

City of Roseville Employees' Retirement System

Summary Annual Report

June 30, 2015

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

Philip Longueuil,
Chairman

Robert Taylor,
Vice Chairman

Catherine Haugh,
Trustee

Mitchell Berlin,
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. 228 active members
2. 359 retirees/beneficiaries (including DROP participants)
3. Plan is open to new hires
4. \$35,470 average annual pension benefit
5. \$12,733,680 annual pension benefits paid
6. \$13,868,957 valuation payroll used
7. Employer's normal cost of benefits: 8.25% General employees and 15.12% for Police/Fire employees
8. Employer's total contribution rate: 31.10% General employees and 37.97% for Police/Fire employees
9. Weighted average member contribution rate: 8.87% General employees and 9.50% 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. 19 years amortization period used
15. Level percent of payroll method used
16. Cost method is individual entry-age
17. Current valuation assets are 73.6% of accrued liability.

INVESTMENT PERFORMANCE*

| | 1 | 3 | 5 | 7 | 10 |
|------------------|--------|-------|-------|-------|-------|
| Combined Account | Year | Year | Year | Year | Year |
| | -0.62% | 6.67% | 6.03% | 9.45% | 6.85% |

*Calendar year ending December 31, 2015 (net of fees)

2015-2016 PROJECTED EXPENDITURES

Pension Payments/DROP Withdrawals: \$12,600,000

Refund of Member Contributions: \$800,000

Investment Fees: \$825,000

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, 2015 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 | 17.12% | 24.62% |
| Member portion | 8.87 | 9.50 |
| Employer portion | 8.25 | 15.12 |
| Amortization of unfunded liability (19 years) | 22.85 | 22.85 |
| Computed Employer Rate | 31.10% | 37.97% |

Contribution rates are expressed as percents of eligible member payroll.

ASSETS & LIABILITIES

Funded Status

| | |
|-----------------------------|---------------|
| Market Value of Assets | \$137,450,939 |
| Valuation Assets | 135,185,592 |
| Actuarial Accrued Liability | 183,739,084 |
| Funded Ratio | 73.6% |

The valuation reflects Retirement System changes made prior to June 30, 2015. The assumptions and methods are consistent with those used in the June 30, 2014 valuation, with the exception of the mortality table used for the annual valuation was changed from 1984 GAM to RP 2000, which increases the life expectancy for males by a few years and females stayed about the same.

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, 2015 actuarial valuation available online at <http://www.roseville-mi.gov/Departments/Retirement.aspx>.

Revenues & Expenditures

| | | |
|---|------------------|---------------|
| Beginning Balance (Market Value) – July 1, 2014 | | \$141,061,197 |
| Revenues | | |
| Employees' contributions | 1,286,672 | |
| Employer contributions | 5,094,075 | |
| Investment income | <u>3,983,843</u> | |
| Total | | 10,364,590 |
| Expenditures | | |
| Pension payments & Member refunds | 12,880,455 | |
| Refund of DROP contributions | 93,837 | |
| Memberships/Training/Education/Travel | 13,873 | |
| Investment Fees | 812,199 | |
| Administrative Expenses | <u>174,484</u> | |
| Total | | 13,974,142 |
| Ending Balance (Market Value) – June 30, 2015 | | \$137,450,939 |
| Recognized Return on Smoothed Funding Value of Assets | | 7.6% |