

Mt. Pleasant
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Fire and Police Retirement System

Summary Annual Report to Members 2019



Dear Retirement System Member:

The Retirement System, which is managed by the Retirement Board, is a financial program through which you and the City save together to help you meet your economic needs for retirement, disability or death.

The Retirement Board's fiduciary responsibility to you is to supervise the general administration of the system and invest in its assets. Our board retains a professional advisor 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 the details of the system, which is governed by the provisions of Public Act 345 and Union Agreements. Additional information regarding benefits is available in the Fire and Police Benefit Booklet.

Respectfully submitted,

Retirement Board
City of Mt. Pleasant Retirement System

Mary Ann Kornexl, President, Treasurer and Secretary
Brandon Bliss, Police Union
Randy Keeler, Fire Union
Andy Latham, Police Alternate
Randy Ball, Citizen
Brad Wahr, Citizen

Investment Consultant
Mike Ervin, General Financial Services, Inc.

Consultants & Actuaries
Gabriel, Roeder, Smith & Company

Trustee
Isabella Bank

City Contribution	2019	2018	2017
Annual Contributions*	\$696,614	\$708,754	\$732,666
Covered Payroll	\$3,060,945	\$3,089,673	\$3,063,384
City Computed % of Payroll Contributions	22.76%	22.94%	23.92%
Millage Rate	1.68	1.81	1.88

* As determined by valuation two years prior

Note: In 1968 the voters of the City of Mt. Pleasant approved the provisions of Public Act 345 of 1937, to provide a pension and retirement system for the members of the Fire and Police departments. This Act allows a municipality to levy a special millage outside of the charter cap to fund the employer contribution. The millage rate is set annually and is computed by dividing the required annual contribution determined by the actuary by the current year taxable value.

Assumptions

Assumed Rate of Return	7.25%
Projected Long-Term Wage Inflation	3.25%

Member & Retiree Data

	2019	2018	2017
ACTIVE MEMBERS			
0-4 Years of Service	5	1	1
5-9 Years of Service	5	7	9
10-14 Years of Service	5	4	3
15-19 Years of Service	7	6	8
20-24 Years of Service	14	16	16
25-29 Years of Service	3	4	2
30 Plus Years of Service	<u>0</u>	<u>1</u>	<u>1</u>
Total Active Members	<u>39</u>	<u>39</u>	<u>40</u>
Covered Payroll	<u>\$3,060,945</u>	<u>\$3,089,673</u>	<u>\$3,063,384</u>

	2019	2018	2017
RETIREES			
Age and Service Pensions:			
Straight Life Benefits -terminates at death	7	6	5
Straight Life Benefits -60% survivor benefit	27	24	24
Survivor Benefits -retiree deceased	7	7	7
Casualty Benefits:			
Non-duty Disability	0	0	1
Non-duty Death	2	2	2
Total Retirees	<u>43</u>	<u>39</u>	<u>39</u>
Retiree Benefits Paid	<u>\$1,650,846</u>	<u>\$1,373,772</u>	<u>\$1,317,592</u>

Comparative Summary Results of Actual Valuation

Your retirement systems financial objective is to establish and receive contributions which 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 percents of the City's active member payroll.

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 and financial markets, and assumptions concerning the system's future demographic and economic activity. The results of the December 31, 2019 valuation based on the established funding objective, are summarized below.

Fiscal Year 2021 Employer Contribution Rates as a Percentage of Active Member Payroll

Contributions For

Valuation Date Contribution Date	2019 2021	2018 2020	2017 2019
Normal Costs	19.71%	19.37%	19.38%
Amortization of Unfunded Liability	<u>10.75%</u>	<u>9.02%</u>	<u>7.36%</u>
Total Contribution Requirement	30.46%	28.39%	26.74%
Member Contribution - Average	<u>(5.00%)</u>	<u>(4.29%)</u>	<u>(4.00%)</u>
Computed Employer Rate	<u>25.46%</u>	<u>24.10%</u>	<u>22.74%</u>

Actuary's Opinion

It is the actuary's opinion that the required contribution rates determined by this actuarial valuation are sufficient to meet the system's financial object, presuming continued receipt of required contributions when due.

Funded Status

	2019	2018	2017
Actuarial Accrued Liabilities	\$32,101,316	\$30,115,330	\$28,575,055
Actuarial Value of Assets	<u>\$26,874,398</u>	<u>\$25,583,802</u>	<u>\$24,826,651</u>
Unfunded	<u>(\$5,226,918)</u>	<u>(\$4,531,528)</u>	<u>(\$3,748,404)</u>
Funded Ratio	83.72%	84.95%	86.88%

Funding level must be 84% for payment of contractual 13th check to retirees & firefighters hired after January 1, 2019 contribute 4% rather than 5% if the plan is funded 86% or higher in the 2nd previous year.

For actuarial valuation purposes the valuation assets are determined using a 5-year smoothed market value to smooth out the market fluctuations impact on employer contributions and millage rate.

Current Asset

	2019	2018	2017
Market Value - January 1	\$24,060,828	\$26,001,818	\$22,793,026
Revenue			
Member Contributions	129,907	138,637	147,158
Employer Contributions	696,614	708,754	732,666
Gross Investment Income (Loss)	<u>5,038,331</u>	<u>(1,372,262)</u>	<u>3,749,101</u>
Total Revenue	5,864,852	(524,871)	4,628,925
Expenditures			
Benefit Payments	1,514,844	1,384,361	1,391,838
Administrative Expense	21,020	21,358	18,045
Actuarial Valuation	<u>10,500</u>	<u>10,400</u>	<u>10,250</u>
Total Expenditures	1,546,364	1,416,119	1,420,133
Market Value - December 31	<u>\$28,379,316</u>	<u>\$24,060,828</u>	<u>\$26,001,818</u>

Investment Performance

	2019	2018	2017
Market Value of Assets by Class			
Cash & Equivalents	\$1,613,364	\$1,475,839	\$1,580,905
Bond Mutual Funds	3,943,609	3,682,012	3,935,728
International Stock Mutual Funds	2,052,875	2,052,875	2,543,224
Domestic Stock Mutual Funds	<u>16,850,102</u>	<u>16,850,102</u>	<u>17,941,961</u>
Total Portfolio Market Value	<u>\$24,060,828</u>	<u>\$24,060,828</u>	<u>\$26,001,818</u>
Annualized Return	(5.38%)	(5.38%)	17.13%
Market Indices at December 31			
Dow Jones	(5.60%)	24.39%	
Nasdaq	(4.00%)	21.70%	
Standard & Poor's	(6.20%)	27.24%	
Morgan Stanley Europe, Asia & Far East		25.03%	
Barclay's US Aggregate Bond Index		3.54%	

All investments were in compliance with the Investment Policy and the Equity Investment Philosophy adopted August 20, 2013.

Note - General Financial Services, Inc. is paid 12 b-1 fees of .25% of the average smoothed market value directly by the mutual fund companies in the portfolio.