

Berrien County Employees Amended Retirement Plan
Summary Annual Report - December 31, 2016

Introduction

Dear Member:

The Retirement Plan is designed to help members meet their financial needs upon retirement, upon being disabled, or upon death. Berrien County also supports a Retiree Health Insurance Program, which is not included in this Summary Annual Report.

The Finance Committee of the Board of Commissioners has responsibility to supervise the general administration of the Plan and to invest its assets. The Finance Committee retains professional advisors to assist in fulfilling these duties.

This summary report was prepared to give a brief overview of the Retirement Plan and how it operates. However, a summary cannot cover all the details of the Plan, which is governed by the provisions of the Plan document and Act 156 as amended, any applicable collective bargaining agreements, and the Plan Administrator's official rules and regulations. Additional information about the Plan and its financial operation is available in the County Administration Office.

The Berrien County Board of Commissioners established the Retirement Plan as a fringe benefit available to eligible employees. The funding for the Retirement Plan comes from three sources; employer contributions, employee contributions, and investment income.

To determine the appropriate level of employer contributions for the ensuing year, an independent firm of actuaries and employee benefit consultants, Gabriel Roeder Smith & Company (GRS) conducts annual actuarial valuations. In that annual actuarial valuation report, GRS gauges how the Plan's funding is meeting its fundamental objectives. These valuations are based on the Plan's past experience, information about the current participation and financial markets, and assumptions concerning the Plan's future demographic and economic activity.

Employee contributions are determined via the collective bargaining process for unionized employees or by the Board of Commissioners for elected, appointed and non-unionized employees.

Actuary's Opinion

It is the actuary's opinion that the contribution rates recommended in the most recent actuarial report are sufficient to meet the system's financial objective.

Plan Information

Board of Commissioners

Mr. Jon Hinkelman, Chair, Board of Commissioners
Mrs. Debra Panozzo, Chairman, Finance Committee
Ms. Mamie Yarbrough, Vice-Chair, Finance Committee
Mrs. Teri Freehling, Finance Committee
Mr. James Curran, Finance Committee

Investment Consultant

Russell Investment Management

Fund Custodian

Russell Investment Management

Plan Administrator

William A. Wolf
Shelley J. Jasper, Assistant

Actuary

Gabriel Roeder Smith & Company

Auditors/Accountants

Rehmann Robson

Legal Counsel

VanOverbeke, Michaud & Timmony, PC
James McGovern, Corporate Counsel

Medical Director

Dr. James Smith, All Cities Occupational Medicine

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Asset and Investment Information

Changes in Plan Net Assets		Average Annual Market Rate of Return	
		<i>Period Ending December 31, 2016</i>	
		1 Year	7.50%
Additions:		3 Years	4.57%
Contributions		5 Years	9.68%
Employer	\$9,758,961	7 Years	8.51%
Plan members	<u>2,790,453</u>	10 Years	5.75%
Total	12,549,414		
Investment Income	<u>13,772,190</u>		
Total Additions	26,321,604		
Deductions:		Detailed Expenses	
Benefits Paid	\$14,658,365	Administrative	N/A
Refund of Contributions	382,537	Investment	632,631
Health Premiums	<u>0</u>	Professional	0
Total Deductions	15,040,902	Projected Expenses for Next Fiscal Year	
Net Increase		Administrative	\$25,000
		Investment	750,000
		Professional	70,000
Net assets held in Trust Fund at Fair Value:			
Beginning of year	\$173,504,883		
End of year	184,785,585		
Actuarial Value of Assets	\$190,222,385		

Actuarial Information

Funded Status - Pension Benefits		Funded Status - Retiree Health Care			
Actuarial Accrued Liabilities	\$235,315,654	Actuarial Accrued Liabilities	\$68,944,128		
Actuarial Value of Assets	158,302,416	Actuarial Value of Assets	31,919,969		
Percent Funded	67.3%	Percent Funded	46.3%		
Contributions for the Fiscal Year Beginning January 1, 2018					
	Courthouse	Sheriffs	Riverwood	Road	Total
Valuation Payroll	\$21,247,390	\$10,623,849	\$8,644,607	\$3,537,125	\$44,052,971
Employer Normal Cost	4.80%	9.98%	4.42%	3.99%	
Total Employer Contribution	13.13%	30.19%	6.92%	16.51%	
Employee Contribution	5.97%	8.24%	4.70%	6.00%	
Employer Retiree Health Contribution	8.57%	32.16%	0.00%		13.70%
Annual Required Pension Contribution for December 31, 2016			\$6,668,570		
Actual Employer Pension Contribution			\$6,668,570		
Percent Contributed			100%		
Plan Membership		Actuarial Assumptions			
Active Member		<i>Assumed Rate of Investment Return</i>			
Count	861	7.5%			
Payroll	\$44,052,971	<i>Assumed Rate of Long-term Wage Inflation</i>			
Retirees/Beneficiaries		3.25%			
Count	669	<i>Smoothing Method for Actuarial Value of Assets</i>			
Total Annual Benefits	\$12,676,336	5-year smoothed market			
Average Annual Benefit	\$18,948	<i>Amortization Method and Period</i>			
Deferred Vested Members		30-year closed period switching to 20-year perpetual			
Count	65	level percent of pay for pension			
Total Annual Benefits	\$653,865	27-year closed level dollar for retiree health			
		(12.7 years for Riverwood)			
		<i>Actuarial Cost Method</i>			
		Entry age actuarial cost method			

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Brief Summary of Benefit Provisions

Regular Retirement – Eligibility

Sheriff Department and Public Safety Dispatch Department:

Any age with 25 or more years of service, or age 60 with 5 years of service.

Probate Court AFSCME:

Age 55 with 25 or more years of service, or age 60 with 5 years of service. Rule of 80 for AFSCME members only.

Courthouse Elected, Appointed, Non-bargaining members, Courthouse Teamsters:

Age 60 with 5 years of service, or Rule of 80.

All other Courthouse members:

Age 60 with 5 years of service.

Riverwood members:

Age 60 with 5 years of service; or Rule of 80, or 30 or more years of service.

Road Commission:

Age 60 with 8 years of service or Rule of 80.

NOTE:

Depending on hire date, certain groups of employees are vested at 10 years. Please contact the Personnel Department to inquire if you fall into this category.

Regular Retirement – Annual Amount

Riverwood Teamster members:

Benefit to Social Security age equals total service times 2.2% of FAE.

Benefit after Social Security age equals total service times 1.7% of FAE.

Courthouse Appointed and Non-Bargaining Unit members, FOPLC – Civilian Unit, Courthouse Teamsters, Riverwood:

Non-Bargaining members: Lifetime Benefit equals total service times 2.2% of FAE.

Courthouse Elected:

Benefit to Social Security age equals total service times 2.2% of FAE.

Benefit after Social Security age equals total service times 1.9% of FAE.

Courthouse Probate Court AFSCME General Bargaining Unit:

Lifetime benefit equals total service times 2.0% of FAE.

Road Commission members:

Lifetime benefit equals total service times 2.0% of FAE.

Sheriff POLC, POLC Command Unit, Dispatch and Dispatch Supervisors:

Lifetime benefit equals total service times 2.8% of FAE (capped at 75%). Dispatch and Dispatch Supervisors hired after 1/1/2013: Lifetime benefit equals total service times 2.2% of FAE.

Type of Final Average Earnings (FAE) – Highest 5 consecutive years, POLC Command Unit is highest 3 consecutive years.

Early Retirement (reduction for age):

Eligibility:

Age 55 with 5 years of service (8 years for Road Commission), or 25 years of service regardless of age. Some members, depending on hire date, may have to reach 10 years of service before being eligible for this benefit.

Annual Amount:

Same as regular retirement benefit but actuarially reduced for commencement before regular retirement age.

Deferred Retirement (vested benefit):

Eligibility:

5 years of service (8 years for Road Commission). Payable at age 60 (full benefits, or upon attainment of age 55 (reduced benefits - full benefits for Sheriff, Bailiff, or Probate court AFSCME members with 25 years of service).

Some members, depending on hire date, may have to reach 10 years of service before being eligible for this benefit.

Annual Amount:

Same as regular retirement but based upon service and FAE at termination.

Disability Retirement:

Eligibility:

10 years of service.

Annual Amount:

Computed as regular retirement benefit, but actuarially reduced for commencement before regular retirement age.

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Brief Summary of Benefit Provisions

Death Before Retirement:

Eligibility:

Age 55 with 5 years of service, or 25 years of service regardless of age (5 years of service regardless of age for Courthouse Elected, Appointed, Non-Bargaining and Teamster members, Sheriff members, and Riverwood members; 8 years of service regardless of age for Road Commission members). Some members, depending on hire date, may have to reach 10 years of service before being eligible for this benefit.

Annual Amount:

The designated survivor shall be entitled to the same monthly retirement income that would have been payable if the member had retired the day preceding his death and elected the joint and 50% survivor option. If deceased member had not met the eligibility conditions, the survivor benefit is actuarially reduced for commencement before the deceased member's age 55. Return of member contributions with interest is payable if service conditions are not met.

Social Security Coverage:

Yes, except for Riverwood members

Member Contributions:

Sheriff Non-command & Dispatch POLC members	8% of compensation
Sheriff POLC Command Unit	10.49% of compensation
Road Commission	6% of compensation
FOPLC – Civilian Unit	6.89% of compensation
Courthouse Probate Court AFSCME	7.06% of compensation
Courthouse Appointed, Non- Bargaining members, Riverwood Non- Bargaining members	5% of compensation
Courthouse Teamsters members	8% of compensation
Courthouse Elected and Riverwood Bargaining members	4.5% of compensation

For Courthouse and Sheriff members, unused accumulated sick leave, up to a maximum of 6 months, is added to credited service at retirement. For Sheriff Command Unit members, a maximum of 7 months is added to credited service at retirement.

All members are covered by the "pop-up provision". If a covered member retires, elects Option B or Option C (reduced joint and survivor pension) and subsequently outlives the named survivor beneficiary, the pension "pops-up" to the straight life pension amount.

The Board of Commissioners had granted a COLA of 2% per year for the period January 1, 2006 through January 1, 2010. The scheduled increases for January 1, 2009, 2010, and 2011 were not provided due to market conditions. A 1% COLA was granted effective 1/1/2012. No COLA was granted on 1/1/2013, 1/1/2014, 1/1/2015, or 1/1/2016.