

MCERS

Monroe County Employees Retirement System

December 31
2013

*Summary Annual
Report To Members*



INTRODUCTION

Dear Retirement System Member:

The Retirement System, which is managed by the Monroe County Employees Retirement System Board of Trustees, 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 Monroe County Employees 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 a brief overview of the Retirement System and how it operates. I hope you will find it useful and informative. However, a summary cannot cover all the details of the System, which is governed by the provisions of the County's retirement ordinance and the Retirement Board's official policies. Additional information about the System and its financial operations is available in the office of the Retirement Specialist or by visiting the Monroe County Employees Retirement System Website at:

www.mcers.org.



Sincerely,

Michael Grodi, Chairman

Monroe County Employees Retirement System



This summary report has been prepared to give a brief overview of the Retirement System and how it operates. I hope you will find it useful and informative.

.....
- Michael Grodi
Chairman

MONROE COUNTY EMPLOYEES RETIREMENT SYSTEM

Board of Trustees

CHAIRMAN

Michael Grodi, Employee Representative

VICE CHAIRMAN

Nancy Bellaire, Library System Representative

James Davies, Citizen Representative

Joseph Hudson, Employee Representative

George Jondro, Retiree Representative

Robert Lambert, Board of Commissioners

Henry Lievens, Board of Commissioners

Anne McCarthy, Employee Representative

James Morgan, Employee Representative

Staff

Sandy Calkins, Retirement Specialist

Michael Bosonac, Retirement Secretary

Retirement Office

840 South Roessler Street

Monroe MI 48161

(734) 241-1174

Investment Fiduciaries

Anchor Capital Advisors

Boyd Watterson Asset Management

Brandywine Global Asset Management

Comerica Bank – Custodial Bank

Corbin Capital

Eagle Global Advisors

Federated Investment Counseling

Franklin Templeton Portfolio Advisors, Inc.

Intercontinental Real Estate

Lazard Asset Management

Mesirow Financial

NWQ Investment Management Company

Pacific Income Advisors

Renaissance Investment Company

Tradewinds Global Investors

Winslow Capital Management

Actuary & Investment Consultant

Gabriel Roeder Smith & Company, Actuary

Morgan Stanley, Investment Consultant

Attorney

Thomas C. Michaud

VanOverbeke, Michaud and Timmony, PC

COMPARATIVE SUMMARY RESULTS OF THE 2013 ACTUARIAL VALUATION REPORTS

The Retirement System'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 percent of active member payroll.

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, Gabriel Roeder Smith & Company, conducts annual actuarial valuations.

These valuations are based on your System's past experience, information about current participation, financial markets, and assumptions concerning the System's future demographic and economic activity. The results of the December 31, 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	General County		County Agency		Sheriff's Office		County Library		Road Commission		Mental Health		Central Dispatch	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Normal Cost: Total	12.74%	12.12%	11.49%	10.50%	15.46%	15.31%	10.98%	10.81%	13.45%	13.35%	\$660,488	\$568,040	15.25%	14.73%
Amortization of UAL	11.44%	14.07%	20.49%	27.27%	11.46%	14.09%	3.03%	3.19%	8.57%	9.37%	(-\$33,017)	\$41,317	4.69%	6.86%
Computed Employer Rate	24.18%	26.19%	31.98%	37.77%	26.92%	29.40%	14.01%	14.00%	22.02%	22.72%	\$627,471	\$609,357	19.94%	21.59%

Contributions to Provide Benefits Based on Active Member Payroll

	General County	County Agency	Sheriff's Office	County Library	Road Commission	Mental Health	Central Dispatch
2012	\$3,405,549	\$443,264	\$2,566,722	\$628,542	\$935,032	\$627,471	\$206,597
2013	\$3,525,854	\$478,190	\$2,606,686	\$700,160	\$951,102	\$609,357	\$240,114

Summary of Current Asset Information

Benefits Paid in 2013

Pension Benefits Paid in 2013

- \$13,454,068

2013 Average Retirement Benefit

- \$19,384

Professional Training/Education

- \$12,870.98

Pension Plan Actuary Assumptions and Methods

Actuarial Assumptions:

Investment Rate of Return: 7.0%

Long-Term Wage Inflation: 4.0%

Asset Valuation:

Market Value with 7-year smoothing

Amortization Method:

Level percent-of-payroll - 20 years, open

Actuarial Cost Method:

Individual Entry-Age Normal Cost

Revenues & Expenditures

	2012	2013
Market Value - January 1*	\$166,315,177	175,292,820
Revenues		
Member Contributions	\$769,920	\$731,761
Employer Contributions	\$7,184,103	\$7,239,324
Interest and Dividends	\$4,972,980	\$4,516,277
Realized and Un-realized Gain (Loss)	\$10,628,017	\$16,944,164
Total Revenues	\$23,555,020	\$29,431,526
Expenditures		
Refunds of Member Contributions	\$407,201	\$434,673
Retirement Benefits Paid	\$13,007,231	\$13,454,068
Administrative Expense	\$225,907	\$207,058
Investment Expense	\$937,038	\$987,410
Total Expenditures	\$14,577,377	\$15,083,209
Market Value - December 31*	\$175,292,820	\$189,641,137

* Net Payables, if any

Investment Performance

YTD	Trailing	Trailing	Trailing	Trailing
2013	3 Years	5 Years	7 Years	10 Years
12.54%	6.80%	9.27%	4.50%	6.02%

Membership Status

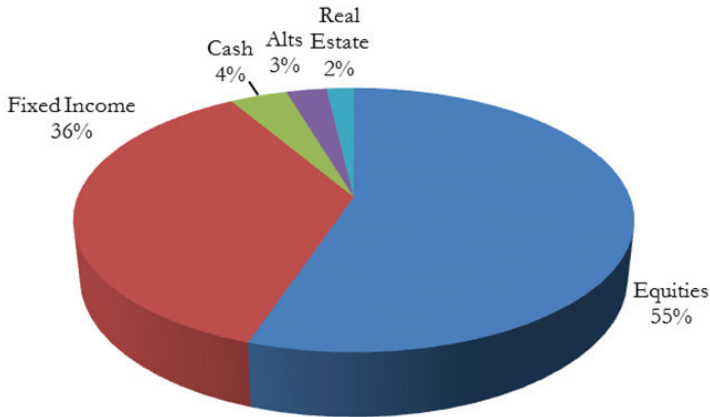
- **Active Members - 751**
- **Retirees/Beneficiaries - 700**
- **Inactive Members - 137**

Funded Status

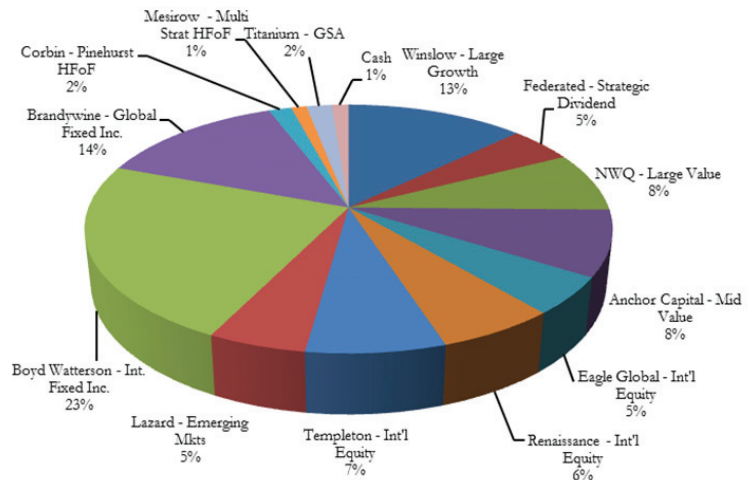
	2012	2013
Actuarial Accrued Liability	\$244,370,734	\$255,179,869
Actuarial Value of Assets	\$193,740,298	\$195,508,633
Funded Ratio	79.3%	76.6%

Investments - December 2013

PORTFOLIO MANAGER ALLOCATION



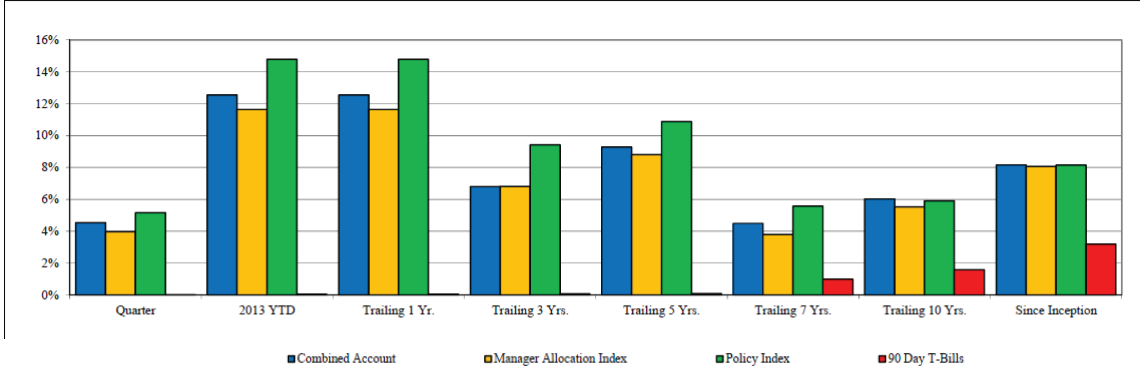
PORTFOLIO COMPOSITION BY ASSET CLASS



TOTAL FUND PERFORMANCE

Monroe County Employees' Retirement System

As of 12/31/2013



	Current Quarter	2013 YTD	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 7 Years	Trailing 10 Years	Since Inception	Inception Date
Combined Account	4.54%	12.54%	12.54%	6.80%	9.27%	4.50%	6.02%	8.15%	Jun-90
Manager Allocation Index	3.97%	11.64%	11.64%	6.82%	8.80%	3.80%	5.52%	8.07%	
Policy Index	5.16%	14.79%	14.79%	9.41%	10.88%	5.57%	5.90%	8.14%	
90 Day T-Bills	0.01%	0.05%	0.05%	0.07%	0.10%	0.99%	1.59%	3.19%	

Change in Value

	2012	2013	2014	2015	2016	2017	2018	2019
Beginning Market Value	\$183,406,020	\$175,132,720	\$175,132,720	\$172,306,536	\$147,829,381	\$175,799,156	\$148,554,448	\$41,150,781
Net Flow	(\$4,843,754)	(\$9,003,877)	(\$9,003,877)	(\$17,391,514)	(\$32,071,122)	(\$36,973,517)	(\$54,190,770)	(\$72,798,663)
Investment Earnings	\$7,835,569	\$20,268,993	\$20,268,993	\$31,482,814	\$70,639,576	\$47,572,197	\$92,034,157	\$218,045,717
Ending Market Value	\$186,397,835	\$186,397,835	\$186,397,835	\$186,397,835	\$186,397,835	\$186,397,835	\$186,397,835	\$186,397,835

From 3/31/1999 - present, the Policy Index is currently comprised of 50% S&P 500 Index, 45% Barclays Intermediate Gov't/Credit Index, & 5% 90 Day T-Bills. Prior to 3/31/1999, the Policy Index was comprised of 55% S&P 500 Index, 40% Barclays Intermediate Gov't/Credit Index, & 5% 90 Day T-Bills.

The Manager Allocation Index reflects the actual manager allocation at the beginning of each quarter, using each Manager's Index. Periods greater than one year are annualized.

This information and data is being provided at your request and is from sources considered reliable, but their accuracy and completeness is not guaranteed. It has been prepared for illustrative purposes only and is not intended to be used as a substitute for the transaction statements you receive from your custodians. Please compare the data on this document carefully with your transaction statements to verify its accuracy. This information is based upon the market value of your account as of the close of business on 12/31/2013, and is subject to daily market fluctuation.

Morgan Stanley Smith Barney LLC. Member SIPC

Brief Summary of Benefit Provisions

REGULAR RETIREMENT

General County.....Service multiplied by 2.50% of final average earnings.

Age 55 with 30 or more years of service or 60 with 8 or more years of service.

*Certain union groups and the General non-union group adopted a 1.5% multiplier for members hired on or after 1/1/2011.

Library.....Service multiplied by 2.0% of final average earnings.

Age 55 with 30 or more years of service or 60 with 8 or more years of service.

Mental Health.....Service multiplied by 2.25% of final average earnings.

Age 55 with 30 or more years of service or 60 with 8 or more years of service.

Road Commission.....Service multiplied by 2.25% of final average earnings.

Age 55 with 30 or more years of service or 60 with 8 or more years of service.

Deputy Sheriffs, POLC Communication Supervisors,

Corrections Officers, POLC Communication.....Service multiplied by 2.50% of final average earnings.

Age 50 with 25 or more years of service or age 60 with 8 or more years of service.

*Certain union groups and the General non-union group adopted a 1.5% multiplier for members hired on or after 1/1/2011.

POLC Command Officers.....Service multiplied by 2.75% of final average earnings.

Age 50 with 25 or more years of service or age 60 with 8 or more years of service.

Type of final average earnings: Highest 3 consecutive years out of the last 10.

Maximum benefit: 75% of final average earnings.

DEFERRED RETIREMENT

60 with 8 or more years of service.....Computed as regular retirement but based upon service and final average earnings at termination date.

NON-DUTY DEATH IN SERVICE

15 years of service or age 60 with 10 years of service.....Computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.

DUTY DEATH IN SERVICE

No age or service requirements.....Computed as a regular retirement but computed as if the member had at least 15 years of service. Must be in receipt of Worker's Compensation.

NON-DUTY DISABILITY

10 or more years of service.....Computed as a regular retirement.

DUTY DISABILITY

No age or service requirements.....Computed as a regular retirement benefit but computed as if the member had at least 10 years of service.

POST-RETIREMENT INCREASES

Road Commission.....Beginning January 1, 1994 for the Road Commission Local 543 members, a program of discretionary annual increases was begun.

Other Payments:

General & Library System.....Both General and the Library System may from year-to-year pay a Supplemental Retirement Benefit. The Supplemental Retirement Benefit will be based upon investment earnings that are in excess of the assumed level of assets to cover retiree liabilities.

MEMBER CONTRIBUTIONS

Central Dispatch Supervisors.....3.0% of the first \$7,800 and 5.0% of excess.

Road Commission – Management & AFSCME, Local #839.....3.1%

Road Commission – Local #543.....3.1%

POLC Command Officers.....1.53%

*Certain union groups and the non-union General Group adopted a 3% member contribution for members hired after 1/1/2011.