

CITY OF SOUTHFIELD FIRE & POLICE RETIREMENT SYSTEM

2024 SUMMARY ANNUAL REPORT (as of June 30, 2023)

Fire & Police Retirement System Board:

John Fisher, President
Duane Garth, Vice President
Audrey Harvey, Secretary
Irv Lowenberg, Trustee
Brent Wilson, Trustee

Fire & Police Retirement System Staff:

Megan Battersby, Retirement Program Director

Phone:

(248)796-5220

2024 SUMMARY ANNUAL REPORT

Dear Member:

The City of Southfield Fire & Police Retirement System is a program designed to help its members meet the financial concerns of old age, disability, and death. This summary report is intended to give you a brief system operation overview.

The Retirement System is managed by a Board of Trustees, which in accordance with Public Act 345 includes the Treasurer of the City, one representative each from the Police and Fire departments, and two citizen representatives. The Board's duty is to supervise general administration of the system and invest the assets accumulating on behalf of all its members. The Board retains professional advisors to assist in fulfilling these fiduciary responsibilities.

It is not practical to cover all activities and provisions of the Retirement System in a summary report. The actual operation of the system is governed and controlled by the detailed provisions of Public Act 345, union contracts, and the Board's official rules, regulations, and resolutions.

Respectfully Submitted,

City of Southfield Fire & Police Retirement System Board of Trustees

RETIREMENT SYSTEM FUNDING

The basic financial objective of the Retirement System is to establish and receive contributions expressed as percentages of active member payroll which will remain approximately level from year to year and will not have to be increased for future generations of taxpayers. The annual actuarial valuation analyzes the Retirement System's funding progress to establish a contribution rate that will allow the Retirement System to function at a financially sound level. The Actuary calculates the contribution requirements and benefit values of the fund by applying actuarial assumptions to the benefit provisions and people information provided by the Retirement Program Director. Actuarial valuations are conducted by Gabriel, Roeder, Smith & Company, an independent firm of consultants and actuaries. Results of the June 30, 2023 valuation are summarized below:

CONTRIBUTIONS TO PROVIDE BENEFITS FISCAL YEAR BEGINNING JULY 1, 2023

Contributions for	Contributions Expressed as %’s of Active Member Payroll
<i>Normal Cost of Benefits:</i>	
Age & service	19.71%
Disability	1.38
Death before retirement	0.25
Refunds of member contributions	0.19
Expenses	0.96
Total	22.49
<i>Member Contributions (weighted avg.)</i>	5.18
<i>Employer Normal Cost</i>	17.31
<i>Unfunded Actuarial Accrued Liabilities*</i>	28.36
Computed Employer Rate	45.67%
Minimum Dollar Contribution	\$10,614,452

The projected employer dollar contribution based on the payroll information provided for the valuation, adjusted to reflect assumed payroll increases between the valuation date and the fiscal year for which the contributions are being determined, is \$10,614,452. Therefore, the actuary suggests a minimum contribution of this amount.

RETIREMENT SYSTEM SUMMARY

The City of Southfield Fire & Police Retirement System offers retirement benefits based on the provisions of Public Act No. 345 of 1937, as amended, and applicable collective bargaining agreements. Members covered by the SPOA, SFFA, SPCOA, and Deputy Chiefs collective bargaining agreements are eligible for a Regular retirement upon attaining a minimum of 20 years of service. The maximum service currently permitted for the calculation of a pension benefit, in accordance with these collective bargaining agreements, is 25 years. The current multiplier applied to Average Final Compensation for a Regular retirement, in accordance with the above collective bargaining agreements, is 2.8 except for Fire employees hired after September 12, 2011 and new Police employees hired after February 22, 2014 for whom it is 2.5.

Unless members elect another benefit option to provide for their beneficiaries, an eligible surviving spouse automatically receives 60% of the member's benefit, provided that the member retired with a Regular retirement pension and the spouse was the member's spouse both at the time of retirement and at the time of the member's death. Pre-retirement death benefits to the survivor of a member are also available. The Retirement System provides disability benefits for its members with certain survivor options. More information on these various retirement options can be obtained by contacting the Retirement Program Director at (248)796-5220.

The City of Southfield Fire & Police Retirement System consists of two interrelated tax qualified plans: the Defined Benefit Plan and the Defined Contribution Plan. The Defined Benefit Plan is funded by the employer and payable to members meeting minimum service requirements for the various retirement options available. Members' Defined Contribution Plan accounts are comprised of their accumulated employee contributions and accrued interest. The refundable amount held in this plan may be withdrawn by a member upon Regular retirement or when terminating employment with the City of Southfield. If a vested member (one with 10 or more years of service) terminates employment with the City, the member has the option of leaving the balance of his or her contributions in the Retirement System's Defined Contribution Plan to receive vested retirement benefits. These benefits become effective upon application to the Board of Trustees on or after the date the member would have first become eligible to retire had the member continued City employment.

RETIREMENT SYSTEM OVERVIEW

The name of the Retirement System is the City of Southfield Fire and Police Retirement System. Investment consulting services are provided by AndCo Consulting, legal services are provided by VanOverbeke Michaud & Timmony, P.C., actuarial services are provided by Gabriel Roeder Smith & Company, custodial services are provided by The Northern Trust Company, and the medical director that serves the Plan is MedSource/Consulting Physicians.

The Retirement System's investment fiduciaries during the fiscal year ended June 30, 2023 were:

City of Southfield Fire and Police Retirement Board

ABS

AndCo Consulting

Ares

Artemis

Bloomfield Capital

Centerbridge Partners

Champlain Investment Partners

Fidelity

JCR Capital

Ironsides

Loomis, Sayles & Company

Marathon

Nantucket Capital Management

Prudential

Reinhart Partners

TerraCap

The Northern Trust Company

YCM

1607 Capital Partners

As reported in the actuarial valuation for the annual period ended June 30, 2023, excluding reserves for inflation equity, the Retirement System's valuation assets were \$198,463,873 and its actuarial accrued liabilities were \$298,021,784, which produced a funded ratio of 66.6 %.

For the annual period ended June 30, 2023, the Retirement System's expenses were \$210,517. Benefit payments were \$25,712,541 and member refunds were \$5,180. No services were paid for with soft dollars.

The Retirement System continues to be in sound financial condition in accordance with actuarial principles of level percent of payroll financing. The Retirement System has received the required employer contribution for the year ended June 30, 2023. Detailed information on the Retirement System's funding is contained in the Annual Actuarial Valuation as of June 30, 2023. For further information regarding the Retirement System's administration and policies, please contact the Retirement Program Director at (248)796-5220.

BUDGET

City of Southfield Fire & Police Retirement System Annual Budget: July 1, 2023 to June 30, 2024

Service/Provider	2022 - 2023 Budget	2022 - 2023 Actual	2023 - 2024 Budget
Investment Consultant	107,100	107,100	107,100
Custodian	44,000	41,759	44,000
Legal Counsel	25,000	24,135	25,000
Actuary	26,800	26,800	27,600
Pension Management Software Expenses	2,000	0	2,000
Education/Training/Travel	25,000	24,826	30,000
Fiduciary Insurance	24,314	24,314	25,000
Medical Director	0	0	0
Miscellaneous Expenses	1,800	1,717	2,000
Pension Management System Maintenance Fee	2,000	0	2,000
Membership Dues	500	1,635	1,700
Retirement Administrator	120,000	132,000	135,000
TOTAL	378,514	384,286	401,400

INVESTMENT PERFORMANCE As of December 31, 2023

	Total Fund Return	Net of Fees
1 Year	12.05%	11.57%
2 Year	-0.48%	-0.96%
3 Year	4.64%	4.15%
4 Year	7.15%	6.58%
5 Year	8.24%	7.74%
7 Year	7.22%	6.72%
10 Year	6.61%	6.02%

RETIRANTS AND BENEFICIARIES AS OF JUNE 30, 2023
TABULATED BY TYPE OF BENEFIT BEING PAID

Pension Benefits		
Type of Benefit	No.	Annual Amount
Age and Service Pensions		
Regular Pension - terminating at death	95	\$ 3,330,605
- auto. 60% to spouse	244	12,761,872
Option I - 100% Joint and Survivor	6	83,486
Option II - 50% Joint and Survivor	3	58,508
Survivor Beneficiary	<u>53</u>	<u>1,382,110</u>
Age and Service Totals	401	\$ 17,616,581
Casualty Pensions		
Duty Disability	7	\$ 153,158
Non-Duty Disability	2	15,022
Non-Duty Death-Survivor Benefit	<u>2</u>	<u>46,008</u>
Casualty Totals	11	\$ 214,188
Total Pensions	412	\$ 17,830,769

RETIRES AND BENEFICIARIES AS OF JUNE 30, 2023
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT

Attained Age	Age & Service		Casualty		Totals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
40 - 44	1	\$ 15,649			1	\$ 15,649
45 - 49	8	366,941			8	366,941
50 - 54	36	1,771,942			36	1,771,942
55 - 59	71	3,462,270	1	\$ 10,038	72	3,472,308
60 - 64	58	2,985,652	4	85,872	62	3,071,524
65 - 69	63	2,936,293	1	26,916	64	2,963,209
70 - 74	42	1,783,513	1	4,984	43	1,788,497
75 - 79	69	2,409,549	1	11,934	70	2,421,483
80 - 84	39	1,318,617	2	63,864	41	1,382,481
85 - 89	9	369,995	1	10,580	10	380,575
90 - 94	4	164,726			4	164,726
95 - 99	1	31,434			1	31,434
Totals	401	\$ 17,616,581	11	\$ 214,188	412	\$ 17,830,769

Average Age at Retirement: 51.6 years

Average Age Now: 67.8 years

**ACTIVE MEMBERS AS OF JUNE 30, 2023
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date							No.	Valuation Payroll
	0-4	5-9	10-14	15-19	20-24	25-29	30 plus		
15-19	1							1	\$ 29,687
20-24	10							10	594,379
25-29	35	13						48	4,310,723
30-34	20	21						41	3,925,772
35-39	8	5	5	1				19	1,761,903
40-44	2	1	7	25	1			36	4,489,817
45-49	1	1	5	8	7	4		26	3,142,369
50-54			1	6	6	4		17	2,101,594
55-59				2	6	4		12	1,492,807
61						1		1	165,150
Totals	77	41	18	42	20	13		211	\$ 22,014,201

ACTUARIAL VALUE OF ASSETS

Actuarial Value of Assets	Reserve for ⁽¹⁾
Cash & Cash Equivalents	\$ 280,648
Debt Securities	24,115,158
Equity Securities	146,370,192
Short-Term Investments	5,898,115
Other Investments	17,037,613
Collateral for Securities Lending	18,760,840
Accounts Receivable	-
Accounts Payable	(18,765,882)
Funding Value Adjustment	<u>4,767,189</u>
Actuarial Value of Assets	<u>\$ 198,463,873</u>
	Employee's Contributions
	\$ 7,713,954
	Employers Contribution
	(24,779,839)
	Retired Benefit Payments
	210,762,569
	Funding Value Adjustment
	<u>4,767,189</u>
	Actuarial Value of Assets
	<u>\$ 198,463,873</u>
	Funding Value of Pension Assets ⁽²⁾
	\$ 198,356,713
	Reserve for Inflation Equity
	<u>107,160</u>
	Actuarial Value of Assets
	<u>\$ 198,463,873</u>

(1) Note that these reserve amounts were not supplied by staff. We have set the Employees' Contributions Reserve to the sum of the employee contributions submitted for each individual in the valuation. The Retired Benefit Payments Reserve has been set equal to the liability for retired members. The Employer Contribution Reserve is a balancing item.

(2) The funding value of pension assets includes \$16,524,226 of retiree account balances to be dispersed (\$1,100,212 of outstanding employee contributions and \$15,424,014 of outstanding DROP account balances).

(3) The Retiree Health Insurance Fund has been exhausted.

Market value of assets was \$193,696,684.

REVENUES AND EXPENDITURES

	Pension	Reserve for Inflation Equity	Totals
Actuarial Value 6/30/2022	\$ 200,636,767	\$ 331,191	\$ 200,967,958
Revenues			
Employee Contributions	1,055,154	0	1,055,154
Employer Contributions	11,934,078	0	11,934,078
Income (net of investment expenses)	10,410,250	14,311	10,424,561
Total Revenues	\$ 23,399,482	\$ 14,311	\$ 23,413,793
Expenditures			
Benefit Payments	25,474,199	238,342	25,712,541
Refund of Member Contributions	(5,180)	0	(5,180)
Other - Audit Adjustment	0	0	0
Expenses Paid from System	210,517	0	210,517
Total Expenditures	\$ 25,679,536	\$ 238,342	\$ 25,917,878
Actuarial Value 6/30/2023	\$ 198,356,713	\$ 107,160	\$ 198,463,873
Nominal Rate of Return*	5.36%	6.75%	5.36%

* The nominal rate of return was computed using the approximate formula: $i = I$ divided by $1/2 (A+B-I)$, where I is recognized investment income, plus the additional market value adjustment, A is the beginning of year asset value and B is the end of year asset value.

The net change in assets for the plan year was (\$2,504,085).

**COMPARISON OF ACTIVE AND RETIRED DATA
AS OF JUNE 30, 2023**

	<u>Active Members</u>	<u>Retired Members</u>
Total	211	412
Valuation Payroll/ Pension Benefits	\$22,014,201	\$17,830,769
Health Insurance Premiums Being Paid By Retirement System	N/A	\$ 0
Average Age	37.5	67.8
Years of Service	10.6	N/A
Average Pay/Benefit	\$ 104,333	\$ 43,279

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date:	June 30, 2023
Actuarial Cost Method:	Individual Entry-Age
Amortization Method:	Level percent-of-payroll
Amortization Period:	23 years
Asset Valuation Method:	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return	6.75%
Projected salary increases*	2.75% - 12.75%
* Includes wage inflation at	4.00%
Cost-of-living adjustments	None

Membership of the plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	412
Terminated plan members entitled to future benefits	3
Active plan members	211
Total members	626