City of Mt. Clemens Employees Retirement System

SUMMARY ANNUAL REPORT TO MEMBERS
JUNE 30, 2013

Dear Retirement System Member:

The Retirement System, which is managed by the Board of Trustees, 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 Retirement System.*

The Board of Trustees' 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 that 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, Collective Bargaining Agreements and the Board of Trustees' official rules and regulations. Additional information about the System and its financial operation is available in the City Clerk's office.

Respectfully submitted,

SUMMARY OF ACTUARIAL VALUATION RESULTS

Your Retirement System's financial objective is to establish and receive contributions, which will fund for the benefits promised to members, 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. 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 your 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 June 30, 2013 valuation, based on the established funding objective, are summarized below:

Valuation Date	June 30, 2013
Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Period	27 years, closed, level dollar
Asset Valuation Method	Market Value with 5-year smoothing of gains and losses
Valuation Payroll	$3,815,508
Annual Pensions	$4,356,267
Average Annual Pensions	$23,547
Retirees and beneficiaries receiving benefits	185
Terminated plan members entitled to but not yet receiving benefits	22
Active Plan Members	68
Total	275
Principal Actuarial Assumptions:	
– Net Investment Return	7.5%
– Projected Salary Increases*	4.25% to 27.9%
– Cost of Living Adjustments	None

* *Includes pay inflation at 4.25%*

Employer Contribution Rates as a Percentage of Active Member Payroll for the Fiscal Year Beginning July 1, 2013

Contributions for	General	Policemen & Firemen
Normal Cost of Benefits		
Total	15.20%	19.64%
Member Portion	5.30	11.55
Employer Portion	9.90	8.09
Amortization of unfunded liability	3.52	24.52
Computed Employer Rate	**13.42%**	**32.61%**

Funded Status as of June 30, 2013	$ Millions
Actuarial accrued liabilities	$ 59.4
Applied assets (smoothed market value)	53.2
% funded	89.6%

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.

Other

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.

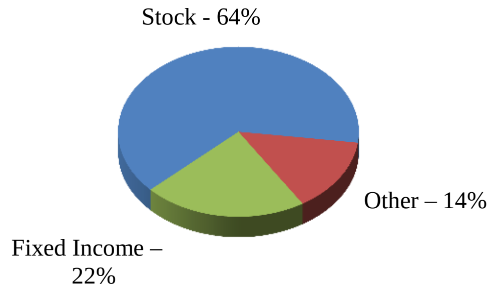
Summary of Reported Asset Information

Revenues & Expenditures

	2012-2013
Market Value - July 1	$54,040,910
Revenues	
Member contributions	264,588
Employer contributions	520,114
Gross Investment income	7,375,614
Total	8,160,316
Expenditures	
Benefit payments	4,340,659
Refund of member contributions	91,532
Administrative & investment expenses	219,829
Total	4,652,020
Market Value – June 30	$57,549,206

The Board of Trustees has confirmed that the employer contributions show 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 June 30, 2013 was 13.70%.

Investment Performance

1-Year	13.60%
3-Year	12.32%
5-Year	6.98%
7-Year	6.55%
10-Year	7.43%

Projected Expenses for 2013-2014

Administrative	$126,000
Investment	160,000
Professional	50,250

BRIEF SUMMARY OF PLAN PROVISIONS

Eligibility	Amount
REGULAR RETIREMENT	
General: Age 50 with 25 or more years of service or age 55 with 10 years of service.	***Annual Amount*** - General: Final average compensation multiplied by the sum of a) 2.25% for the first 25 years of service, and b) 1.0% for years of service in excess of 25 years (2.0% for people hired before July 1, 1998).
Fire: Age 50 with 10 or more years of service.	Fire: Final average compensation multiplied by the sum of a) 2.5% multiplied by the first 25 years of service, and b) 1.0% multiplied by years of service in excess of 25 years.
	Type of Final Average Compensation - Highest 3 consecutive years out of last 10. Some lump sums included. General Union members hired after 6/30/1998 and General Non-Union members hired after 6/30/1987, base wages only.
DEFERRED RETIREMENT	
10 or more years of service. Benefit begins at regular retirement age.	Same as regular retirement but based upon service, final average compensation and benefit formula at termination. Benefit is forfeited upon withdrawal of all or part of employee's accumulated contributions.
NON-DUTY DEATH-IN-SERVICE	
25 years of service or eligible for regular retirement.	Same as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.
DUTY DEATH	
No age or service requirement. Payable upon termination of Worker's Compensation.	Same amount that was paid by Worker's Compensation to widow, dependent widower, unmarried children under age 18 and dependent parents.
	Fire: An amount equal to the disability benefit.
NON-DUTY DISABILITY	
10 years of service.	Same as regular retirement, with a minimum benefit prior to voluntary retirement age of 15% of final average compensation for General members and 50% of final average compensation for Fire members.
DUTY DISABILITY	
No age or service requirement.	Same as regular retirement. Upon termination of Worker's Compensation or age 60, whichever is earlier, additional service credit is granted for period in receipt of Worker's Compensation and benefit is recomputed. The sum of the Duty Disability pension and Worker's Compensation shall not exceed 100% (85% for firemen) of the member's final average compensation.
SURVIVOR RETIREMENT ALLOWANCE	
10 or more years of service and not eligible for Duty or Non-Duty death benefits.	To surviving spouse: 75% of regular retirement allowance; additional service credit is granted for the period between the member's date of death and the date he would have attained age 60. Benefit terminates upon death.
	To unmarried children under 18: 15% of regular retirement allowance computed in same manner as for spouse above. If spouse's benefit is not being paid, amount is 60% of regular retirement allowance. Benefit terminates upon marriage; death or attainment of age 18.