



CITY OF BATTLE CREEK



POLICEMEN AND FIREMEN RETIREMENT SYSTEM

ANNUAL REPORT AS OF JUNE 30, 2014

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
Robeco Boston Partners Large Cap Value	Robeco 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, 2012,
June 30, 2013 and June 30, 2014 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, 2012 valuation and June 30, 2013 valuation, based on the established funding objective, are summarized below:

Employer Contribution Rates
As a Percentage of Active Member Payroll

Contributions to Provide Benefits	June 30, 2014	June 30, 2013	June 30, 2012
Normal Cost: Total	26.29%	26.36%	26.32%
Amortization Payment – Initial Unfunded	10.73%	12.54%	11.61%
Total Contribution Requirement	37.02%	38.90%	37.93%
Member Contribution – Average	7.81%	7.80%	7.81%
Computed Employer Rate	29.21%	31.10%	30.12%

Funded Status

	June 30, 2014	June 30, 2013	June 30, 2012
Actuarial Accrued Liability	\$154,174,000	\$149,004,999	\$145,540,951
Actuarial Value of Assets	\$125,527,000	\$117,879,023	\$115,083,128
Funded Ratio	81.4%	79.1%	79.1%

INVESTMENT PERFORMANCE

Plante Moran Financial Advisors

PORTFOLIO ACTIVITY REPORT

City of Battle Creek Police and Fire Retirement System

Performance Accounts

	12/31/2013 To 12/31/2014	12/31/2011 To 12/31/2014	12/31/2009 To 12/31/2014
	-----	-----	-----
Beginning Portfolio Value with Accrued Interest	126,990,419	107,140,887	103,699,941
Net Contributions/Withdrawals	-2,198,536	-10,251,297	-18,578,536
Realized Gains	260,406	10,302,714	14,788,109
Unrealized Gains	5,960,314	19,924,849	22,739,052
Interest and Dividends	2,834,667	7,917,130	13,616,043
Management Fees	-478,347	-1,575,395	-2,711,948
Portfolio Fees	-62,680	-152,644	-247,410
Portfolio Value with Accrued Interest on 12-31-14	133,422,853	133,422,853	133,422,853
Fees Paid By Client	0	0	-20,009
Total Fees	-541,028	-1,728,039	-2,979,366
Total Gain After Fees	8,514,360	36,416,654	48,163,839
Time Weighted Return	6.73%	35.59%	51.12%
Annualized Return	6.73%	10.67%	8.60%
Evaluation Benchmark	7.02%	33.92%	53.09%
Annualized Benchmark	7.02%	10.22%	8.88%
<u>Cumulative Market Indices through 12-31-14</u>			
Barclays Capital U.S. Aggregate Bond Index	5.97%	8.20%	24.31%
S&P 500 Index	13.69%	74.60%	105.14%
MSCI EAFE (USD) Index	-4.90%	36.98%	29.68%

SUMMARY OF CURRENT ASSET INFORMATION

Revenues & Expenses

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Market Value – July 1*	\$ 121,026,984	\$ 113,297,361	\$115,518,718
Revenues:			
Member Contributions	\$ 984,463	\$ 1,044,533	\$ 922,117
Employer Contributions	\$ 4,316,203	\$ 4,105,429	\$ 4,159,617
Interest & dividends	\$ 2,598,259	\$ 2,442,528	\$ 2,716,406
Realized and Unrealized Gain (Loss)	\$ 15,140,134	\$ 9,072,368	\$ (116,314)
Total Revenues	\$17,738,393	\$ 16,664,858	\$ 7,681,826
Expenditures:			
Refunds of Member contributions	\$ 47,356	\$ 75,382	\$ 110,630
Retirement Benefits Paid Out	\$ 8,899,974	\$ 7,747,926	\$ 8,669,455
Administrative Expenses	\$ 213,462	\$ 132,043	\$ 142,597
Health Insurance premiums	\$ 500,000	\$ 500,000	\$ 500,000
Investment Expense	\$ 453,794	\$ 479,884	\$ 480,500
Total Expenses	\$ 10,127,381	\$ 8,935,235	\$ 9,903,182
Market Value – June 30	\$ 133,938,665	\$121,026,984	\$113,297,361

Annual Budget July 1 through June 30

REVENUE	2014/2015	2013/2014
Member Contributions	\$ 913,500	\$ 900,000
Employer Contributions	4,144,493	4,083,244
Investment Income		
Interest	2,134,850	2,134,850
Dividends	902,206	900,000
Realized Gains	1,857,451	1,803,200
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
TOTAL REVENUES	\$ 9,866,500	\$ 9,737,500

EXPENDITURES	2014/2015	2013/2014
Benefit Payments	\$ 8,729,000	\$ 8,600,000
Health Insurance	500,000	500,000
Refunds of Member Contributions	0	0
Administrative Expense:		
Counseling Fees	88,000	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	100	100
Conference Expense	4,000	1,500
TOTAL EXPENSES	\$ 9,866,500	\$ 9,732,094

MEMBER and RETIREE DATA

ACTIVE MEMBERS	<u>2014</u>	<u>2013</u>	<u>2012</u>
Police:			
Lieutenants	4	3	3
Sergeants (POLC)	15	15	15
Non-Supervisory (POLC)	84	85	85
Non-Represented	3	4	4
Fire:			
Chiefs (OSP)	2	2	2
Firefighters (IAFF)	74	74	74
Non-Represented	1	1	1
RETIREES	<u>2014</u>	<u>2013</u>	<u>2012</u>
Age & Service Benefits:			
Straight Life benefit-terminates @ death	46	45	41
Straight Life benefit-60% survivor benefit	167	165	161
Option 2 benefit-50% joint & survivor	1	1	2
Survivor benefit (retiree deceased)	30	30	28
Casualty Benefits			
Duty Disability benefits	3	3	3
Non-duty Disability benefits	1	1	1
Non-duty Death benefits	3	3	3

ANNUAL BENEFITS	<u>Age & Service Retirees</u>	<u>Disability Retirees</u>	<u>Survivor Beneficiaries</u>
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
2012			
Number of	204	4	31
Total benefits paid	\$7,778,399	\$93,452	\$505,581

COMPUTED AND ACTUAL CITY CONTRIBUTIONS COMPARATIVE STATEMENT

Fiscal Year	Valuation Date June 30	Actual Dollar Contribution	Valuation Payroll	City's Computed % of payroll Contributions
2015/16	2014	N/A	\$12,656,141	29.31%
2014/15	2013	N/A	\$11,700,630	31.10%
2013/14	2012	\$4,316,203	\$12,269,834	30.12%

ACTUARIAL ASSUMPTIONS

Assumed Rate of Investment Return: 7% per year, compounded annually

Assumed rate of long-term wage inflation 4.5% annually

Editors note: The annual report is not complete and will be updated as the information becomes available.