

**SHELBY TOWNSHIP  
RETIREE HEALTHCARE TRUST**

**SUMMARY ANNUAL REPORT TO MEMBERS  
DECEMBER 31, 2020**

Dear Retirement System Member:

The Retirement System, which is managed by the Charter Township of Shelby Board of Trustees, is designed to help you meet your healthcare needs should you retire.

The 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. Additional information about the System and its financial operation is available in the Financial Management Department.

Respectfully Submitted,

*Board of Trustees  
Charter Township of Shelby*

**BRIEF SUMMARY OF PLAN PROVISIONS**

**ELIGIBILITY FOR BENEFITS**

**911 Dispatch:** Attain age 55 and provide 10 years of service (15 years of service for employees hired after July 30, 2008). Sum of age and years of service must equal at least 75.

**Command:** Must be hired prior to February 17, 2016, and provide 25 years of service.

**Court:** Must be hired prior to November 1, 2010. Employees eligible to retire as of December 31, 2012, must either attain age 50 and provide 25 years of service or attain age 55 and provide 10 years of service. All other eligible employees must attain age 55 and provide 15 years of service, where the sum of age and years of service must equal at least 75.

**Fire:** Provide 25 years of service.

**Fire Chief:** Provide 25 years of service plus attain age 50.

**General:** Must be hired prior to September 1, 2010, attain age 55 and provide 10 years of service (15 years of service for employees hired after February 4, 2007). Sum of age and years of service must equal at least 75.

**Patrol:** Must be hired prior to April 2, 2014, and provide 25 years of service.

**Supervisory/Department Head/Court Appointed:** Must be hired prior to September 1, 2010, attain age 55 and provide 10 years of service (15 years of service for employees hired after November 20, 2006). Sum of age and years of service must equal at least 75.

**BENEFITS**

**911 Dispatch/Fire Chief:** Eligible for subsidized medical, dental, and vision benefits. Healthcare coverage continues for surviving spouse of retirees.

**Court:** Eligible for subsidized medical, dental, and vision benefits. Also eligible for subsidized life insurance benefits. Healthcare coverage continues for surviving spouse of retirees and active employees.

**Court Appointed/Department Head/General/Supervisory:** Eligible for subsidized medical, dental, and vision benefits. Also eligible for subsidized life insurance benefits. Healthcare coverage continues for surviving spouse of retirees.

**Command/Fire/Patrol:** Eligible for subsidized medical, dental, and vision benefits. Healthcare coverage continues for surviving spouses of retirees and active employees.

**COST SHARING**

**911 Dispatch:** Employees hired after December 31, 2010, are required to contribute 50% of premium costs for the retiree and full cost of dependent coverage.

**Court:** Employees who retire at age 50 are required to pay the full cost of coverage until attaining age 55.

**Fire:** Employees hired after August 17, 2010, are required to contribute 50% of premium costs for the retiree and full cost of dependent coverage.

## 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.

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 actuarial valuations every two years.

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, 2019 valuation, based on the established funding objective, are summarized on the following page.

### *Retirement System Service Providers*

Actuary	Nyhart
Attorney(s)	Robert Huth
Auditors/Accountants	Plante & Moran
Plan Administrator	Shelby Township with assistance from Plan Actuary

## SUMMARY RESULTS OF ACTUARIAL VALUATION (CONTINUED)

Valuation Date	December 31, 2020
Actuarial cost method	Entry Age Normal as Percentage of Pay
Amortization method	Closed level percent of pay
Remaining amortization period	22 years
Asset valuation method	Market Value
Investment rate of return	6.75%
Projected salary increases	3.00%
Healthcare inflation	7.50% reduced by decrements to a rate of 4.50% by 2027
Valuation Payroll	\$14,271,967
Annual Retirement Benefits Paid	\$2,395,988
Average Annual Retirement Benefits Paid	\$11,519
Retirees and beneficiaries receiving benefits	208
Active plan members	187
Total	395

### **Fiscal Year 2020 Employer Contribution Rates As a Percentage of Active Member Payroll**

#### **Contributions for**

Normal Cost of Benefits	
Total	8.57%
Member portion	<u>0.00%</u>
Employer portion	8.57%
Amortization of unfunded liability	14.13%
<b>Computed Employer Rate</b>	<b>22.70%</b>

#### **Funded Status**

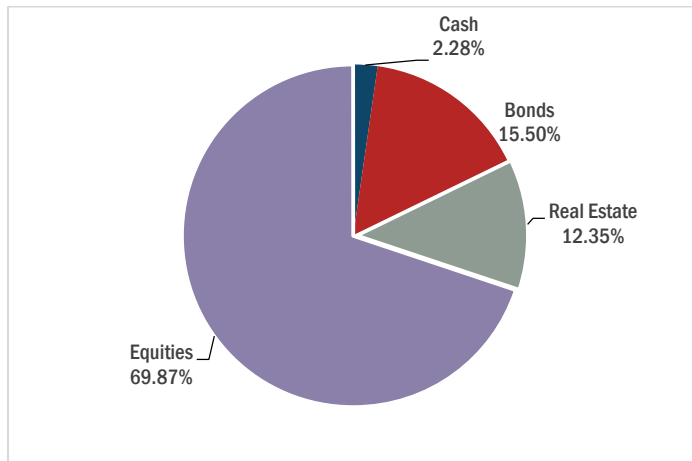
	<b><u>\$ Thousands</u></b>
Actuarial accrued liabilities	\$81,579
Applied assets	\$63,950
% funded	78.39%

**SUMMARY OF CURRENT ASSET INFORMATION**

**Revenues & Expenditures**

Balance on January 1, 20	\$54,617,453
Receipts	
Employer’s contributions	4,964,907
Investment income	7,124,021
Disbursements	
Benefit payments	2,395,988
Investment and administrative expenses	<u>360,655</u>
Balance on December 31, 2020	\$63,949,738

**Investments**



**SUMMARY OF CURRENT ASSET INFORMATION (CONTINUED)**

**Investment Performance (Net of Fees)**

1-Year	11.28%
3-Year	7.91%
5-Year	9.55%
7-Year	7.92%
10-Year	N/A

**Expenditures**

	As of Fiscal Year Ending 12/31/2020	Projected Fiscal Year Ending 12/31/2021
Administrative	\$0	\$0
Investment (Including soft dollars)	\$360,655	\$350,365
Professional Training/Education	\$0	\$0

**Investment Fiduciaries**

AndCo Consulting

**Investment Managers**

HGK Asset Management | Alidade Capital | Bloomfield Capital | Seizart Capital Partners | Clarkston Capital | PGIM Real Estate | ABS

**Custodial Bank**

Comerica Bank

## **TOWNSHIP FUNDING PLAN TO REDUCE LIABILITY**

The Township continues to look at ways to reduce plan costs. Retiree healthcare is either completely removed for future hires or benefits offered cover 50% of the cost for the retiree with no dependent coverage. In addition to paying current costs as they are incurred, the Township also has established an OPEB Trust to set aside additional money to fund future retiree costs. Money is contributed to the Trust annually with contributions exceeding annual costs historically by \$1.5 - \$2.5 million each year. The Township is always looking for ways to increase the additional annual contribution in hopes of reaching 100% funding. Contributions are budgeted at approximately \$5.2 million for 2021.