

MCERS

Monroe County Employees Retirement System

*Summary Annual Report
To Members*



For the Year Ended December 31, 2015

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

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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

George Jondro, Retiree Representative

Nancy Bellaire, Library System Representative

Joseph Hudson, Employee Representative

Anne McCarthy, Employee Representative

James Morgan, Road Commission Representative

Bob Neely, Citizen Representative

Al Potratz, Board of Commissioners

Jason Turner, Board of Commissioners

Plan Administrators

Sandy Calkins, Retirement Specialist

Michael Bosanac, Retirement Secretary

Actuary

Larry Langer, Buck Consultants

Attorney

Thomas C. Michaud

VanOverbeke, Michaud and Timmony, PC

Auditor

Beth Bialy, Plante Moran

Investment Consultant

Michael Cho, Morgan Stanley

Investment Fiduciaries

Anchor Capital Advisors

Boyd Watterson Asset Management

Brandywine Global Asset Management

Comerica Bank – Custodial Bank

Corbin Capital

Delaware Capital Management

Federated Investment Counseling

Franklin Templeton Portfolio Advisors, Inc.

Intercontinental Real Estate

Lazard Asset Management

Mesirow Financial

Renaissance Investment Company

Riverbridge Partners

Seizert Capital Partners

Titanium - GSA

Winslow Capital Management

Wisdom Tree

Medical Director

Steven Dovitz, M.D.

Retirement Office

840 South Roessler Street, Monroe MI 48161

(734) 241-1174

COMPARATIVE SUMMARY RESULTS OF THE 2015 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, Buck Consultants, 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, 2015 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 | |
|-----------------------------------|----------------|--------|---------------|--------|------------------|--------|----------------|--------|-----------------|--------|---------------|------|------------------|--------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Normal Cost: Total | 11.25% | 11.19 | 10.47% | 10.38% | 13.21% | 13.22% | 10.65 | 11.90% | 11.94% | 11.82% | \$0 | \$0 | 13.08% | 13.38% |
| Amortization of UAL | 18.13% | 19.50% | 29.22% | 29.54% | 15.57% | 17.07% | 3.48% | 4.93% | 8.00% | 8.31% | \$0 | \$0 | 9.76% | 12.73% |
| Computed Employer Rate | 29.38% | 30.69% | 39.69% | 39.92% | 28.78% | 30.29% | 14.13% | 16.83% | 19.94% | 20.13% | \$0 | \$0 | 22.84% | 26.11% |

Contributions to Provide Benefits Based on Active Member Payroll

| | General County | County Agency | Sheriff's Office | County Library | Road Commission | Mental Health | Central Dispatch |
|------|----------------|---------------|------------------|----------------|-----------------|---------------|------------------|
| 2014 | \$3,670,582 | \$490,749 | \$2,552,982 | \$562,381 | \$824,308 | \$556,609 | \$246,795 |
| 2015 | \$3,865,382 | \$528,469 | \$2,770,974 | \$691,252 | \$833,572 | \$621,412 | \$278,731 |

Summary of Current Asset Information

Benefits Paid in 2015

Pension Benefits Paid in 2015

- \$14,597,298

2015 Average Retirement Benefit

- \$19,953

Professional Training/Education

- \$28,787.45

Pension Plan Actuary Assumptions and Methods

Actuarial Assumptions:

Investment Rate of Return: 7.0%

Long-Term Wage Inflation: 3.0%

Asset Valuation:

Market Value with 7-year smoothing

Amortization Method:

Level percent-of-payroll - 25 years, closed

Actuarial Cost Method:

Entry Age

Revenues & Expenditures

| | 2014 | 2015 |
|--------------------------------------|---------------|---------------|
| Market Value - January 1* | \$189,641,137 | \$191,053,794 |
| Revenues | | |
| Member Contributions | \$773,806 | \$897,930 |
| Employer Contributions | \$7,275,798 | \$7,938,585 |
| Interest and Dividends | \$3,364,737 | \$3,160,995 |
| Realized and Un-realized Gain (Loss) | \$5,376,977 | \$(3,470,745) |
| Total Revenues | \$16,791,318 | \$8,526,765 |
| Expenditures | | |
| Refunds of Member Contributions | \$303,661 | \$484,034 |
| Retirement Benefits Paid | \$14,044,628 | \$14,597,298 |
| Administrative Expense | \$154,756 | \$233,746 |
| Investment Expense | \$875,616 | \$823,265 |
| Total Expenditures | \$15,378,661 | \$16,138,343 |
| Market Value - December 31* | \$189,641,137 | \$191,053,794 |

* Net Payables, if any

Investment Performance

| YTD | Trailing | Trailing | Trailing | Trailing |
|----------|----------|----------|----------|----------|
| 2015 | 3 Years | 5 Years | 7 Years | 10 Years |
| (-0.14%) | 5.52% | 4.92% | 7.19% | 4.76% |

Membership Status

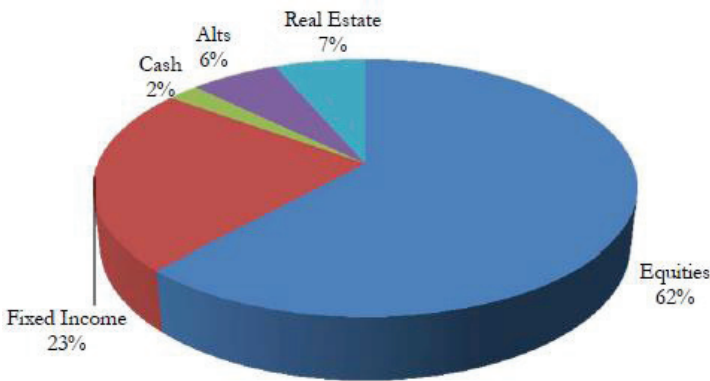
- **Active Members - 717**
- **Retirees/Beneficiaries - 736**
- **Inactive Members - 150**

Funded Status

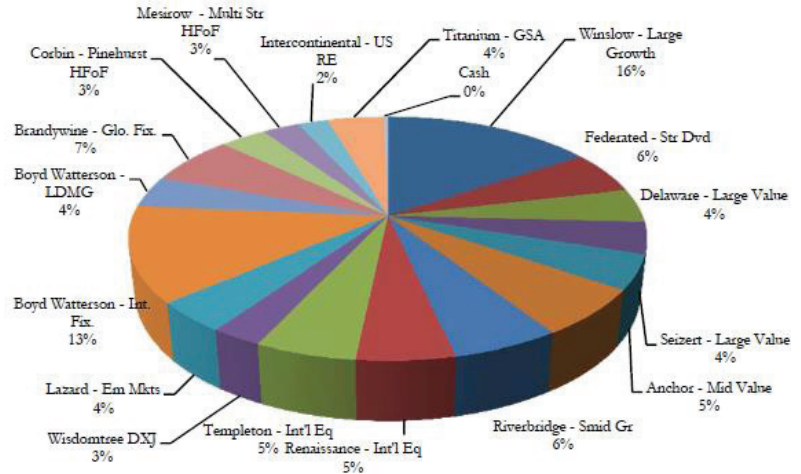
| | 2014 | 2015 |
|------------------------------------|---------------|---------------|
| Actuarial Accrued Liability | \$262,414,652 | \$273,288,937 |
| Actuarial Value of Assets | \$195,099,761 | \$199,696,082 |
| Funded Ratio | 74.4% | 73.1% |

Investments - December 2015

PORTFOLIO MANAGER ALLOCATION



PORTFOLIO COMPOSITION BY ASSET CLASS



TOTAL FUND PERFORMANCE

Total Fund Performance

| Monroe County Employees' Retirement System | | As of 12/31/2015 | | | | | | | |
|---|---------------|------------------|----------------|-----------------|-----------------|-----------------|------------------|-----------------|----------------|
| | Quarter | 2015 YTD | Trailing 1 Yr. | Trailing 3 Yrs. | Trailing 5 Yrs. | Trailing 7 Yrs. | Trailing 10 Yrs. | Since Inception | Inception Date |
| Combined Account | 3.53% | -0.14% | -0.14% | 5.52% | 4.92% | 7.19% | 4.76% | 7.66% | Jun-90 |
| Manager Allocation Index | 3.05% | -0.12% | -0.12% | 5.62% | 5.18% | 7.03% | 4.56% | 7.64% | |
| Policy Index | 2.78% | -0.59% | -0.59% | 5.27% | 4.98% | 7.52% | 5.05% | 7.13% | |
| 90 Day T-Bills | 0.01% | 0.03% | 0.03% | 0.04% | 0.05% | 0.08% | 1.17% | 2.94% | |
| Change in Value | | | | | | | | | |
| Beginning Market Value | \$178,533,997 | \$190,691,750 | \$190,691,750 | \$175,132,720 | \$172,306,536 | \$147,829,381 | \$163,245,643 | \$41,150,781 | |
| Net Flow | (\$1,647,141) | (\$6,292,914) | (\$6,292,914) | (\$18,356,846) | (\$26,744,483) | (\$41,424,091) | (\$53,035,608) | (\$82,151,632) | |
| Investment Earnings | \$5,960,698 | (\$1,551,282) | (\$1,551,282) | \$26,071,680 | \$37,285,502 | \$76,442,264 | \$72,637,519 | \$223,848,405 | |
| Ending Market Value | \$182,847,554 | \$182,847,554 | \$182,847,554 | \$182,847,554 | \$182,847,554 | \$182,847,554 | \$182,847,554 | \$182,847,554 | |
| <small>The Policy Index is currently comprised of 25% S&P 500 Index; 9% Russell 2500 Index; 19% MSCI EAFE Index (Net); 5% MSCI Emerging Mkts.; 22% Barclays Intermediate Govt/Credit Index; 14% Citi World Govt Bond Index; 2% NCREIF Index; 3% HFRI FoF Composite Index & 1% 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. Source: Morgan Stanley and Manager Statements</small> | | | | | | | | | |

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 12/31/2015, and is subject to daily market fluctuation.

Morgan Stanley Smith Barney LLC. Member SIPC

Brief Summary of Benefit Provisions

REGULAR RETIREMENT

General County – MNA Nurses, UAW-FOC, POAM-District Court 1, POAM District Court II, USW-Youth Center, UAW Family Court, UAW-Youth Center Supervisors, Non-Union Other, Non-Union Management

- Hired prior to 1/1/2011 service multiplied by 2.50% of final average earnings.
- Hired prior to 1/1/2011 age 55 with 30 or more years of service or age 60 with 8 or more years of service.
- Hired on or after 1/1/2011 service multiplied by 1.5% of final average earnings.
- Hired on or after 1/1/2011 age 60 with 8 or more years of service.

General County – TPOAM

- Hired prior to 10/26/2010 service multiplied by 2.5% of final average earnings.
- Hired prior to 10/26/2010 age 55 with 30 or more years of service or age 60 with 8 or more years of service.
- Hired on or after 10/26/2010 service multiplied by 1.5% of final average earnings.
- Hired on or after 10/26/2010 age 60 with 8 or more years of service.

General County – POAM Prosecutors

- Hired prior to 4/3/2012 service multiplied by 2.5% of final average earnings.
- Hired prior to 4/3/2012 age 55 with 30 or more years of service or age 60 with 8 or more years of service.
- Hired on or after 4/3/2012 service multiplied by 1.5% of final average earnings.
- Hired on or after 4/3/2012 age 60 with 8 or more years of service.

Library

- Service multiplied by 2.0% of final average earnings.
- Age 55 with 30 or more years of service or age 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 age 60 with 8 or more years of service.

Road Commission – AFL-CIO Local #543, AFSCME Local #839

- Hired prior to 12/1/2014 service multiplied by 2.25% of final average earnings.
- Hired on or after 12/1/2014 service multiplied by 2.0% of final average earnings.
- Age 55 with 30 or more years of service or age 60 with 8 or more years of service.

Road Commission – Management

- Service multiplied by 2.25% of final average earnings.
- Age 55 with 30 or more years of service or age 60 with 8 or more years of service.

County Agency

- Hired prior to 12/1/2014 service multiplied by 2.50% of final average earnings.
- Hired prior to 12/1/2014 age 55 with 30 or more years of service or age 60 with 8 or more years of service.
- Hired on or after 12/1/2014 service multiplied by 1.5% of final average earnings.
- Hired on or after 12/1/2014 age 60 with 8 or more years of service.

Sheriff – POAM Sheriff Deputies

- Hired prior to 7/1/2013 service multiplied by 2.50% of final average earnings.
- Hired on or after 7/1/2013 service multiplied by 1.5% of final average earnings.
- Age 50 with 25 or more years of service or age 60 with 8 or more years of service.

Sheriff – COAM Command

- Hired prior to 4/25/2013 service multiplied by 2.75% of final average earnings.
- Hired on or after 4/25/2013 retirement benefits provided in previous position.
- Age 50 with 25 or more years of service or age 60 with 8 or more years of service.

Sheriff – POAM Corrections Officers, COAM-Corrections Supervisors

- Hired prior to 1/1/2011 service multiplied by 2.50% of final average earnings.
- Hired on or after 1/1/2011 service multiplied by 1.5% of final average earnings.
- Age 50 with 25 or more years of service or age 60 with 8 or more years of service.

Dispatch – POLC Communications Specialist, COAM Communications Supervisors

- Hired prior to 1/1/2011 service multiplied by 2.50% of final average earnings.
- Hired prior to 1/1/2011 age 50 with 25 or more years of service or age 60 with 8 or more years of service.
- Hired on or after 1/1/2011 service multiplied by 1.5% of final average earnings.
- Hired on or after 1/1/2011 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.

Brief Summary of Benefit Provisions - Continued

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:

Road Commission & 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.
General, Sheriff, Dispatch & County Agency.....May from year-to-year pay a Supplemental Retirement Benefit. The Supplemental Retirement Benefit will be paid from the County's general fund.

MEMBER CONTRIBUTIONS

Dispatch - COAM-Communications Supervisors.....3.0% of the first \$7,800 and 5.0% of excess
Dispatch – POLC-Communications Specialist.....3.0%
Road Commission – Management.....Hired prior to 5/8/2014 - 3.1%, hired on or after 5/8/2014 – 3.25%
Road Commission – Local #543, Local #839.....3.25%
Sheriff – COAM Command Officers.....4.53%
General – POAM-District Court I.....Hired prior to 1/1/2011 - 1.0%, hired on or after 1/1/2011- 3.0%
Sheriff – POAM Sheriff Deputies, POAM Corrections Officers, COAM-Corrections Supervisor
.....3.0%
General County – MNA Nurses, TPOAM, UAW-FOC, POAM District Court II, USW-Youth Center, UAW Family Court, UAW-Youth Center Supervisors, POAM-Prosecutors, Non-Union Other, Non-Union Management
.....3.0%