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# City of Southgate Policemen and Firemen Retirement System

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## Summary Annual Report to Members for Period Ending June 30, 2022

Dear Retirement System Member:

The Retirement System, which is managed by the Retirement Board, 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 Retirement 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 charter, the City's retirement ordinance, any applicable collective bargaining agreements, and the Retirement Board's official rules and regulations. Additional information about the System and its financial operation is available in the City Treasurer's office.

Respectfully submitted,  
Retirement Board  
City of Southgate Policemen and Firemen  
Retirement System

### **Board Members**

- Marc Hatfield, Secretary
- Robert Lukofsky, Chairman
- Ken Brown, Trustee
- Christopher Rollete, Trustee
- Gordy Mydlarz, Trustee

### **Investment Consultant**

- Morgan Stanley Graystone Consulting

### **Plan Administrator**

- Marc Hatfield

### **Custodial Bank**

- Comerica Bank

### **Actuaries and Consultants**

- Gabriel, Roeder, Smith & Company

### **Legal Counsel**

- VanOverbeke, Michaud & Timmony, P.C

### **Auditors/Accountants**

- Plante Moran

### **Medical Director**

- MES Solutions

### **Investment Managers**

- |                  |                     |
|------------------|---------------------|
| • Alidade Fund   | • Loomis            |
| • Ancora         | • Metropolitan      |
| • Aristotle      | • Oaktree           |
| • Blackstone     | • Reinhart Partners |
| • Edgewood       | • Vanguard          |
| • Entrust        | • Western Core      |
| • First Eagle    | • KKR               |
| • Goldman Sachs  |                     |
| • Graham         |                     |
| • Hamlin Capital |                     |
| • Kopernik       |                     |

## Summary Results of the Actuarial Valuation

Your Retirement System's financial objective is to accumulate the assets necessary to pay the promised benefits in an orderly manner. To accomplish this, contribution requirements are established in a manner that is designed to keep those amounts approximately level from year-to-year. Contribution levels provide for the payment of the required employer contribution in compliance with Section 20m of Michigan Public Act 314 of 1965, as amended.

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, 2022 valuation, based on continuing the established funding objective, are summarized below:

Valuation Date	June 30, 2022
Actuarial Cost Method	Individual Entry-Age
Amortization Method	Actuarial Cost Method
Remaining Amortization Period	Level Percent-of-Payroll
Plan Status	15, 15, 14, 13, 5, 4, 2 years closed
Asset Valuation Method	Open to new hires
Valuation Payroll	4-year smoothed market;
Annual Pensions Paid	80%/120% corridor
Average Annual Pensions Paid	\$4,623,128
Retirees and Beneficiaries Receiving Benefits	\$5,703,159
Terminated Plan Members Entitled to but not yet Receiving Benefits	\$51,380
Active Plan Members	111
Total	1
Principal Actuarial Assumptions:	64
– Net Investment Return	176
– Projected Salary Increases	7.00%
– Assumed Rate of Payroll Growth	3.1% - 5.9%
– Assumed Rate of Membership Growth	3.0%
– Cost-of-Living Adjustments	0%
	N/A

### Fiscal Year 2023-2024 Employer Contribution Rates as a Percentage of Active Member Payroll

Contributions for		Funded Status	\$ Millions
Normal Cost of Benefits			
Total	23.63%	Actuarial Accrued Liabilities*	\$82.9
Member Portion	(8.07)%	Valuation Assets (Smoothed Market Value)*	\$54.1
Employer Portion	15.56%	% Funded	65.2%
Unfunded Actuarial Accrued Liability	104.60%		

\* Net of Excess Earnings Reserve Balance.

Estimated Contribution Rate	120.16%
Estimated Dollar Contribution	\$5,893,459

### Actuary's Opinion

It is the actuary's opinion that the contribution amounts recommended in the most recent actuarial report are sufficient to meet the System's financial objective.

## Summary of Current Asset Information

### Revenues & Expenditures

Market Value - July 1 \$56,996,971

#### Revenues

Member Contributions	380,585
Employer Pension Contributions	5,801,664
Net Investment Income	<u>(5,829,712)</u>
Total	352,537

#### Expenditures

Benefit Payments and	
Refund of Member Contributions	<u>6,102,215</u>
Total	6,102,215

Market Value - June 30 \$51,247,293

The Board of Trustees has confirmed that the employer contributions shown above represent the required employer contribution for the year covered.

### Investment Performance (Net of Fees) Calendar Year Basis\*

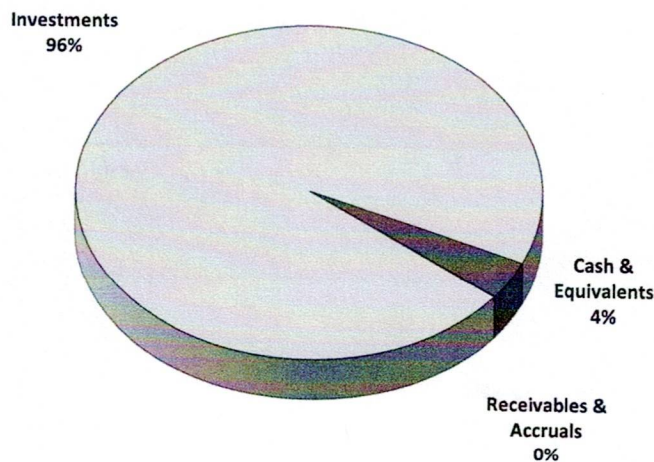
1-Year	15.72 %
3-Year	14.28 %
5-Year	10.03 %
7-Year	7.71 %
10-Year	7.64 %

\*Period Ending December 31, 2021.

### Projected Expenses for 2022-2023

Administrative	\$ 25,000
Investment	250,000
Professional	60,000

### Investments



The market rate of return on System assets net of expenses for the year ended June 30, 2022 was (10.2)%.



## Brief Summary of Primary Benefit Provisions

Eligibility						Amount	
Service Retirement							
<b>Police (COA):</b> Age 50 with 25 or more years of service or age 60 regardless of service.			The benefit amounts attributable to service retirements and the conditions under which such benefits may be paid are described below.				
<b>All others:</b> Any age with 25 or more years of service or age 60 with 10 or more years of service.							
Group	Benefit Formula					Maximum Annual Benefit After Annuity Withdrawal <sup>3,4</sup>	Comment
	Multiplier x Service			Multiplier x Service			
<b>IAFF Local 1307</b>							
Tier 1: Hired before 7/1/08, retired after 7/1/15	2.69%	first 25	+	1.00%	over 25	\$80,000	1
Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15	2.69%	first 25	+	1.00%	over 25	\$70,000	1
Tier 3: Hired after 7/1/18	2.69%	first 25	+	1.00%	over 25	\$70,000	1
<b>Police (COA)</b>							
Tier 1: Hired before 7/1/08, retired after 7/1/15	2.69%	first 25	+	1.00%	over 25	\$80,000	2
Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15	2.69%	first 25	+	1.00%	over 25	\$70,000	2
Tier 3: Hired after 7/1/18	2.69%	first 25	+	1.00%	over 25	\$70,000	2
<b>Police Patrol</b>							
Tier 1: Hired before 7/1/08, retired after 7/1/15	2.69%	first 25	+	1.00%	over 25	\$80,000	-
Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15	2.69%	first 25	+	1.00%	over 25	\$70,000	-
Tier 3: Hired after 7/1/18	2.69%	first 25	+	1.00%	over 25	\$70,000	-
Tier 4: Hired on or after 7/1/2022	2.50%	first 25	+	1.00%	over 25	\$70,000	-
<b>Current Public Safety Director</b>	2.69%	first 25	+	1.00%	over 25	\$80,000	-

<sup>1</sup> Members promoted to command positions on or after 7/1/06 will be provided the same pension calculations and payout at retirement as they were provided as non-command officers.

<sup>2</sup> Members promoted to COA on or after 7/1/06 will maintain their current benefits unless the COA agreement provides less.

<sup>3</sup> Payable as straight life annuity.

<sup>4</sup> Annuity withdrawal is not offered to members hired after 7/1/18.

### Deferred Retirement

10 or more years of service.

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

### Death After Retirement Survivor's Pension

Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.

Spouse's pension equals 60% of the pension the deceased retiree was receiving.

### Non-Duty Death-in-Service Survivor's Pension

Payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service.

Accrued straight life pension actuarially reduced in accordance with an Option I election.

### Duty Death-in-Service Survivor's Pension

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

Same amount that was paid by worker's compensation.

### Non-Duty Disability

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

To Age 55: 1.5% of FAC times years of service.  
At Age 55: Same as service retirement pension.

### Duty Disability

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

To Age 55: 50% of FAC.  
At Age 55: Same as service retirement pension with service credit from date of disability to age 55.

### Member Contributions

Police Chief, Fire Chief, and Public Safety Director  
All Others

10.0% of covered compensation.  
8.0% of covered compensation. (Fire Members 8.5% effective 7/1/2025; Police Patrol members 8.5% effective 7/1/2024).

### FAC Period

All

Average of the highest 3 years of annual compensation during the 10 years immediately preceding retirement.

### Compensation

Base pay and other allowances may be included. See union contracts for specific allowances and limits.