
CITY OF WESTLAND POLICEMEN AND FIREMEN RETIREMENT SYSTEM

SUMMARY ANNUAL REPORT TO MEMBERS FOR PERIOD ENDING JUNE 30, 2015

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

- Robert Bianconi, Board President
- Steven J. Smith, Director of Finance
- 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

- Brandywine Global Investment Management
- Edgewood Management
- Entrust
- Franklin Templeton Investments
- Intercontinental Real Estate Corporation
- Loomis Sayles & Company
- Morgan Infrastructure
- Penn Square Global Real Estate Fund
- Santa Barbara Asset Management
- Seizert Capital Partners
- Seminole Advisory Services

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, 2015 valuation, based on continuing the established funding objective, are summarized below:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	19
Asset Valuation Method	5-year smoothed market; 80%/120% corridor
Valuation Payroll	\$10,114,775
Annual Pensions Paid	\$14,894,783
Average Annual Pensions Paid	\$ 54,163
Retirees and Beneficiaries Receiving Benefits	275
Terminated Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	<u>139</u>
Total	416
Principal Actuarial Assumptions:	
– Net Investment Return	7.5%
– Projected Salary Increases	4.0% - 8.0%
– Assumed Rate of Payroll Growth	4.0%
– Assumed Rate of Membership Growth	0%
– Cost-of-Living Adjustments	One-time adjustment of 5% after 6 years of retirement for Police Patrol & Command hired before 7/1/2014 and Fire hired before 11/1/2014.

Fiscal Year 2016-2017 Employer Contribution Rates as a Percentage of Active Member Payroll

Contributions for		Funded Status	\$ Millions
Normal Cost of Benefits			
Total	28.73%	Actuarial Accrued Liabilities	\$213.1
Member Portion	(4.92)%	Valuation Assets (Smoothed Market Value)	\$154.5
Employer Portion	<u>23.81%</u>	% Funded	72.5%
Unfunded Actuarial Accrued Liability	38.73%		
Estimated Contribution Rate	62.54%		
Estimated Dollar Contribution	\$ 6,841,964		

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

Investment Performance (Net of Fees)

2014-2015

Market Value - July 1	\$160,881,122
Revenues	
Member Contributions	326,793
Employer Pension Contributions	6,693,504
Employer Health Contributions	3,844,173
Net Investment Income	<u>3,318,245</u>
Total	14,182,715
Expenditures	
Benefit Payments	15,123,670
Refund of Member Contributions	0
Health Care Premiums	<u>3,844,173</u>
Total	18,967,843

1-Year	2.76%
3-Year	10.19%
5-Year	10.25%
7-Year	5.12%
10-Year	6.53%

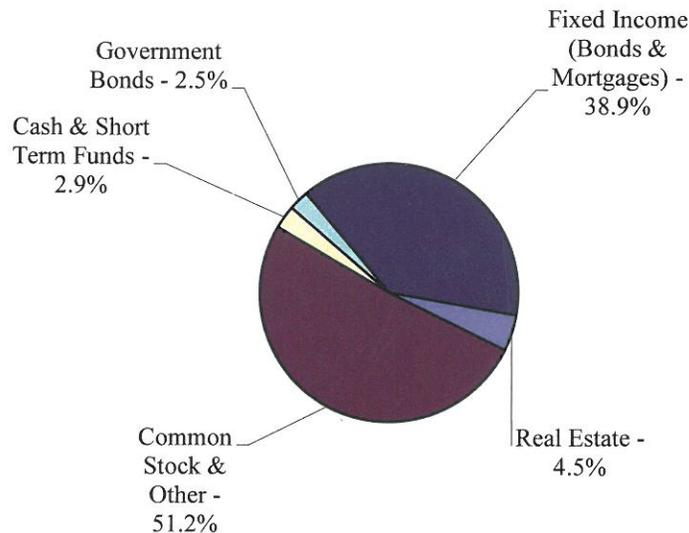
Projected Expenses for 2015-2016

Administrative	\$ 24,000
Investment	800,000
Professional	<u>200,000</u>
	\$1,024,000

Market Value - June 30 \$156,095,994

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, 2015 was 2.1%.

BRIEF SUMMARY OF PRIMARY BENEFIT PROVISIONS

ELIGIBILITY

STRAIGHT LIFE AMOUNT

SERVICE RETIREMENT

Group	Eligibility		Benefit Formula				AFC Years (Average Final Compensation)	
	Age	Service	Multiplier x Service		Multiplier x Service			
Police and Police Command:								
Hired before 6/30/2014	-	25	2.80%	first 30	+	1.00%	over 30	3 out of last 10
Hired after 6/30/2014	50	25	1.75%	for all years of service				5 out of last 10
Fire:								
Hired before 11/1/2014	-	25	2.80%	until 11/1/2014	+	2.50%	remaining years	3 out of last 10
Hired after 11/1/2014	50	25	2.25%	for all years of service				5 out of last 10

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.

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. For life of spouse or until remarriage of surviving 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 5-year officer for police officers. Pension computed using base pay of rank held for lieutenants and sergeants and firefighters.

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 and Command hired before 6/30/14 and Fire hired before 11/1/14.

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

MEMBER CONTRIBUTIONS

Police Patrol & Command hired after 6/30/14:
All Others:

3% of pay.
5% of pay.

CITY CONTRIBUTIONS

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

COMPENSATION

Base pay and other allowances may be included. See union contracts for specific allowances and limits.

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.