

**Shelby Township  
Fire and Police Retirement System**

**SUMMARY ANNUAL REPORT TO MEMBERS**

**DECEMBER 31, 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 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,

***Board of Trustees  
Shelby Township Fire and Police Retirement System***

Jerome Moffitt  
Andrew Moran  
James Carabelli  
James Malczewski  
Charley Jackson

## 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, Nyhart, conducts annual actuarial valuations.

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, 2020 valuation, based on the established funding objective, are summarized on the following page.

### ***Retirement System Service Providers***

Actuary	Nyhart
Attorney	VanOverbeke, Michaud & Timmony, P.C.
Auditors/Accountants	Plante & Moran
Plan Administrator	Shelby Township with assistance from Plan Actuary

## BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

### DISABILITY BENEFIT IN LINE OF DUTY

#### Eligibility

Immediately upon total and permanent disability

#### Annual Benefit

50% of Average Compensation up to age 55, then Normal Retirement Benefit with service credited from date of disability to age 55

### DISABILITY BENEFIT NOT IN LINE OF DUTY

#### Eligibility

**Police:** 10 years of service and deemed to be totally and permanently disabled

**Fire:** 5 years of service and deemed to be totally and permanently disabled

#### Annual Benefit

**Police Patrol:** 2.0% times Average Compensation times credited service if less than 15 years, otherwise 2.5% times Average Compensation

**Police Command hired prior to 7/1/1995:** 1.5% times Average Compensation times credited service if less than 15 years, otherwise 2.5% times Average Compensation

**Police Command hired on or after 7/1/1995:** 1.5% times Average Compensation times credited service if less than 15 years, otherwise 2.0% times Average Compensation

**Fire Chief and Fire:** 1.5% times Average Compensation times credited service up to age 55, 2.0% times Average Compensation times credited service beginning at age 55

### COMPENSATION

**Police Patrol:** Compensation includes regular wages, overtime pay, longevity pay, holiday pay, unused sick leave in pay, compensatory time in pay, court time, show-up time, and accrued unused vacation.

**Police Command hired prior to 7/1/1995:** Compensation includes regular wages, overtime pay, longevity pay, holiday pay, unused sick leave in pay, compensatory time in pay, court time, show-up time, and accrued unused vacation.

**Police Command hired on or after 7/1/1995:** Compensation includes the base annual wage plus overtime.

**Fire Chief:** Compensation includes wages, overtime pay, longevity pay, and holiday pay earned while Chief. For time prior to appointment, compensation follows the definition for Fire hired on or before August 1, 2010.

**Fire hired on or before 8/1/2010:** Compensation includes base rate of pay, overtime pay, longevity pay, holiday pay, sick leave payments, and unused vacation.

**Fire hired after 8/1/2010:** Compensation is the base rate of pay only.

### AVERAGE COMPENSATION

**Police Patrol:** Average Compensation is the average of the 3 highest amounts of the last 5 years preceding retirement.

**Police Command and Fire:** Average Compensation is the average of the 3 highest amounts of the last 10 years preceding retirement.

**Fire Chief:** Average Compensation is the average of the 3 highest amounts of the last 10 years preceding retirement

### EMPLOYEE CONTRIBUTIONS

5% of gross pensionable compensation

## BRIEF SUMMARY OF PLAN PROVISIONS

### ELIGIBILITY FOR PARTICIPATION

Any full time permanent firefighters and police officers employed by the Township. The Plan is closed to new hires for Police Patrol and Fire.

### NORMAL RETIREMENT

#### Eligibility

25 or more years of service or age 60 regardless of service (age 50 with at least 25 years of service for the Fire Chief)

#### Annual Benefit

**Police:** 2.5% times Average Compensation times credited service (up to 25 years) plus 1% times Average Compensation times credited service in excess of 25 years

**Fire hired on or before 8/18/2010:** 2.5% times Average Compensation times credited service (up to 25 years) plus 1% times Average Compensation times credited service in excess of 25 years capped at 5 additional years.

**Fire hired after 8/18/2010:** 2.25% times Average Compensation times credited service (up to 25 years) plus 1% times Average Compensation times credited service in excess of 25 years capped at 5 additional years.

### DEATH AFTER RETIREMENT SURVIVOR'S PENSION

#### Eligibility

Payable to surviving spouse of retired member receiving a single life annuity effective July 1, 1975 or later

#### Annual Benefit

60% of the single life annuity the late retiree was receiving

### DEATH BEFORE RETIREMENT IN LINE OF DUTY

#### Eligibility

Expiration of worker's compensation to the survivors of a member who died in the line of duty

#### Annual Benefit

Same amount paid by worker's compensation

### DEATH BEFORE RETIREMENT NOT IN LINE OF DUTY

#### Eligibility

**Police Command and Fire Chief:** 20 years of service

**Fire:** 10 years of service

**Police Patrol:** 8 years of service

#### Annual Benefit

Married participant: Spouse will receive single life annuity actuarially reduced in accordance with Option I elected.

### TERMINATION BENEFIT

#### Eligibility

**Police Patrol:** 8 years of service

**All Others:** 10 years of service

#### Annual Benefit

Accrued retirement benefit payable at participant's normal retirement date. If the participant terminates prior to the service requirement, a refund of the accumulated contributions with interest will be issued.

## SUMMARY RESULTS OF ACTUARIAL VALUATION

Valuation Date	December 31, 2020
Actuarial cost method	Individual Entry Age as Percentage of Pay
Amortization method	Closed level dollar amortization of UAAL
Remaining amortization period	6 years
Asset valuation method	25% Write-Up Method
Investment rate of return	7.50%
Projected salary increases	3.50% plus merit scale (0.00% - 5.25%)
Cost-of-living-adjustments	None
Valuation Payroll	\$10,328,060
Annual Pensions Paid	\$6,630,035
Average Annual Pensions Paid	\$53,468
Retirees and beneficiaries receiving benefits	124
Terminated plan members entitled to but not yet receiving benefits	3
Active plan members	96
Total	223

### Fiscal Year 2021 Employer Contribution Rates As a Percentage of Active Member Payroll

#### Contributions for

Normal Cost of Benefits	
Total	18.44%
Member portion	<u>5.13%</u>
Employer portion	13.31%
Amortization of unfunded liability*	0.14%
<b>Computed Employer Rate</b>	<b>13.45%</b>

#### Funded Status

Actuarial accrued liabilities	\$122,742
Applied assets	\$121,607
% funded	99.08%

\*Based on the 6-year funding policy adopted by the Board.

#### **Actuary's Opinion**

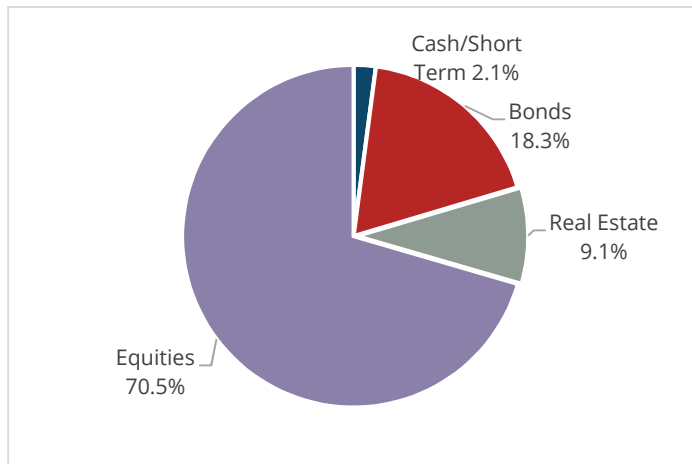
It is the actuary's opinion that the contribution rates recommended are sufficient to meet the Retirement System's financial objective.

**SUMMARY OF CURRENT ASSET INFORMATION**

**Revenues & Expenditures**

Balance on January 1, 2020	\$118,010,225
Receipts	
Employees' contributions	523,227
Employer's contributions	2,652,828
Investment income	15,920,417
Disbursements	
Benefit payments	6,630,035
Refund of member contributions	0
Investment and administrative expenses	<u>973,858</u>
Balance on December 31, 2020	\$129,502,804

**Investments**



**SUMMARY OF CURRENT ASSET INFORMATION**

**Investment Performance (Net of Fees)**

1-Year	10.26%
3-Year	7.96%
5-Year	10.09%
7-Year	8.20%
10-Year	8.24%

**Expenditures**

	As of Fiscal Year Ending 12/31/2020	Projected Fiscal Year Ending 12/31/2021
Administrative	\$39,510	\$55,000
Investment (Including soft dollars)	\$970,760	N/A
Education	\$100	\$10,250
Travel	\$6,488	\$49,750

**Investment Fiduciaries**

Morgan Stanley – Graystone Consulting

**Investment Managers**

Aristotle | Loomis Sayles | World Asset Management | Clarkston Capital | Ancora/Thelen | Sawgrass | Vanguard | HGK Asset Management | Baird | Federated | Bloomfield Capital | McMorgan | JCR | Metropolitan | EnTrust | Oaktree | Boyd Watterson

**Custodial Bank**

Comerica Bank