

**Shelby Township
Fire and Police 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 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 the details of the System, which is governed by the provisions of the Township's retirement ordinance and the Retirement Board's official rules and regulations. Additional information about the System and its financial operation is available in the treasurer's office.

Respectfully submitted,

***Board of Trustees
Shelby Township Fire and Police Retirement System***

Jerome Moffitt
Franklyn Pierce
Michael Flynn
Matt Stachowicz
John Cole

SUMMARY RESULTS OF ACTUARIAL VALUATION

Your Retirement System's financial objective is to accumulate the assets necessary to pay the promised benefits in an orderly manner. To accomplish this, contribution rates are established using a method that is designed to keep those rates approximately level as a percentage of payroll from year to year. 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.

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, Nyhart, 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, 2016 valuation, based on the established funding objective, are summarized on the following page.

Retirement System Service Providers

Actuary	Nyhart
Attorney(s)	Lewis Thumm VanOverbeke, Michaud & Timmony, P.C.
Auditors/Accountants	Plante & Moran
Plan Administrator	Shelby Township with assistance from Plan Actuary

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

DISABILITY BENEFIT IN LINE OF DUTY

Eligibility

Immediately upon total and permanent disability

Annual Benefit

50% of Average Compensation up to age 55, then Normal Retirement Benefit with service credited from date of disability to age 55

DISABILITY BENEFIT NOT IN LINE OF DUTY

Eligibility

Police: 10 years of service and deemed to be totally and permanently disabled

Fire: 5 years of service and deemed to be totally and permanently disabled

Annual Benefit

Police Patrol: 2.0% times Average Compensation times credited service if less than 15 years, otherwise 2.5% times Average Compensation

Police Command hired prior to 7/1/1995: 1.5% times Average Compensation times credited service if less than 15 years, otherwise 2.5% times Average Compensation

Police Command hired on or after 7/1/1995: 1.5% times Average Compensation times credited service if less than 15 years, otherwise 2.0% times Average Compensation

Fire Chief and Fire: 1.5% times Average Compensation times credited service up to age 55, 2.0% times Average Compensation times credited service beginning at age 55

COMPENSATION

Police Patrol: Compensation includes regular wages, overtime pay, longevity pay, holiday pay, unused sick leave in pay, compensatory time in pay, court time, show-up time, and accrued unused vacation.

Police Command hired prior to 7/1/1995: Compensation includes regular wages, overtime pay, longevity pay, holiday pay, unused sick leave in pay, compensatory time in pay, court time, show-up time, and accrued unused vacation.

Police Command hired on or after 7/1/1995: Compensation includes the base annual wage plus overtime.

Fire Chief: Compensation includes wages, overtime pay, longevity pay, and holiday pay earned while Chief. For time prior to appointment, compensation follows the definition for Fire hired on or before August 1, 2010.

Fire hired on or before 8/1/2010: Compensation includes base rate of pay, overtime pay, longevity pay, holiday pay, sick leave payments, and unused vacation.

Fire hired after 8/1/2010: Compensation is the base rate of pay only.

AVERAGE COMPENSATION

Police Patrol: Average Compensation is the average of the 3 highest amounts of the last 5 years preceding retirement.

Police Command and Fire: Average Compensation is the average of the 3 highest amounts of the last 10 years preceding retirement.

Fire Chief: Average Compensation is the average of the 5 highest consecutive amounts of the last 10 years preceding retirement.

EMPLOYEE CONTRIBUTIONS

5% of gross pensionable compensation

BRIEF SUMMARY OF PLAN PROVISIONS

ELIGIBILITY FOR PARTICIPATION

Any full time permanent firefighters and police officers employed by the Township. The Plan is closed to new hires for Police Patrol and Fire.

NORMAL RETIREMENT

Eligibility

25 or more years of service or age 60 regardless of service (age 50 with at least 25 years of service for the Fire Chief)

Annual Benefit

Police: 2.5% times Average Compensation times credited service (up to 25 years) plus 1% times Average Compensation times credited service in excess of 25 years

Fire hired on or before 8/18/2010: 2.5% times Average Compensation times credited service (up to 25 years) plus 1% times Average Compensation times credited service in excess of 25 years capped at 5 additional years.

Fired hired after 8/18/2010: 2.25% times Average Compensation times credited service (up to 25 years) plus 1% times Average Compensation times credited service in excess of 25 years capped at 5 additional years.

DEATH AFTER RETIREMENT SURVIVOR'S PENSION

Eligibility

Payable to surviving spouse of retired member receiving a single life annuity effective July 1, 1975 or later

Annual Benefit

60% of the single life annuity the late retiree was receiving

DEATH BEFORE RETIREMENT IN LINE OF DUTY

Eligibility

Expiration of worker's compensation to the survivors of a member who died in the line of duty

Annual Benefit

Same amount paid by worker's compensation

DEATH BEFORE RETIREMENT NOT IN LINE OF DUTY

Eligibility

Police Command and Fire Chief: 20 years of service

Fire: 10 years of service

Police Patrol: 8 years of service

Annual Benefit

Married participant: Spouse will receive single life annuity actuarially reduced in accordance with Option I elected.

TERMINATION BENEFIT

Eligibility

Police Patrol: 8 years of service

All Others: 10 years of service

Annual Benefit

Accrued retirement benefit payable at participant's normal retirement date. If the participant terminates prior to the service requirement, a refund of the accumulated contributions with interest will be issued.

SUMMARY RESULTS OF ACTUARIAL VALUATION

Valuation Date	December 31, 2016
Actuarial cost method	Individual Entry Age as Percentage of Pay
Amortization method	Closed level dollar amortization of UAAL
Remaining amortization period	10 years
Asset valuation method	25% Write-Up Method
Investment rate of return	7.50%
Projected salary increases	3.50% plus merit scale (0.00% - 5.25%)
Cost-of-living-adjustments	None
Valuation Payroll	\$10,180,063
Annual Pensions Paid	\$5,810,660
Average Annual Pensions Paid	\$51,881
Retirees and beneficiaries receiving benefits	112
Terminated plan members entitled to but not yet receiving benefits	3
Active plan members	108
Total	223

Fiscal Year 2018 Employer Contribution Rates As a Percentage of Active Member Payroll

Contributions for

Normal Cost of Benefits	
Total	19.00%
Member portion	<u>5.39%</u>
Employer portion	13.61%
Amortization of unfunded liability*	4.44%
Computed Employer Rate	18.05%

Funded Status

Actuarial accrued liabilities	\$104,885
Applied assets	\$101,158
% funded	96.45%

*Based on the 10-year funding policy adopted by the Board.

Actuary's Opinion

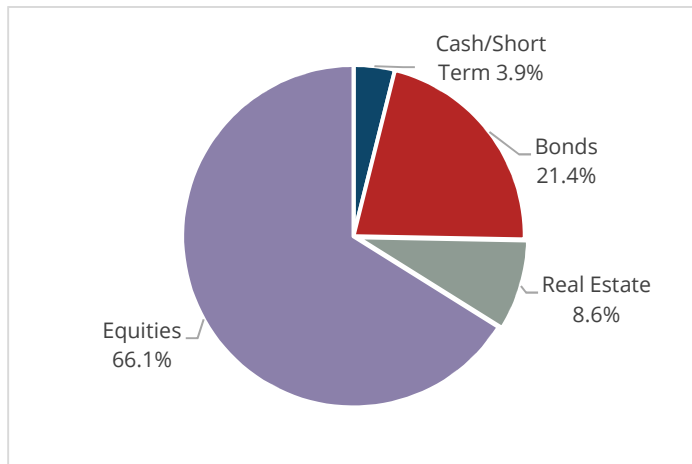
It is the actuary's opinion that the contribution rates recommended are sufficient to meet the Retirement System's financial objective.

SUMMARY OF CURRENT ASSET INFORMATION

Revenues & Expenditures

Balance on January 1, 2016	\$93,540,234
Receipts	
Employees' contributions	531,588
Employer's contributions	1,826,359
Investment income	8,537,331
Disbursements	
Benefit payments	5,794,770
Refund of member contributions	113,686
Investment and administrative expenses	<u>582,527</u>
Balance on December 31, 2016	\$97,944,529

Investments



SUMMARY OF CURRENT ASSET INFORMATION

Investment Performance (Net of Fees)

1-Year	8.52%
3-Year	5.11%
5-Year	8.06%
7-Year	7.68%
10-Year	4.96%

Expenditures

	As of Fiscal Year Ending 12/31/2016	Projected Fiscal Year Ending 12/31/2017
Administrative	\$35,029	\$45,000
Investment (Including soft dollars)	\$543,145	N/A
Professional Training/Education	\$4,353	\$5,000

Investment Fiduciaries

Morgan Stanley – Hologic Consulting Group of Graystone

Investment Managers

Aristotle | Loomis Sayles | World Asset Management | Clarkston Capital | Morgan Dempsey | Vanguard | HGK Asset Management | Baird | Franklin Templeton | JP Morgan | Alidade Capital | Bloomfield Capital | McMorgan

Custodial Bank

Comerica Bank