



Agenda

Employees' Retirement System Board Meeting

October 12, 2011 at 1:00 PM
Conference Room C

Troy City Hall
500 West Big Beaver
Troy, Michigan 48084
(248) 524-3330

Roll Call

Minutes from the September 14, 2011 Meeting

Retirement Requests

Celebrate Mary Kerwin's
contribution to the board at
11:30am at Piccano's.
3775 Rochester Rd
Reservation is under City of Troy.

Name	Gerald Kerezi	Richard Sewell	Mark C. Owczarzak	Mark Alan Cole
Pension Program	DB	DB	DB	DC-DB
Retirement Date	9-30-11	11-01-11	11-12-11	11-12-11
Department	Police	Police	Police	Police
Service Time	16 years	31 years, 1 month	22 years, 6 months	31 years, 11 months
Name	Jeffrey S. Stacey	Michael S. Boussie		
Pension Program	DB	DC-DB		
Retirement Date	11-12-11	11-12-11		
Department	Police	Police		
Service Time	21 years, 2 months	37 years, 4 months		

Investments

Other Business

Gabriel, Roeder, Smith- Annual Actuary Report
Actuarial Assumptions

Public Comment

Adjourn

**Employees' Retirement System
Board Meeting
Options Report
June, 2011**

Retirement System Call Options

			<u>Strike</u>			<u>Net Premium</u>
20	Amgen	July	62.50	Fidelity		\$2,696.70
10	Caterpillar	Aug	110	UBS-G		\$4,769.05
20	Deckers Outdoor	Jun	110	UBS-G		\$2,788.82
20	Green Mountain Coffee	Jun	80	UBS-G		\$2,492.62
20	Halliburton	Jun	50	Fidelity		\$4,136.68
15	Ilex	Oct	45	UBS-G		\$2,296.90
25	Jos Bank Clothier	Jul	50	UBS-G		\$3,529.89
10	McDonalds	Jun	80	UBS-G		\$888.49
20	McDonalds	Jun	80	Fidelity		\$1,796.72
10	Praxair	Jul	105	UBS-G		\$1,036.04
20	Roper	Aug	80	Fidelity		\$7,330.01
30	YUM Brands	July	55	UBS-G		\$2,884.36

Retirement System Put Options

			<u>Strike</u>			<u>Net Premium</u>
30	United Technologies	Aug	65	Smith B		\$2,568.29

Call Option Income

Put Option Income

<u>Completed</u>		<u>Unexercised</u>		<u>Completed</u>		<u>Unexercised</u>	
1992		\$73,347.60		1992		\$70,480.40	
1993		\$67,411.07		1993		\$129,059.29	
1994		\$103,946.74		1994		\$61,696.45	
1995		\$30,594.89		1995		\$38,629.66	
1996		\$87,738.86		1996		\$6,908.78	
1997		\$45,661.27		1997		\$3,445.57	
1998		\$56,474.04		1998		\$3,108.68	
1999		\$43,219.84		1999		\$8,291.07	
2000		\$113,530.57		2000		\$24,032.63	
2001		\$96,858.64		2001		\$8,660.38	
2002		\$74,120.20		2002		\$7,205.08	
2003		\$103,738.43		2003		\$37,903.37	
2004		\$39,086.46		2004		\$12,641.52	
2005		\$26,681.30		2005		\$14,469.66	
2006		\$33,146.96		2006		\$7,886.98	
2007		\$81,012.86		2007		-	
2008		\$91,468.25		2008		-	
2009		\$52,581.27		2009		\$51,438.85	
2010		\$38,050.42		2010		\$29,720.28	
2011		\$26,245.87		2011		\$7,575.91	

I. 1990

- a. Investment return:
 - i. 6% per year. This rate consists of a real rate of return of 2% a year plus a long-term rate of inflation of 4% per year. (This was first used in the valuation for December 31, 1978)
- b. Pay Projections:
 - i. 4% base
 - ii. .2 % thru 4% for merit/ longevity
- c. Mortality Rate
 - i. 1971 Group Annuity Mortality Table (Used since 1979 valuation)
- d. Rate of separation
 - i. First used in December 31, 1975 valuation
- e. Rate of disability
 - i. First used in December 31, 1976 valuation
- f. Rate of retirement
 - i. First used in December 31, 1973 valuation
 - ii. Classified, Exempt and command first used in December 31, 1981 valuation
 - iii. Non-classified and exempt general member were first used in December 31, 1986 valuation

II. 1995

- a. Investment return:
 - i. 6.5% per year. This rate consists of a real rate of return of 2.5% a year plus a long-term rate of inflation of 4% per year. (This was first used in the valuation for December 31, 1995)
- b. Mortality Rate
 - i. 1983 Group Annuity Mortality Table (Used since 1995 valuation)

III. 1998

- a. December 8, 1998 board meeting Resolution#98-43. 6.5% annual compounded rate of investment return and 1983 group annuity mortality table (50% male, 50% female)
- b. Funding value of pension assets same as past and utilize the 5-year smoothing of market returns.

IV. 2000

- a. September 13, 2000 resolution #00-35. Use 5-year closed period for future valuation of plan assets.

V. 2007

- a. Investment return:
 - i. 6.5% per year. This rate consists of a real rate of return of 3.0% a year plus a long-term rate of inflation of 3.5% per year. (This was first used in the valuation for December 31, 2007)
- b. Pay Projections:
 - i. 3.5% base
 - ii. .2 % thru 4% for merit/ longevity

c. Mortality Rate

i. RP-2000 Combined Healthy Mortality Table (Used since 2007 valuation)

VI. 2008

- a. March 12, 2008 resolution#2008-3-12. Adopt the following assumption changes:
Mortality table RP2000 separate rates for male and female; wage growth 3.5%; and aggregate cost method.

A meeting of the Employees' Retirement System Board of Trustees was held on Wednesday, September 14, 2011, at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 12:07 p.m.

Trustees Present: Mark Calice
William R. Need (Ex-Officio)
Steve Pallotta
Mary Kerwin
Mitchell Lenczewski
John Szerlag
Thomas J. Gordon, II

Also Present: Monica Irelan
Thomas Darling, CPA
Justin Breyer
John Grant, UBS
Dennis Oleszkowicz, UBS
Randy Dziubek, GRS

Minutes

Resolution # ER – 2011-9-33

Moved by Pallotta
Seconded by Szerlag

RESOLVED, That the Revised Minutes of the August 10, 2011 meeting be approved.

Yeas: All-6

Retirement Request

Resolution # ER – 2011-9-34

Moved by Kerwin
Seconded by Szerlag

RESOLVED, That the following retirement request be approved:

Name	David Livingston		
Pension Program	DB		
Retirement Date	9-15-11		
Department	Police		
Service Time	31 years		

Yeas: All-6

Investments

Resolution # ER – 2011-9-35

Moved by Kerwin

Seconded by Szerlag

RESOLVED, That the board buy the following:

- 2,000 shares of Coca Cola
- 2,000 shares of Chesapeake Energy
- 2,900 shares of Chevron
- 2,000 shares of Cliff Natural Resources
- 2,000 shares of CSX
- 1,000 shares of Gamestop
- 3,000 shares of Baidu
- 2,000 shares of Cummins
- 5,000 shares of Diamond Foods
- 2,000 shares of Apple

Yeas: All- 6

Resolution # ER – 2011-9-36

Moved by Kerwin

Seconded by Szerlag

RESOLVED, That the board buy the following:

- 5,000 shares of Target

Yeas: All- 6

Other Business - Gabriel, Roeder, Smith- Annual Actuary Report

Randy Dziubek presented the Forty-Seventh Annual Actuarial Valuation- Draft to the board.

Other Business- UBS- Understanding Options

John Grant introduced Dennis Oleszkowicz who educated the board on Options.

Other Business- Change in time for October Meeting

Resolution # ER – 2011-9-37

Moved by Szerlag

Seconded by Lenczewski

RESOLVED, That the board change the time of the October Retirement Board Meeting from 12 pm to 1 pm:

Yeas: All- 6

Public Comment

Martin Howrylak commented on the operations and investments of the Retirement Board.

The next meeting is October 12, 2011 at 1:00 p.m. at Troy City Hall, Conference Room C, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 2:00 p.m.

ML/b\Retirement Board\2011\9.14.11 – Minutes_Draft

5 Year Smoothing with Collapse

**City of Troy Employees Retirement System
Development of Funding Value of Pension Fund Assets**

	2009	2010	2011	2012	2013	2014
A. Funding Value Beginning of Year	\$ 128,248,730	\$ 132,464,823				
B. Market Value End of Year	120,831,163	134,391,230				
C. Market Value Beginning of Year	97,312,156	120,831,163				
D. Non-Investment Net Cash Flow (EE + ER cont.) - (Ret Ben. + Refunds + Adm. exp)	479,431	(5,413,479)				
E. Investment Income:						
E1. Market Total: B-C-D	23,039,576	18,973,546				
E2. Assumed Rate	6.50%	6.50%				
E3. Amount for Immediate Recognition: E2 * (A+D)/2)	8,351,749	8,434,275				
E4. Amount for Phased-In Recognition: E1-E3	14,687,827	10,539,271				
F. Phased-In Recognition of Investment Income:						
F1. Current Year: E4/3 (E4/5, prior to 2011)	2,937,565	2,107,854				
F2. First Prior Year	(8,466,090)	2,937,565	\$ 247,752			
F3. Second Prior Year	679,073	(8,466,090)	n/a	\$ 247,752		
F4. Third Prior Year	656,202	679,073	n/a	n/a	\$ 247,752	
F5. Fourth Prior Year	(421,837)	656,202	n/a	n/a	n/a	\$ 247,751
F6. Total Recognized Investment Gain	(4,615,087)	(2,085,396)	247,752	247,752	247,752	247,751
G. Funding Value End of Year: A+D+E3+F6	\$ 132,464,823	\$ 133,400,223				
H. Difference between Market & Funding Value	(11,633,660)	991,007				
I. Recognized Rate of Return	2.91%	4.89%				
J. Ratio of Funding Value to Market Value	110%	99%				