

City of Roseville Employees' Retirement System

Summary Annual Report

June 30, 2016

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 Roseville Employees Retirement System

BOARD MEMBERS

Robert Taylor,
Chairman

Mitchell Berlin,
Vice Chairman

Catherine Haugh,
Trustee

James Osterhout,
Trustee

Michael Busch,
Trustee

Sharon Maas,
Administrative Assistant

PROFESSIONAL ADVISORS

Investment Fiduciaries

Alidade Capital

Comerica Bank, *Custodian*

Edgewood Investment

EnTrust Capital

Hamlin Capital Management

HGK Asset Management

ITS Capital

KBS Real Estate Investment Trust

Loomis, Sayles and Co.

McDonnell Investment

McMorgan Infrastructure

Morgan Stanley Smith Barney-Graystone
Consulting, Investment Consultant

MSCI EAFE Index Fund

NorthPointe Capital

Seizert Capital Partners

TerraCap Partners

Service Providers

Rodwan Consulting Company, *Actuary*
 VanOverbeke, Michaud & Timmony,
Attorneys

Plante Moran, *Auditors*

Consulting Physicians/MedSource,
Medical Director

ACTUARIAL INFORMATION USED FOR THIS REPORT:

1. 233 active members
2. 360 retirees/beneficiaries (including DROP participants)
3. Plan is open to new hires
4. \$36,071 average annual pension benefit
5. \$12,985,736 annual pension benefits paid
6. \$14,814,074 valuation payroll used
7. Employer's normal cost of benefits: 8.05% General employees and 13.64% for Police/Fire employees
8. Employer's total contribution rate: 30.57% General employees and 36.16% for Police/Fire employees
9. Weighted average member contribution rate: 8.59% General employees and 9.52% Police/Fire employees
10. The required employer contribution for the fiscal year was received
11. 7.5% assumed rate of investment return
12. 5% assumed rate of long-term wage inflation
13. 4 year smoothing method used
14. 18 years amortization period used
15. Level percent of payroll method used
16. Cost method is individual entry-age
17. Current valuation assets are 73.7% of accrued liability.

INVESTMENT PERFORMANCE*

	1	3	5	7	10
Combined Account	Year	Year	Year	Year	Year
	7.05%	3.85%	7.62%	7.29%	5.07%

*Calendar year ending December 31, 2016 (net of fees)

2016-2017 PROJECTED EXPENDITURES

Pension Payments/DROP Withdrawals: \$13,230,000
 Refund of Member Contributions: \$800,000
 Investment Fees: \$875,000
 Memberships/Training/Education/Travel: \$18,000
 Administrative Expenses: \$190,000

City of Roseville Employees' Retirement System Summary Annual Report (cont.)

ACTUARIAL VALUATION SUMMARY

Rodwan Consulting Company was hired to prepare the June 30, 2016 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	<u>General</u>	<u>Police/Fire</u>
Normal Cost of Benefits		
Total	16.64%	23.16%
Member portion	8.59	9.52
Employer portion	8.05	13.64
Amortization of unfunded liability (18 years)	22.52	22.52
Computed Employer Rate	30.57%	36.16%

Contribution rates are expressed as percents of eligible member payroll.

ASSETS & LIABILITIES

Funded Status

Market Value of Assets	\$127,299,104
Valuation Assets	136,875,943
Actuarial Accrued Liability	185,829,867
Funded Ratio	73.7%

The valuation reflects Retirement System changes made prior to June 30, 2016. The assumptions and methods are consistent with those used in the June 30, 2015 valuation. Please note for purposes of the City's financial statements and the new GASB requirements, the City's GASB 67/68 report shows a funded ratio of 66.09%. The GASB report requires the newest mortality table be used and a different market value and thus reflects a different funded ratio from what is stated in the annual valuation.

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, 2016 actuarial valuation available online at <http://www.roseville-mi.gov/Departments/Retirement.aspx>.

Revenues & Expenditures

Beginning Balance (Market Value) – July 1, 2015		\$137,450,939
Revenues		
Employees' contributions	1,397,309	
Employer contributions	4,872,123	
Investment income	<u>(1,824,023)</u>	
Total		4,445,409
Expenditures		
Pension payments & Member refunds	13,190,436	
Refund of DROP contributions	410,532	
Memberships/Training/Education/Travel	16,534	
Investment Fees	825,348	
Administrative Expenses	<u>154,394</u>	
Total		14,597,244
Ending Balance (Market Value) – June 30, 2016		\$127,299,104
Recognized Return on Smoothed Funding Value of Assets		7.0%