Harrison Township Firemen's Pension Fund

SUMMARY ANNUAL REPORT TO MEMBERS
DECEMBER 31, 2012

Dear Pension Fund Member:

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

The Pension Board's fiduciary responsibility to you is to supervise the general administration of the Fund 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 Pension Fund and how it operates. We hope you will find it useful and informative. However, a summary cannot cover all the details of the Fund, which is governed by the provisions of the Township's charter, Act 345 of 1937 as modified by collective bargaining agreements and the Pension Board's official rules and regulations. Additional information about the Fund and its financial operation is available in the treasurer's office.

Respectfully submitted,

Pension Board
Harrison Township Firemen's Pension Fund

Andrew Houde, Chair
Fred Darga, Vice Chair
Darrin York, Treasurer
William Bitonti, Trustee
John Gabor, Trustee

SUMMARY RESULTS OF ACTUARIAL VALUATION

Your Pension Fund'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 using a method that is designed to keep those rates approximately level as a percentage of payroll from year to year. The Board of Trustees of the Pension Fund certifies the payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728 of 2002.

To determine an appropriate employer contribution level for the ensuing year and to gauge how the Fund'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 Fund's past experience, information about current participation and financial markets, and assumptions concerning the Fund's future demographic and economic activity. The results of the December 31, 2012 valuation, based on the established funding objective, are summarized on the following page.

Pension Fund Service Providers

Actuary	Gabriel, Roeder, Smith & Company
Attorney(s)	VanOverbeke, Michaud & Timmony
Auditors/Accountants	Stewart Beauvais & Whipple

SUMMARY RESULTS OF ACTUARIAL VALUATION

Valuation date	December 31, 2012
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Closed 4-year smoothed market with 40% corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	4.5% - 14.2%
*Includes inflation at	4.50%
Cost-of-living adjustments	none
Valuation payroll	$2,174,865
Annual pensions paid	$1,269,057
Average annual pensions paid	$40,937
Retirees and beneficiaries receiving benefits	31
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	27
Total	58

Fiscal Year 2014 Employer Contribution Rates As a Percentage of Active Member Payroll

Contributions for	
Normal Cost of Benefits	
Total	24.53 %
Member portion	8.35
Employer portion	16.18 %
Amortization of unfunded liability*	17.22
Computed Employer Rate	**33.40 %**

Funded Status	$ Thousands
Actuarial accrued liabilities	$20,656
Applied assets (smoothed market value)	$13,083
% funded	63.3%

**Based on the 30-year funding policy adopted by the Board.*

Actuary's Opinion

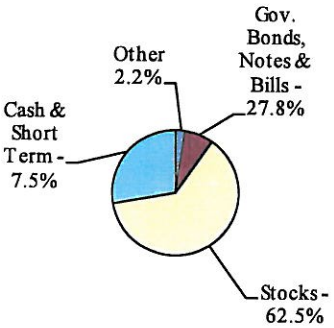
It is the actuary's opinion that the contribution rates recommended are sufficient to meet the Pension Fund's financial objective.

SUMMARY OF CURRENT ASSET INFORMATION

Revenues & Expenditures

	2012
Balance - January 1	$11,096,529
Receipts	
Employees' contributions	170,176
Employer's contributions	692,509
Investment income	893,791
	1,756,476
Disbursements	
Benefit payments	1,238,856
Refund of member contributions	0
Investment expense	114,330
Other expenses	34,219
	1,387,405
Balance - December 31	$11,465,600

Investments



The market rate of return on Fund assets for the year ended December 31, 2012 was 6.9% net after expenses.

SUMMARY OF CURRENT ASSET INFORMATION

Investment Performance (Net of Fees)

1-Year	3-Year	5-Year	7-Year	10-Year
6.9%	5.5%	-2.2%	1.3%	3.6%

Expenditures

	As of Fiscal Year Ending 12/31/2012	Projected Fiscal Year Ending 12/31/2013
Administrative	$ 34,219	N/A
Investment (Including soft dollars)	114,330	N/A
Professional Training / Education	6,965	N/A

The Pension Plan fund does not prepare budgets because they are not required by Governmental Accounting Standards, and because of the difficulty in projecting stock market performance. The Board's training and travel expenses are well within limits set by State statute.

Investment Fiduciaries

Morgan Stanley Graystone Consulting
Raymond James
Ashfield Capital Partners
Santa Barbara Asset Management
Tradewinds Global Investors
WHV Investment Management
Sage Advisory Services

BRIEF SUMMARY OF PLAN PROVISIONS

SERVICE RETIREMENT

Eligibility – Members hired before 7/1/2011: 20 or more years of service regardless of age; or when the sum of age and credited service meet or exceed 70. Members hired after 7/1/2011: 25 or more years of service regardless of age; or when sum of age and credited service meet or exceed 75.

Annual Amount – Straight life pension equals 2.8% of 3-year average final compensation (AFC) times first 20 years of service, plus 1.8% of AFC times years of service in excess of 20 years, up to 25 years, plus 1.0% of AFC times years of service in excess of 25, up to 30 years. Maximum benefit is 70% times AFC.

DEFERRED RETIREMENT

Eligibility – 10 or more years of service.

Annual Amount – Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

NON-DUTY DISABILITY RETIREMENT

Eligibility – Payable upon the total and permanent disability of a member with 5 or more years of service.

Annual Amount – To age 55: 1.5% of AFC times years of service.
At age 55: Same as Service Retirement Pension.

DUTY DISABILITY RETIREMENT

Eligibility – Payable upon the total and permanent disability of a member in the line of duty.

Annual Amount – To age 55: 50% of AFC.
At age 55: Same as Service Retirement Pension with service credit from date of disability to age 55.

DEATH AFTER RETIREMENT SURVIVOR'S PENSION

Eligibility – Payable to a surviving spouse, if any, (1) upon death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later; or (2) upon death of a disability retirant prior to age 55.

Annual Amount – Spouse's pension equals 60% of the straight life pension the deceased retirant was receiving.

NON-DUTY DEATH-IN-SERVICE SURVIVOR'S PENSION

Eligibility – Payable to a surviving spouse, if any, of a member.

Annual Amount – For 20 or more years of service: the Option I (100% Joint and Survivor) equivalent of the accrued benefit. For less than 20 years of service: 60% of the accrued benefit.

DUTY DEATH-IN-SERVICE SURVIVOR'S PENSION

Eligibility – Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.

Annual Amount – Same amount that was paid by worker's compensation.

MEMBERS COVERED

5% of pay. After 7/1/2011, 20% of the total required contribution.