

BRIEF SUMMARY OF NORMAL RETIREMENT BENEFIT PROVISIONS

(Please refer to Retirement Ordinance for a complete description.)

GROUP	ELIGIBILITY	STRAIGHT LIFE AMOUNT*
REGULAR RETIREMENT		
AFSCME, Executive Department Heads, Department Heads and Deputies, Professional and Technical hired prior to dates shown below	Age 50 with 25 years of service, age 55 with 20 years of service, or age 60 with 5 years of service.	Total service years multiplied by 2.5% for the first 20 years of service and 2.2% thereafter of FAC with a maximum allowance of 75% of FAC.
Police Service Aides	Age 55 with 25 years of service or age 60 with 5 years of service	Total service years multiplied by 2.5% for the first 20 years of service and 2.2% thereafter of FAC with a maximum allowance of 80% of FAC.
Supervisors, Local 270 M hired prior to dates shown below	Any age with 30 years of service, age 50 with 25 years of service, age 55 with 20 years of service, or age 60 with 5 years of service.	Same as AFSCME.
Teamsters	Age 50 with 25 years of service, age 55 with 20 years of service, or age 60 with 5 years of service	For employees hired before 4/29/2004, 2.8% for the first 20 years of service and 1.5% thereafter. For employees hired after 4/29/2004, 2.5% for the first 20 years of service and 2.2% thereafter of FAC. All employees have a maximum allowance of 75% of FAC.
Police Officers, Detectives, Police Command	Any age with 25 years of service or age 55 with 10 years of service.	Total service years multiplied by 2.8% of FAC with a maximum allowance of 75% of FAC
Fire Fighters	Any age with 25 years of service or age 55 with 10 years of service for members hired prior to 10/1/2009. Age 50 with 25 years of actual service or age 55 with 10 years of actual service for members hired on or after 10/1/2009	For employees hired before 10/1/2009, total service years multiplied by 2.8% of FAC with a maximum allowance of 75% of FAC. For employees hired after 10/1/2009, total service years multiplied by 2.5% of FAC with a maximum allowance of 75% of FAC.

TYPE OF FINAL AVERAGE COMPENSATION (FAC)

AFSCME, Executive Department Heads, Professional & Technical, Supervisors, Police Command, Detectives: Highest 2 years out of last 10 years.
 Department Heads & Deputies, Local 270M, Police Officers, Police Service Aides, Teamsters: Highest 2 consecutive years out of last 10 years.
 Fire Fighters: Hired prior to 10/1/2009, highest 2 years out of last 10 years. Hired on or after 10/1/2009 highest 3 years out of last 10 years.

DEFERRED RETIREMENT

AFSCME, Executive Department Heads, Department Heads and Deputies, Technical and Professional, Police Service Aides	5 years of service. Benefit begins at age 55 with 25 years of service or age 60 with 5 years of service.	Computed as a regular retirement benefit based on service and FAC at date of termination.
Supervisors, Local 270M	5 years of service. Benefit begins at age 50 with 30 years of service or age 60 with 5 years of service.	Same as above.
Police Command, Fire Fighters, Police Officers, Detectives	10 years of service. Benefit begins at age 55 with 10 years of service.	Same as above.

DEATH AFTER RETIREMENT SURVIVOR'S BENEFITS

All Members	Retirement.	75% of a straight life pension to a spouse. \$4,000 Lump sum benefit.
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DISABILITY AND DEATH IN SERVICE

A variety of duty and non-duty disability and death-in-service benefits are payable depending on coverage group.

OTHER INFORMATION

Group	Date of Closure to New Hires
Local 270M	7/1/2006
Department Heads and Deputies	7/15/2008
Professional & Technical	7/1/2007
AFSCME	7/1/2006
Foremen and Supervisors	7/1/2006
Judges	5/1/2008

* Reduced optional forms of payment are also available to provide a benefit for an eligible survivor.

City of Royal Oak Retirement System

SUMMARY ANNUAL REPORT TO MEMBERS FOR PERIOD ENDING JUNE 30, 2010

Dear Retirement System Member:

The Retirement System, which is managed by the Board of Trustees, is designed to help you meet your financial needs should you become disabled, retire or die. The City also supports a Retiree Health Insurance Program, which is separate from the Retirement System.

The Board's fiduciary responsibility to you is to supervise the general administration of the System and invest its assets. Our Board retains professional advisors to assist us in fulfilling these duties.

We have prepared this summary report to give you a brief overview of the Retirement System and how it operates. We 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 City's retirement ordinance, any applicable collective bargaining agreements, and the Board's official rules and regulations. Additional information about the System and its financial operation is available in the Finance Director's office.

Respectfully submitted,

**The Board of Trustees
City of Royal Oak
Retirement System**

*John Lang, Chairperson
Patricia Capello, Vice Chair
Shawn Lambouris – Trustee
Donald Johnson - Trustee
David Poulton - Trustee
Julie Rudd, Chief Administrative Officer*

*Investment Fiduciaries
Brian Brice – Financial Advisor,
Merrill Lynch*

*Consultants & Actuaries
Gabriel Roeder Smith & Company*

SUMMARY RESULTS OF ACTUARIAL VALUATION

Your Retirement System's financial objective is to accumulate assets necessary to pay the promised benefits in an orderly manner. To accomplish this, contribution rates are established in a manner that is designed to keep those rates approximately level as a percentage of payroll from year to year. The Board of Trustees of the Retirement System provides for payment of the required employer contribution as described in Section 20m of the Michigan Public Act No. 728 of 2002.

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 and financial markets, and assumptions concerning the System's future demographic and economic activity. The results of the June 30, 2010 valuation, based on continuing the established funding objective, are summarized below:

Fiscal Year 2011 Employer Contribution Amounts

Contributions for	General & Water	Police Officers & Fire Fighters	Weighted Average
Normal Cost of Benefits			
Total	15.66 %	18.85 %	17.39 %
Member portion	2.38 %	5.00 %	3.80 %
Employer portion	13.28 %	13.85 %	13.59 %
UAAL*	\$ 1,541,169	16.04 %	
Projected Payroll	\$ 8,411,137	\$10,310,279	
Employer \$ Amount	\$ 2,658,168	\$ 3,081,742	\$ 5,739,910

* Unfunded Actuarial Accrued Liabilities

Funded Status	\$ Millions
Actuarial accrued liabilities	\$178.7
Valuation assets (smoothed market value)	\$132.2
% Funded	74.0%

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.

SUMMARY OF CURRENT ASSET INFORMATION

Valuation Assets & Reserves

Valuation Assets		Reserves for	
Cash & equivalents	\$ 0	Member contributions	\$ 10,285,345
Other short-term	4,002,088	Employer contributions	22,375,959
Receivables & accruals	317,981	Retired benefit payments	104,643,470
Equities	69,740,808	Undistributed investment income	(25,595,474)
Fixed Income	40,054,698		
Accounts Payable	(2,406,275)		
Total Current Assets	\$111,709,300	Total Reserves	\$111,709,300

Revenues & Expenditures

	2009-10	2008-09
Market Value - July 1	\$107,325,534	\$136,188,754
Revenues		
Member contributions	585,082	619,137
Employer contributions	4,373,351	4,074,977
Investment income (net)	11,706,582	(21,544,384)
Total	16,665,015	(16,850,270)
Expenditures		
Benefit payments	11,087,163	10,836,716
Retiree Health insurance premiums	0	0
Refund of member contributions	330,045	456,773
Administrative & investment expenses	864,041	719,460
Total	12,281,249	12,012,949
Market Value - June 30	\$111,709,300	\$107,325,535