

**City of Ypsilanti, Michigan  
Police and Fire Retirement System**

**FINANCIAL STATEMENTS**

**June 30, 2014 and 2013**

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S REPORT

To the Retirement Board of the  
City of Ypsilanti, Michigan  
Police and Fire Retirement System  
Ypsilanti, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Ypsilanti, Michigan, Police and Fire Retirement System (the System) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Ypsilanti, Michigan, Police and Fire Retirement System as of June 30, 2014 and 2013, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principles***

During the year, the System implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. As a result, the financial statements now include substantially different note disclosures and required supplementary information. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the City of Ypsilanti, Michigan, Police and Fire Retirement System, and do not purport to, and do not, present fairly the financial position of the City of Ypsilanti, Michigan, as of June 30, 2014 and 2013, and the changes in its financial position, or, where applicable, its cash flows thereof and the budgetary comparison schedule for the General Fund for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matter***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the historical pension information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 8, 2014

## FINANCIAL STATEMENTS

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Statements of Plan Net Position

June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Investments, at fair value:		
U.S. agencies	\$ 1,874,591	\$ 2,130,052
Corporate bonds	4,895,579	4,730,860
Domestic equities	15,495,617	13,211,266
International equities	1,362,395	868,845
Mutual funds	5,523,432	5,536,015
Exchange traded products	277,182	-
Domestic real estate investment trusts	544,836	489,340
Money market accounts	539,383	553,302
Total investments	<u>30,513,015</u>	<u>27,519,680</u>
Cash and cash equivalents	1,722,701	1,380,434
Accrued interest receivable	<u>53</u>	<u>-</u>
<b>Total assets</b>	<b>32,235,769</b>	<b>28,900,114</b>
<b>Liabilities</b>		
Accounts payable	<u>638,532</u>	<u>780,400</u>
<b>Net position held in trust for pension benefits</b>	<b><u>\$ 31,597,237</u></b>	<b><u>\$ 28,119,714</u></b>

The accompanying notes are an integral part of these financial statements.

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Statements of Changes in Plan Net Position

For the Years Ended June 30, 2014 and 2013

	2014	2013
<b>Additions</b>		
Investment income:		
Net appreciation (depreciation) in fair value of investments	\$ 4,362,837	\$ 2,553,509
Interest and dividends	728,007	751,395
	<u>5,090,844</u>	<u>3,304,904</u>
Total investment income	5,090,844	3,304,904
Less investment management fees	<u>(108,610)</u>	<u>(101,330)</u>
Total net investment income	<u>4,982,234</u>	<u>3,203,574</u>
Contributions:		
Employer	1,358,167	1,222,085
Employees	275,422	303,679
	<u>1,633,589</u>	<u>1,525,764</u>
Total contributions	1,633,589	1,525,764
Total additions	<u>6,615,823</u>	<u>4,729,338</u>
<b>Deductions</b>		
Participant benefits	3,078,288	3,106,675
Participant refunds	-	379,667
Administrative expenses	60,012	74,962
	<u>3,138,300</u>	<u>3,561,304</u>
Total deductions	3,138,300	3,561,304
Change in net position	3,477,523	1,168,034
Net position held in trust for pension benefits, beginning of year	<u>28,119,714</u>	<u>26,951,680</u>
Net position held in trust for pension benefits, end of year	<u>\$ 31,597,237</u>	<u>\$ 28,119,714</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

### 1. PLAN DESCRIPTION

*Plan administration.* The City of Ypsilanti, Michigan Police and Fire Retirement System (the “System”) is a single-employer defined benefit pension plan that provides retirement, disability and death benefits to all police and fire employees of the City and their beneficiaries. Plan benefit provisions were established and may be amended under the authority of City of Ypsilanti ordinances. Cost of living adjustments are provided to members and beneficiaries. Contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the Retirement Board and City of Ypsilanti City Council. The financial statements of the System are included as a pension trust fund in the City’s financial statements.

Management of the System is vested in the Retirement Board of the City of Ypsilanti, Michigan Police and Fire Retirement System, which consists of five members: two that are elected (one each representing fire and police employees), two that are appointed by the City Council of the City of Ypsilanti and one that is the Treasurer of the City of Ypsilanti.

*Plan membership.* At June 30, membership in the plan consisted of the following:

	2014	2013
Retirees and beneficiaries receiving benefits	113	113
Terminated employee entitled to but not yet receiving benefits	1	1
Active employees	47	39
<b>Total</b>	<b>161</b>	<b>153</b>

*Benefits provided.* The System provides retirement, disability, and death benefits. Generally, retirement benefits are calculated as a percent of the member’s final average compensation (AFC) for a certain number of years times the member’s years of service as summarized in the following table:

Eligibility	Amount of Benefit
20 or more years of service (25 years for Fire Chief) regardless of age or age 60 regardless of service.	Straight life pension equals 3.0% of three year AFC times years of service for police and 3.0% of AFC times first 25 years of service plus 1% of AFC times years of service in excess of 25 for fire.
25 or more years of service regardless of age for fire members hired after July 1, 2009.	Straight life pension equals 2.5% of three year AFC times years of service, with a 75% maximum.
25 or more years of service regardless of age for POAM/COAM members hired after July 1, 2009.	Straight life pension equals 2.0% of three year AFC times years of service.
Members hired after July 1, 2012.	Same as members hired after July 1, 2009, except there is no annuity withdrawal option.

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

Retirees who are receiving benefits below the estimated federal and state poverty levels have their benefits increased up to the poverty level.

*Contributions.* Plan members hired prior to July 1, 2009 are required to contribute 10% of their annual covered wages to the System for pension benefits. Plan members hired after July 1, 2009 are required to contribute 5% of their annual covered wages to the System for pension benefits. The City contributes such additional amounts as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The City’s pension contribution for the year ended June 30, 2014 represented 36.51% of the annual covered payroll. The City’s pension contribution for the year ended June 30, 2013 represented 29.03% of the annual covered payroll.

*Deferred Retirement Option Program (DROP).* In lieu of retiring and receiving a monthly benefit, an eligible participant may elect to participate in the DROP by making an irrevocable election to terminate employment with the City and retire upon ceasing participation in the DROP. The DROP election must specify the future retirement date which must be within the maximum time period permitted (typically 3 to 5 years, based on bargaining unit and hire date). Upon entry in the DROP, the participant ceases to accrue years of service in the defined benefit pension plan. The participant remains an employee of the City for all other purposes, but the retirement benefit payment is calculated and payments commence into a separate, restricted account. These monthly payments, along with interest earnings thereon, are not distributed to the participant until employment has terminated. DROP activity for the year ended June 30, 2014 is as follows:

Beginning Balance	Credits	Interest	Distributions	Adjustments	Ending Balance
\$ 770,635	\$ 244,997	\$ 34,330	\$ (420,094)	\$ -	\$ 629,868

## 2. SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting.* The System’s financial statements are prepared on the accrual basis of accounting. Employee contributions are recognized in the period in which they are due. The City’s contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Valuation of Investments and Income Recognition.* The System’s investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments, if any, is based on independent appraisals. Investments that do not have established market values are reported at estimated fair value as determined by the custodian under the direction of the Retirement Board with the assistance of a valuation service.

*Administration.* Administrative costs are financed through the System’s earnings.

*Use of Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

### 3. DEPOSITS AND INVESTMENTS

#### Deposits

The System's cash and cash equivalents consist of amounts deposited in the City's cash management pool of demand deposit accounts and certificates of deposit. As such, it is not practicable to present separate custodial risk disclosures for the System's portion of this pool; accordingly, please refer to the City of Ypsilanti's comprehensive annual financial report for custodial risk disclosures of deposits.

#### Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Board has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the System's assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

*Investment allocation policy.* The System's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board. The policy pursues an investment strategy that protects the financial health of the System and reduces risk through the prudent portfolio diversification. The adopted asset allocation policy as of June 30, 2014, is as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	50%	7.67%
Domestic fixed income	30%	4.80%
International equity	15%	7.20%
Cash	5%	2.30%
	<u>100%</u>	

*Investment holdings.* Following is a summary of the System's investments as of June 30:

	2014	2013
Investments at fair value, as determined by quoted market price:		
U.S. agencies	\$ 1,874,591	\$ 2,130,052
Corporate bonds	4,895,579	4,730,860
Domestic equities	15,495,617	13,211,266
International equities	1,362,395	868,845
Mutual funds	5,523,432	5,536,015
Exchange traded products	277,182	-
Domestic real estate investment trusts	544,836	489,340
Money market accounts	539,383	553,302
	<u>\$ 30,513,015</u>	<u>\$ 27,519,680</u>
Total investments		

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

*Credit Risk.* The System’s investment policy provides that its investments in fixed income securities be limited to those rated BBB or better by a nationally recognized statistical rating organization. The System’s investments in U.S. agencies were rated Aaa by Moody’s Investor Services at both June 30, 2014 and 2013. The System’s investments in corporate securities were rated by Moody’s Investor Services as follows at June 30:

Rating	2014	2013
Aa3	\$ 330,775	\$ 328,473
A1	629,914	631,826
A2	1,167,979	1,155,343
A3	219,602	784,837
Baa1	915,273	184,936
Baa2	1,404,780	1,645,445
Baa3	227,256	-
	<u>\$ 4,895,579</u>	<u>\$ 4,730,860</u>

The System’s policy regarding credit risk provides that a minimum of 70% of fixed income investments must be in the top three major grades as determined by Moody’s and the balance must be in the top four major grades.

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System’s investment policy requires that investment securities be held in trust by a third-party institution in the System’s name. As such, although uninsured and unregistered, the System’s investments are not exposed to custodial credit risk since the securities are held by the counterparty’s trust department in the System’s name. Short-term investments in money market funds are not subject to custodial credit risk.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the System’s investment in a single issuer. The System’s policy regarding concentration of credit risk does not specify limits regarding concentration of credit risk, although it provides guidelines regarding target maximums for investment types.

At June 30, 2014 and 2013, the investment portfolio did not have holdings in any one issue greater than 5% of the total investment portfolio.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System’s investment policy requires a maximum term to maturity of 30 years for any single fixed income security. The System’s investment policy does not address weighted average portfolio maturities.

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

As of June 30, 2014, maturities of the System's debt securities were as follows:

	Investment Maturities (fair value by years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. agencies	\$ 1,874,591	\$ 123,067	\$ 5,320	\$ -	\$ 1,746,204
Corporate bonds	4,895,579	529,189	1,393,562	2,062,130	910,698
	<u>\$ 6,770,170</u>	<u>\$ 652,256</u>	<u>\$ 1,398,882</u>	<u>\$ 2,062,130</u>	<u>\$ 2,656,902</u>

As of June 30, 2013, maturities of the System's debt securities were as follows:

	Investment Maturities (fair value by years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. agencies	\$ 2,130,052	\$ -	\$ 27,653	\$ -	\$ 2,102,399
Corporate bonds	4,730,860	-	2,185,642	1,723,379	821,839
	<u>\$ 6,860,912</u>	<u>\$ -</u>	<u>\$ 2,213,295</u>	<u>\$ 1,723,379</u>	<u>\$ 2,924,238</u>

Of the above corporate bonds as of June 30, 2014, \$625,004 of the total is callable. The System's policy regarding interest rate risk provides that fixed income maturities may not exceed 30 years; the System's holdings comply with this requirement.

*Foreign Currency Risk.* Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System's exposure to foreign currency risk is summarized as follows at June 30:

Investment/ Country	Currency	Fair value (U.S. dollars)	
		2014	2013
<b>International equities</b>			
Cayman Islands	Cayman Island dollar	\$ -	\$ 83,984
Ireland	European euro	294,827	70,258
Great Britain	British pound	151,264	52,307
Netherlands	European euro	231,582	226,752
Netherlands Antilles	Guilder	322,593	96,741
Switzerland	Swiss franc	-	48,854
Taiwan	Taiwan dollar	205,879	176,330
Canada	Canadian dollar	156,250	113,619
<b>Total</b>		<u>\$ 1,362,395</u>	<u>\$ 868,845</u>

In addition to the above, the System's holdings in mutual funds are primarily composed of underlying investments in international equities (approximately 70% of total mutual fund holdings of \$5,523,432), predominately in Japanese, European and other Asian companies. The residual mutual fund underlying investments are in gold, cash and cash equivalents, international bonds and U.S. equities.

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

The System restricts the amount of investment in foreign currency-denominated investments to 20% of total pension system investment.

*Rate of return.* For the years ended June 30, 2014 and 2013, the annual money-weighted rate of return on plan investments, net of investment expenses, was 19.22 and 13.99 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### 4. ANNUAL REQUIRED CONTRIBUTION (under GASB Statement 25)

The annual required contribution (ARC) for the year ended June 30, 2014 and 2013 was \$1,358,167 and \$1,222,085, respectively. The ARC was made by the City. There was no net pension obligation at the beginning or the end of either fiscal year. The respective ARC was determined as part of an actuarial valuation as of June 30, 2013 and 2012, using the entry age cost method, following the standards presented in GASB Statement 25.

#### Three-Year Trend Information

Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2012	\$ 1,120,305	100%	-
2013	1,222,085	100%	-
2014	1,358,167	100%	-

### 5. FUNDED STATUS AND FUNDING PROGRESS (under GASB Statement 25)

The funded status of the System as of June 30, 2013, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 44,583,788
Actuarial value of assets	<u>27,649,572</u>
Unfunded AAL (UAAL)	<u>\$ 16,934,216</u>
Funded ratio	<u>62.0%</u>
Covered payroll	<u>\$ 3,187,910</u>
UAAL as % of covered payroll	<u>531.2%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of June 30, 2013, the date of the latest actuarial valuation using the entry age actuarial cost method, includes:

Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.0% - 9.0%
Assume rate of payroll growth	4.0%
Cost-of-living adjustments	None

## 6. RISK MANAGEMENT

The System's exposure to noninvestment loss is minimal. The System is exposed to various risks of loss related to torts, errors and omissions. The System participates in the Michigan Municipal League risk pool program for all of these exposures.

## 7. NET PENSION LIABILITY OF THE CITY (under GASB 67)

The components of the net pension liability of the City at June 30, 2014, are as follows:

Total pension liability	\$ 44,839,193
Plan fiduciary net position	<u>(31,597,237)</u>
City's net pension liability	<u>\$ 13,241,956</u>
 Plan fiduciary net position as a percentage of the total pension liability	  70.47%

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2013 (and rollforward to June 30, 2014), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 percent
Salary increases	4.0-9.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014 (see the discussion of the System’s investment allocation policy) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	7.67%
Domestic fixed income	4.80%
International equity	7.20%
Cash	2.30%

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Notes to Financial Statements

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 18,130,015	\$ 13,241,956	\$ 9,142,178



**GASB REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Required Supplementary Information (GASB Statement 25)

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date June 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (Overfunded) (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2004	\$ 32,569,762	\$ 31,251,133	\$ (1,318,629)	104.2%	\$ 3,891,478	-33.9%
2005	31,180,708	32,774,898	1,594,190	95.1%	4,042,199	39.4%
2006	30,843,790	34,980,132	4,136,342	88.2%	3,996,679	103.5%
2007	34,292,073	36,211,916	1,919,843	94.7%	3,957,733	48.5%
2008	32,934,094	37,869,913	4,935,819	87.0%	3,843,177	128.4%
2009	32,472,100	39,453,312	6,981,212	82.3%	3,889,397	179.5%
2010	31,649,135	42,135,741	10,486,606	75.1%	3,975,109	263.8%
2011	31,577,876	42,667,144	11,089,268	74.0%	3,892,132	284.9%
2012	28,530,067	43,258,880	14,728,813	66.0%	3,412,398	431.6%
2013	27,649,572	44,583,788	16,934,216	62.0%	3,187,910	531.2%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2005	\$ -	\$ -	100%
2006	500,602	500,602	100%
2007	730,106	730,106	100%
2008	941,417	941,417	100%
2009	946,937	946,937	100%
2010	968,212	968,212	100%
2011	1,018,284	1,018,284	100%
2012	1,120,305	1,120,305	100%
2013	1,222,085	1,222,085	100%
2014	1,358,167	1,358,167	100%

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Required Supplementary Information (GASB Statement 67)

### Schedule of Investment Returns

Last Two Fiscal Years (ultimately ten years will be displayed)

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
6/30/2013	13.99%
6/30/2014	19.22%

## CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

### Required Supplementary Information (GASB Statement 67)

Schedule of Changes in the City's Net Pension Liability and Related Ratios  
Last Fiscal Year (ultimately ten fiscal years will be displayed)

	2014
Change in total pension liability	
Service cost	\$ 417,399
Interest	3,244,001
Changes of benefit terms	88,956
Differences between expected and actual experience	(212,827)
Changes of assumptions	(203,836)
Benefit payments, including refunds of member contributions	(3,078,288)
Net change in total pension liability	255,405
Total pension liability, beginning	44,583,788
Total pension liability, ending (a)	44,839,193
Change in plan fiduciary net position	
Contributions - employer	1,358,167
Contributions - member	275,422
Net investment income	4,982,234
Benefit payments, including refunds of member contributions	(3,078,288)
Administrative expense	(60,012)
Net change in plan fiduciary net position	3,477,523
Plan fiduciary net position, beginning	28,119,714
Plan fiduciary net position, ending (b)	31,597,237
City's net pension liability, ending (a)-(b)	\$13,241,956
Plan fiduciary net position as a percentage of the total pension liability	70.47%
Covered-employee payroll	\$ 3,440,059
City's net pension liability as a percentage of covered payroll	384.93%

# CITY OF YPSILANTI, MICHIGAN POLICE AND FIRE RETIREMENT SYSTEM

## Required Supplementary Information (GASB Statement 67)

### Schedule of City Contributions

Last Fiscal Year (ultimately ten years will be displayed)

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2014	\$ 1,347,529	\$ 1,358,167	\$ (10,638)	\$ 3,440,059	39.5%

### Notes to Schedule of Contributions

Valuation date June 30, 2014

Notes Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.

Other information During the year ended June 30, 2014, the plan experienced a change in benefit provisions resulting in a \$88,956 increase in TPL and actuarial assumptions resulting in a \$203,836 decrease in TPL.

### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Open 5-year smoothed market
Inflation	4.0 percent
Salary increases	4.0-9.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table