# St. Clair County Employees’ Retirement System

## Annual Report

for the year ending

December 31, 2011

## RETIREMENT COMMISSION MEMBERS

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

## WHERE TO WRITE FOR INFORMATION:

Tami Rumsey, HR Clerical
200 Grand River, Suite 206
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
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
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 618
    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

<table>
<thead>
<tr>
<th>Contributions for Normal Cost</th>
<th>General County</th>
<th>Mental Health</th>
<th>Road Comm.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>$2,690,382</td>
<td>$1,078,810</td>
<td>$468,199</td>
</tr>
<tr>
<td>Amort. Pymt</td>
<td>$2,473,732</td>
<td>$404,024</td>
<td>$803,168</td>
</tr>
</tbody>
</table>

| Funded Status *               | General County | Mental Health | Road Comm. |
| Actuarial Accrued Liabilities | $142.6         | $34.1         | $39.6      |

* $ in millions

<table>
<thead>
<tr>
<th>Funded Ratio Based on Actuarial Smoothing Method</th>
<th>General County</th>
<th>Mental Health</th>
<th>Road Comm.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$75.8%</td>
<td>$75.8%</td>
<td>$75.8%</td>
<td>$75.8%</td>
</tr>
</tbody>
</table>

**Total Pension Plan Funded Ratio**

Based on Actuarial Smoothing Method

82.8%
<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Actuarial Value of Assets</th>
<th>Accrued Liability</th>
<th>Unfunded Accrued Liability</th>
<th>Funded Ratio</th>
<th>Covered Payroll</th>
<th>Unfunded Liability as % of Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/01</td>
<td>$151,153,871</td>
<td>$121,225,557</td>
<td>$(29,928,314)</td>
<td>124.7%</td>
<td>$32,744,255</td>
<td>(91.4%)</td>
</tr>
<tr>
<td>12/31/02</td>
<td>$148,949,978</td>
<td>$129,997,328</td>
<td>$(18,952,650)</td>
<td>114.6%</td>
<td>$35,716,619</td>
<td>(53.1%)</td>
</tr>
<tr>
<td>12/31/03</td>
<td>$146,556,581</td>
<td>$139,409,729</td>
<td>$(7,146,852)</td>
<td>105.1%</td>
<td>$38,047,803</td>
<td>(18.6%)</td>
</tr>
<tr>
<td>12/31/04</td>
<td>$144,411,118</td>
<td>$149,377,188</td>
<td>4,966,070</td>
<td>96.7%</td>
<td>$39,609,752</td>
<td>12.5%</td>
</tr>
<tr>
<td>12/31/05</td>
<td>$153,016,205</td>
<td>$159,090,379</td>
<td>6,074,174</td>
<td>96.2%</td>
<td>$42,622,922</td>
<td>14.3%</td>
</tr>
<tr>
<td>12/31/06</td>
<td>$165,525,909</td>
<td>$171,374,116</td>
<td>5,848,207</td>
<td>96.6%</td>
<td>$44,015,666</td>
<td>13.3%</td>
</tr>
<tr>
<td>12/31/07</td>
<td>$176,628,933</td>
<td>$181,439,996</td>
<td>4,811,063</td>
<td>97.3%</td>
<td>$44,600,186</td>
<td>10.8%</td>
</tr>
<tr>
<td>12/31/08</td>
<td>$175,091,222</td>
<td>$191,638,371</td>
<td>16,547,149</td>
<td>91.4%</td>
<td>$45,511,253</td>
<td>36.4%</td>
</tr>
<tr>
<td>12/31/09</td>
<td>$176,924,494</td>
<td>$203,602,481</td>
<td>26,677,967</td>
<td>86.9%</td>
<td>$46,078,581</td>
<td>57.9%</td>
</tr>
<tr>
<td>12/31/10</td>
<td>$180,051,710</td>
<td>$209,379,385</td>
<td>29,327,675</td>
<td>86.0%</td>
<td>$44,623,366</td>
<td>65.7%</td>
</tr>
<tr>
<td>12/31/11</td>
<td>$179,169,959</td>
<td>$216,285,667</td>
<td>37,115,708</td>
<td>82.8%</td>
<td>$43,552,768</td>
<td>85.2%</td>
</tr>
</tbody>
</table>
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 13,401,932
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:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Annual Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
<td>1.75%</td>
</tr>
<tr>
<td>11-19</td>
<td>2.00%</td>
</tr>
<tr>
<td>20-24</td>
<td>2.00%</td>
</tr>
<tr>
<td>25-29</td>
<td>2.40%</td>
</tr>
</tbody>
</table>

(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