

**City of Madison Heights**  
**Police and Fire Employees Retirement System**  
**Summary Annual Report to Members**  
**June 30, 2013**

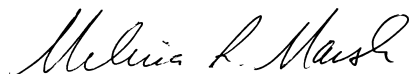
Dear Retirement System Member:

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 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 2012-13 Board Members**

Jeff Geraldts, 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

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 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, 2012, based on the established financial objectives, are summarized below:

### 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, 2012 there were 70 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 \$34,422. Total annual retirement allowances were \$4,130,655.

### Contributions

As of June 30, 2012 the valuation payroll was \$5,676,851 with the employer normal cost being 12.77% of payroll and total contributions rate as a percentage of payroll at 22.72%. The Board of Trustees has confirmed that the System has received the required employer contribution for the current year in the amount of \$1,338,104. Total accrued liabilities for the plan are \$67,929,700 with unfunded portion equaling \$20,237,949, resulting in the fund being 70.2% 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.

### 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	70.2%

### Summary Results of Current Asset Information

Balance Sheet as of June 30, 2013  
Fund 732 - Police And Fire Retirement

GL Number	Description	Balance
*** Assets ***		
732-000-0011-000	Claim On Cash	98
732-000-0560-100	Accrued Interest Receivable	190,379
732-000-1200-100	Money Market Fixed 88664	418,731
732-000-1200-106	Money Market Admin 91429	402,423
732-000-1200-109	Money Mkt Allegnt Lcg 88698	93,161
732-000-1200-111	Money Market - Wentworth 88680	277,437
732-000-1202-100	Gov't Securities Fixed 88664	7,751,278
732-000-1203-100	Gov't Agency 88664	1,116,526
732-000-1204-100	Corp. Bonds Fixed 88664	6,597,108
732-000-1205-100	Mortgage Backed Sec. Fixed 88664	241,922
732-000-1207-109	Common Stock 4787-2 Allegnt Lcg 88698	6,381,769
732-000-1207-111	Common Stock Wentworth 88680	3,527,922
732-000-1212-107	Mutual Funds M/F Cust 88703	18,016,541
732-000-1820-000	Employee Contribution Rec	39,435
732-000-1821-000	Employer Contribution Rec	170,940
732-000-1822-000	Employer Rec-Admin Charges	225,341
	Total Assets	45,451,011
*** Fund Balance ***		
732-000-3832-000	Reserve For Employee Contrib	7,838,993
732-000-3833-000	Reserve For Employer Contrib	8,910,148
732-000-3834-000	Reserve For Retiree Annuity	28,701,870
732-000-3900-000	Fund Balance	(151,676)
	Total Fund Balance	45,299,335
	Beginning Fund Balance	45,299,335
	Net of Revenues VS Expenditures	151,676
	Fund Balance Adjustments	0
	Ending Fund Balance	45,451,011
	Total Liabilities And Fund Balance	45,451,011

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

*current* 5.913%   **1 Year** -3.645%   **3 year** 6.107%   **5 year** 1.587%   **7 year** 2.462%   **10 year** 3.791%

**Fiscal Year 2013-14 Projected Budget**

<b>Revenues:</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Budget</b>
Member's contributions	\$ 534,290	\$ 535,000
Employer's contributions	2,367,724	2,475,000
Investment Income	2,798,640	2,800,000
<b>Total Revenues</b>	<b>\$ 5,700,654</b>	<b>\$ 5,810,000</b>
<b>Expenditures:</b>		
<b><u>Benefit Payments</u></b>		
Pension payments	\$ 4,153,844	\$ 4,300,900
Refund of Member contributions	365,515	388,500
Retiree health insurance	1,742,589	1,911,500
Total Benefit Payments	6,261,947	6,600,900
<b><u>Contracted Services</u></b>		
Legal Services	369	1,500
Actuarial Services	23,785	25,000
Auditing Services	5,456	5,500
Total Contracted Services	29,610	32,000
<b><u>Administrative expenses</u></b>		
Pension Administration	164,388	165,000
Investment expenses	225,341	230,000
Travel	-	2,500
Conferences and Workshops	-	1,250
Memberships and Dues	160	160
Total Administrative	389,889	398,910
<b>Total Expenditures</b>	<b>\$ 6,681,446</b>	<b>\$ 7,031,810</b>
<b>Net Revenues over/(under) expenditures</b>	<b>\$ (980,792)</b>	<b>\$ (1,221,810)</b>

