12/31/2014	<i>Period Ending December 31, 2014</i>	
Additions		1 Year	5.88%
Contributions		3 Years	11.91%
Employer	\$ 3,386,289	5 Years	10.79%
Plan members	446,148	7 Years	5.76%
Total	3,832,437	10 Years	7.20%
Investment Income	5,093,530		
Total Additions	8,925,967		
Deductions:		Detailed Expenses	
Benefits Paid	\$ 5,711,969	Administrative	\$ 15,544
Refund of Contributions	-	Investment	434,264
Expenses	560,067	Professional	12,900
Total Deductions	6,272,036		
Net Increase	2,653,931	Projected Expenses for Next Fiscal Year	
Net assets held in Trust Fund at Fair Value:		Administrative	\$ 17,098
Beginning of Year	\$ 85,450,868	Investment	477,690
End of Year	\$ 88,104,799	Professional	14,190
Actuarial Value of Assets	\$ 84,465,043		

Funded Status - Pension Benefits	
Actuarial Accrued Liabilities	\$103,597,715
Actuarial Value of Assets	84,465,043
Percent Funded	81.5%
Contributions for the Fiscal Year Ending December 31, 2016	
Valuation Payroll (12/31/2014)	\$7,890,938
Employer Normal Cost	18.03%
Total Employer Contribution	40.36%
Employee Contribution	5.66%
Computed Employer Dollar as of 12/31/2016	\$3,188,351
Annual Required Contribution as of December 31, 2014	\$3,386,289
Actual Employer Contribution	\$3,386,289
Percent Contributed	100%
Plan Membership	Actuarial Assumptions
Active Member	<i>Assumed Rate of Investment Return</i>
Count	7.0%
Valuation Payroll	
\$7,890,938	<i>Assumed Rate of Long-term Wage Inflation</i>
Retirees/Beneficiaries	4.0%
Count	
128	<i>Smoothing Method for Actuarial Value of Assets</i>
Total Annual Benefits	4-year smoothed market
\$5,238,016	80%/120% Corridor
Average Annual Benefit	
\$40,922	<i>Amortization Method and Period</i>
Deferred Vested Members	Closed, level dollar
Count	20 years remaining
3	
Total Annual Benefits	<i>Actuarial Cost Method</i>
\$91,027	Entry age actuarial cost method

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Eligibility	Amount
Service Retirement	
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 between January 1, 2004 and November 1, 2014; 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.
Covered Compensation	
<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.	
Deferred Retirement	
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.	
Death After Retirement Survivor's Pension	
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.
Non-Duty Death-In-Service Survivor's Pension	
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.
Duty Death-In-Service Survivor's Pension	
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.
Duty Disability	
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.
Non-Duty Disability	
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.
Member Contributions	
<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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Eligibility	Amount
Post-Retirement Benefit Increases	
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.
Service Purchases	
<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.	
 <i>All Others:</i> 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	
Police Officers and Police Supervisors hired prior to November 1 2014, participate in this plan. Police Officers hired on or after November 1, 2014 participate in a different 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.	