
City of Westland Policemen and Firemen Retirement System

Summary Annual Report to Members for Period Ending June 30, 2017

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 City also supports a Retiree Health Insurance Program, which is separate from the Retirement System.**

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 cannot cover all the details of the System, which is governed by the provisions of the City's charter, the City's retirement ordinance, 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 City Treasurer's office.

Respectfully submitted,

Retirement Board

City of Westland Policemen and Firemen Retirement System

- Steven J. Smith, Board President
- Robert Bianconi, Trustee
- Andrew Buck, Fire Member
- Kyle Dawley, Police Member
- Michael Reddy, Trustee

Investment Consultant

- Morgan Stanley Graystone

Plan Administrator

- Lisa Eggers

Custodial Bank

- Comerica Bank

Actuaries and Consultants

- Gabriel, Roeder, Smith & Company

Auditors/Accountants

- Plante & Moran

Legal Counsel

- Van Overbeke, Michaud & Timmony, P.C.

Medical Director

- Exam Works, Inc.

Investment Managers

- Blackstone
- Black Rock iShares
- Brandywine Global Investment Management
- Edgewood Management
- Entrust
- Franklin Templeton Investments
- HGK Asset Management
- Intercontinental Real Estate Corporation
- JP Morgan
- Lazard Asset Management
- Loomis Sayles & Company
- McMorgan Infrastructure
- Penn Square Global Real Estate Fund
- Santa Barbara Asset Management
- Seizert Capital Partners
- Seminole Advisory Services
- Vanguard

Summary Results of the Actuarial Valuation

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 requirements are established in a manner that is designed to keep those amounts approximately level from year to year. Contribution levels 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 an appropriate Employer contribution level for the ensuing 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 June 30, 2017 valuation, based on continuing the established funding objective, are summarized below:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	21 years, closed
Asset Valuation Method	5-year smoothed market; 80%/120% corridor
Valuation Payroll	\$11,787,821
Annual Pensions Paid	\$15,188,992
Average Annual Pensions Paid	\$ 55,232
Retirees and Beneficiaries Receiving Benefits	275
Terminated Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	<u>149</u>
Total	426
Principal Actuarial Assumptions:	
– Net Investment Return	7.25%
– Projected Salary Increases	3.25% - 7.25%
– Assumed Rate of Payroll Growth	3.25%
– Assumed Rate of Membership Growth	0%
– Cost-of-Living Adjustments	One-time adjustment of 5% after 6 years of retirement for Police Patrol Officers and Police Command hired before June 30, 2014, and Fire before November 1, 2014.

Fiscal Year 2018-2019 Employer Contribution Rates as a Percentage of Active Member Payroll

Contributions for		Funded Status	\$ Millions
Normal Cost of Benefits			
Total	27.37%	Actuarial Accrued Liabilities	\$226.9
Member Portion	(4.79)%	Valuation Assets (Smoothed Market Value)	\$159.2
Employer Portion	<u>22.58%</u>	% Funded	70.2%
Unfunded Actuarial Accrued Liability	<u>37.88%</u>		
Estimated Contribution Rate	60.46%		
Estimated Dollar Contribution	\$ 7,597,694		

Actuary's Opinion

It is the actuary's opinion that the contribution amounts recommended in the most recent actuarial report are sufficient to meet the System's financial objective.

Summary of Current Asset Information

Revenues & Expenditures

2016-2017

Market Value - July 1	\$145,712,096
Revenues	
Member Contributions	621,949
Employer Pension Contributions	6,879,391
Employer Health Contributions	4,378,473
Net Investment Income	<u>21,611,945</u>
Total	33,491,758
Expenditures	
Benefit Payments	15,262,150
Refund of Member Contributions	8,955
Health Care Premiums	<u>4,378,473</u>
Total	19,649,578
Market Value - June 30	\$159,554,276

Investment Performance (Net of Fees) Calendar Year Basis*

1-Year	16.03%
3-Year	7.18%
5-Year	8.56%
7-Year	7.50%
10-Year	4.56%

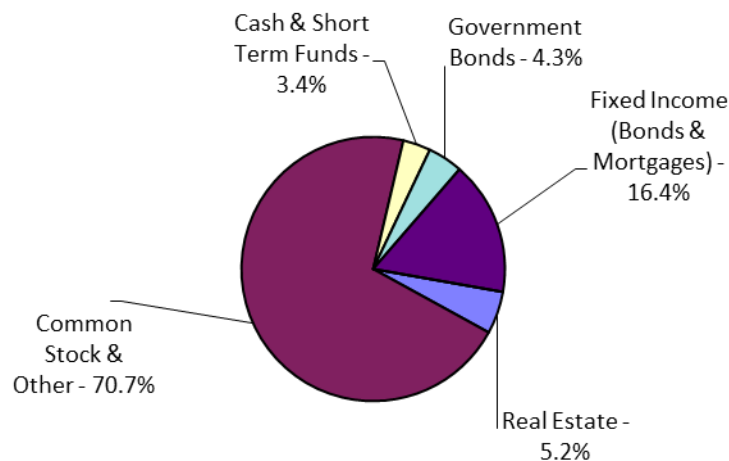
* Beginning calendar year 2017.

Projected Expenses for 2016-2017

Administrative	\$ 26,000
Investment	875,000
Professional	<u>200,000</u>
	\$1,101,000

The Board of Trustees has confirmed that the employer contributions shown above represent the required employer contribution for the year covered.

Investments



The market rate of return on System assets net of expenses for the year ended June 30, 2017 was 15.2%.

Brief Summary of Primary Benefit Provisions

Service Retirement

Group	Eligibility		Benefit Formula			AFC Years (Average Final Compensation)	Covered Compensation in AFC	Member Contribution Rate	
	Age	Service	Multiplier x Service		Multiplier x Service				
Police									
Tier 1: hired prior to 1/1/2010	-	25	2.80%	first 30	+ 1.00%	over 30	3 out of last 10	*	5.00%
Tier 2: hired 1/1/2010 through 6/30/2014	-	25	2.80%	first 30	+ 1.00%	over 30	3 out of last 10	Base, Overtime	5.00%
Tier 3: hired after 6/30/2014	50	25	1.75%	for all years of service			5 out of last 10	Base	3.00%
Police Command									
Tier 1: hired prior to 1/1/2010	-	25	2.80%	first 30	+ 1.00%	over 30	3 out of last 10	*	5.00%
Tier 2: hired 1/1/2010 through 6/30/2014	-	25	2.80%	first 30	+ 1.00%	over 30	3 out of last 10	Base, Overtime	5.00%
Tier 3: hired after 6/30/2014	50	25	1.75%	for all years of service			5 out of last 10	Base	3.00%
Fire									
Tier 1: hired prior to 1/1/2010	-	25	2.80%	until 11/1/2014	+ 2.50%	remaining years	3 out of last 10	*	5.00%
Tier 2: hired 1/1/2010 through 11/1/2014	-	25	2.80%	until 11/1/2014	+ 2.50%	remaining years	3 out of last 10	**	5.00%
Tier 3: hired after 11/1/2014	50	25	2.25%	for all years of service			5 out of last 10	Base	5.00%

* Base, pay in lieu of holiday, sick and/or vacation time, and other allowances may be included. See union contracts for specific allowances and limits.

** Base, overtime, and 240 hours of unused sick and/or vacation time.

Military service or Police or Fire service prior to employment may be purchased at one year credit for three years' worth of pension service credit.

Eligibility

Amount

Deferred Retirement

10 or more years of service.

Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

Death After Retirement Survivor's Pension

Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a regular retirement pension (or disability pension for Fire members) 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 10 or more years of service.

Accrued straight life pension actuarially reduced in accordance with an Option I election.

Duty Death-in-Service Survivor's Pension

Payable to a surviving spouse, if any, of a member who died in the line of duty. Payable for life of spouse.

Accrued straight life pension, assuming the member had accrued (at least) 25 years of service prior to death. Pension computed using base pay of a 25-year employee for WLSA, WPOAM, and WWFF.

Non-Duty Disability

Payable upon the total and permanent disability of a member with 5 or more years of service.

To Age 55: 1.5% of AFC times years of service.
At Age 55: Same as Service Retirement pension.

Duty Disability

Payable upon the total and permanent disability of a member in the line of duty.

Before Conversion: 85% of base pay.
After Conversion: Same as Service Retirement pension. Conversion occurs at date regular retirement would have occurred had member remained in active employment. Service credit granted for period on disability retirement.

Post-Retirement Increases

Police Patrol Officers retiring after July 1, 1990, and Firefighters and Police Command retiring after July, 1994:

One-time adjustment of 5% of monthly pension after completion of 6 years of retirement.

Police Patrol Officers and Police Command hired after June 30, 2014, and Fire hired after November 1, 2014:

None.

City Contributions

The City contributes 1% of pay for each Fire employee hired before 7/1/2007. These contributions may be withdrawn only if the employee is vested (a reduction may apply).

Annuity Withdrawal

Accumulated member contributions, (including interest and contributions made by the City), may be withdrawn at retirement with an actuarial reduction in the pension that would otherwise be payable.