

Dear Retirement System Member:

The City of Southgate Police and Fire Retirement System is established and governed under Michigan Public Act 345 of 1937, as amended, and is managed and administered by the Southgate Police and Fire Retirement Board of Trustees. The Retirement System is designed to help you meet your financial needs should you become disabled, retire, or die. Your employer also supports a Retiree Health Insurance Program for eligible participants, which is separate from the Southgate Police and Fire Retirement System.

The Retirement Board's fiduciary responsibility is to supervise the general administration of the System and invest its assets. The Board retains professional financial consultants and money managers to assist in fulfilling these duties.

This summary report has been prepared to give you a brief overview of the Retirement System and how it operates. I hope you find it useful and informative. However, a summary cannot cover all the details of the System. Thus, additional information about the Retirement System and its operation is available by contacting your elected representative on the Retirement Board or by visiting the Southgate Police and Fire Retirement System Website at: [www.southgatepoliceandfireretirement.org](http://www.southgatepoliceandfireretirement.org)

## **SOUTHGATE POLICE AND FIRE RETIREMENT SYSTEM**

### **Summary Annual Report to Members**

### **June 30, 2012**

#### **Board of Trustees**

Lary Lynn-Mayoral Appointee, President

Marc Hatfield – Fire Department Representative, Secretary

Kasper Ohannasian – Police Department Representative, Trustee

James Dallos – City Treasurer, Trustee

Gordon Mydlarz – Mayoral Appointee, Trustee

#### **Retirement Office**

14730 Reaume Parkway  
Southgate, MI 48195

#### **Actuary**

Gabriel Roeder Smith & Company

#### **Legal Counsel**

VanOverbeke, Michaud & Timmony, P.C.

#### **Investment Fiduciaries**

Graystone Consulting – Investment Consultant

PNC Bank – Custodial Bank

#### **Investment Managers:**

- PNC Institutional Investments
- iShares/Blackrock
- JP Morgan
- Hamlin Capital Management
- Reinhart Partners
- Franklin Templeton
- Vanguard
- WHV Investment Management
- SPDR Gold Trust

## SUMMARY RESULTS OF ACTUARIAL VALUATION

Your Retirement System's financial objective is to accumulate assets necessary to pay the promised pension benefits. To determine an appropriate employer contribution level for the ensuing year and to gauge how the Retirement 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 of the Plan.

These valuations are based on your Retirement System's past experience, information about current participation, financial markets, and assumptions concerning the Retirement System's future demographic and economic activity. The results of the June 30, 2012 valuation, based on the established funding objective, are summarized below:

Valuation date	June 30, 2012
Actuarial cost method	Entry age actuarial cost method
Normal amortization method	Entry age actuarial cost method amortized over a closed 23 year period
Asset valuation method	4-year smoothed market
Valuation payroll	\$4,889,791
Annual pensions paid	\$4,503,892
Average annual pensions paid	\$51,769
Retirees and beneficiaries receiving benefits	87
Active Plan members	67

### **Actuarial Assumptions:**

- Investment Rate of Return	7.5%
- Projected salary increases	4.7% - 8.3%
- Wage Inflation	4.5%

## Fiscal Year Beginning July 1, 2013 Employer Contribution

Contributions for		Funded Status	\$ Millions
Normal Cost	\$ 665,012	Actuarial accrued liabilities	\$64.2
Normal Accrued Liabilities	\$ 1,907,018	Applied assets (smoothed market value)	\$40.6
Total Employer Contribution	\$2,572,090		

Computed Employer Rate = 52.6%

Funded ratio (%) = 63.3%

## **SUMMARY OF CURRENT ASSET INFORMATION**

### **Revenues and Expenditures**

Funding (Actuarial) Value – July 1, 2011	\$42,616,916
Revenues	
Employee contributions	\$343,374
Employer contributions	\$1,579,123
Recognized Investment Income	\$1,264,222
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Total	\$3,186,719
Expenditures	
Benefit payments	\$4,839,548
Refund of Member Contributions	\$0
Administrative Expenses	\$
- Education/Travel	\$
Investment Expenses	\$
- Soft dollars	\$0
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Total	\$5,128,114
Funding (Actuarial) Value – June 30, 2012	\$40,675,521

### **System's Investment Performance Net of Fees as of 6/30/2012**

1 year	7.57%
3 years	7.37%
5 years	.081%
7 years	4.08%
10 years	5.60%

### **2013 – 2014 Annual Budget/Projected Expenditures**

Administrative	\$
Investment	\$
Education/Travel	\$
Total	\$