

# St. Clair County Employees' Retirement System

## Annual Report

for the year ending  
December 31, 2011

### RETIREMENT COMMISSION MEMBERS

<b>William Herpel</b>	<b>Chairman (Retiree)</b>
<b>Matthew Paulus</b>	<b>Vice Chairman (St. Clair County Employee)</b>
<b>Charles Staiger</b>	<b>Trustee (Citizen)</b>
<b>William Blumerich</b>	<b>Trustee (Road Commission Board Chairman)</b>
<b>Amy DeLange</b>	<b>Trustee (Community Mental Health Employee)</b>
<b>Nancy Gilan</b>	<b>Trustee (Health Department Employee)</b>
<b>William Kauffman</b>	<b>Trustee (St. Clair County Administrator)</b>
<b>Deborah Pauly</b>	<b>Trustee (Road Commission Employee)</b>
<b>Timothy Ward</b>	<b>Trustee (County Board of Commissioners)</b>

WHERE TO WRITE FOR INFORMATION:

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Port Huron, MI 48060  
(810) 989-6910

# Investment Fiduciaries And Service Providers

Asset Strategies Portfolio Services, Inc.

Blue Cross Blue Shield of Michigan

Calamos Investments

Credit Suisse

DeRoy & Deveraux

Fifth Third Institutional Services

First Eagle Investment Management, LLC

Fletcher, Fealko, Shoudy & Francis, PC

Gabriel Roeder Smith & Company

Loomis Sayles & Company, PC

Morgan Stanley

Silver Creek

State Street Global Markets, LLC

The Bank of New York Mellon

Vanoverbeke, Michaud & Timmony, PC

Westwood Management

WHV Investment Management

# **SUMMARY ANNUAL REPORT TO MEMBERS DECEMBER 31, 2011**

**Dear Retirement System Members:**

**The Retirement System, which is managed by the Retirement Board of Trustees, is designed to help you meet your financial needs due to disability, retirement or death. The Retirement Board's fiduciary responsibility to you is to oversee the general administration of the system and invest its assets. Your Board retains professional advisors to assist in the fulfillment of these duties.**

**This summary report has been prepared to give you an overview of the Retirement System (which is governed by the provisions of the County's Retirement Ordinance and the Retirement Board's official rules and regulations) and how it operates. We hope you will find it useful and informative. As a summary cannot cover all the details of the System, additional information about the System, including the Retirement Ordinance and the actuarial valuation, can be obtained from the Financial Office or be accessed via the County's website.**

**Respectfully submitted,**

*Board of Trustees  
St. Clair County Employees' Retirement System*

## **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 in a manner designed to keep those rates approximately level as a percentage of payroll or as a level dollar amount from year to year.**

**The Board of Trustees of the St. Clair County Employees' Retirement System provides for payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728.**

**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 conducts annual actuarial valuations.**

**These valuations are based on the System's past experience, information about current participation and financial markets, and assumptions concerning the System's future demographic and economic activity.**

**For 2011, the actuarial valuation was performed by Nyhart. The results are summarized on the following pages.**

## Participation

Plan year ending 12/31/2011

Number of participants:

Active	868
Vested Terminated	101
Retirees & Beneficiaries	<u>618</u>
Total	1,587

Active participant averages:

Age	45.9
Service	11.5
Compensation	\$50,176

### **Changes since last valuation:**

There have been no changes to the assumptions since the last valuation.  
The plan was closed to new hires for Road Commission employees.

**Valuation Date 12/31/2011**  
**For**  
**Fiscal Year Beginning January 1, 2013**

<u>Contributions for</u>	<u>General</u>	<u>Mental</u>	<u>Road</u>
Normal Cost	<u>County</u>	<u>Health</u>	<u>Comm.</u>
Employer	\$2,690,382	\$1,078,810	\$ 468,199
Amort. Pymt	<u>\$2,473,732</u>	<u>\$ 404,024</u>	<u>\$ 803,168</u>
<b>Computed Employer Rate</b>	<b>\$5,164,114</b>	<b>\$1,482,834</b>	<b>\$1,271,367</b>
<b>As percent of payroll</b>	<b>17.41%</b>	<b>11.86%</b>	<b>27.26%</b>

<u>Funded Status *</u>	<u>General</u>	<u>Mental</u>	<u>Road</u>
Actuarial Accrued Liabilities	<u>County</u>	<u>Health</u>	<u>Comm.</u>
	\$142.6	\$ 34.1	\$ 39.6

\* \$ in millions

<u>Funded Ratio</u>	<u>General</u>	<u>Mental</u>	<u>Road</u>
Based on Actuarial Smoothing Method	<u>County</u>	<u>Health</u>	<u>Comm.</u>
	83.8%	82.2%	80.1%

**Total Pension Plan Funded Ratio**  
Based on Actuarial Smoothing Method

**82.8%**

# St. Clair County Employees Retirement System

## Required Pension Disclosure Under GASB #27

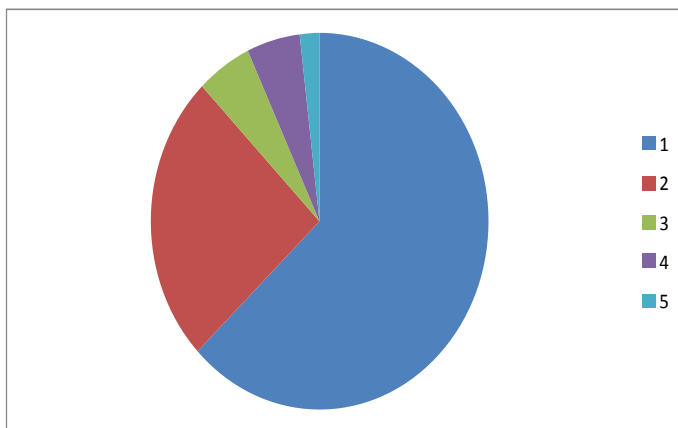
### Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as % of Payroll
12/31/01	\$ 151,153,871	\$ 121,225,557	\$ (29,928,314)	124.7%	\$ 32,744,255	(91.4%)
12/31/02	148,949,978	129,997,328	(18,952,650)	114.6%	35,716,619	(53.1%)
12/31/03	146,556,581	139,409,729	(7,146,852)	105.1%	38,047,803	(18.8%)
12/31/04	144,411,118	149,377,188	4,966,070	96.7%	39,609,752	12.5%
12/31/05	153,016,205	159,090,379	6,074,174	96.2%	42,622,922	14.3%
12/31/06	165,525,909	171,374,116	5,848,207	96.6%	44,015,666	13.3%
12/31/07	176,628,933	181,439,996	4,811,063	97.3%	44,600,186	10.8%
12/31/08	175,091,222	191,638,371	16,547,149	91.4%	45,511,253	36.4%
12/31/09	176,924,494	203,602,461	26,677,967	86.9%	46,078,581	57.9%
12/31/10	180,051,710	209,379,385	29,327,675	86.0%	44,623,366	65.7%
12/31/11	179,169,959	216,285,667	37,115,708	82.8%	43,552,768	85.2%

## Revenues & Disbursements

Actuarial Value as of 12/31/2010	\$180,051,710
Employer contributions	6,513,424
Employee contributions	2,310,851
Benefits paid	11,444,174
Expenses	98,662
Expected return	<u>13,401,932</u>
Expected actuarial value 12/31/2011	\$190,735,081
Five-year smoothing of gain/(loss)	\$ 11,565,122
Actuarial Value as of 12/31/2011	\$179,169,959

## Investments (Market Value)



### ASSET ALLOCATION

1. Equities - 62.9%
2. Fixed Income - 24.8%
3. Commercial Real Estate - 5.3%
4. Hedge Funds - 5.1%
5. Cash - 1.9%



## Summary of Plan Provisions

(Please refer to the Retirement Ordinance for a complete description.)

### **Name of plan**

St. Clair County Employees' Retirement Plan

### **Effective date**

The plan was originally effective as of January 1, 1964

### **Participation**

A county policeman, sheriff, or deputy sheriff who agrees to make the required participant contributions shall become a participant on his/her date of hire.

The Plan is closed to new hires for most of General County employees and Road Commission.

### **Normal retirement benefit**

#### **Eligibility**

Sheriffs	25 years of service regardless of age.
Others	Age 55 with 25 years of service.
All	Age 60 with 8 years of service. When age plus service equals 80 and service is at least 25 years.

The pension payable for modified plan members is determined as the Final Average Compensation (FAC) multiplied by:

<u>Years of Service</u>	<u>Annual Multiplier</u>
1-10	1.75%
11-19	2.00%
20-24	2.00%
25-29	2.40%

(2.50% for Sheriff Department Supervisors)

The pension payable for original plan members is determined as the FAC multiplied by total service and 2.00%.

### **Final Average Compensation (FAC)**

Highest 3 years out of last 10 (highest 5 years out of last 10 for Mental Health and Friend of the Court and Road Commission is the highest 3 years out of the last 5). Base pay only for certain General County and Sheriff's Department members.

### **Participant contributions**

As a condition of participation, an employee must agree to contribute 5% of his compensation to the plan.

## Summary of Plan Provisions, continued

### **Non-Duty Disability Retirement**

Eligibility	10 or more years of service.
Benefit	Computed as a regular retirement, offsets apply.

### **Duty Disability Retirement**

Eligibility	
Sheriffs	10 years of service.
Others	No age or service requirements. Must be in receipt of Worker's Compensation payments.
Benefit	
Sheriffs	50% of compensation at the time of disability and offsets apply.
Others	Computed as a regular retirement. Upon termination of Worker's Compensation payments, additional service credit is granted and benefit is recomputed. Offsets apply.

### **Termination Benefit**

Participants become vested in their accrued benefit after 8 years of service.

### **Supplemental Payments to Retirees Age 65 and Older**

If a retiree had less than 20 years of service at retirement, an annual payment of \$14.00 per month will be made for the life of the retiree. For members with 20 or more years of service at retirement, an annual payment of \$16.00 per month.

### **Post-Retirement Life Insurance**

The Retirement System provides for \$3,500 of life insurance to retirees.

### **Credited service**

Service is credited for employees working more than 1,000 hours (nearest 1/12th). Full year of service is granted for more than 1,950 hours and partial credit is provided for hours worked between 1,000 and 1,950.

### **Optional forms of payment**

A participant may choose to receive distributable benefits in an actuarially equivalent alternative form of benefit as follows:

- a monthly benefit payable for the participant's lifetime
- a monthly benefit payable for the participant's lifetime with a guarantee that the remainder, if any, of 120 monthly payments will be made to the participant's beneficiary following his death
- a monthly benefit payable for the participant's lifetime with 50% or 100% of such benefit continued to a surviving contingent annuitant following his death
- a monthly benefit payable for the participant's lifetime with a pop-up option with 50% or 100% of such benefit continued to a surviving contingent annuitant following his death