

City of Center Line Police and Fire Retirement System

Summary Annual Report to Members December 31, 2016

Dear Retirement System Member:

The Retirement System, which is managed by the Retirement Board of Trustees, 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 of the details of the System, which is governed by the provisions of the City's Retirement Ordinance and the Retirement Board's official rules and regulations. Additional information about the System, including the Retirement Ordinance and the actuarial valuation, is available in the Plan Administrator's Office.

Respectfully submitted,

Retirement Board

City of Center Line Police and Fire Retirement System

- Carl (Curt) Winn, II, President
- Mark Knapp, Treasurer/Secretary
- Bernadette Helkowski, Trustee
- Danny Petroff, Trustee
- Richard Stys, Trustee

Investment Consultant

- The Brice Group, Morgan Stanley-Graystone

Plan Administrator

- Gregory T. Suma, Deputy Treasurer

Custodial Bank

- Huntington National Bank
- Morgan Stanley

Actuaries and Consultants

- Gabriel, Roeder, Smith & Company

Auditors/Accountants

- Yeo & Yeo, P.C.

Legal Counsel

- VanOverbeke, Michaud & Timmony

Medical Director

- MES Solutions

Investment Managers

- AMI
- Boyd Waterson
- Cambiar
- Clearbridge
- Confluence
- Delaware
- Earnest Partners
- Great Lakes
- Harding Loevner
- Invesco International Growth
- The London Company
- Western Asset Management
- William Blair

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 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, financial markets, and assumptions concerning the System's future demographic and economic activity. The results of the December 31, 2016 valuation, based on the established funding objective, are summarized below:

Valuation Date	December 31, 2016
Actuarial Cost Method	Individual entry age normal
Amortization Method	Level dollar amount, closed
Remaining Amortization Period	19 years
Asset Valuation Method	4-year smoothed market
Valuation Payroll	\$1,378,199
Annual Pensions Paid	\$1,059,154
Average Annual Pensions Paid	\$25,218
Deferred Vested Members' Annual Benefits	\$0
Retirees and Beneficiaries Receiving Benefits	42
Deferred Vested Members	0
Active Plan Members	<u>18</u>
Total	60
Principal Actuarial Assumptions:	
– Investment Rate of Return	7.00%
– Projected Salary Increases	4.00% - 7.00%
– Includes Wage Inflation at	4.00%

Employer Contribution for Fiscal Year Beginning July 1, 2018

Contributions for	Funded Status	\$ Millions
Percents of Annual Payroll for:	Actuarial Accrued Liabilities	\$ 18.32
Normal Cost	Applied Assets (smoothed market value)	11.98
Members' Contributions	% Funded	65.4%
City's Normal Cost		
Normal Cost Payment		\$277,585
Unfunded Actuarial Accrued Liability		
Amortization Payment		593,325
Level Dollar Total Projected Contribution		\$870,910

Actuary's Opinion

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

Other

The Board of Trustees of the Retirement System provides for payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728 of 2002.

Summary of Current Asset Information

Revenues & Expenditures

2016

Market Value - January 1, 2016	\$11,048,418
Revenues	
Member contributions	102,805
Employer contributions	771,401
Investment income	<u>583,884</u>
Total	1,458,090
Disbursements	
Benefit payments	1,093,768
Refund of member contributions	396
Administrative expenses	19,167
Investment expenses	93,419
Professional expenses	23,303
Other	<u>0</u>
Total	1,230,053
Market Value – December 31, 2016	\$11,276,455

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

Average Annual Market Rate of Return*

Period Ending December 31, 2016

1-Year	6.10%
3-Year	4.10%
5-Year	8.60%
7-Year	7.60%
10-Year	5.30%

* Net of fees

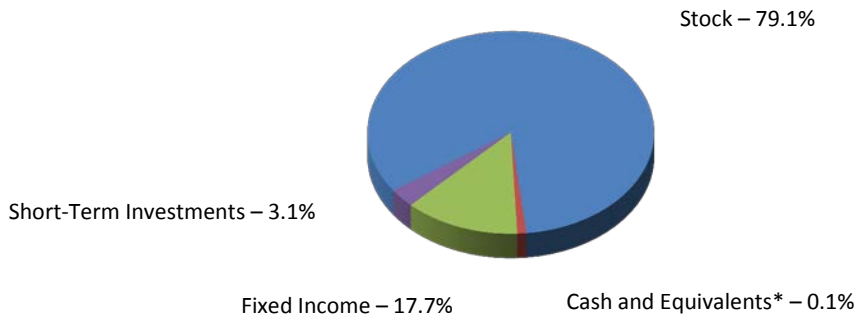
Current Expenses

Administrative	\$ 19,167
Investment	93,419
Professional	<u>23,303</u>
	\$ 135,889

Projected Expenses for the Fiscal Year Ending June 30, 2018

Administrative	\$ 19,742
Investment	96,500
Professional Training/Education /Travel	<u>24,468</u>
	\$ 140,710

Investments



* Net of Payables

The market rate of return on System assets net of expenses for the year ended December 31, 2016 was 4.5%.

Brief Summary of Plan Provisions

(Please refer to the Retirement Ordinance for a complete description)

Eligibility	Amount
SERVICE RETIREMENT (Pursuant to Collective Bargaining)	
Hired Before September 12, 2011: Any age with 20 or more years of service or age 60 regardless of service.	Public Safety: Straight life pension equals 2.5% (2.8% for Command Officers effective July 1, 2004) of 3-year Average Final Compensation (AFC) times first 25 years of service plus 1% of AFC times years of service in excess of 25 years. Members hired before September 12, 2011 may elect annuity withdrawal at retirement.
Hired After September 12, 2011: Standard PA345 retirement age and service (age 55 with 25 or more years of service).	AFC for members hired before September 12, 2011, includes consideration of unused sick-leave and unused vacation time.
DEFERRED RETIREMENT	
10 or more years of service.	Computed as a service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date member would have been eligible for a service retirement had the 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 straight life pension 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 15 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 upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by worker's compensation.
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.	To age 55 or 25 years of service credit: 50% of AFC. At age 55 or 25 years of service credit: Same as Service Retirement Pension with additional service credit from date of disability.
MEMBER CONTRIBUTIONS	
Hired Before September 12, 2011:	5.5% for Patrol (7.5% for Command) plus 1.75% (50% of the additional level percent-of-payroll contribution generated by the 20-year early retirement eligibility provision).
Hired After September 12, 2011:	7.25% of pay.

New Promotions into Command Officers Unit

Effective September 12, 2011, all officers promoted into COAM after September 12, 2011 shall retain the same level of benefits, including but not limited to retirement, post-retirement healthcare, sick leave, and vacation time they were provided with prior to their promotion.