

Waterford Township Employees Retirement System

Summary Annual Report - December 31, 2013

Introduction

Dear Retirement System Member:

The Retirement System, which is managed by the Pension Committee, is designed to help you meet your financial needs should you become disabled, retire, or die. *The Township also supports a Retiree Health Insurance Program, which is separate from the Retirement System.*

The Pension Committee's responsibility is to supervise the general administration of the System and its assets. Our Committee 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 Pension Committee'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, 2013 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 in sound financial condition in accordance with the actuarial principles of level dollar financing presuming continued timely receipt of contributions.

Plan Information

Board of Trustees

Derek Diederich, Committee Chairperson
Margaret Birch, Township Treasurer
Andrew Mutch, Employee Member
Shirley Barnett, Citizen Member
William Flury, Citizen Member

Investment Consultant

Wells Fargo Advisors

Investment Managers

Luther King Capital Management
Victory Capital Management
CS McKee, L.P.
State Street Global Advisors
Ridgeworth/Seix Investment Advisors
StepStone Group LP
Mesirow Financial Institutional Real Estate (MFIRE)

Plan Administrator

Waterford Township General Pension Committee

Actuary

Gabriel Roeder Smith & Company

Auditors/Accountants

Plante Moran

Legal Counsel

Sullivan, Ward, Asher & Patton

Custodial Bank

Comerica Bank

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Brief Summary of Benefit Provisions

| Eligibility | Amount |
|--|---|
| Regular Retirement | |
| Management, Elected Officials before January 1, 1999 (Court Supervisors before April 1, 2002): Sum of age and credited service equals 75 or more, age 55 with 25 years of service or age 60 with 5 years of service. | Management, Court Supervisors, Elected Officials, Dispatchers and CSI: Straight life pension equals total service times 2.5% of final average salary (FAS). Management, Court Supervisors, Elected Officials hired on or after January 1, 1999 and CSI have a maximum benefit of 75% of FAS. |
| Dispatchers: 25 years of service regardless of age, or age 60 with 8 years of service. | Teamsters hired on or prior to July 1, 2006: Straight life pension equals total service times 2.375% of FAS. |
| Crime Scene Investigators (CSI): 25 years of service regardless of age, or age 60 with 10 years of service. | All Others: Straight life pension equals total service times 2.25% of FAS. CSO has a maximum benefit of 75% of FAS. |
| All Others: Age 55 with 25 years of service, or age 60 with 8 years of service. Community Service Officers (CSO) may also retire with 30 years of service regardless of age. | Type of final average salary (FAS): Highest 3 years out of the last 5 years of service. CSI: Highest 3 years out of the last 10 years of service. |
| Deferred Retirement | |
| 8 or more years of service (5 years for Management & Administrative before January 1, 1999 and Court Supervisors before April 1, 2002). Benefit begins at age 60 (55 with 25 or more years of service at time of termination). | Computed as a regular retirement but based upon service and final average salary at termination date. |
| CSI: Benefit begins at the date retirement would have occurred had the member remained in employment. | |
| Non-Duty Death-In-Service Survivor's Pension* | |
| Payable to the survivors of a member who dies with 10 years of service. | Pension payable to surviving spouse, computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election. |
| Duty Death-In-Service Survivor's Pension* | |
| Payable to survivors of a member who died as a result of a job related injury. No age or service requirements. | Upon termination of worker's compensation the same amount is continued to widow or dependent, widower and unmarried children under 18 years old. |
| Non-Duty Disability* | |
| Payable upon the total and permanent disability of a member with 10 or more years of service. | Computed as a regular retirement with a minimum benefit of 10% of final average salary at time of disability. |
| Duty Disability* | |
| Payable upon the total and permanent disability of a member as a result of a job related injury. No age or service requirements. Must be in receipt of worker's compensation. | Computed as a regular retirement with a minimum benefit of 10% of FAS. Based on service and FAS at time of disability. |
| Member Contributions | |
| Dispatchers and CSI | 5.00% of annual earnings. Annuity withdrawal based on ML Bond index. |
| Township Contributions | |
| | Actuarially determined amounts which, are sufficient to cover both (i) normal costs of the plan, and (ii) financing of unfunded accrued benefit values over a selected period of future years. |

* Death and disability benefits for CSI members are the same as those for Police members in the Waterford Township Policemen and Firemen Retirement System.

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Compensation

Covered compensation includes base pay plus longevity pay (Overtime is included for Crime Scene Investigators).

Participation

Full-time employees of the township not covered by the Act 345 plan participate in WTERS except firefighters. However, members hired after the dates below are not eligible to participate and are, instead, covered by a separate defined contribution plan.

| Members of | Hire Date |
|-------------------|------------------|
| Mgmt / Elected | 1/1/2005 |
| Court | 1/1/2005 |
| Dispatch | 7/1/2006 |
| Teamster | 7/1/2006 |

Deferred Retirement Option Program (DROP)

Employees in the Dispatch Union are eligible to participate in the DROP.

Effective January 1, 2008, any member of the Waterford Township Dispatchers Association hired on or before June 30, 2006 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. 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 continue during the DROP period. Upon exit from the DROP, the original monthly amount established upon entry in the DROP continues in addition to any other benefits or adjustments. Member contributions made during the DROP period are added to the DROP account.