

City of Westland Policemen and Firemen Retirement System

SUMMARY ANNUAL REPORT TO MEMBERS JUNE 30, 2020

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 City 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 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 Clerk's Office.

Respectfully submitted,

Retirement Board

City of Westland Policemen and Firemen

Retirement System

- Steven J. Smith, Board President
- Andrew Buck, Fire Member
- Kyle Dawley, Police Member
- Michael Reddy, Trustee
- Gail Reeves, Trustee

Investment Consultant

- Dahab Associates

Plan Administrator

- Lisa Eggers

Custodial Bank

- Comerica Bank

Actuaries and Consultants

- Nyhart

Auditors/Accountants

- Plante & Moran

Legal Counsel

- Van Overbeke, Michaud & Timmony, P.C.

Medical Director

- Exam Works, Inc.

Investment Managers

- Blackstone
- Black Rock iShares
- Edgewood Management
- Entrust
- Garcia Hamilton and Associates
- HGK Asset Management
- Intercontinental Real Estate Corporation
- Lazard Asset Management
- Loomis Sayles & Company
- McMorgan Infrastructure
- Penn Square Global Real Estate Fund
- Robinson Capital
- Santa Barbara Asset Management
- Seizert Capital Partners
- Seminole Advisory Services
- Vanguard

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 conducts annual actuarial valuations. The actuarial firm Nyhart completed the results as of June 30, 2020 shown below.

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 June 30, 2020 valuation, based on the established funding objective, are summarized below.

| | |
|---|--|
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Amortization Method | Level Percent of Payroll |
| Remaining Amortization Period | 18 years, reduced by 1 each year |
| Asset Valuation Method | 5-year adjusted market value, 80%/120% corridor |
| Valuation Payroll | \$11,693,061 |
| Annual Pensions Paid | \$16,568,113 |
| Average Annual Pensions Paid | \$57,329 |
| Retirees and Beneficiaries Receiving Benefits | 289 |
| Terminated Plan Members | 2 |
| Active Plan Members | 136 |
| Total | 427 |
| Principal Actuarial Assumptions: | |
| - Net Investment Return | 7.25% |
| - Projected Salary Increases | 3.25% - 7.25% |
| - Assumed Rate of Payroll Growth | 3.25% |
| - Assumed Rate of Membership Growth | 0.00% |
| - Cost-of-Living Adjustments | One-time adjustment of 5% after 6 years of retirement for Police Patrol Officers and Police Command hired before June 30, 2014, and Fire before November 1, 2014 |

Fiscal Year 2021-2022 Employer Contribution Rates as a Percentage of Active Member Payroll

| Recommended Contribution | | Funded Status | \$ Millions |
|--------------------------------------|--------------------|-------------------------------|-------------|
| Normal Cost of Benefits | | Actuarial Accrued Liabilities | \$238.4 |
| Total | 26.99% | Actuarial Value of Assets | \$168.8 |
| Member Portion | (5.16)% | % funded | 70.8% |
| Employer Portion | 21.83% | | |
| Unfunded Actuarial Accrued Liability | 48.88% | | |
| Estimated Contribution Rate | 70.71% | | |
| Estimated Dollar Contribution | \$8,267,693 | | |

Actuary's Opinion

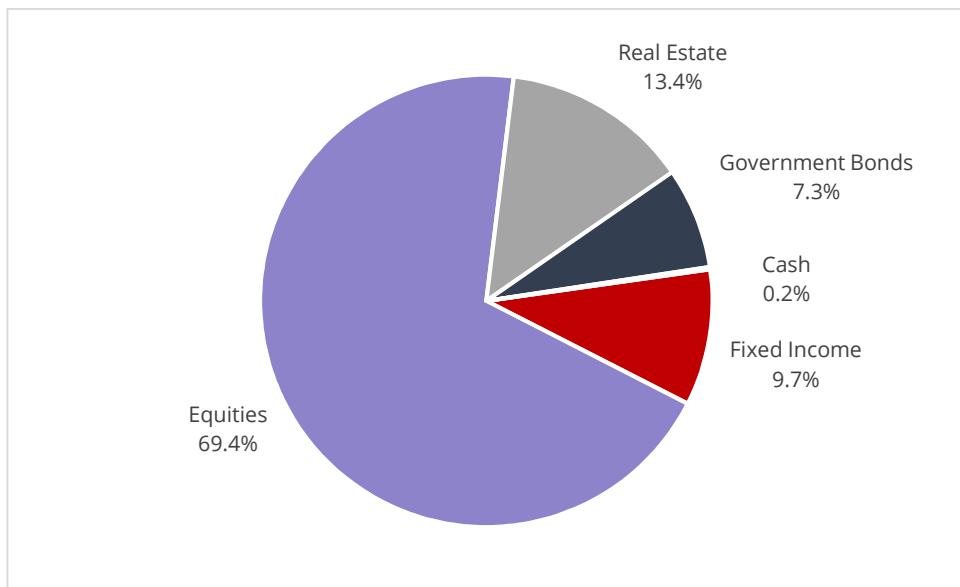
It is the actuary's opinion that the contribution rates recommended are sufficient to meet the Retirement System's financial objective.

SUMMARY OF CURRENT ASSET INFORMATION

| Revenues and Expenditures | | Investment Performance as of June 30 (Net of Investment Expenses) | |
|--------------------------------|---------------|--|-----------|
| | 2019-2020 | | |
| Market Value on July 1, 2019 | \$168,608,364 | 1-Year | 4.95% |
| | | 3-Year | 6.62% |
| Receipts | | 5-Year | 6.54% |
| Member contributions | 748,341 | | |
| Employer's contributions | 6,930,726 | | |
| Net Investment income | 8,131,407 | | |
| Total | \$15,810,474 | | |
| Expenditures | | Projected Expenses for 2020-2021 | |
| Benefit payments | 16,568,113 | | |
| Refund of member contributions | 0 | Administrative | \$400,000 |
| Total | \$16,568,113 | Investment | \$950,000 |
| | | Education | \$500 |
| Market Value June 30, 2020 | \$167,850,725 | Travel | \$1,000 |

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

Investments



BRIEF SUMMARY OF PRIMARY BENEFIT PROVISIONS

| Group | Eligibility | | Benefit Formula | | | AFC Average Final Compensation | Covered Compensation in AFC | Member Contribution Rate | | |
|-------------------------------------|-------------|---------|----------------------|--|---|---------------------------------------|-----------------------------|--------------------------|--|--|
| | Age | Service | Multiplier X Service | | | | | | | |
| Police | | | | | | | | | | |
| Tier 1: hired prior to 1/1/2010 | - | 25 | 2.80% | first 30 | + | 1.00% over 30 | 3 out of last 10 | * | | |
| Tier 2: hired 1/1/2010 to 6/30/2014 | - | 25 | 2.80% | first 30 | + | 1.00% over 30 | 3 out of last 10 | Base, Overtime | | |
| Tier 3: hired on or after 7/1/2014 | 50 | 10 | 1.75% | until 7/1/2019 | + | 2.25% remaining years | 5 out of last 10 | Base, Overtime | | |
| Police Command | | | | | | | | | | |
| Tier 1: hired prior to 1/1/2010 | - | 25 | 2.80% | first 30 | + | 1.00% over 30 | 3 out of last 10 | * | | |
| Tier 2: hired 1/1/2010 to 6/30/2014 | - | 25 | 2.80% | first 30 | + | 1.00% over 30 | 3 out of last 10 | Base, Overtime | | |
| Tier 3: hired on or after 7/1/2014 | 50 | 10 | 1.75% | for all years of service | | | 5 out of last 10 | Base | | |
| Fire | | | | | | | | | | |
| Tier 1: hired prior to 1/1/2010 | - | 25 | 2.80% | until 11/1/2014 | + | 2.50% remaining years + 1.00% over 30 | 3 out of last 10 | * | | |
| Tier 2: hired 1/1/2010 to 11/1/2014 | - | 25 | 2.80% | until 11/1/2014 | + | 2.50% remaining years + 1.00% over 30 | 3 out of last 10 | ** | | |
| Tier 3: hired after 11/1/2014 | 50 | 25 | 2.25% | for all years of service + 1.00% over 30 | | | 5 out of last 10 | Base | | |

*Base, pay in lieu of holiday, sick and/or vacation time, and other allowances may be included. See union contracts for specific allowances and limits.

**Base, overtime, and 240 hours of unused sick and/or vacation time.

Deferred Retirement

| | |
|-------------|--|
| Eligibility | 10 or more years of service |
| Benefit | Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment. |

Non-Duty Death-In-Service

| | |
|-------------|---|
| Eligibility | Payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service. |
| Benefit | Accrued straight life pension actuarially reduced in accordance with an Option I election. |

Duty Death-In-Service

| | |
|-------------|--|
| Eligibility | Payable to a surviving spouse, of a member who died in the line of duty. Payable for life of spouse. |
| Benefit | Accrued straight life pension, assuming the member had accrued (at least) 25 years of service prior to death. Pension computed using base pay of a 25-year employee for WLSA, WPOAM, and WWFF. |

Non-Duty Disability

| | |
|-------------|---|
| Eligibility | Payable upon the total and permanent disability of a member with 5 or more years of service. |
| Benefit | To Age 55: 1.5% of AFC times years of service. At Age 55: Same as Service Retirement pension. |

Duty Disability

| | |
|-------------|--|
| Eligibility | Payable upon the total and permanent disability of a member in the line of duty. |
| Benefit | Before Conversion: 85% of base pay for all Police & 85% of the current gross wage for all Fire. |
| | After Conversion: Same as Service Retirement pension. Conversion occurs at date regular retirement would have occurred had member remained active. Service credit granted for period on disability retirement. |

Post-Retirement Increase

| | |
|-------------|---|
| Eligibility | Police Patrol Officers retiring after July 1, 1990, and hired before June 30, 2014. Police Command hired prior to July 1, 2014, and Firefighters prior to November 1, 2014. |
| Benefit | One-time adjustment of 5% of monthly pension after completion of 6 full years of retirement. |

Annuity Withdrawal Factor

The reduction in the benefit resulting from a participant electing to receive a return of their contributions including interest and contributions made by the City.