

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, 44 th District Court, 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.	2.5% for service prior to effective date and 2.25% for service after effective date for the first 20 years of service and 2.2% thereafter of FAC with a maximum allowance of 75% of FAC. Effective date shown below.
Police Service Aides	Age 55 with 20 years of service or age 50 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, SEIU AFL-CIO Local 517M 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.	2.5% for service prior to effective date and 2.25% for service after effective date for the first 10 years of service, then 2.5% for next 10 years of service, and 2.2% thereafter of FAC with a maximum allowance of 75% of FAC. Effective date shown below.
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, SEIU AFL-CIO Local 517 M, 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, SEIU AFL-CIO Local 517 M	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	Date of Change in Multiplier
SEIU AFL-CIO Local 517M	7/1/2006	7/1/2011
Department Heads and Deputies	7/15/2008	9/1/2011
Professional & Technical	7/1/2007	7/1/2011
44th District Court	7/1/2007	1/1/2012
AFSCME	7/1/2005	9/1/2011
Foremen and Supervisors	7/1/2006	9/13/2011
Judges	5/1/2008	N/A

* 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, 2011

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
Michael Fournier - Trustee*

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

*Legal Consultant
Thomas Michaud – Attorney,
VanOverbeke, Michaud &
Timmony, P.C.*

Julie Rudd, Chief Administrative Officer

*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, 2011 valuation, based on continuing the established funding objective, are summarized below:

Fiscal Year 2012 Employer Contribution Amounts

Contributions for	General & Water	Police Officers & Fire Fighters	Weighted Average
Normal Cost of Benefits			
Total	15.62 %	18.87 %	17.44 %
Member portion	3.08 %	5.00 %	4.16 %
Employer portion	12.54 %	13.87 %	13.28 %
UAAL*	\$ 1,989,316	23.91 %	
Projected Payroll	\$ 7,378,615	\$ 9,753,425	
Employer \$ Amount	\$ 2,914,594	\$ 3,684,844	\$ 6,599,438

* Unfunded Actuarial Accrued Liabilities

Funded Status	\$ Millions
Actuarial accrued liabilities	\$188.7
Valuation assets (smoothed market value)	\$125.4
% Funded	66.4%

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	\$ 2,298,377	Member contributions	\$ 9,628,035
Other short-term	3,082,757	Employer contributions	22,135,847
Receivables & accruals	322,261	Retired benefit payments	108,631,838
Equities	81,149,205	Undistributed investment income	(13,318,765)
Fixed Income	39,862,599		
Other	391,157		
Accounts Payable	(29,401)		
Total Current Assets	\$127,076,955	Total Reserves	\$127,076,955

Revenues & Expenditures

	2010-11	2009-10
Market Value - July 1	\$111,709,299	\$107,325,534
Revenues		
Member contributions	745,554	585,082
Employer contributions	4,562,789	4,373,351
Investment income (net)	24,012,524	11,706,582
Total	29,320,867	16,665,015
Expenditures		
Benefit payments	11,899,401	11,087,163
Retiree Health insurance premiums	0	0
Refund of member contributions	1,151,102	330,045
Administrative & investment expenses	902,709	864,041
Total	13,953,212	12,281,249
Market Value - June 30	\$127,076,954	\$111,709,300