

CITY OF SOUTHFIELD FIRE & POLICE RETIREMENT SYSTEM

2026 SUMMARY ANNUAL REPORT (as of June 30, 2025)

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

2026 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, 2025 valuation are summarized below:

Contributions to Provide Benefits Fiscal Year Beginning July 1, 2026

Contributions for	Contributions Expressed as %s of Active Member Payroll
<i>Normal Cost of Benefits:</i>	
Age & service	19.69%
Disability	1.41
Death before retirement	0.25
Refunds of member contributions	0.20
Expenses	0.82
Total	22.37
<i>Member Contributions (weighted avg.)</i>	5.75
<i>Employer Normal Cost</i>	16.62
<i>Unfunded Actuarial Accrued Liabilities*</i>	26.76
Computed Employer Rate	43.38%
Minimum Dollar Contribution	\$11,594,105

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 \$11,594,105. 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 mbattersby@cityofsouthfield.com or (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 is 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 Mariner, legal services are provided by VMT, 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 MI.

The Retirement System's investment fiduciaries during the fiscal year ended June 30, 2025 were:

- ABS
- Ares
- Artemis
- Bloomfield Capital
- Boyd Watterson
- Centerbridge Partners
- Champlain Investment Partners
- Constitution
- EnTrust
- JCR Capital
- Marathon
- Monroe Capital
- Nantucket Capital Management
- National Investment Services
- Nuveen
- Prudential
- Reinhart Partners
- TerraCap
- YCM
- 1607 Capital Partners

As reported in the actuarial valuation for the annual period ended June 30, 2025, excluding reserves for inflation equity, the Retirement System's valuation assets were \$209,363,428 and its actuarial accrued liabilities were \$311,824,107, which produced a funded ratio of 67.1 %.

For the annual period ending June 30, 2025, the Retirement System's expenses were \$206,518. Benefit payments were \$22,525,868 and member refunds were \$6,112. 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, 2025. Detailed information on the Retirement System's funding is contained in the Annual Actuarial Valuation as of June 30, 2025.

BUDGET

City of Southfield Fire & Police Retirement System Annual Budget: July 1, 2025 to June 30, 2026

Service/Provider	24-25 Budget	24-25 Actual	25-26 Budget
Investment Consultant	110,300	110,300	110,300
Custodian	44,000	43,283	44,000
Legal Counsel	25,000	2,453	15,000
Actuary	28,175	28,175	28,600
Pension Management Software Expenses	2,000	0	2,000
Pension Mgmt Sys Maintenance Fee	2,000	0	0
Fiduciary Insurance	25,000	24,586	25,000
Medical Director	0	0	0
Miscellaneous Expenses	2,000	1,358	2,000
Education/Training/Travel	30,000	14,720	36,000
Membership Dues	1,700	1,790	1,800
Retirement Program Director	135,000	135,000	145,000
TOTAL	405,175	361,665	409,700

INVESTMENT PERFORMANCE As of December 31, 2025

	Total Fund Return	Net of Fees
1 Year	10.80%	10.32%
2 Year	9.78%	9.31%
3 Year	9.80%	9.33%
4 Year	4.71%	4.24%
5 Year	9.47%	8.97%
6 Year	7.70%	7.21%
7 Year	7.29%	6.80%
8 Year	7.36%	6.87%
10 Year	7.25%	6.72%

Retirees and Beneficiaries June 30, 2025 Tabulated by Type of Benefit Being Paid

Pension Benefits		
Type of Benefit	No.	Annual Amount
Age and Service Pensions		
Regular Pension - terminating at death	101	\$ 3,566,444
- auto. 60% to spouse	250	13,378,539
Option I - 100% Joint and Survivor	6	95,062
Option II - 50% Joint and Survivor	3	58,508
Survivor Beneficiary	54	1,407,290
Age and Service Totals	414	\$ 18,505,843
 Casualty Pensions		
Duty Disability	7	\$ 153,158
Non-Duty Disability	2	15,022
Non-Duty Death-Survivor Benefit	2	46,008
Casualty Totals	11	\$ 214,188
 Total Pensions	 425	 \$ 18,720,031

RETIRES AND BENEFICIARIES AS OF JUNE 30, 2025
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					-	\$ -
45 - 49	15	\$ 717,406			15	717,406
50 - 54	25	1,259,376			25	1,259,376
55 - 59	66	3,153,459			66	3,153,459
60 - 64	75	3,972,316	4	\$ 82,946	79	4,055,262
65 - 69	51	2,378,810	2	39,880	53	2,418,690
70 - 74	51	2,411,028	1	4,984	52	2,416,012
75 - 79	63	2,146,546			63	2,146,546
80 - 84	50	1,789,423	3	75,798	53	1,865,221
85 - 89	15	548,001	1	10,580	16	558,581
90 - 94	2	92,173			2	92,173
95 - 99	1	37,305			1	37,305
Totals	414	\$ 18,505,843	11	\$ 214,188	425	\$ 18,720,031

Average Age at Retirement: 51.6 years

Average Age Now: 68.4 years

**ACTIVE MEMBERS AS OF JUNE 30, 2025
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		
20-24	9						9	\$ 652,449
25-29	27	16					43	4,238,351
30-34	16	35	1				52	5,808,395
35-39	10	9	2	3			24	2,811,803
40-44	6	4	3	10	7		30	4,148,487
45-49	1	1	2	17	9	1	31	4,441,816
50-54			1	2	3	7	13	1,873,458
55-59					6		6	904,028
60					1	1	2	277,769
63						1	1	158,798
Totals	69	65	9	32	26	10	211	\$ 25,315,354

ACTUARIAL VALUE OF ASSETS

Actuarial Value of Assets		Reserve for ⁽¹⁾	
Cash & Cash Equivalents	\$ 626,969	Employee's Contributions	\$ 8,879,321
Debt Securities	43,835,384	Employers Contribution	(19,880,043)
Equity Securities	131,762,434	Retired Benefit Payments	221,452,323
Short-Term Investments	4,815,728	Funding Value Adjustment	(1,088,173)
Other Investments	29,430,680	Actuarial Value of Assets	<u>\$ 209,363,428</u>
Collateral for Securities Lending	41,191,365		
Accounts Receivable	-		
Accounts Payable	(41,210,959)	Funding Value of Pension Assets ⁽²⁾	\$ 209,363,428
Funding Value Adjustment	<u>(1,088,173)</u>	Reserve for Inflation Equity	<u>-</u>
Actuarial Value of Assets	<u>\$ 209,363,428</u>	Actuarial Value of Assets	<u>\$ 209,363,428</u>

⁽¹⁾ Note that these reserve amounts were not supplied by staff. We have set the Employee's 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 the balancing item.

⁽²⁾ The funding value of pension assets includes \$18,815,439 of retiree account balances to be disbursed (\$1,177,722 of outstanding employee contributions and \$17,637,717 of outstanding DROP account balances).

Market value of assets was reported to be \$210,451,601.

REVENUES AND EXPENDITURES

	Pension	Reserve for Inflation Equity	Totals
Actuarial Value 6/30/2024	\$ 201,558,565	\$ 0	\$ 201,558,565
Revenues			
Employee Contributions	1,469,480	0	1,469,480
Employer Contributions	11,873,128	0	11,873,128
Income (net of investment expenses)	17,188,529	0	17,188,529
Total Revenues	\$ 30,531,137	\$ 0	\$ 30,531,137
Expenditures			
Benefit Payments	22,488,362	37,506	22,525,868
Refund of Member Contributions	(6,112)	0	(6,112)
Other [#]	37,506	(37,506)	0
Expenses Paid from System	206,518	0	206,518
Total Expenditures	\$ 22,726,274	\$ 0	\$ 22,726,274
Actuarial Value 6/30/2025	\$ 209,363,428	\$ 0	\$ 209,363,428
Nominal Rate of Return*	8.73%	N/A	8.73%

The RIE was adjusted to ensure the end of the year balance was non-negative.

* 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 \$7,804,863.

**COMPARISON OF ACTIVE AND RETIRED DATA
AS OF JUNE 30, 2025**

	<u>Active Members</u>	<u>Retired Members</u>
Total	211	425
Valuation Payroll/ Pension Benefits	\$25,315,354	\$18,720,031
Health Insurance Premiums Being Paid By Retirement System	N/A	\$ 0
Average Age	37.1	68.4
Years of Service	10.1	N/A
Average Pay/Benefit	\$ 119,978	\$ 44,047

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date:	June 30, 2025
Actuarial Cost Method:	Individual Entry-Age
Amortization Method:	Level percent-of-payroll
Amortization Period:	21 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 on June 30, 2025, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	425
Terminated plan members entitled to future benefits	1
Active plan members	211
Total members	637