



## CITY OF BATTLE CREEK

# POLICEMEN AND FIREMEN RETIREMENT SYSTEM



## ANNUAL REPORT AS OF JUNE 30, 2015

The name of the retirement system is 'City of Battle Creek Policemen and Firemen Retirement System' and often referred to as Police and Fire Pension Fund/System in other publications. Further reference within this document shall be "P&F Pension Fund."

### Board of Trustees

Joseph Newman, Chair	Commission appointee	term to expire 6/30/2015
Stanley Chubinski, Vice Chair	Commission appointee	term to expire 6/30/2017
Gail Budrow-Bradstreet, Treasurer	per Public Act 345	Ex-Officio – no expiration
Capt. John Hausman, Trustee	Fire Representative	term to expire 6/30/2016
Officer Doug Bagwell, Trustee	Police Representative	term to expire 6/30/2018

The five-member Retirement Board are either elected or appointed in accordance with Public Act 345 of 1937 ("the Act). Two members shall be appointed by the legislative body of the city (the Commission) upon completing an application to serve. One member is an active member of the retirement system and elected by a majority vote of the active members of the police department. One member is an active member of the retirement system and elected by a majority vote of the active members of the fire department. The treasurer of the city is a member per the Act. All terms are four years.

### Investment Fiduciaries

Comerica Bank – Custodial Bank	Earnest Partners Intermediate Duration
Harding Loevner International ADR	Lazard Int'l Equity Select w/EM ADR
Loomis Sayles Fixed Income	Richmond Capital 1-10 Year TIPS
The Boston Partners Large Cap Value	The Boston Partners Small Cap Value
Wells Capital Large Cap Fundamental Growth	Westfield Capital Mid Cap Growth
World Asset Management 500 Index	

### Actuary & Investment Consultant

Gabriel Roeder Smith & Company – Actuary  
Plante Moran Financial Advisors – Financial/Investment Consultant

### Legal Counsel

Michael VanOverbeke  
VanOverbeke, Michaud and Timmony, PC

**COMPARATIVE SUMMARY RESULTS**  
**of the June 30, 2013,**  
**June 30, 2014 and June 30, 2015 Actuarial Valuation Reports**

The objective of the P&F Pension Fund is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year-to-year and will not have to be increased for future generations of citizens. This objective meets the requirements of Act No. 345 of the Public Acts of 1937, as amended, and the Michigan constitution.

To determine an appropriate Employer contribution level for the ensuing year and to gauge how the P&F Pension Fund's funding is meeting this fundamental objective, an independent firm of actuaries, Gabriel Roeder Smith & Company, conducts annual actuarial valuations.

These valuations are based on the P&F Pension Fund's past experience, information about current members, financial markets and assumptions concerning the future demographic and economic activity. The results of the June 30, 2013 valuation and June 30, 2014 valuation, based on the established funding objective, are summarized below:

**Employer Contribution Rates**  
**As a Percentage of Active Member Payroll**

<b>Contributions to Provide Benefits</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Normal Cost: Total	26.29%	26.29%	26.36%
Amortization Payment – Initial Unfunded	10.73%	10.73%	12.54%
Total Contribution Requirement	37.02%	37.02%	38.90%
Member Contribution – Average	7.81%	7.81%	7.80%
Computed Employer Rate	29.21%	29.21%	31.10%

**Funded Status**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Actuarial Accrued Liability	\$160,093,000	\$154,038,000	\$149,004,999
Actuarial Value of Assets	\$131,758,000	\$125,527,000	\$117,879,023
Funded Ratio	82.3%	81.5%	79.1%

# INVESTMENT PERFORMANCE

Plante Moran Financial Advisors

PORTFOLIO ACTIVITY REPORT

## City of Battle Creek Police and Fire Retirement System

Performance Account(s)

	12/31/2014 To 12/31/2015	12/31/2012 To 12/31/2015	12/31/2010 To 12/31/2015
Beginning Portfolio Value with Accrued Interest	133,419,163	117,223,511	112,185,668
Net Contributions/Withdrawals	-4,464,502	-13,138,996	-20,049,798
Realized Gains	-518,959	7,225,547	11,179,269
Unrealized Gains	-1,199,168	11,655,814	15,453,431
Interest and Dividends	2,718,953	8,014,142	13,466,256
Management Fees	-479,135	-1,514,939	-2,674,890
Portfolio Fees	-31,383	-136,721	-232,569
Portfolio Value with Accrued Interest	<u>129,444,870</u>	<u>129,444,870</u>	<u>129,444,870</u>
Total Fees	-510,518	-1,651,660	-2,907,459
Total Gain After Fees	490,307	25,243,843	37,191,497
Time Weighted Return	0.37%	22.23%	35.72%
Annualized Return	0.37%	6.92%	6.30%
Evaluation Benchmark	-0.04%	21.38%	37.70%
Annualized Benchmark	-0.04%	6.67%	6.60%
<b>Cumulative Market Indices</b>			
Barclays Capital U.S. Aggregate Bond Index	0.55%	4.39%	17.32%
S&P 500 Index	1.38%	52.59%	80.75%
MSCI EAFE (USD) Index	-0.81%	15.81%	19.37%

## SUMMARY OF CURRENT ASSET INFORMATION

### *Revenues & Expenses*

	<u>2014-15*</u>	<u>2013-14</u>	<u>2012-13</u>
Market Value – July 1*	\$ 133,938,665	\$ 121,026,984	\$113,297,361
<b>Revenues:</b>			
Member Contributions	\$ 1,076,523	\$ 991,792	\$ 1,044,533
Employer Contributions	\$ 4,612,446	\$ 4,316,203	\$ 4,105,429
Interest & dividends	\$ 2,941,508	\$ 2,727,504	\$ 2,442,528
Realized and Unrealized Gain (Loss)	\$ 2,210,591	\$ 14,477,569	\$ 9,072,368
<b>Total Revenues</b>	<b>\$10,841,068</b>	<b>\$ 22,513,068</b>	<b>\$ 16,664,858</b>
<b>Expenditures:</b>			
Refunds of Member contributions	\$ 22,952	\$ 47,356	\$ 75,382
Retirement Benefits Paid Out	\$ 9,362,852	\$ 8,389,950	\$ 7,747,926
Administrative Expenses	\$ 200,499	\$ 197,492	\$ 132,043
Health Insurance premiums	\$ 1,018,000	\$ 512,795	\$ 500,000
Investment Expense	\$ 324,996	\$ 453,794	\$ 479,884
<b>Total Expenses</b>	<b>\$ 10,929,299</b>	<b>\$ 9,601,387</b>	<b>\$ 8,935,235</b>
Market Value – June 30	\$ 133,850,434	\$133,938,665	\$121,026,984

\*revised

### Annual Budget July 1 through June 30

<b>REVENUE</b>	<b>2015/2016</b>	<b>2014/2015</b>
Member Contributions	\$ 1,020,000	\$ 913,500
Employer Contributions	4,654,884	4,144,493
Investment Income		
Interest	1,934,667	2,134,850
Dividends	901,000	902,206
Realized Gains	2,203,889	1,857,451
Unrealized Gain	(600,000)	(600,000)
Other		
Class Action/Spinoffs	0	0
Securities Lending	14,000	14,000
Corporate Actions	0	0
Health Contribution	500,000	500,000
<b>TOTAL REVENUES</b>	<b>\$ 10,247,664</b>	<b>\$ 9,866,500</b>

<b>EXPENDITURES</b>	<b>2015/2016</b>	<b>2014/2015</b>
Benefit Payments	\$ 9,100,000	\$ 8,729,000
Health Insurance	500,000	500,000
Refunds of Member Contributions	0	0
Administrative Expense:		
Counseling Fees	95,289	88,000
Investment Management Fees	480,000	480,000
Custody Fees	45,000	45,000
Audit & Actuary	18,400	18,400
Legal Fees	2,000	2,000
Memberships	125	100
Conference Expense	4,000	4,000
<b>TOTAL EXPENSES</b>	<b>\$ 10,247,664</b>	<b>\$ 9,732,094</b>

## MEMBER and RETIREE DATA

<b>ACTIVE MEMBERS</b>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Police:			
Lieutenants	3	3	3
Sergeants (POLC)	14	15	15
Non-Supervisory (POLC)	86	84	85
Non-Represented	6	3	4
Fire:			
Chiefs (OSP)	1	2	2
Firefighters (IAFF)	77	74	74
Non-Represented	1	1	1
<b>RETIREES</b>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Age & Service Benefits:			
Straight Life benefit-terminates @ death	49	46	45
Straight Life benefit-60% survivor benefit	166	167	165
Option 2 benefit-50% joint & survivor	1	1	1
Survivor benefit (retiree deceased)	28	30	30
Casualty Benefits			
Duty Disability benefits	4	3	3
Non-duty Disability benefits	1	1	1
Non-duty Death benefits	3	3	3

<b>ANNUAL BENEFITS</b>	<u>Age &amp; Service Retirees</u>	<u>Disability Retirees</u>	<u>Survivor Beneficiaries</u>
2015			
Number of	215	5	32
Total benefits paid	\$8,750,843	\$122,225	\$566,996
2014			
Number of	214	4	33
Total benefits paid	\$8,531,164	\$93,452	\$545,511
2013			
Number of	211	4	33
Total benefits paid	\$8,312,290	\$93,452	\$524,041

### **COMPUTED AND ACTUAL CITY CONTRIBUTIONS COMPARATIVE STATEMENT**

Fiscal Year	Valuation Date June 30	Actual Dollar Contribution	Valuation Payroll	City's Computed % of payroll Contributions
2016/17	2015	N/A	\$13,495,955	29.89%
2015/16	2014	N/A	\$12,656,141	29.31%
2014/15	2013	\$4,316,203	\$11,700,630	31.10%

### **BATTLE CREEK P&F ASSET CLASS RETURN ASSUMPTIONS**

<u>Asset Class</u>	<u>Projected Real Returns (2016-2025)</u>
Domestic Large Cap equity	5.00%
Domestic Small/Mid Cap Equity	5.30%
International equity	5.00%
Broad Fixed income	0.75%
Cash	0.00%
Assumed Inflation	2.25%

### **ACTUARIAL ASSUMPTIONS**

**Assumed Rate of Investment Return:** 6.75% per year, compounded annually

**Assumed rate of long-term wage inflation** 4.25% annually