

# Road Commission for Oakland County Retirement System

## SUMMARY ANNUAL REPORT TO MEMBERS DECEMBER 31, 2015

Dear Retirement System Member:

The Retirement System, which is managed by the Retirement Board, is designed to help you meet your financial needs should you become disabled, retire or die. The Road Commission also supports a Retiree Health Insurance Program, which is separate from the Retirement System.

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 of the details of the System, which is governed by the provisions of the Road Commission's retirement resolution and the Retirement Board's procedures. Additional information about the System and its financial operation is available in the Finance Director's office.

Respectfully submitted,

### *Road Commission for Oakland County Retirement System*

#### ***Board of Trustees***

Timothy R. Becroft, Chairperson

Salaried Member Trustee

Michael J. Strzelecki, Vice-Chairperson

Hourly Member Trustee

Pamela M. Cahill

Ex-Officio Member Trustee

Dennis A. Lockhart, Secretary

Ex-Officio Member Trustee

Cheryl L. Hutchins

Retired Member Trustee

Keith E. Sawdon

Citizen Member Trustee

#### ***Plan Administrator***

Dennis A. Lockhart

#### ***Medical Director***

Nationwide IME

#### ***Auditors/Accountants***

Plante & Moran, PLLC

#### ***Custodial Bank***

Comerica Bank

#### ***Investment Consultant***

The Bogdahn Group

#### ***Investment Advisors***

AMG SouthernSun US Equity Fund

Boston Company Asset Management, LLC

Comerica Bond Index

Cumberland Advisors

Harding Loevner Asset Management

LS Investment Advisors, LLC

Rothschild Asset Management, Inc.

Templeton Global Total Return

Thompson, Siegel & Walmsley, Investment  
Management

Vanguard 500 Index Fund

Westwood Income Opportunity Fund

William Blair Macro Allocation Fund

#### ***Consultants & Actuaries***

Gabriel Roeder Smith & Company

## 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 in a manner that is designed to keep the 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, Gabriel, Roeder, Smith & Company, conducts annual actuarial valuations.

These valuations are based on the System's past experience, information about current participation, financial markets, and assumptions concerning the System's future demographic and economic activity. The results of the December 31, 2015 valuation, based on the established funding objective, are summarized below:

Valuation Date	December 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value with 5-year smoothing of investment gains and losses
Amortization Method	Closed, Level Percent-of-Payroll
Valuation Payroll	\$25,000,359
Annual Pensions, 12/31/2015	\$14,213,849
Average Annual Pensions, 12/31/2015	\$24,214
Retirees and beneficiaries receiving benefits	587
Terminated plan members entitled to but not yet receiving benefits	52
Active Plan Members	<u>392</u>
Total	1,031
<i>Principal Actuarial Assumptions</i>	
– Net Investment Return*	7.5%
– Projected Salary Increases*	3.25% to 4.75%

\* Includes pay inflation at 3.25%

<b>Fiscal Year Beginning October 1, 2016 Employer Contribution Rates Expressed as a % of Active Member Payroll</b>
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Contributions for	All Members	Funded Status	\$ Millions
Normal Cost of Benefits		Actuarial accrued liabilities	\$217.6
Total	11.58%	Applied assets (smoothed market value)	185.6
Member portion	<u>1.08</u>	% funded	85.3%
Employer portion	10.50		
Amortization of unfunded liability	7.53		
<b>Computed Employer Rate</b>	<b>18.03%</b>		

### Actuary's Opinion

It is the actuary's opinion that the contribution rates recommended in the most recent actuarial report are sufficient to meet the System's financial objective.

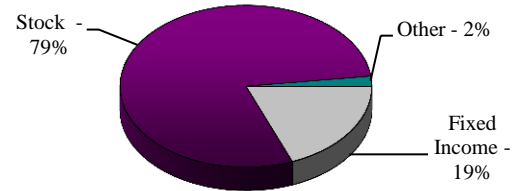
# SUMMARY OF CURRENT ASSET INFORMATION

## Revenues & Expenditures

	<u>2015</u>
Market Value - January 1	\$189,786,728
<b>Revenues</b>	
Member contributions	167,030
Employer contributions	4,775,031
Interest, dividends and other income	4,636,283
Net realized and unrealized gains (losses)	<u>(6,329,837)</u>
Total	3,248,507
<b>Expenditures</b>	
Benefits paid	14,065,617
Administrative expenses	0
Investment expenses	<u>531,196</u>
Total	14,596,813
Market Value - December 31	<u>\$178,438,422</u>

The Board of Trustees has confirmed that the employer contributions shown above represent the required employer contribution for the year covered.

## Investments



The market rate of return on System assets, net of expenses, for the year ended December 31, 2015 was (1.20)%.

## Investment Performance (Net of Fees)

1-Year	(1.38)%
3-Year	6.24
5-Year	6.37
7-Year	9.39
10-Year	5.33
15-Year	4.61
20-Year	6.35
28-Year	7.71

## Projected Expenses for 2016

Administrative	\$ 0
Investment & Custodial	740,000
Professional	31,000
Trustee Education	3,500

## BRIEF SUMMARY OF PLAN PROVISIONS

### TIER I PARTICIPANTS

ELIGIBILITY	AMOUNT
<b>REGULAR RETIREMENT</b> (no reduction factor for age)	
Age 55 with 25 years of service or age 60 with 8 or more years of service.	Service multiplied by 2.25% compensation factor, multiplied by final average compensation (FAC). Maximum total benefit is 75% of earnings. Type of FAC – Highest 5 years out of last 10, ending with the last month of credited service before retirement date.
<b>DEFERRED RETIREMENT</b>	
8 or more years of service.	Computed as a regular retirement but based upon service, FAC, and compensation factor in effect at date of termination.
<b>DEATH-IN-SERVICE</b>	
<i>Automatic Provision:</i> 10 or more years of service or death within 3 years of duty disability.	Spouse benefit is straight life allowance times the sum of a) 30%, plus b) 3% times years of service in excess of 10 years, with benefit maximum of 75% of straight life allowance. If no spouse, children under age 21 receive equal shares of straight life allowance times the sum of a) 20%, plus b) 2% per year of service in excess of 10 years, with a maximum benefit of 50% of straight life allowance.
<i>Non-Duty Death Provision:</i> 25 years of service or age 60 with 10 years of service.	Computed as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.
<b>NON-DUTY DISABILITY</b>	
10 or more years of service.	Computed as regular retirement. Minimum benefit is 17% of FAC.
<b>DUTY DISABILITY</b>	
No age or service requirements.	Computed as a regular retirement benefit with additional service credited to the age at which the member would have first been eligible for retirement. Minimum benefit is 17% of FAC.
<b>MEMBER CONTRIBUTIONS</b>	
None.	
<b>DEATH BENEFIT AFTER RETIREMENT</b>	
A lump sum post-retirement benefit is included. The amount varies from \$100 to \$2,000 based upon retirement date and years of service.	

Tier I is closed to new Road Commission employees beginning on various dates in 2012, 2013 and 2014.

## BRIEF SUMMARY OF PLAN PROVISIONS TIER II PARTICIPANTS

ELIGIBILITY	AMOUNT
<b>REGULAR RETIREMENT</b> (no reduction factor for age)	
Age 62 with 10 or more years of service.	Service multiplied by 1.50% compensation factor, multiplied by final average compensation (FAC). Maximum total benefit is 75% of earnings. Type of FAC – Highest 5 years out of last 10, ending with the last month of credited service before retirement date.
<b>DEFERRED RETIREMENT</b>	
10 or more years of service.	Computed as a regular retirement but based upon service, FAC, and compensation factor in effect at date of termination.
<b>DEATH-IN-SERVICE</b>	
<i>Automatic Provision:</i>	
10 or more years of service or death within 3 years of duty disability.	Spouse benefit is straight life allowance times the sum of a) 30%, plus b) 3% times years of service in excess of 10 years, with benefit maximum of 75% of straight life allowance. If no spouse, children under age 21 receive equal shares of straight life allowance times the sum of a) 20%, plus b) 2% per year of service in excess of 10 years, with a maximum benefit of 50% of straight life allowance.
<i>Non-Duty Death Provision:</i>	
25 years of service or age 62 with 10 years of service.	Computed as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.
<b>NON-DUTY DISABILITY</b>	
10 or more years of service.	Computed as regular retirement. Minimum benefit is 17% of FAC.
<b>DUTY DISABILITY</b>	
No age or service requirements.	Computed as a regular retirement benefit with additional service credited to the age at which the member would have first been eligible for retirement. Minimum benefit is 17% of FAC.
<b>MEMBER CONTRIBUTIONS</b>	
Six percent (6%) of the Member's annual compensation.	
<b>DEATH BENEFIT AFTER RETIREMENT</b>	
A lump sum post-retirement benefit is included. The amount varies from \$400 to \$2,000 based upon retirement date and years of service.	

New Road Commission employees hired after various dates in 2012, 2013 and 2014 become Tier II members of the Retirement System.