



Summary Annual Report to Members of the City of Alpena Employees Retirement System 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 City also supports a Retiree Health Insurance Program, which is separate from the Pension Fund.

The Retirement Board's fiduciary responsibility to you is to supervise the general administration of the System and invest its assets. The Board retains professional advisors to assist 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 City's charter, the City'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,

Retirement Board

City of Alpena Employees Retirement System

Cindy Johnson, City Council Rep.

Mike Nowak, City Council Rep.

Tami Romel, General Member Rep.

Bob Adrian, Police & Fire Member Rep.

Michael Liske, Retiree Rep.

Karen Hebert, Secretary

Greg Sundin, Chairman

Medical Director

- Alpena Medical Arts

Investment Fiduciaries

- Investment Manager: R.H. Bluestein & Co.
- Investment Custodian: Comerica Bank

Auditors/Accountants

- Straley, Lamp & Kraenzlein P.C.

Legal Counsel

- William Pfeifer, City Attorney

Actuaries and Consultants

- Gabriel Roeder Smith & Company

SUMMARY RESULTS OF ACTUARIAL VALUATION

Your Retirement System's financial objective is to accumulate assets necessary to pay the promised benefits in an orderly manner. The Board of Trustees of the Retirement System provides for the payment of the required employer contribution as described in Section 20m of the 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 your System's past experience, information about current participation, financial data, 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
Amortization method	Level percent of pay for open groups Level dollar for closed groups
Remaining amortization period	26 years for General and Police groups 24 years for the Fire group
Asset valuation method	4-year smoothed market

Actuarial Assumptions:

Investment rate of return	7.00%
Projected salary increases	3.5% - 7.3% (includes wage inflation at 3.5%)
Valuation payroll	\$3,793,479
Annual pensions, December 31, 2015	\$1,763,666
Average annual pensions	\$18,762
Retirees and beneficiaries receiving benefits	94
Terminated plan members entitled to but not yet receiving benefits	6
Active plan members	<u>68</u>
Total	168

Fiscal Year Beginning July 1, 2016 Employer Contributions Expressed as % of Payroll and \$ Amounts

Contributions for	Police	Fire	Sub Total \$
Total Normal Cost of Benefits	15.97 %	19.25 %	
Member portion	<u>6.00</u>	<u>6.50</u>	
Employer portion	9.97	12.75	
UAL amortization payment	6.22	8.46	
Employer Contribution	16.19 %	21.21 %	\$498,194

Contributions For	General
Normal cost of benefits	\$ 129,488
Unfunded Accrued Liability (UAL) payment	94,636
Employer Contribution \$	224,124
Total Required City Contribution:	\$ 722,318

Funded Status as of December 31, 2015

	<u>(\$ Amount in Millions)</u>
• Actuarial accrued liabilities	\$ 32.21
• Applied assets (smoothed market value)	27.80
• % funded	86.31%

Actuary's Opinion

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

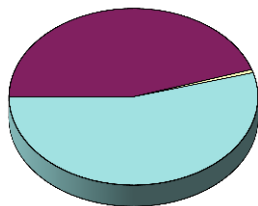
SUMMARY OF REPORTED ASSET INFORMATION

	Revenues & Expenditures (Market Value)		Investment Performance (Net of Fees)
	2015		
A. Reported Assets – January 1	\$27,488,826		1-Year (0.8%)
Revenues			3-Year 5.1%
Member contributions	210,186		5-Year 3.2%
Employer contributions	738,836		7-Year 6.0%
Investment income	<u>(169,860)</u>		10-Year 4.3%
B. Total	779,162		
Expenditures			
Benefit payments	1,953,323		
Refund of member contributions	0		
Administrative expenses	51,489		
Investment expenses	37,987		
Other expenses	<u>32,274</u>		
C. Total	2,075,073		
Reported Assets – December 31 (A + B – C)	<u>\$26,192,915</u>		

	Projected Expenses for 2016
	Administrative \$33,500
	Investment 40,000
	Other 45,000

Market Value of Retirement System Assets

Fixed Income -44.8%



Short-Term & Other * – 0.8%

Equities – 54.4%

* Includes payables.

BRIEF SUMMARY OF PLAN PROVISIONS

General – Voluntary Retirement

Eligibility: Non-Union and City Manager - Age 60 with 5 years of service, or age 55 with 15 years of service. Police Chief and Deputy Chief/Fire Marshal - Same as Non-Union but mandatory retirement at age 70. All Non-Union (including the Police Chief and City Manager) hired after 7/1/2009 are not eligible for membership in the defined benefit retirement system. DPW Union - Age 60 with 10 years of service and effective 7/1/1999, age 55 with 15 years of service; and DPW Union hired after 7/1/2009, are not eligible for membership in this defined benefit retirement system. Clerical Union - Age 60 with 10 years of service; and Clerical Union hired after 7/1/2010, are not eligible for membership in this defined benefit retirement system.

Annual Amount: Non-Union (including City Manager) – 2.25% of Final Average Compensation (FAC) times total service through 7/1/2003 plus 2.5% times total service after 7/1/2003. DPW Union – Total service times the sum of: a) 1.3% of the first \$4,800 of FAC plus b) 2.0% of FAC in excess of \$4,800. Clerical Union – Total service times the sum of a) 1.3% of the first \$4,800 of FAC plus b) 1.8% of FAC in excess of \$4,800. Police Chief – 2.5% of FAC times total service through 7/1/2002 plus 3.0% times total service after 7/1/2002. Deputy Chief/Fire Marshal – 2.5% of FAC times total service through 7/1/2001 plus 3.0% times total service between 7/1/2001 and 4/15/2015 plus 2.5% times total service after 4/15/2015.

Type of Final Average Compensation: Non-Union (including Police Chief, Deputy Chief/Fire Marshal and City Manager) – Highest 24 months out of last 10 years, need not be consecutive, but must be in units of 12 consecutive months each. DPW Union – Highest 3 years out of last 5 years, need not be consecutive years but must be in units of 12 consecutive months each. Clerical Union – Highest 36 consecutive months out of last 5 years.

Fire – Voluntary Retirement

Eligibility: Age 55 with 10 years of service. Mandatory retirement at age 60.

Annual Amount: Hired before July 1, 2011, 2.5% of FAC times service to 7/1/2001 plus 3.0% of FAC times service after 7/1/2001. Hired on or after 7/1/2011, 2.25% of FAC times total service.

Type of Final Average Compensation: Highest 36 months out of last 5 years. Need not be consecutive years, but must be in units of 12 consecutive months each.

Police – Voluntary Retirement

Eligibility: Age 55 with 10 years of service or 25 years of service regardless of age. Mandatory retirement at age 60.

Annual Amount: Hired before July 1, 2011, 2.4% (2.5% for Command) of FAC times total service through 7/1/2002 plus 3.0% of FAC times total service after 7/1/2002. Hired on or after July 1, 2011, 2.25% of FAC times total service. Maximum benefit is 85% of FAC for all police members.

Type of Final Average Compensation: Highest 36 months out of last 5 years. Need not be consecutive years, but must be in units of 12 consecutive months each.

Deferred Retirement (vested benefit)

Eligibility: 10 years of service, or 5 years of service for General Non-Union, and Police Chief and Deputy Chief/Fire Marshal.

General Union, Police and Fire - Benefit begins at age 62. General Non-Union, Police Chief and Deputy Chief/Fire Marshal- Benefit begins at age 60 or age 55 with 15 years of service for General Non-Union; Surviving spouse entitled to an Option II benefit beginning when deceased vested member would have attained age 60.

Annual Amount: Computed as regular retirement but based upon service and FAC at time of termination.

Disability Retirement

Eligibility: Duty Disability - No age or service requirement. Non-Duty Disability - 10 years of service.

Annual Amount: Duty Disability - Computed as regular retirement. Minimum benefit is the greater of \$50 per month or 10% of FAC. Upon termination of worker's compensation, or attainment of age 65, whichever occurs first, additional service credit is granted for period in receipt of worker's compensation and benefit is recomputed. Non-Duty Disability - Computed as regular retirement. Minimum benefit is the greater of \$50 per month or 10% of FAC.

Death Before Retirement

Eligibility: Duty Death - No age or service requirement. Non-Duty Death - 10 years of service.

Annual Amount: Duty Death - A benefit of 33-1/3% of final compensation is paid to the widow. Unmarried children under the age of 18 receive an equal share of 25% of final compensation. Maximum benefit of all benefits paid must not exceed \$250 per month. Worker's compensation payments are offset. Non-Duty Death - Computed as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.

Member Contribution Withdrawal Option

Police, Fire and General members may elect to withdraw their accumulated contributions in a lump sum at retirement. The regular retirement benefit will be reduced by the actuarial equivalent of the amount withdrawn based on the PBGC interest rate in effect at time of retirement.

Member Contributions

General: Non-Union (including Police Chief, Deputy Chief/Fire Marshal and City Manager) – 3.5% of annual compensation. Union – 3% of the first \$4,800 of annual compensation plus 5.0% of annual compensation in excess of \$4,800.

Police Patrol and Command Officers: 6.0% of annual compensation.

Fire: 6.5% of annual compensation.

Other

Post Retirement Cost of Living Adjustments (COLA) may be paid from the Retirement System Trust to eligible retirees and beneficiaries. Please refer to the Retirement System Ordinance for a description of COLA program provisions.