

City of Roseville Employees' Retirement System

Summary Annual Report

June 30, 2017

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

iShares Emerging Markets ETF

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

Seizert Capital Partners

TerraCap Partners

Vanguard Russell 2000 Index Fund

Service Providers

Rodwan Consulting Company, Actuary

VanOverbeke, Michaud & Timmony,
Attorneys

Plante Moran, Auditors

Consulting Physicians/MedSource,

ACTUARIAL INFORMATION USED FOR THIS REPORT:

- 229 active members
- 366 retirees/beneficiaries (including DROP participants)
- Plan is open to new hires
- \$36,783 average annual pension benefit
- \$13,462,656 annual pension benefits paid
- \$14,736,319 valuation payroll used
- Employer's normal cost of benefits: 8.15% General employees and 13.51% for Police/Fire employees
- Employer's total contribution rate: 31.35% General employees and 36.71% for Police/Fire employees
- Weighted average member contribution rate: 8.28% General employees and 9.49% Police/Fire employees
- The required employer contribution for the fiscal year was received
- 7.5% assumed rate of investment return
- 5% assumed rate of long-term wage inflation
- 4 year smoothing method used
- 17 years amortization period used
- Level percent of payroll method used
- Cost method is individual entry-age
- Current valuation assets are 74.4% of accrued liability.

INVESTMENT PERFORMANCE*

	1	3	5	7	10
Combined Account	Year	Year	Year	Year	Year
	15.82%	7.39%	8.63%	7.60%	5.89%

*Calendar year ending December 31, 2017 (net of fees)

2017-2018 PROJECTED EXPENDITURES

Pension Payments/DROP Withdrawals: \$13,830,000

Refund of Member Contributions: \$1,400,000

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, 2017 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	16.43%	23.00%
Member portion	8.28	9.49
Employer portion	8.15	13.51
Amortization of unfunded liability (17 years)	23.20	23.20
Computed Employer Rate	31.35%	36.71%

Contribution rates are expressed as percents of eligible member payroll.

ASSETS & LIABILITIES

Funded Status

Market Value of Assets	\$137,318,577
Valuation Assets	139,364,686
Actuarial Accrued Liability	187,256,512
Funded Ratio	74.4%

The valuation reflects Retirement System changes made prior to June 30, 2017. The assumptions and methods are consistent with those used in the June 30, 2016 valuation. Please note for purposes of the City's financial statements and the new GASB requirements, the City's GASB 67/68 report will show a different funded ratio. 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, 2017 actuarial valuation available online at <http://www.roseville-mi.gov/Departments/Retirement.aspx>.

Revenues & Expenditures

Beginning Balance (Market Value) – July 1, 2016		\$127,299,104
Revenues		
Employees' contributions	1,390,333	
Employer contributions	5,106,579	
Investment income	18,496,472	
Other Income	754,841	
Total	<u>25,748,225</u>	25,748,225
Expenditures		
Pension payments & Member refunds	14,678,877	
Refund of DROP contributions	67,038	
Memberships/Training/Education/Travel	11,720	
Investment Fees	799,116	
Administrative Expenses	172,001	
Total	<u>15,728,752</u>	15,728,752
Ending Balance (Market Value) – June 30, 2017		\$137,318,577
Recognized Return on Smoothed Funding Value of Assets		7.6%