

CITY OF AUBURN HILLS EMPLOYEE PENSION PLAN

2014 SUMMARY ANNUAL REPORT TO MEMBERS

City of Auburn Hills Pension Board

Kevin McDaniel	Mayor
Robert Kittle	Mayor Pro-Tem
Thomas Tanghe	City Manager
Michelle Schulz	Finance Director
James Manning	Public Safety Rep.
Tammy Klobnock	Clerical Rep.
Greg Landry	Public Service Rep.
Brian Martin	Public Safety Rep.
Terri Kowal	City Clerk

Investment Consultant Asset Strategies Portfolio Services

Investment Managers

PIMCO Funds
Rothschild Asset Management
LS Investment Advisors
Bloomfield Capital Income Fund
American Realty Advisors
Vontobel Asset Management
BlueCrest Capital Management

Custodial Bank Comerica Bank

Plan Administrator City of Auburn Hills Pension Board

Actuary Rodwan Consulting Company

Legal Counsel Van Overbeke, Michaud & Timmony, P.C.

Auditor/Accountant Plante & Moran, PLLC

SUMMARY ANNUAL REPORT TO MEMBERS

MEMBERSHIP AS OF DECEMBER 31, 2014

32 Active Members

19 Inactive Vested Members

104 Retirees and Beneficiaries receiving pensions

SUMMARY RESULTS OF ACTUARIAL VALUATION

Your Pension Plan's financial objective is to establish and receive contributions which will remain approximately level from year to year and will not have to be increased for future generations of taxpayers. Contribution levels are expressed in terms of a percent of the City's active payroll for participating pension members.

To determine an appropriate Employer contribution level for the ensuing year and to gauge how the Plan's funding is meeting this fundamental objective, an independent firm of actuaries conducts an annual actuarial valuation.

The valuation is based on your Plan's past experience, information about current participation and financial markets, and assumptions concerning the City's future demographic and economic activity. The results of the December 31, 2014 valuation, based on the established funding objective, are summarized below:

RECOMMENDED CONTRIBUTION AS A PERCENT OF COVERED PAYROLL

Normal Cost of Benefits:	<u>12/31/2014</u>	<u>12/31/2013</u>
Total	17.97%	18.83%
Members' Contributions	<u>5.62%</u>	<u>5.31%</u>
City's Net Normal Cost	12.35%	13.52%
Unfunded Actuarial Accrued Liabilities	<u>10.00%</u>	<u>2.47%</u>
City's Total Percentage Contribution	22.35%	15.99%
Actuary's Recommended Contribution		
Fiscal Year 2013		\$ 451,423
Fiscal Year 2014	\$ 474,821	
Actuary's Valuation Payroll	\$ 2,124,477	\$ 2,823,161

SUMMARY ANNUAL REPORT TO MEMBERS

FUNDING STATUS AS OF DECEMBER 31, 2013 AND 2014

	<u>12/31/2014</u>	<u>12/31/2013</u>
Actuarial Accrued Liabilities \$	50,653,898	\$ 47,936,893.0
Actuarial Valuation Assets (market value) \$	48,765,043	\$ 47,291,748
Unfunded Actuarial Accrued Liabilities \$	1,888,855	\$ 645,145
Funded ratio	96.30%	98.70%

SUMMARY OF CURRENT ASSET INFORMATION

Pension Fund Market Value

Valuation of Assets - December 31, 2013 \$	47,291,745
Valuation of Assets - December 31, 2014 \$	48,765,043
Cumulative Increase in Net Plan Assets for 2014 \$	1,473,298

BENEFITS PAID IN 2013 AND 2014

	<u>2014</u>	<u>2013</u>
Pension Benefits Paid \$	2,661,802	\$ 2,222,245
Average Retirement Benefit \$	27,957	\$ 24,631

ASSET ALLOCATION AS OF DECEMBER 31, 2013 AND 2014

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
Domestic Equity \$	21,047,412	43.16%	\$ 20,880,403	44.15%
Fixed Income \$	11,533,080	23.65%	\$ 11,630,984	24.59%
Real Estate \$	5,082,468	10.42%	\$ 4,160,502	8.80%
Hedge Funds \$	3,883,555	7.96%	\$ 3,653,177	7.72%
International Equity \$	7,174,510	14.71%	\$ 6,966,655	14.73%
Cash & Equivalents \$	44,014	0.09%	\$ -	0.00%
	\$ 48,765,039	100.00%	\$ 47,291,721	100.00%

ADDITIONAL INFORMATION AS REQUIRED BY PUBLIC ACT NO. 347 OF 2013

INVESTMENT PERFORMANCE

<u>2014</u>	<u>Last 2 Years</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>	<u>Last 7 Years</u>
8.72%	10.61%	11.53%	9.47%	6.15%

PENSION PLAN ADMINISTRATIVE AND INVESTMENT EXPENSES

	<u>Budget</u> <u>2015 FY</u>	<u>Actual</u> <u>2014 FY</u>	<u>Actual</u> <u>2013 FY</u>
Membership Dues \$	125	\$ -	\$ 100
Conferences/Workshops/Training \$	3,000	\$ -	\$ -
Consultant Services \$	45,101	\$ 47,539	\$ 39,750
Legal Fees \$	3,500	\$ 3,245	\$ 3,903
Liability Insurance \$	6,418	\$ 6,600	\$ 6,600
Total \$	58,144	\$ 57,384	\$ 50,353

PENSION PLAN CONTRIBUTIONS 2013 AND 2014

	<u>2014 FY</u>	<u>2013 FY</u>
Employer \$	472,439	\$ 677,332
Employee Members \$	148,282	\$ 168,491
Total Contributions \$	620,721	\$ 845,823
Weighted Average of Employee Member Contributions \$	4,634	\$ 4,110

PENSION PLAN ACTUARY ASSUMPTIONS AND METHODS

Valuation Date	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Actuarial Cost Method	Aggregate	Aggregate
Amortization Method	Level % of Payroll, Closed	Level % of Payroll, Closed
Remaining Amortization Period	Expected Future Working Lifetime	Expected Future Working Lifetime
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Long-Term Wage Inflation	4.50%	5.00%

The City of Auburn Hills Employee Pension Plan as been closed to adding participants in the plan for new hires to any employee unit as of January 1, 2000.