

City of Grosse Pointe Farms Employees Retirement System

Summary Annual Report

June 30, 2018

Dear Member:

The following is a summary of your Retirement System. Each year, an actuarial valuation is prepared to compare assets to liabilities. Assets are held and invested in a trust separate from other City assets. The only disbursements from this trust are to members who are retired or disabled, beneficiaries of members, members who receive contribution refunds, and for Retirement System expenses.

As Retirement Board Members, our tasks include making sure trust assets are invested prudently, required City and member contributions are received and that benefits are paid in accordance with the Retirement System's provisions.

Various professionals are hired to help in the administration of the System. They are listed in the column to the right.

The City is funding Retirement System benefits as they accrue in accordance with a sound level percent of payroll funding objective.

Respectfully submitted,

Board of Trustees
City of Grosse Pointe Farms Employees Retirement System

Board Members

Terry Brennan
Trustee

Kevin Broderick
Trustee

James Farquhar, Jr.
Trustee

Scott Homminga
Trustee

Joe Ricci
Trustee

Debra A. Peck, CPA
City Controller/Treasurer

Derrick Kozicki
Board Secretary

Shane L. Reeside
City Manager

Professional Advisors
Investment Fiduciaries

Charles Schwab
 Sheridan Road

Service Providers

Plante Moran, *Auditor*
 Rodwan Consulting Company, *Actuary*
 VanOverbeke, Michaud & Timmony, PC
Attorney

Actuarial Information Used for this Report:

1. 26 active members
2. 61 retirees/beneficiaries (and 6 deferred retirees)
3. Plan is closed to new hires
4. \$25,453 average annual pension benefit
5. \$1,476,290 annual pension payroll
6. \$1,758,022 valuation payroll used
7. Employer's normal cost of benefits: 10.91% - entry age cost method, not applicable for aggregate cost method
8. Employer's actual total contribution \$272,241
9. Member contribution rate: 6.0%
10. The required employer contribution for the fiscal year was received
11. 7.25% assumed rate of investment return
12. 4.0% assumed rate of long-term wage inflation
13. 4-year smoothing method used
14. Expected future working lifetime amortization period used
15. Method used is aggregate actuarial cost method
16. Aggregate cost method used
17. Funded ratio 100% under aggregate cost method, 94.3% under entry age normal cost method.

Investment Performance*

Combined Account	1 Year	3 Year	5 Year	7 Year	10 Year
	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>
	7.82%	7.04%	8.62%	8.73%	8.06%

*Fiscal year ending June 30, 2018(net of fees)

2018-2019 Projected Expenditures

Pension Payments/ Withdrawals: \$ 1,500,000
 Refund of Member Contributions: \$ 0
 Investment Fees: \$ 60,000
 Memberships/Training/Education/Travel: \$ 5,000
 Administrative Expenses: \$ 30,000

City of Grosse Pointe Farms Employees' Retirement System Summary Annual Report (cont.)

Actuarial Valuation Summary

Rodwan Consulting Company was hired to prepare the June 30, 2018 Actuarial Valuation. The funding objective of the System is to contribute a contribution that remains level from year to year as a percent of payroll. The actual level of contribution is dependent on past and assumed future experience, including investment performance, and benefit provisions. Below is a summary of the results:

Contribution Requirements

Actuarial Present Value of All Future Benefits:	\$28,653,315
Smoothed Valuation Assets:	24,067,029
Present Value of Future Member Contributions:	1,044,087
Unfunded Present Value of Benefits	4,586,486
Present Value of Future Pay	18,746,250
Computed Employer Contribution	338,785

Assets & Liabilities

Funded Status

Market Value of Assets	\$24,404,003
Valuation Assets	24,067,029
Actuarial Accrued Liability	25,513,442
Funded Ratio – Entry Age	94.4%

Actuary's Statement – The System is being funded based on sound actuarial assumptions, methods and level percent of payroll funding objective. For a complete analysis, please review the June 30, 2018 actuarial valuation.

Revenues & Expenditures

Beginning Balance (Market Value) – July 1, 2017	\$23,754,198
Revenues	
Employees' contributions	107,481
Employer contribution	272,241
Investment income	1,798,511
Adjustments	<u>0</u>
Total	2,178,233
Expenditures	
Pension payments	1,484,805
Refund of member contributions	0
Post-Retirement Health Insurance	0
Non-Investment Expense	43,621
Adjustments	<u>0</u>
Total	1,528,426
Ending Balance (Market Value) – June 30, 2018	\$24,004,003
Recognized Return on Smoothed Funding Value of Assets	6.66%

City of Grosse Pointe Farms Public Safety Retirement System

Summary Annual Report

June 30, 2018

Dear Member:

The following is a summary of your Retirement System. Each year, an actuarial valuation is prepared to compare assets to liabilities. Assets are held and invested in a trust separate from other City assets. The only disbursements from this trust are to members who are retired or disabled, beneficiaries of members, members who receive contribution refunds, and for Retirement System expenses.

As Retirement Board Members, our tasks include making sure trust assets are invested prudently, required City and member contributions are received and that benefits are paid in accordance with the Retirement System's provisions.

Various professionals are hired to help in the administration of the System. They are listed in the column to the right.

The City is funding Retirement System benefits as they accrue in accordance with a sound level percent of payroll funding objective.

Respectfully submitted,

Board of Trustees
City of Grosse Pointe Farms Public Safety Retirement System

Board Members

James Farquhar, Jr.
Trustee

Bryan Ford
Trustee

Conrad Koski
Trustee

Joe Ricci
Trustee

Richard Rosati
Trustee

Debra A. Peck, CPA
City Controller/Treasurer

Derrick Kozicki
Board Secretary

Shane L. Reeside
City Manager

Professional Advisors

Investment Fiduciaries

Charles Schwab
 Sheridan Road

Service Providers

Plante Moran, Auditor
 Rodwan Consulting Company, *Actuary*
 VanOverbeke, Michaud & Timmony, PC
Attorney

Actuarial Information Used for this Report:

1. 35 active members
2. 42 retirees/beneficiaries
3. Plan is open to new hires
4. \$41,727 average annual pension benefit
5. \$1,752,513 annual pension benefits payroll
6. \$2,992,371 valuation payroll used
7. Employer's normal cost of benefits: 22.99%
8. Employer's actual total contribution \$100,000
9. Weighted average member contribution rate: 8.99%
10. The required employer contribution for the fiscal year was received
11. 7.25% assumed rate of investment return
12. 4.0% assumed rate of long-term wage inflation
13. 4 year smoothing method used
14. 10 years amortization period used
15. Method used is level percent of payroll
16. Cost method is individual entry-age
17. Funded ratio 109.8% of accrued liability

Investment Performance*

Combined Account	1 Year	3 Year	5 Year	7 Year	10 Year
	7.63%	7.04%	8.62%	8.74%	8.10%

*Fiscal year ending June 30, 2018 (net of fees)

2018-2019 Projected Expenditures

Pension Payments/ Withdrawals: \$1,800,000
 Refund of Member Contributions: \$ 0
 Investment Fees: \$ 80,000
 Memberships/Training/Education/Travel: \$5,000
 Administrative Expenses: \$ 30,000

City of Grosse Pointe Farms Public Safety Retirement System Summary Annual Report (cont.)

Actuarial Valuation Summary

Rodwan Consulting Company was hired to prepare the June 30, 2018 Actuarial Valuation. The funding objective of the System is to contribute a contribution that remains level from year to year as a percent of payroll. The actual level of contribution is dependent on past and assumed future experience, including investment performance, and benefit provisions. Below is a summary of the results:

Contribution Requirements

Normal Cost of Benefits	
Total	29.56%
Member portion	6.57
Employer portion	22.99
Amortization of unfunded liability (10 years)	(14.00)*
Computed Employer Rate	8.99%

*Temporary Full Funding Credit.

Contribution rates are expressed as percents of eligible member payroll.

Assets & Liabilities

Funded Status

Market Value of Assets	\$40,799,559
Valuation Assets	40,328,438
Actuarial Accrued Liability	36,721,210
Funded Ratio – Entry Age	110%

The valuation reflects Retirement System changes made prior to June 30, 2018. Police Command Member Contribution Rate was changed from 8.28% to 7.02%.

Actuary's Statement – The System is being funded based on sound actuarial assumptions, methods and level percent of payroll funding objective. For a complete analysis, please review the June 30, 2018 actuarial valuation.

Revenues & Expenditures

Beginning Balance (Market Value) – July 1, 2017	\$39,759,120
Revenues	
Employees' contributions	237,722
Employer contribution	100,000
Investment income	3,033,558
Adjustments	<u>0</u>
Total	3,371,280
Expenditures	
Pension payments	1,685,488
Refund of member contributions	592,417
Post-Retirement Health Insurance	0
Non-Investment Expense	52,937
Adjustments	<u>0</u>
Total	2,330,842
Ending Balance (Market Value) – June 30, 2018	\$40,799,558
Recognized Return on Smoothed Funding Value of Assets	6.5%