

CITY OF GROSSE POINTE WOODS
NOTICE OF REGULAR MEETING
Pension Retirement System Board of Trustees
Thursday, June 1, 2023
6:00 PM

City Hall Conference Room at 20025 Mack Plaza, Grosse Pointe Woods, MI

AGENDA

1. Call to order
2. Roll call
3. Acceptance of the meeting agenda.
4. Meeting minutes dated May 4, 2023
5. Foster & Foster Actuaries and Consultants-*Update-Actuarial Experience Study-Amortization Period and Investment Rate of Return*
6. Payment of Invoices -
 - a. Foster & Foster Actuaries and Consultants \$7,500.00
7. New Business/Public Comment
8. Adjournment

Next Regular Board Meeting – August 3, 2023

6:00 PM

Submitted by: _____, Pension Administrator

In accordance with Public Act 267 of 1976 (Open Meetings Act), all members of the above Commission/Committee, as well as the general public, are invited to attend this meeting.

Necessary, reasonable auxiliary aids and services to aid individuals with disabilities will be provided. All such requests must be made at least five (5) days prior to a meeting. Individuals with disabilities requiring auxiliary aids or services should contact the City of Grosse Pointe Woods by writing or call the Pension Administrator at (313) 343-2604 or Telecommunications Device for the Deaf (TDD) (313) 343-9249.

MINUTES OF A REGULAR MEETING OF THE BOARD OF TRUSTEES FOR THE RETIREMENT SYSTEM (i.e. The Board) OF THE CITY OF GROSSE POINTE WOODS, HELD ON THURSDAY, MAY 4, 2023, IN THE CONFERENCE ROOM OF THE MUNICIPAL BUILDING, 20025 MACK PLAZA, GROSSE POINTE WOODS, MICHIGAN.

The meeting was called to order at 6:06 p.m. by Chairperson Mayor Bryant.

The following members were present:

Chairperson Mayor Arthur Bryant
Council Representative Victoria Granger
General Employee Representative Matthew Crook
Public Safety Representative Brian Conigliaro
Citizen Representative Gary Zarb

Also present:

Pension Administrator, Shawn Murphy
City Attorney, Debra Walling
Fund Evaluation Group (FEG), Jeffrey Davis
Foster & Foster Actuary, Jason Franken
Recording Secretary, Tina Hoenicke
City Administrator, Frank Schulte
Assistant City Administrator, Sue Como
Deputy Treasurer, Steven Schmidt

Motion by Granger supported by Zarb that all item's on today's agenda be received and placed on file.

Motion CARRIED by the following vote:

YES: Bryant, Granger, Conigliaro, Crook, Zarb
NO: None
ABSENT: None

Motion by Granger, supported by Zarb to accept and place on file the minutes of the pension board meeting dated 2/2/2023.

Motion CARRIED by the following vote:

YES: Bryant, Granger, Conigliaro, Crook, Zarb
NO: None
ABSENT: None

Motion by Crook, supported by Zarb to receive and place on file the trial balance report as presented through March 31, 2023.

Motion CARRIED by the following vote:

YES: Bryant, Granger, Conigliaro, Crook, Zarb
NO: None
ABSENT: None

Jeffrey Davis provided a presentation of the 1st Quarter Investment Report from FEG ending March 31, 2023; including the “Portfolio Rebalancing to Fixed Income Strategic Target Memo” and the “Are We There Yet-The Road to Recession” memo.

Motion by Granger, supported by Zarb to accept the 1st Quarter 2023 Fund Evaluation Group Report ending March 31, 2023.

Motion CARRIED by the following vote:

YES: Bryant, Granger, Conigliaro, Crook, Zarb

NO: None

ABSENT: None

Jeff Davis, from FEG made a recommendation to rebalance the portfolio by bringing the fixed income allocation closer to the target established in the City of Grosse Pointe Woods Investment Policy Statement. Mr. Davis advised the board to sell \$1,250,000.00 from the following stocks: iShares S& P 500 Index (\$415,000.00), iShares Russell Mid Cap Index (\$210,000.00), Vanguard S&P 600 Index (\$210,000.00) & Tortoise MLP and Pipeline Fund (\$415,000.00) and to purchase the following stocks: Vanguard Total Bond Fund \$415,000.00, Dodge & Cox Income \$415,000.00 and DoubleLine Total Return Bond Fund \$415,000.00) and \$5,000.00 from the cash balance.

Motion by Granger, supported by Zarb to purchase \$1,250,000.00 of the following stocks: Vanguard Total Bond Fund \$415,000.00, Dodge & Cox Income \$415,000.00 and DoubleLine Total Return Bond Fund \$415,000.00 by selling the following stocks: iShares S& P 500 Index (\$415,000.00), iShares Russell Mid Cap Index (\$210,000.00), Vanguard S&P 600 Index (\$210,000.00) & Tortoise MLP and Pipeline Fund (\$415,000.00).

Motion CARRIED by the following vote:

YES: Bryant, Granger, Conigliaro, Crook, Zarb

NO: None

ABSENT: None

Jason Franken, from Foster and Foster Actuaries and Consultants presented an Actuarial Experience Study that compiled plan experience data from 2017 through 2022. Public Act 202 states that this study must be performed every five years. The report includes a review of demographic and economic experience, a comparison of this experience to current actuarial assumptions with recommendations for consideration. The recommended changes in assumptions or methods will be effective with the July 1, 2023 actuarial valuation and the estimated actuarial impact of these suggested changes. Implementing the recommended changes will assist in achieving the objective of developing costs that are stable and predictable.

Key Findings from Foster and Foster with suggested changes for the board's consideration are as follows:

1. Investment Return-they propose a discussion with our investment advisor on the long-term expected return of the current asset allocation, with consideration given to what expenses are netted against such returns.
2. Payroll Growth-they recommend updating the payroll growth assumption from 3.5% to 3.00%.
3. Retirement Rates-they recommend adjusting the age-based retirement tables.
4. Termination Rates-they recommend adjusting the age and service-based termination rates.
5. Disability Rates-they recommend simplifying the disability rate to 0.20% for general employees and 0.60% for public safety employees.
6. Assumed Expenses-they recommend adding the cost of administrative expenses paid from the trust.
7. Amortization Period-they recommend decreasing the amortization period from 25 years to 15 years

The board is considering the recommended changes pending further discussion at a Special Pension Board meeting. Mr. Franken will be providing an update on the increase in the city's contribution to the retirement system by changing the investment rate of return from 7.5% with a 25 year amortization period to an investment rate of return of 7.25% with an amortization period of 20 or 15 years. This meeting is to be scheduled before June 8, 2023.

Motion by Granger, supported by Zarb to accept and place on file the Actuarial Experience Study submitted by Foster and Foster Actuaries and Consultants.

Motion CARRIED by the following vote:

YES: Bryant, Granger, Conigliaro, Crook, Zarb

NO: None

ABSENT: None

Motion by Crook, supported by Zarb to authorize the payment of the invoice from FEG in the amount of \$14,345.00, the invoice from Comerica in the amount of \$1,500.00, and two invoices from Rosati, Schultz, Joppich & Amtsbuechler, PC for \$598.45 and \$279.45.

Motion CARRIED by the following vote:

YES: Bryant, Granger, Conigliaro, Crook, Zarb

NO: None

ABSENT: None

New Business/Public Comment:

None

Motion by Granger, supported by Crook to adjourn at 7:27 pm.

Pension Board Meeting

5/4/2023

Page 4

Motion CARRIED by the following vote:

YES: Bryant, Granger, Conigliaro, Crook, Zarb

NO: None

ABSENT: None

Minutes recorded by Tina Hoenicke

Approved by the Pension Board:

Shawn Murphy, Pension Administrator

DRAFT

May 16, 2023

Board of Trustees
 City of Grosse Pointe Woods Employees Retirement System

Re: *Actuarial Experience Study – Amortization period and investment rate of return*

Dear Board:

As requested, we have prepared an estimate for the cost of adopting a new amortization period in combination with a new interest rate of return assumption. This letter will outline our work and summarize the results of our analysis.

Benefits Considered

The assumed rate of investment return is currently 7.50% per year compounded annually, net of both investment-related expenses and administrative expenses. The amortization schedule is currently a 25-year open period. The study measures the impact of changing the current 7.50% assumed interest rate to 7.25% or 7.00% and updating the amortization period to a 20-year or 15-year open amortization schedule.

Approach to Analysis

Our analysis estimates liabilities based on the member data, assumptions, methods, and plan provisions reflected in the June 30, 2022, actuarial valuation report for the Retirement System. The study assumes that all other assumption changes recommended in the most recent experience study will be adopted.

Estimated Impact

The lower interest rates and shorter amortization period increases the expected annual contributions. While the 15-year open amortization schedule results in the highest contribution amount, it also is the most effective in immediately paying down a portion of the unfunded liability. The attached appendix on page 3 shows the projected impact of each scenario on the initial unfunded liability.

The table below summarizes the results of the different amortization and interest rate combinations in comparison to the June 30, 2022, actuarial valuation report.

Change	Assumption	Increase / (Decrease)			Funded Ratio (EAN)
		Increase / (Decrease) City Contrib.	City Contrib. as % of Payroll	Increase / (Decrease) UAAL	
	Current	1,878,969		20,813,560	66.7%
(1)	All - 7.25%/15 Yr. Amort.	783,550	14.28%	1,295,538	65.4%
(2)	All - 7.25%/20 Yr. Amort.	411,262	7.66%	1,295,538	65.4%
(3)	All - 7.00%/15 Yr. Amort.	961,326	17.44%	3,070,195	63.6%
(4)	All - 7.00%/20 Yr. Amort.	557,830	10.27%	3,070,195	63.6%

In addition to displaying the impact of the amortization schedule we have also included the effect of the investment rate of return assumption on the supplemental annuity as shown below.

Supplemental Annuity				
Change	Assumption	Increase / (Decrease) City Contrib.	Increase / (Decrease) UAAL	Funded Ratio (EAN)
	Current	277,208	1,570,995	59.6%
(1)	Combination 7.25% ¹	2,474	1,647,010	58.1%
(2)	Combination 7.00% ¹	16,853	1,749,189	56.7%

¹ Reflects the combination of all the proposed assumption changes from the most recent experience study with the investment return as shown.

Actuarial Certification

The undersigned is familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. This letter and the supporting actuarial valuation report are considered an integral part of our analysis. We used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models that apply the funding and accounting rules to generate the results. All internally developed models are reviewed as part of the valuation process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

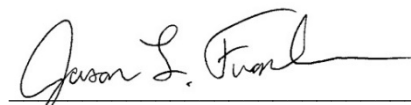
Future actuarial measurements may differ significantly from current measurements due to such factors as the following: plan experience differing from that anticipated by assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used (such as the end of an amortization period); changes in plan provisions or applicable law.

The June 30, 2022, actuarial valuation report is considered an integral part of this actuarial opinion. Note that changes to benefit provisions may impact the risk assessment under ASOP 51, as provided in the June 30, 2022, consolidated actuarial valuation report. While we don't anticipate significant changes based on the analysis above, we will continue to monitor the risks to the System.

If there are any questions, concerns or comments about any of the information provided herein, please contact us.

Respectively submitted,

FOSTER & FOSTER INC.



Jason L. Franken, FSA, EA, MAAA

Appendix - Projected Unfunded Liabilities

The table below illustrates the impact of the amortization period on the projected funding progress.

Year	7.25%		7.25%		7.00%		7.00%	
	15-Year Amort.		20-Year Amort.		15-Year Amort.		20-Year Amort.	
	Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment
2022	22,109,098	1,926,610	22,109,098	1,579,871	23,883,755	2,051,017	23,883,755	1,674,305
2023	21,645,719	1,886,230	22,017,596	1,573,332	23,361,030	2,006,128	23,764,112	1,665,917
2024	21,192,052	1,846,697	21,926,473	1,566,821	22,849,745	1,962,222	23,645,069	1,657,572
2025	20,747,893	1,807,993	21,835,727	1,560,336	22,349,650	1,919,276	23,526,622	1,649,269
2026	20,313,043	1,770,100	21,745,357	1,553,879	21,860,500	1,877,270	23,408,768	1,641,007
2027	19,887,306	1,733,001	21,655,360	1,547,448	21,382,056	1,836,184	23,291,504	1,632,787
2028	19,470,492	1,696,679	21,565,736	1,541,043	20,914,083	1,795,997	23,174,827	1,624,607
2029	19,062,414	1,661,119	21,476,483	1,534,665	20,456,352	1,756,689	23,058,735	1,616,469
2030	18,662,889	1,626,304	21,387,600	1,528,314	20,008,639	1,718,242	22,943,225	1,608,371
2031	18,271,737	1,592,218	21,299,084	1,521,989	19,570,725	1,680,636	22,828,294	1,600,314
2032	17,888,784	1,558,847	21,210,934	1,515,690	19,142,395	1,643,853	22,713,939	1,592,298
2033	17,513,857	1,526,176	21,123,149	1,509,417	18,723,440	1,607,875	22,600,156	1,584,322
2034	17,146,788	1,494,189	21,035,728	1,503,170	18,313,655	1,572,685	22,486,942	1,576,385
2035	16,787,412	1,462,873	20,948,668	1,496,949	17,912,838	1,538,265	22,374,296	1,568,488
2036	16,435,568	1,432,212	20,861,969	1,490,753	17,520,793	1,504,598	22,262,215	1,560,631
2037	16,091,099	1,402,195	20,775,629	1,484,584	17,137,329	1,471,668	22,150,695	1,552,813
2038	15,753,850	1,372,807	20,689,646	1,478,440	16,762,257	1,439,459	22,039,734	1,545,035
2039	15,423,669	1,344,035	20,604,018	1,472,321	16,395,394	1,407,954	21,929,328	1,537,295
2040	15,100,407	1,315,865	20,518,745	1,466,227	16,036,561	1,377,139	21,819,475	1,529,594
2041	14,783,921	1,288,286	20,433,826	1,460,159	15,685,582	1,346,999	21,710,173	1,521,932
2042	14,474,069	1,261,285	20,349,258	1,454,116	15,342,284	1,317,518	21,601,418	1,514,308
2043	14,170,711	1,234,850	20,265,040	1,448,098	15,006,500	1,288,683	21,493,208	1,506,722
2044	13,873,711	1,208,970	20,181,170	1,442,105	14,678,064	1,260,479	21,385,540	1,499,174
2045	13,582,935	1,183,631	20,097,647	1,436,137	14,356,816	1,232,891	21,278,412	1,491,664
2046	13,298,254	1,158,824	20,014,469	1,430,193	14,042,600	1,205,908	21,171,820	1,484,192
2047	13,019,539	1,134,536	19,931,636	1,424,274	13,735,260	1,179,515	21,065,762	1,476,757
2048	12,746,666	1,110,758	19,849,146	1,418,379	13,434,647	1,153,700	20,960,235	1,469,359
2049	12,479,511	1,087,478	19,766,998	1,412,509	13,140,613	1,128,450	20,855,237	1,461,999
2050	12,217,955	1,064,685	19,685,189	1,406,663	12,853,014	1,103,752	20,750,765	1,454,675
2051	11,961,882	1,042,371	19,603,719	1,400,841	12,571,710	1,079,595	20,646,816	1,447,388
2052	11,711,176	1,020,524	19,522,587	1,395,044	12,296,563	1,055,967	20,543,388	1,440,137
2053	11,465,724	999,135	19,441,790	1,389,270	12,027,438	1,032,856	20,440,479	1,432,923
2054	11,225,417	978,195	19,361,328	1,383,521	11,764,203	1,010,251	20,338,085	1,425,745
2055	10,990,146	957,693	19,281,198	1,377,795	11,506,729	988,140	20,236,204	1,418,603
2056	10,759,806	937,621	19,201,400	1,372,093	11,254,890	966,514	20,134,833	1,411,497
2057	10,534,293	917,969	19,121,932	1,366,414	11,008,562	945,360	20,033,970	1,404,426
2058	10,313,507	898,730	19,042,793	1,360,759	10,767,626	924,670	19,933,612	1,397,391
2059	10,097,348	879,893	18,963,981	1,355,127	10,531,963	904,432	19,833,756	1,390,391
2060	9,885,720	861,452	18,885,496	1,349,519	10,301,458	884,638	19,734,401	1,383,426
2061	9,678,527	843,397	18,807,335	1,343,934	10,075,997	865,276	19,635,543	1,376,496



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

Invoice

Date	Invoice #
5/5/2023	26898

Bill To
City of Grosse Pointe Woods 20025 Mack Plaza Drive Grosse Pointe Woods, MI 48236

Phone: (630) 620-0200
 Fax: (239) 481-0634
 Email: AR@foster-foster.com
 Website: www.foster-foster.com
 Federal EIN: 59-1921114

City of Grosse Pointe Woods

Terms	Due Date
Net 30	6/4/2023

Description	Amount
Prepare Experience Study	7,500.00

Thank you for your business!

Most preferred method of payment is an ACH deposit.
 Please reference Plan name & Invoice # above.

- Account Title: Foster & Foster, Inc.
- Account Number: 6100000360
- Routing Number: 063114661
- Bank Name: Cogent Bank

Balance Due \$7,500.00

For payment via a mailed check, please remit to:
 Foster & Foster, Inc.
 184 Shuman Blvd., Ste.305, Naperville, IL 60563