

City of Mt. Clemens Employees Retirement System

SUMMARY ANNUAL REPORT TO MEMBERS JUNE 30, 2023

Dear Retirement System Member:

The Retirement System, which is managed by the Board of Trustees, 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 Board of Trustees' 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 that 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, Collective Bargaining Agreements and the Board of Trustees' official rules and regulations. Additional information about the System and its financial operation is available in the City Clerk's office.

Respectfully submitted,

Board of Trustees

City of Mt. Clemens Employees Retirement System

Laura Kropp

Patricia Marshall

Erik Rick

Keith Ringstad

Glenn Voorhess

Jeff Wood

Plan Administrator

Kevin Donaldson, Human Resources Director

Custodial Bank

Comerica

Investment Fiduciaries

Loomis Sayles

Actuaries and Consultants

Gabriel Roeder Smith & Company

Other

Cathleen Martin, Liaison

Legal Counsel

Huth, Lange & Badalamenti, PLC

Auditors/Accountants

Plante & Moran

SUMMARY OF ACTUARIAL VALUATION RESULTS

Your Retirement System's financial objective is to establish and receive contributions, which will fund for the benefits promised to members, remain approximately level from year to year and will not have to be increased for future generations of taxpayers. Contribution levels are expressed in terms of percentages of the City's active member payroll. The Board of Trustees of the Retirement System provides for 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 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, financial markets and assumptions concerning the System's future demographic and economic activity. The results of the June 30, 2023 valuation, based on the established funding objective, are summarized below:

Valuation Date	June 30, 2023
Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Period	General: 24 years, closed, level percent of pay Police/Fire: 24 years, closed, level percent of pay
Asset Valuation Method	Market Value with 5-year smoothing of gains and losses
Valuation Payroll	\$4,250,581
Annual Pensions	\$4,845,872
Average Annual Pensions	\$26,922
Retirees and beneficiaries receiving benefits	180
Terminated plan members entitled to but not yet receiving benefits	11
Active Plan Members	66
Total	257

Principal Actuarial Assumptions:

– Net Investment Return	6.75%
– Projected Salary Increases*	3.0% to 26.6%
– Cost of Living Adjustments	Fire retiring on or after February 13, 2003: 2% non-compounding for ten years

* Includes pay inflation at 3.00%

Employer Contribution Rates as a Percentage of Active Member Payroll for the Fiscal Year Beginning July 1, 2024

Contributions for	General	Policemen & Firemen	Funded Status as of June 30, 2023	\$ Millions
Normal Cost of Benefits			Actuarial accrued liabilities	\$ 66.9
Total	16.70%	19.41%	Applied assets (smoothed market value)	61.2
Member Portion	<u>5.30</u>	<u>6.55</u>	% funded	91.5%
Employer Portion	11.40	12.86		
Amortization of unfunded liability	<u>0.93</u>	<u>29.10</u>		
Computed Employer Rate	12.33%	41.96%		

Actuary's Opinion

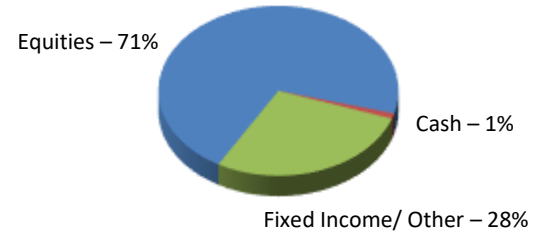
It is the actuary's opinion that the contribution rates recommended in the most recent actuarial report are sufficient to meet the System's financial objective.

SUMMARY OF REPORTED ASSET INFORMATION

Revenues & Expenditures

	2022-2023
Market Value - July 1	\$54,388,772
Revenues	
Member contributions	242,100
Employer contributions	1,064,718
Gross Investment income	8,872,859
Other	69
Total	10,179,746
Expenditures	
Benefit payments	4,894,657
Refund of member contributions	0
Administrative expenses	63,167
Investment expenses	144,101
Total	5,101,925
Market Value – June 30	<u>\$59,466,593</u>

Investments



The market rate of return on System assets net of expenses for the year ended June 30, 2023 was 16.49%.

Investment Performance Period Ending December 31st

1-Year	17.32%
3-Year	7.08%
5-Year	6.52%
7-Year	7.32%
10-Year	7.35%

Projected Expenses for 2023-2024

Administrative	\$ 5,760
Investment	184,826
Professional	34,598

BRIEF SUMMARY OF PLAN PROVISIONS

Eligibility	Amount
REGULAR RETIREMENT	
General: Age 50 with 25 or more years of service or age 55 with 10 years of service.	Final average compensation multiplied by the sum of a) 2.25% for the first 25 years of service, and b) 1.0% for years of service in excess of 25 years (2.0% for people hired before July 1, 1998).
Fire: Age 50 with 10 or more years of service.	Final average compensation multiplied by the sum of a) 2.5% for the first 25 years of service, plus b) 1.0% for years of service in excess of 25 years. Final Average Compensation - Highest 3 years out of last 10 (General must be consecutive). Some lump sums included. General union members hired after 6/30/98 and General non-union members hired after 6/30/1987, base wages only.
DEFERRED RETIREMENT	
10 or more years of service. Benefit begins at regular retirement age.	Same as regular retirement but based upon service, final average compensation and benefit formula at termination. Benefit is forfeited upon withdrawal of all or part of employee's accumulated contributions.
NON-DUTY DEATH-IN-SERVICE	
25 years of service or eligible for regular retirement.	Same as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.
DUTY DEATH	
No age or service requirement. Payable upon termination of Worker's Compensation.	Same amount that was paid by Worker's Compensation to widow, dependent widower, unmarried children under age 18 and dependent parents. Fire: An amount equal to the disability benefit.
NON-DUTY DISABILITY	
10 years of service.	Same as regular retirement, with a minimum benefit prior to voluntary retirement age of 15% of final average compensation for General and 50% of final average compensation for Fire.
DUTY DISABILITY	
No age or service requirement.	Same as regular retirement. Upon the earlier of termination of Worker's Compensation or age 60, additional service credit is granted for period in receipt of Worker's Compensation and benefit is recomputed. The sum of the Duty Disability pension and Worker's Compensation shall not exceed 100% (85% for firemen) of the member's final average compensation.
SURVIVOR RETIREMENT ALLOWANCE	
10 or more years of service and not eligible for Duty or Non-Duty death benefits.	To surviving spouse: 75% of regular retirement allowance; additional service credit is granted for the period between the member's date of death and the date he would have attained age 60. Benefit terminates upon death. To unmarried children under 18: 15% of regular retirement allowance computed in same manner as for spouse above. If spouse's benefit is not being paid, amount is 60% of regular retirement allowance. Benefit terminates upon marriage, death or attainment of age 18.

BRIEF SUMMARY OF PLAN PROVISIONS

POST-RETIREMENT COST-OF-LIVING ADJUSTMENTS

Fire members retiring on or after February 13, 2003: 15 or more years of service, no requirement for disability or death benefit recipient.	2% non-compounding per year on the initial annual pension for ten years.
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All others.	None.
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MEMBER CONTRIBUTIONS

General:	5.30% of annual compensation.
Fire:	6.55% of annual compensation.
Interest credit:	3.00% of beginning of year balance.

OTHER

Effective June 30, 2005, the Retirement System no longer includes active Police (including dispatchers) division members, due to the closure of the police department. Retired and terminated vested Police division members remain in the System. Effective January 2007, the System no longer includes active Court Division members due to their transfer to MERS. Retired and terminated vested Court division members remain in this System.