



**CITY OF GROSSE POINTE WOODS**  
**NOTICE OF MEETING AND AGENDA**  
**COMMITTEE-OF-THE-WHOLE**  
**Monday, July 10, 2023 at 7:15 PM**

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*Robert E. Novitke Municipal Center - Council/Court Room*  
*20025 Mack Plaza, Grosse Pointe Woods, MI 48236*  
*(313) 343-2440*

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Mayor Arthur W. Bryant has called a meeting of the City Council, meeting as a Committee-of-the-Whole, for **Monday, July 10, 2023 at 7:15 PM**. The meeting will be held in the Council Chambers/Municipal Court Room of the Municipal Building, 20025 Mack Plaza, Grosse Pointe Woods, MI 48236 and is accessible through the Municipal Court doors. In accordance with Public Act 267, the meeting is open to the public and the agenda items are as follows:

**1. CALL TO ORDER**

**2. ROLL CALL**

**3. ACCEPTANCE OF AGENDA**

**4. ITEMS FOR DISCUSSION**

A. [Social Districts in Grosse Pointe Woods](#)

- 1) [Memo 07/10/23 - City Planner](#)
- 2) [Proposed Social Districts \(3 Maps\)](#)
- 3) [Sample Resolution](#)
- 4) [Draft Management/Maintenance Plan](#)
- 5) [Draft Application](#)

B. [Public Act 202 - Corrective Action Plan - Pension and Supplemental Annuity](#)

- 1) [Memo 06/27/23 - Treasurer/Comptroller/City Administrator](#)
- 2) [Letter 01/06/23 - Michigan Dept. of Treasury - Local Retirement Reporting Team](#)
- 3) [Form 5572 - Pension Report](#)
- 4) [Schedule of Changes - Pension Plan](#)
- 5) [Schedule of Changes - Supplemental Annuity](#)
- 6) [Form 5598 - Corrective Action Plan - GPW Retirement System](#)
- 7) [Form 5598 - Corrective Action Plan - GPW Supplemental Annuity](#)
- 8) [Email 06/20/23 - Foster & Foster - Cost Impact of Newly Adopted Assumption Changes](#)
- 9) [Letter 05/16/23 - Foster & Foster - Actuarial Experience Study - Amortization period and investment rate of return](#)
- 10) [Actuarial Experience Study 04/24/23](#)
- 12) [Special Pension Board Minutes Excerpt 06/01/23](#)
- 13) [ADC Analysis](#)

**5. NEW BUSINESS/PUBLIC COMMENT**

**6. ADJOURNMENT**

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cc: Council - 7	Treasurer/Comptroller	Assistant City Administrator
City Administrator	City Clerk	Post - 4
City Attorney	Email Group/Media	

IN ACCORDANCE WITH PUBLIC ACT 267 (OPEN MEETINGS ACT)  
POSTED AND COPIES GIVEN TO NEWSPAPERS

The City of Grosse Pointe Woods will provide necessary, reasonable auxiliary aids and services, such as signers for the hearing impaired, or audio tapes of printed materials being considered at the meeting to individuals with disabilities. All such requests must be made at least five 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 City Clerk's office, 20025 Mack Plaza, Grosse Pointe Woods, MI 48236 (313) 343-2440 or Telecommunications Device for the Deaf (TDD) 313 343-9249.



**MCKENNA**

# Memorandum

**TO:** Grosse Pointe Woods Committee of the Whole; Frank Schulte, City Manager; Paul Antolin, City Clerk

**FROM:** Brigitte Smith, AICP

**SUBJECT:** **Social District Recommendations**

**DATE:** July 10, 2023

This memorandum is created to explain and support the establishment of two Social Districts in the City of Grosse Pointe Woods, enabled by House Bill 5781 that created the “Social District Permit” and signed into law by Governor Whitmer on July 1, 2020. A Social District is “an area ... that is **shared by and contiguous to the premises of at least two other qualified licensees**” and that has clearly marked boundaries. Qualified licensees consist of bars/restaurants with a Class C, Tavern, Club, or Brewpub License to serve alcoholic beverages (beer, wine, spirits, or mixed spirits or drinks). These businesses, marked on Exhibit A, may apply for a Social District Permit. Once approved by the Michigan Liquor Control Commission (MLCC), they may serve alcoholic beverages on their licensed premises in **marked cups** to customers who may drink the alcoholic beverages anywhere within the commons area of the Social Districts.

The proposed districts include the “**Northern Social District**,” north of Vernier Rd., shaded green on the map to the right and the “**City Hall Social District**” shaded in blue. They will operate every day during May to October from 4-10pm.

The “**Northern Social District**” marked in green on the map includes:

- Commercial properties from AH Peters Funeral Home on the west and Big Boy on the east to the northern border of the City at 8 Mile;
- Chene-Trombly Park; and
- Three (3) Crosswalks on Mack at Anita Road, Ridgemont to Hampton Road, and Brys Drive.

The “**City Hall Social District**” outlined in blue on the map spans:

- Six (6) blocks of commercial businesses on the west of Mack Avenue from Broadstone Street north to Oxford Road,
- Two (2) blocks of commercial businesses on the east side of Mack Ave. from Cook Road north to Torrey Road;
- Ghesquiere Park; and
- Two (2) crosswalks across Mack Ave at Torrey Road and Cook Rd.

The Commons Areas automatically included in the districts include the sidewalks along Mack Avenue and the side streets within the boundary, designated green space, and crosswalks (shown in Exhibit B and C). Additional Common Areas can be added on privately owned property within the Social District, such as seating in the rear yard of businesses, or the county right-of-way, if the owner submits a Commons Areas Use Application and any additional required permits.

**HEADQUARTERS**

235 East Main Street  
Suite 105  
Northville, Michigan 48167

☎ 248.596.0920  
☎ 248.596.0930  
[MCKA.COM](http://MCKA.COM)



Communities for real life.



A successful Social District allows people to gather and meet friends or make new ones. Elements that contribute to a successful district include housing, restaurants, and “vibrant entertainment niches ... such as cinemas, theaters, museums, and concert halls, but also lively **parks, plazas, and other gathering areas.**”<sup>1</sup> For this reason, we recommend including all of Ghesquiere Park and Chene-Trombly Park to offer gathering areas, since public seating and gathering spaces are limited along Mack Avenue.

### **REQUIREMENTS FOR CREATING A SOCIAL DISTRICT**

A Social District designation must be filed with the MLCC with the following materials:

1. A copy of the Resolution passed by the governing body designating the Social District and common area;
2. A copy of the Management and Maintenance Plans, including the hours of operation, established by the local governmental unit for the Social District and common area;
3. A diagram or map that clearly shows the boundaries of the Social District and commons area and identifies the qualified licensees that are contiguous to the commons area on the diagram or map.

The Maps, Sample Resolution, Management and Maintenance Plan, and Commons Area Use Application are included in this packet.

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<sup>1</sup> Sarah J. Gabis of the law firm of Foster Swift Collins & Swift, P.C., *Social District Fact Sheet*, Michigan Municipal League (MML), Sept. 2020

# Exhibit A: Proposed Social Districts with Marked Qualified Businesses

Grosse Pointe Woods, MI

July 7, 2023

### Legend

- Northern Social District
- City Hall Social District
- Park Overlay, closes at dusk\*
- Social District Commons Area

### Table Key:

- C: Club
- CC: Class C Liquor License
- SDD: Specially Designated Distributor
- SDM: Specially Designated Merchant

\*Ghesquiere and Chene-Trombly Parks are part of the proposed Social District, but will adhere to park hours and closes at dusk.

### Qualifying Businesses

Label	Name	Classification	Street
4	Telly's Place	CC	20795 Mack Ave
5	Mack Avenue Grille	CC	19841 Mack Ave
7	Salvatore Scalopini	CC	19655 Mack Ave
8	Ferlito's Family Dining	CC	20745 Mack Ave
9	Da Edoardo Restaurant	CC; SDM	19767 Mack Ave
10	Pendy's*	CC	20934 Mack Ave
11	Crispelli's	CC	19852 Mack Ave
12	Garrido's Bistro	CC	19605 Mack Ave
13	Someday Brewing	CC	20746 Mack Ave

\*Pending Class C and Business License approvals

### Other Businesses with Liquor Licenses

Label	Name	Classification	Street
1	Little Tony's Lounge	CC	20513 Mack Ave
2	Bucci	CC; SDM	20217 Mack Ave
3	Champs	CC	20515 Mack Ave
6	Churchill's Cigar Bar	CC; SDM	19271 Mack Ave
14	Woods Wholesale Wine	SDD; SDM	20787 Mack Ave
15	Oxford Beverage	SDD; SDM	20107 Mack Ave
16	Merchant's Fine Wine	SDD; SDM	21038 Mack Ave
17	CVS/Pharmacy #8107	SDD;SDM	20460 Mack Ave
18	Fairway Packing Retail, LLC	SDM	20877 Mack Ave
19	Merit Woods Drugs	SDD; SDM	19325 Mack Ave
20	Kroger Store #454	SDM	20422 Mack Ave
21	On the Run Mobile Gas Station	SDM	20700 Mack Ave
22	Cheese to Please	SDM	19583 Mack Ave



Basemap Source: Michigan Center for Geographic Information, Version 17a.  
Data Source: County or Local Community Source. McKenna 2020.






# Exhibit B: Proposed Northern Social District

City of Grosse Pointe Woods, MI

July 7, 2023

**Legend**

-  Northern Social District
-  Social District Commons Area
-  Park Overlay, closes at dusk\*

\*Chene-Trombly Park is part of the proposed Social District, but will adhere to park hours and closes at dusk.

**Qualifying Businesses**

Label	Name	Classification
4	Telly's Place	CC
8	Ferlito's Family Dining	CC
10	Pendy's*	CC
13	Someday Brewing	CC

\*Pending Class C and Business License approvals

**Other Businesses with Liquor Licenses**

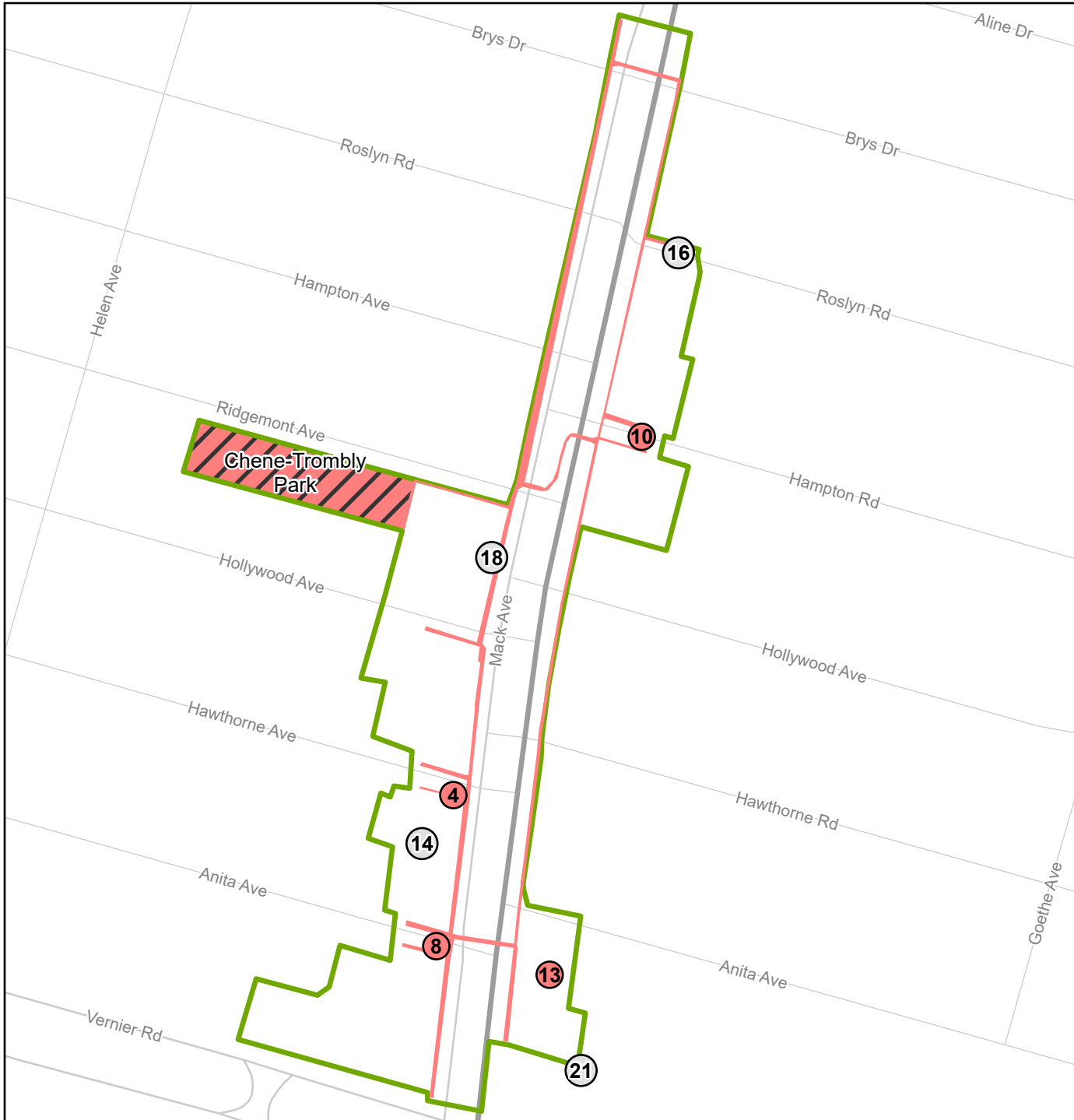
Label	Name	Classification
14	Woods Wholesale Wine	SDD; SDM
16	Merchant's Fine Wine	SDD; SDM
18	Fairway Packing Retail, LLC	SDM
21	On the Run Mobile Gas Station	SDM

**Key:**

- C: Club
- CC: Class C Liquor License
- SDD: Specially Designated Distributor
- SDM: Specially Designated Merchant



Basemap Source: Michigan Center for Geographic Information, v. 17a.  
 Data Source: Grosse Pointe Woods 2022.  
 McKenna 2023.






# Exhibit C: Proposed City Hall Social District

City of Grosse Pointe Woods, MI

July 7, 2023

### Legend

-  City Hall Social District
-  Park Overlay, closes at dusk\*
-  Social District Commons Area

\*Ghesquiere Park is part of the proposed Social District, but will adhere to park hours and closes at dusk.

### Qualifying Businesses

Label	Name	Classification
5	Mack Avenue Grille	CC
7	Salvatore Scallopini	CC
9	Da Edoardo Restaurant	CC; SDM
11	Crispelli's	CC
12	Garrido's Bistro	CC

### Other Businesses with Liquor Licenses

Label	Name	Classification
15	Oxford Beverage	SDD; SDM
22	Cheese to Please	SDM

### Key:

- C: Club
- CC: Class C Liquor License
- SDD: Specially Designated Distributor
- SDM: Specially Designated Merchant



Basemap Source: Michigan Center for Geographic Information, v. 17a.  
 Data Source: Grosse Pointe Woods 2022.  
 McKenna 2023.





## **SAMPLE RESOLUTION #-#-# - ESTABLISHING SOCIAL DISTRICTS**

**WHEREAS**, Michigan Public Act 124 of 2020 was signed into law on July 1, 2020; and

**WHEREAS**, the law allows Michigan municipalities to establish Social Districts where two or more contiguous licensed establishments could sell alcoholic beverages in special cups to be taken into the Commons Areas for consumption; and,

**WHEREAS**, the City of Grosse Pointe Woods establishes two Social Districts along Mack Avenue, one north of Vernier Road, known as the 'Northern Social District' and the other oriented around City Hall to be known as the 'City Hall Social District', will be created and managed by the City; and,

**WHEREAS**, the City of Grosse Pointe Woods boundaries for the Northern Social District is generally along Mack Avenue north of Vernier Road to Brys Drive and for the City Hall Social District is generally from Broadstone north to Oxford Road along Mack Avenue on the west side, and from Cook Road north to Torrey Road on the east side;

**WHEREAS**, the Commons Areas boundaries incorporate the City Hall and the City-owned parking lot and green spaces around City Hall, which includes Ghesquiere Park, and Chene-Trombly Park to the north of Vernier, as well as sidewalks, crosswalks and permitted outdoor patios in rights-of-way within the boundaries of the district that are not included in the qualified licensees' premises; and,

**WHEREAS**, the City of Grosse Pointe Woods will abide by all stipulations of Michigan Public Act 124 of 2020 and follow established best practices in the creation and maintenance of the Social District; and,

**WHEREAS**, the creation of the two Grosse Pointe Social Districts will assist our businesses along the Mack Avenue Corridor in attracting customers for enhanced outdoor dining and entertainment experiences in the heart of the City around the City Hall and along the commercial corridor north of Vernier Road.

**NOW, THEREFORE, BE IT RESOLVED**, that the Grosse Pointe Woods City Council does hereby approve the creation of two Grosse Pointe Woods Social Districts as depicted in the attached map (Exhibit A, B, and C) for consideration by the Michigan Liquor Control Commission.

### **Motion for adoption by:**

**Supported by:**

**AYES**

**NAYS**

**ABSENT**

This is to certify that this resolution was duly adopted at the meeting of the City Council on   (date)  .

\_\_\_\_\_  
Arthur Bryant  
Mayor

\_\_\_\_\_  
Paul Antolin  
City Clerk

### **CERTIFICATION**

I understand the duly qualified City Clerk for the City of Grosse Pointe Woods, Wayne County, Michigan do hereby certify that the foregoing constitutes a true and complete copy of a motion adopted by the City Council of the City of Grosse Pointe Woods, on   (date)  , the original of which is in my office, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, as amended, and that the full set of minutes from said meeting will be made available, as required by said Act.

\_\_\_\_\_  
Paul Antolin, City Clerk

Dated: \_\_\_\_\_





## DRAFT MANAGEMENT AND MAINTENANCE PLAN

### Overview

In an effort to support local restaurants, bars, microbreweries, and similar food service businesses, the City of Grosse Pointe Woods has established a permitting process for temporary outdoor social districts and Commons Areas. Commons Areas are intended to allow for outdoor dining and alcoholic beverage consumption on City properties that are adjacent to or near associated businesses establishments. This application package is designed to ensure compliance with the Michigan Liquor Control Commission (MLCC) guidelines and Public Act 58 of 1998 as amended by Public Act 124 of 2020.

The Commons Areas are proposed to be administered through the Building Department and permits from both the MLCC and the City are required prior to utilization by qualified establishments. The Commons Areas will be monitored by the City's Police Department.

### Intent

Commons Areas are intended to provide extra outdoor space for consumption of alcoholic beverages and gathering of peoples while ensuring sufficient separation between unrelated parties. The areas will accommodate seating options, barriers, boundaries, posted signage on ground mounted signs and accessory materials related to the offered services. Qualified establishments, as defined by PA 124 of 2020 may apply to utilize **certain specifically designated places within** the established Commons Areas.

The Common Areas for the Northern Social District include:

1. The sidewalk in the rights-of-way along Mack Avenue and side streets within the boundaries of the district;
2. Pedestrian crossing across Mack Avenue at Anita Road, Ridgemont to Hampton Road, and Brys Drive.
3. The Chene-Trombly Parks, which will close at dusk;
4. Any private parking areas in the rear yard of commercial buildings along Mack Avenue in which the property owner has opted in to providing as Common Areas by an approved Commons Area Use Application.
5. In accordance with the MLCC guidelines, all Commons Areas must be "contiguous to the premises of at least 2 qualified licensees."

The Common Areas for the City Hall Social District include:

1. The right-of-way along Mack Avenue and side streets within the boundaries of the district;
2. Pedestrian crossing across Mack Avenue at Torrey Road and Cook Road;
3. The city-owned parking lots adjacent to City Hall;
4. Green spaces surrounding City Hall, including the Front Lawn along Mack Plaza Drive and Ghesquiere Park;
5. In accordance with the MLCC guidelines, all Commons Areas must be "contiguous to the premises of at least 2 qualified licensees."

It is also intended that Commons Areas may be shared by multiple businesses, so long as the shared use is defined by the City authorization and joint operation and maintenance guidelines are established. However, public spaces immediately in front of or behind a business establishment will be reserved solely for that business (exp. public sidewalks and parking spaces). All designated spaces will be subject to review by Grosse Pointe Woods Police and Fire Departments for traffic and safety considerations.



### Other Options for Outdoor Dining and Alcoholic Beverage Consumption

The establishment of the Commons Areas in accordance with the new MLCC provisions in no way negates the ability of businesses to establish sidewalk cafes for outdoor dining and alcoholic beverage consumption or exempts businesses from having to apply for the City's Outdoor Café and Dining Application in accordance with the pre-existing MLCC guidelines and City ordinances. The Commons Areas are intended to be supplemental and in addition to these previous provisions.

### Signage and Barriers

The City will prepare generic signs as required by the MLCC Rules that identify the general boundaries of the Commons Areas. The individual establishments may be required to provide additional barriers to define the portion of the Commons Area they plan to utilize and provide for the safety of their customers/patrons. Additional barriers or barricades as specified by the City may be required when the area utilized is within a parking lot and/or on a public sidewalk or right-of-way. The City will assist in coordination between the permitted establishments to minimize the necessary investment in additional barriers/barricades.

The marked cups from participating businesses will be marked with a uniform logo, such as the logos to the right.

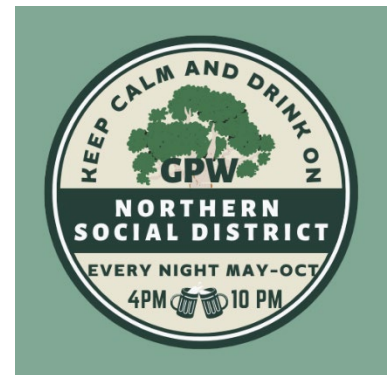
### Application Process

Social District Permits must be requested by the business owner or an authorized representative. Applications and supplemental information must be provided in complete form for review and approval by the Building Official. Required checklist items are the following:

1. Completed City application form as well as an Outdoor Patio Application, if needed;
2. Copy of the Michigan Liquor License Control Commission Permit. *Note: The City will conduct a preliminary review prior to the applicant submitting their MLCC permit in order to determine if the proposed use of the Commons Area is acceptable to the City.*
3. Certificate of Liability Insurance, naming the City of Grosse Pointe Woods additionally insured.
4. Commons Areas layout plan (drawn-to-scale with dimensions noted and all information in legible form, which includes:
  - a. Lot lines, portion(s) of Commons Area intended for use, and proposed barriers/barricades.
  - b. Existing entries/exits, sidewalks, structures, and building footprints.
  - c. Proposed location of tables, chairs, tents, shelters, and other fixtures, allowing for at least 6 feet minimum between unrelated parties. *Note: The City may require the removal or relocation of these furnishings and fixtures at the end of each business day in order to facilitate access to the surrounding properties.*
  - d. Outdoor service and host area(s) (if any).
  - e. Proposed occupancy. *Attached is the section of the International Building Code (IBC) which has been adopted as the standard for the State of Michigan related to occupancy calculations to provide you with a starting point. This does not consider the requirements in item (c) above.*

### General Requirements

Commons Areas of the Social District are subject to the following requirements:





1. Boundaries, structures, and materials associated with Commons Areas shall:
  - a. Not impede drivers, pedestrians, or wheelchair users. *Note: The City will consider the extended closure of sections of public parking lots and streets, subject to maintaining adequate access to the surrounding properties.*
  - b. Not block sight visibility of remaining parking lot aisles or intersections.
  - c. Not impede emergency vehicle and personnel access.
  - d. Not prevent access to nearby businesses or homes.
  - e. Be approved by City of Grosse Pointe Woods Police and Fire Departments.
2. Alcohol service shall conform to all Michigan Liquor Control Commission requirements, including any Social District and Commons Areas Permit requirements. Specifically:
  - a. The serving container must prominently display the licensee's trade name or logo or some other mark that is unique to the licensee that sold the alcohol.
  - b. The serving container must prominently display a logo or some other mark that is unique to the commons area.
  - c. The serving container is not made of glass.
  - d. The serving container does not have a liquid capacity over 16 ounces.
3. **Hours of operation shall begin no earlier than 4:00 PM and food and beverage service shall discontinue in the Commons Areas no later than 10:00 PM.** Service shall not extend beyond the range established in the MLCC or City permits.
4. Service shall conform to the permitted days of operation, 7 days a week, during the months of **May to October**.
5. The layout of boundaries, structures, and materials shall conform to the proposed outdoor Commons Area layout plan during open hours. Tables, chairs, and temporary barriers may be permitted to remain outdoors during closed hours but must be secured. Service items, decorations, cleaning materials and equipment and other easily stored items must be removed from the area at the end of each business day. Solid barriers, if incorporated, may remain for the duration of the permitted timeframe.
6. Sites and surfaces shall be cleaned before service hours and upon close.
7. Tents and other temporary shelter structures shall be approved by the Fire Department and Building Official.
8. Amplified music shall be set at reasonable levels so as not to disturb owners and occupants of neighboring properties.
9. Temporary lighting shall be established to ensure safe conditions during evening hours but shall not result in excessive glare onto adjacent properties.
10. Waste receptacles shall be provided within the Commons Area and shall be emptied regularly during open hours and at close each day.
11. Heaters must be approved by the Fire Department (type and location).
12. Smoking is not permitted within designated Commons Areas.

### Review and Approval

The review of Commons Areas will occur in conjunction with the Planning and Building Department, City Manager's Office, and Police Department and Fire Departments. The City reserves the right to request additional details and information to ensure the protection of public health, safety, and welfare.

If requirements and standards are met, the proposed outdoor social zone will be permitted for a period of time specified by the Building Official and must be renewed annually. Reasonable conditions may be applied by the City to ensure the protection of public health, safety, and welfare. Plan amendments may be considered at any time but must comply with all requirements for Commons Areas.



**GROSSE POINTE WOODS SOCIAL DISTRICT COMMONS AREA USE APPLICATION - DRAFT**

Date: \_\_\_\_\_ Permit #: \_\_\_\_\_

<b>Business Information</b>		
Name of Business		
Business Address		
Mailing Address		
Name of Owner/ Responsible Party:		
Name of Contact Person:		
Phone Number	E-mail	
Requested Date Range for Commons Areas Use. From:		To:
Recurring Dates Requested:		
Description of Commons Area Services/Uses:		
<b>Required Material to Attach</b>		
<input type="checkbox"/> Layout Plan	<input type="checkbox"/> Proof of MLCC Approval	<input type="checkbox"/> Proof of Liability Insurance (Naming City Additionally Insured)
X _____ Date: _____ <i>Signature of Owner/Responsible Party</i>		
<i>I verify all of the information on and attached to this application is accurate to the best of my knowledge; and I commit to adhere to the City of Grosse Pointe Woods Commons Area Management Plan and the MLCC requirements for Social District(s).</i>		
<b>CITY USE ONLY</b>		
Department Approvals: <input type="checkbox"/> Planning <input type="checkbox"/> Building <input type="checkbox"/> Fire <input type="checkbox"/> Police <input type="checkbox"/> DPW		
Permit #	<input type="checkbox"/> All Required Materials Attached <input type="checkbox"/> Approved	Date of Approval
Conditions of Approval		
X _____ Date: _____ <i>Signature of Building Official</i>		
Printed Name:		



## CITY OF GROSSE POINTE WOODS MEMORANDUM

**Date:** June 27, 2023

**RECEIVED**

**To:** Mayor Bryant and City Council

JUN 30 2023

**From:** Shawn Murphy, Treasurer/Comptroller  
Frank Schulte, City Administrator

CITY OF GROSSE POINTE WOODS  
CLERK'S DEPARTMENT

**Re:** Public Act 202 – Corrective Action Plan-Pension and Supplemental Annuity

On January 6, 2023, the City received the attached letter from the State of Michigan Local Retirement Reporting Team that pursuant to Public Act 202 of 2017 (the Act), one (or more) of our retirement systems has triggered a preliminary review of underfunded status.

Based on the State's review, the GPW Retirement System and GPW Supplemental Annuity are underfunded as of fiscal year end June 30, 2022. Primary government triggers of underfunded status are less than 60% funded AND greater than 10% Actuarial Determined Contributions (ADC)/Governmental fund revenues.

June 30, 2022 funding status is as follows:

<b>GPW Retirement System</b>	<b>GPW Supplemental Annuity</b>
Funded Ratio: 54.8%	Funded Ratio: 59.7%
ADC/Governmental Fund Revenues: 10.3%	ADC/Governmental Fund Revenues: 10.3%

At the February 2, 2023 Pension Board meeting Foster and Foster Actuaries and Consultants presented fiscal year June 30, 2022 actuary reports to the Pension Board. Discussion regarding the reports resulted in the Pension Board to accept the actuarial recommendation of performing an Actuarial Experience Study as required by Public Act 202.

The Actuarial Experience Study was presented to the Pension Board at the May 4, 2023 board meeting, with additional recommendations presented at a Special Pension Board meeting on June 1, 2023. After reviewing the information presented, the board approved the following recommendations:

- Decrease the amortization period from 25 years to a 20 year closed amortization for a period of 5 years and after 5 years the plan will remain at a 15 year open amortization period
- Decrease the assumed rate of investment return from 7.5% to 7.4% with an intention of lowering it .1% a year for the next 5 years
- Update the payroll growth assumption from 3.5% to 3.00%,
- Adjust the age based retirement tables
- Adjust the age and service-based retirement rates
- Simplify the disability rate to 0.20% for general employees and 0.60% for public safety employees
- Add the cost of administrative expenses paid from the trust

The City is required to submit a Corrective Action Plan for both the GPW Retirement System and the GPW Supplemental Annuity. The following documents were submitted to the State of Michigan Local Retirement Reporting Team for review on June 26, 2023.

- Corrective Action Plan application for the GPW Retirement System and GPW Supplemental Annuity
- Actuarial Experience Study dated April 24, 2023 prepared by Foster and Foster Actuaries and Consultants with supplement information dated May 16, 2023 and June 20, 2023
- Approved motion by the Pension Board authorizing the recommendations of the assumption changes made by Foster and Foster Actuaries and Consultants
- ADC Analysis
- Cost impacts of the EROP program and multiplier changes for Public Safety and Command Officers as prepared by Foster and Foster Actuaries and Consultants
- City Council approval of the FOP Collective Bargaining Agreement that included the EROP program and the proposed change to the PSO pension multiplier.
- City Council approval of the budget transfer of \$39,704 to the GPW Retirement System as required under Section 5 of 2017 Public Act 202

I respectfully request City Council approve the Corrective Action Plan as presented. Upon approval, the approved motion will be forward to the State of Michigan Local Retirement Reporting Team.

The assumption changes that were approved by the Pension Board on June 1, 2023 will be applied to the pension valuation dated June 30, 2023 and will be applicable to fiscal year beginning on July 1, 2024.

The combination of the newly adopted plan assumptions will create an increase in annual retirement system contributions of approximately \$320,400, totaling \$2,199,401 and a decrease in the supplemental annuity benefit contributions of approximately \$6,000, totaling \$271,292.

With the implementation of the assumption changes not being applicable until fiscal year beginning July 1, 2024 and a current General Fund Balance in excess of 5.6 million dollars, we respectfully request City Council to consider approving a budget transfer in the amount of \$300,000 from General Fund to the Retirement System in fiscal year 2023-2024. The budget transfer will require budget amendment from account 101-000-692.100-Transfer from Prior Year Reserve to account 101-967-995.731-Transfer to Pension Fund. Upon approval, a transfer of \$300,000 to the Grosse Pointe Woods Retirement System fund held at Charles Schwab will be completed.

In addition, we also recommend to City Council that during future budget discussions, the City consider adding funding to the annual budget in addition to the ADC. This will help reduce the unfunded liabilities and allow for potential increased investment income.

Thank you for your consideration.

Shawn Murphy, Treasurer/Comptroller

Frank Schulte, City Administrator



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 6, 2023

**Retirement System Annual Report:  
Preliminary Review of Underfunded Status  
and In Corrective Action**

Fiscal Year: 2022  
Municipality Code: 822130  
Report ID Number: 137875

**Sent Via Email**

City of Grosse Pointe Woods  
smurphy@gpwmi.us

Dear Administrative Officer or Designee:

Based upon review of your most recently submitted Retirement System Annual Report (Form 5572) and pursuant to Public Act 202 of 2017 (the Act), one (or more) of your retirement systems has triggered a preliminary review of underfunded status, in addition to the underfunded system(s) identified in the prior fiscal year. Unless you apply for a waiver within **45 days** and your application is granted, your local government will receive a determination of underfunded status. If you have any questions or concerns, please contact our office at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov). If you would prefer to speak with a member of our team, please schedule a phone call appointment using the [Local Retirement Calendar](#). A team member will email you a conference number to call at your scheduled time.

**Based upon review, the following retirement system(s) are in corrective action as identified in the prior fiscal year:**

GPW Retiree Health Care

Please continue to follow the guidance previously issued for corrective action plan compliance for the systems listed above. The Municipal Stability Board (the Board) will evaluate if the local government is addressing its underfunded status.

**Additionally, the following system(s) are preliminarily underfunded as of the most recent fiscal year:**

GPW Retirement System

## GPW Supplemental Annuity

**Optional: How to Apply for a Waiver of Underfunded Status**

In accordance with the Act, you **may** apply for a waiver for each newly underfunded system. The attached Application for Waiver has detailed instructions on how to complete the application, as well as waiver criteria. The completed application is due back to the Department of Treasury (Treasury) within **45 days** from the date of this letter, via email to LocalRetirementReporting@Michigan.gov.

If you have multiple newly underfunded retirement systems, you are required to complete a separate waiver application for each system and send a separate email for each system. Please attach each application as a separate PDF document in addition to all applicable supporting documentation. The subject line of the email should be in the following format: **Waiver-20XX, Local Government Name, Retirement System Name** (e.g. Waiver-2019, City of Lansing, Employees' Retirement System Pension Plan).

Early submission of your Application for Waiver allows greater opportunity for conversation and clarification with Treasury, and is strongly encouraged.

If the state treasurer determines that the underfunded status is adequately being addressed by the local government, the state treasurer shall issue a waiver of the determination of underfunded status.

Treasury will send a letter informing your local government if the waiver is granted. If the waiver is not granted, Treasury will provide a letter detailing the reasons for disapproval.

**Next Steps: If a Waiver is Disapproved or You Do Not Apply for a Waiver**

- Treasury will notify the local government and request a corrective action plan for the Board to review;
- After receipt of this notification from Treasury, your local government must develop a corrective action plan for each newly underfunded system to submit to the Board for review. The local government is responsible for determining the components of the corrective action plan(s). The governing body of the local government must approve the corrective action plan(s) before submission to the Board;
- The corrective action plan(s) must be submitted to the Board within 180 days after the notification of underfunded status;
- Once your corrective action plan(s) is submitted, the Board will officially receive your plan at their next scheduled meeting;



- The Board shall then approve or disapprove a corrective action plan(s) within 45 days after it is received.

### Locating Retirement Data Online

The Michigan Department of Treasury (Treasury) posts Form 5572 data online as well as the funding status of each local government under the Act. This can be viewed by visiting our [website](#), selecting the applicable fiscal year under the “Reports and Documents” header, and selecting the “Local Retirement System Status Report.” Your local government information may not be immediately available. In general, the Form 5572 data is updated weekly.

You may notice variations in the data your local government submitted to Treasury compared to the data found online. Data modifications may be a result of Treasury reviewing your Form 5572 and making corrections based on information found in the local government’s audited financial statement. **Please note, if your local government’s data has been corrected, you do not need to resubmit your Form 5572.**

### Required Payments for Retirement Health Benefits

Pursuant to Section 4(1)(a) of the Act, local governments that offer a retirement health benefit system are required to pay the following:

- 1.) **Normal costs for employees first hired after June 30, 2018.**
- 2.) Any retiree premiums that are due for retirants in the retirement system.

Thank you for your commitment to fiscal stability and compliance with the Act. For more information regarding the Act, please visit [Michigan.gov/LocalRetirementReporting](http://Michigan.gov/LocalRetirementReporting) for step-by-step reporting instructions and helpful FAQs. If you would like to speak with a member of our team, please email our office at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov) or schedule a phone call appointment using the [Local Retirement Calendar](#). A team member will contact you with a conference number to call at your scheduled time.

Sincerely,

Local Retirement Reporting Team  
Community Engagement and Finance Division

The Protecting Local Government Retirement and Benefits Act (PA 202 of 2017) & Public Act 530 of 2016 Pension Report

Enter Local Government Name	City of Grosse Pointe Woods	Instructions: For a list of detailed instructions on how to complete and submit this form, visit <a href="http://michigan.gov/LocalRetirementReporting">michigan.gov/LocalRetirementReporting</a> .
Enter Six-Digit Municode	822130	
Unit Type	City	
Fiscal Year End Month	June	
Fiscal Year (four-digit year only, e.g. 2019)	2022	
Contact Name (Chief Administrative Officer)	Shawn Murphy	
Title if not CAO	Treasurer/Comptroller	Questions: For questions, please email <a href="mailto:LocalRetirementReporting@michigan.gov">LocalRetirementReporting@michigan.gov</a> . Return this original Excel file. Do not submit a scanned image or PDF.
CAO (or designee) Email Address	smurphy@gpwmn.us	
Contact Telephone Number	313-343-2604	
Pension System Name (not division) 1	GPW Retirement System	If your pension system is separated by divisions, you would only enter one system. For example, one could have different divisions of the same system for union and non-union employees. However, these would be only one system and should be reported as such on this form.
Pension System Name (not division) 2	GPW Supplemental Annuity	
Pension System Name (not division) 3		
Pension System Name (not division) 4		
Pension System Name (not division) 5		

Line	Descriptive Information	Source of Data	System 1	System 2	System 3	System 4	System 5
1	Is this unit a primary government (County, Township, City, Village)?	Calculated	YES	YES	YES	YES	YES
2	Provide the name of your retirement pension system	Calculated from above	GPW Retirement System	GPW Supplemental Annuity			
<b>3 Financial Information</b>							
4	Enter retirement pension system's assets (system fiduciary net position ending)	Most Recent Audit Report	38,115,937	2,314,927			
5	Enter retirement pension system's liabilities (total pension liability ending)	Most Recent Audit Report	69,496,136	3,878,998			
6	Funded ratio	Calculated	54.8%	59.7%			
7	Actuarially Determined Contribution (ADC)	Most Recent Audit Report	2,044,000	349,494			
8	Governmental Fund Revenues	Most Recent Audit Report	23,292,071	23,292,071			
9	All systems combined ADC/Governmental fund revenues	Calculated	10.3%	10.3%			
<b>10 Membership</b>							
11	Indicate number of active members	Actuarial Funding Valuation used in Most Recent Audit Report	79	50			
12	Indicate number of inactive members	Actuarial Funding Valuation used in Most Recent Audit Report	16	-			
13	Indicate number of retirees and beneficiaries	Actuarial Funding Valuation used in Most Recent Audit Report	103	57			
<b>14 Investment Performance</b>							
15	Enter actual rate of return - prior 1-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	-14.50%	-14.50%			
16	Enter actual rate of return - prior 5-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	5.00%	5.00%			
17	Enter actual rate of return - prior 10-year period	Actuarial Funding Valuation used in Most Recent Audit Report or System Investment Provider	6.30%	6.30%			
<b>18 Actuarial Assumptions</b>							
19	Actuarial assumed rate of investment return	Actuarial Funding Valuation used in Most Recent Audit Report	7.50%	7.50%			
20	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Actuarial Funding Valuation used in Most Recent Audit Report	Level Percent	Level Percent			
21	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any	Actuarial Funding Valuation used in Most Recent Audit Report	25	25			
22	Is each division within the system closed to new employees?	Actuarial Funding Valuation used in Most Recent Audit Report	No	No			
<b>23 Uniform Assumptions</b>							
24	Enter retirement pension system's actuarial value of assets using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	41,703,710	41,703,710			
25	Enter retirement pension system's actuarial accrued liabilities using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	84,764,731	84,764,731			
26	Funded ratio using uniform assumptions	Calculated	49.2%	49.2%			
27	Actuarially Determined Contribution (ADC) using uniform assumptions	Actuarial Funding Valuation used in Most Recent Audit Report	4,617,875	4,617,875			
28	All systems combined ADC/Governmental fund revenues	Calculated	39.7%	39.7%			
<b>29 Pension Trigger Summary</b>							
30	Does this system trigger "underfunded status" as defined by PA 202 of 2017?	Primary government triggers: Less than 60% funded AND greater than 10% ADC/Governmental fund revenues. Non-Primary government triggers: Less than 60% funded	YES	YES	NO	NO	NO

**Requirements (For your information, the following are requirements of P.A. 202 of 2017)**  
 Local governments must post the current year report on their website or in a public place.  
 The local government must electronically submit the form to its governing body.  
 Local governments must have had an actuarial experience study conducted by the plan actuary for each retirement system at least every 5 years.  
 Local governments must have had a peer actuarial audit conducted by an actuary that is not the plan actuary OR replace the plan actuary at least every 8 years.

By emailing this report to the Michigan Department of Treasury, the local government acknowledges that this report is complete and accurate in all known respects.

## City of Grosse Pointe Woods, Michigan

Required Supplemental Information  
Schedule of Changes in the Net Pension Liability and Related Ratios  
Pension Plan

## Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 1,080,805	\$ 1,459,769	\$ 1,381,734	\$ 1,419,981	\$ 872,705	\$ 812,794	\$ 893,380	\$ 692,961	\$ 675,799
Interest	4,517,849	4,149,881	4,160,628	4,115,769	3,739,452	3,713,413	3,802,189	3,521,128	3,499,326
Changes in benefit terms	196,683	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(630,363)	(219,966)	(2,041,992)	61,396	1,898,141	(1,943,674)	(509,341)	501,262	(579,977)
Changes in assumptions	(2,730,443)	(13,509,818)	1,372,928	(2,730,629)	17,877,664	(3,946,934)	7,000,034	5,686,156	-
Benefit payments, including refunds	(3,586,669)	(3,570,576)	(3,403,902)	(3,346,109)	(3,354,997)	(3,215,776)	(3,187,512)	(3,315,548)	(3,092,014)
<b>Net Change in Total Pension Liability</b>	<b>(1,152,138)</b>	<b>(11,690,710)</b>	<b>1,469,396</b>	<b>(479,592)</b>	<b>21,032,965</b>	<b>(4,580,177)</b>	<b>7,998,750</b>	<b>7,085,959</b>	<b>503,134</b>
<b>Total Pension Liability - Beginning of year</b>	<b>70,648,274</b>	<b>82,338,984</b>	<b>80,869,588</b>	<b>81,349,180</b>	<b>60,316,215</b>	<b>64,896,392</b>	<b>56,897,642</b>	<b>49,811,683</b>	<b>49,308,549</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 69,496,136</b>	<b>\$ 70,648,274</b>	<b>\$ 82,338,984</b>	<b>\$ 80,869,588</b>	<b>\$ 81,349,180</b>	<b>\$ 60,316,215</b>	<b>\$ 64,896,392</b>	<b>\$ 56,897,642</b>	<b>\$ 49,811,683</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$ 2,044,344	\$ 1,623,076	\$ 1,406,409	\$ 1,215,450	\$ 1,230,649	\$ 1,076,052	\$ 925,683	\$ 889,829	\$ 888,696
Contributions - Member	290,887	282,203	262,296	263,799	249,835	243,096	252,579	258,967	275,808
Net investment (loss) income	(6,523,478)	12,109,682	157,140	1,291,520	2,128,175	3,992,724	(1,359,930)	15,073	6,669,874
Administrative expenses	(52,775)	(46,967)	(70,669)	(58,125)	(62,843)	(37,168)	(51,765)	(69,537)	(44,753)
Benefit payments, including refunds	(3,586,669)	(3,570,576)	(3,403,902)	(3,346,109)	(3,354,997)	(3,215,776)	(3,187,512)	(3,315,548)	(3,092,015)
Other	-	-	-	-	22,728	12,254	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(7,827,691)</b>	<b>10,397,418</b>	<b>(1,648,726)</b>	<b>(633,465)</b>	<b>213,547</b>	<b>2,071,182</b>	<b>(3,420,945)</b>	<b>(2,221,216)</b>	<b>4,697,610</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>45,943,628</b>	<b>35,546,210</b>	<b>37,194,936</b>	<b>37,828,401</b>	<b>37,614,854</b>	<b>35,543,672</b>	<b>38,964,617</b>	<b>41,185,833</b>	<b>36,488,223</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 38,115,937</b>	<b>\$ 45,943,628</b>	<b>\$ 35,546,210</b>	<b>\$ 37,194,936</b>	<b>\$ 37,828,401</b>	<b>\$ 37,614,854</b>	<b>\$ 35,543,672</b>	<b>\$ 38,964,617</b>	<b>\$ 41,185,833</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 31,380,199</b>	<b>\$ 24,704,646</b>	<b>\$ 46,792,774</b>	<b>\$ 43,674,652</b>	<b>\$ 43,520,779</b>	<b>\$ 22,701,361</b>	<b>\$ 29,352,720</b>	<b>\$ 17,933,025</b>	<b>\$ 8,625,850</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>54.85 %</b>	<b>65.03 %</b>	<b>43.17 %</b>	<b>45.99 %</b>	<b>46.50 %</b>	<b>62.36 %</b>	<b>55.02 %</b>	<b>68.48 %</b>	<b>82.69 %</b>
<b>Covered Payroll</b>	<b>\$ 5,425,650</b>	<b>\$ 5,372,630</b>	<b>\$ 4,791,109</b>	<b>\$ 4,716,600</b>	<b>\$ 4,544,155</b>	<b>\$ 4,493,845</b>	<b>\$ 4,592,611</b>	<b>\$ 4,651,563</b>	<b>\$ 4,411,702</b>
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	<b>578.37 %</b>	<b>459.82 %</b>	<b>976.66 %</b>	<b>925.98 %</b>	<b>957.73 %</b>	<b>505.17 %</b>	<b>632.60 %</b>	<b>385.53 %</b>	<b>195.50 %</b>

## City of Grosse Pointe Woods, Michigan

Required Supplemental Information  
Schedule of Changes in the Net Pension Liability and Related Ratios  
Supplemental Annuity

## Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 45,787	\$ 43,432	\$ 51,793	\$ 47,748	\$ 59,640	\$ 39,299	\$ 37,233	\$ 28,387	\$ 33,212
Interest	281,506	275,505	272,594	259,909	239,740	254,061	269,224	234,285	236,533
Differences between expected and actual experience	(22,217)	21,271	(151,559)	136,155	161,463	(227,980)	(232,788)	(399,452)	(42,908)
Changes in assumptions	-	(15,148)	(198,496)	(57,257)	567,907	-	86,953	831,276	-
Benefit payments, including refunds	(267,409)	(266,789)	(278,103)	(275,592)	(242,921)	(257,534)	(263,715)	(247,158)	(257,888)
<b>Net Change in Total Pension Liability</b>	37,667	58,271	(303,771)	110,963	785,829	(192,154)	(103,093)	447,338	(31,051)
<b>Total Pension Liability - Beginning of year</b>	3,841,331	3,783,060	4,086,831	3,975,868	3,190,039	3,382,193	3,485,286	3,037,948	3,068,999
<b>Total Pension Liability - End of year</b>	<b>\$ 3,878,998</b>	<b>\$ 3,841,331</b>	<b>\$ 3,783,060</b>	<b>\$ 4,086,831</b>	<b>\$ 3,975,868</b>	<b>\$ 3,190,039</b>	<b>\$ 3,382,193</b>	<b>\$ 3,485,286</b>	<b>\$ 3,037,948</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$ 349,494	\$ 318,174	\$ 335,830	\$ 311,792	\$ 298,389	\$ 290,000	\$ 297,360	\$ 286,439	\$ 277,776
Net investment (loss) income	(368,012)	649,743	7,796	59,811	91,098	159,415	3,963	(9,093)	230,642
Administrative expenses	(7,005)	(2,519)	(3,506)	(2,693)	(5,768)	(995)	-	(22,140)	-
Benefit payments, including refunds	(267,409)	(266,789)	(278,103)	(275,592)	(242,921)	(257,534)	(263,715)	(247,158)	(257,888)
Other	2,024	-	-	-	960	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	(290,908)	698,609	62,017	93,318	141,758	190,886	37,608	8,048	250,530
<b>Plan Fiduciary Net Position - Beginning of year</b>	2,605,835	1,907,226	1,845,209	1,751,891	1,610,133	1,419,247	1,381,639	1,373,591	1,123,061
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 2,314,927</b>	<b>\$ 2,605,835</b>	<b>\$ 1,907,226</b>	<b>\$ 1,845,209</b>	<b>\$ 1,751,891</b>	<b>\$ 1,610,133</b>	<b>\$ 1,419,247</b>	<b>\$ 1,381,639</b>	<b>\$ 1,373,591</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 1,564,071</b>	<b>\$ 1,235,496</b>	<b>\$ 1,875,834</b>	<b>\$ 2,241,622</b>	<b>\$ 2,223,977</b>	<b>\$ 1,579,906</b>	<b>\$ 1,962,946</b>	<b>\$ 2,103,647</b>	<b>\$ 1,664,357</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	59.68 %	67.84 %	50.41 %	45.15 %	44.06 %	50.47 %	41.96 %	39.64 %	45.21 %
<b>Covered Payroll</b>	\$ 2,810,667	\$ 2,816,325	\$ 2,475,978	\$ 2,525,337	\$ 2,231,884	\$ 2,258,831	\$ 2,347,151	\$ 2,358,679	\$ 2,196,932
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	55.65 %	43.87 %	75.76 %	88.77 %	99.65 %	69.94 %	83.63 %	89.19 %	75.76 %

## Protecting Local Government Retirement and Benefits Act

### Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017 (The Act).

#### 1. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Grosse Pointe Woods Six-Digit Muni Code: 822130  
 Defined Benefit Pension System Name: GPW Retirement System  
 Contact Name (Administrative Officer): Shawn Murphy  
 Title if not Administrative Officer: Treasurer/Comptroller Telephone: (313) 343-2604  
 Email (Communication will be sent here): smurphy@gpwmi.us  
 Fiscal Year System was Determined to be Underfunded: 2022

#### 2. GENERAL INFORMATION

**Corrective Action Plan:** An underfunded local government shall develop and submit for approval a corrective action plan for the local government. The local government shall determine the components of the corrective action plan. This corrective action plan shall be submitted by any local government with at least one defined benefit pension retirement system that has been determined to have an underfunded status. Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local government is a city, village, township, or county, the actuarially determined contribution (ADC) for all of the defined benefit pension retirement systems of the local government is greater than 10% of the local government's annual governmental fund revenues, based on the most recent fiscal year.

**Due Date:** The local government has **180 days from the date of notification** to submit a corrective action plan to the Municipal Stability Board (the Board). The Board may extend the 180-day deadline by up to an additional 45 days if the local government submits a reasonable draft of a corrective action plan and requests an extension.

**Filing:** Per Sec. 10(1) of PA 202 of 2017 (the Act), this corrective action plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this corrective action plan and attach the documentation as a separate PDF document.** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a disapproval of the corrective action plan.

The submitted plan must demonstrate through distinct supporting documentation how and when the local government will reach the 60% funded ratio. Or, if the local government is a city, village, township, or county, the submitted plan may demonstrate how and when the ADC for all defined benefit pension systems will be less than 10% of annual governmental fund revenues, as defined by the Act. Supporting documentation for the funding ratio and/or ADC must include an actuarial projection, an actuarial valuation, or an internally developed analysis. The local government must project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation.

The completed plan must be submitted via email to Treasury at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov) for review by the Board. **If you have multiple underfunded retirement systems, you are required to**

**complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

**Municipal Stability Board:** The Board shall review and vote on the approval of a corrective action plan submitted by a local government. If a corrective action plan is approved, the Board will monitor the corrective action plan and report on the local government's compliance with the Act not less than every two years.

**Review Process:** Following receipt of the email by Treasury, the Board will receive the corrective action plan submission at the Board's next scheduled meeting. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

**Considerations for Approval:** A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status as well as the date prospective actions will be taken. A local government may also include in its corrective action plan a review of the local government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

- (i) Closing the current defined benefit plan;
- (ii) Implementing a multiplier limit;
- (iii) Reducing or eliminating new accrued benefits;
- (iv) Implementing final average compensation standards.

**Implementation:** The local government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local government's compliance with this Act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local government is in substantial compliance with the Act. If the Board determines that an underfunded local government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local government detailing the reasons for the determination of noncompliance with the corrective action plan. The local government has 60 days from the date of the notification to address the determination of noncompliance.

### 3. DESCRIPTIONS OF PRIOR ACTIONS

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement system as a whole.

- If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local government done to improve its underfunded status, and which attachment(s) supports your actions).

- Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

#### Category of Prior Actions:

- System Design Changes** - System design changes may include the following: lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

**Sample Statement:** *The system's multiplier for current employees was lowered from 2.5X to 2X for the **General Employees' Retirement System** on **January 1, 2019**. On **page 8** of the attached actuarial supplemental valuation, it shows our funded ratio will be **60%** by fiscal year **2022**.*

- Additional Funding** – Additional funding may include the following: voluntary contributions above the ADC, bonding, millage increases, restricted funds, etc.

**Sample Statement:** *The local government provided a lump sum payment of **\$1 million** to the **General Employees' Retirement System** on **January 1, 2019**. This lump sum payment was in addition to the ADC of the system. The additional contribution will increase the retirement system's funded ratio to **61%** by **2027**. Please see **page 10** of the attached enacted budget, which highlights this contribution of **\$1 million**.*

- Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

**Sample Statement:** *The information provided on the Form 5572 from the audit used actuarial data from **2017**. Attached is an updated actuarial valuation from **2019** that shows our funded ratio has improved to **62%** as indicated on **page 13**.*

#### 4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the additional actions the local government is planning to implement to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funding status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement system as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local government do to improve its underfunded status, and which attachment(s) supports your actions).

##### Category of Prospective Actions:

- System Design Changes** - System design changes may include the following: Lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

**Sample Statement:** Beginning with **summer 2019** contract negotiations, the local government will seek to lower the system's multiplier for current employees from 2.5X to 2X for the **General Employees' Retirement System**. On page 8 of the attached actuarial supplemental valuation, it shows our funded ratio would be **60% funded by fiscal year 2021** if these changes were adopted and implemented by **fiscal year 2020**.

The system implemented an Employee Retention Option Plan (EROP) and also increased the multiplier for Public Safety Officers hired after July 1, 2011 from 2.0% to 2.50% in fiscal year 22-23. The net affect of both changes will decrease FY 23-24 contributions by \$146,000 and decrease the unfunded accrued liability by 1.7 million. Attached is the analysis of implementing the EROP and increasing the multiplier completed by Foster & Foster Actuaries and Consultants.

- Additional Funding** – Additional funding may include the following: voluntary contributions above the ADC, bonding, millage increases, restricted funds, etc.

**Sample Statement:** Beginning in **fiscal year 2020**, the local government will provide a lump sum payment of **\$1 million** to the **General Employees' Retirement System**. This lump sum payment will be in addition to the ADC of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2026**. Please see page 10 of the attached enacted budget, which highlights this contribution of **\$1 million**. Please see page 12 of the attached supplemental actuarial valuation showing the projected change to the system's funded ratio with this additional contribution.

Additional funding included the CVTRS requirement - (A city, village, or township that has a retirement pension benefit system in underfunded status (under Section 5 of 2017 Public Act 202) must allocate, to the local unit's pension unfunded liability, an amount equal to the sum of the local unit's FY 2022 eligible CVTRS payment amount less the sum of the local unit's FY 2020 eligible CVTRS payment amounts.)

Additional funding included \$39,704 in fiscal year 22-23 and additional funding of \$52,719 in fiscal year 23-24.

- Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

**Sample Statement:** Beginning in **fiscal year 2020**, the local government will begin amortizing the unfunded portion of the pension liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the retirement system to reach a funded status of **62% by 2023** as shown in the attached actuarial analysis on page 13.

On June 1, 2023, The Pension Board approved the following system design changes as the result of an Experience Study completed by Foster & Foster Actuaries and Consultants:

- Decrease the amortization period from 25 years to a 20 year closed amortization for a period of 5 years and after 5 years the plan will remain at a 15 year open amortization period
- Decrease the assumed rate of investment return from 7.5% to 7.4% with an intention of lowering it .1% a year for the next 5 years
- Update the payroll growth assumption from 3.5% to 3.00%,
- Adjust the age based retirement tables



**5. CONFIRMATION OF FUNDING**

**Please check the applicable answer:**

Do the corrective actions listed in this plan allow for your local government to make, at a minimum, the ADC payment for the defined benefit pension system according to your long-term budget forecast?

**Yes**

**No, Explain:**

**6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN**

Documentation should be attached as a PDF to this corrective action plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

**Naming Convention:** When attaching documents, please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first document "Attachment 2a" and the second document "Attachment 2b".

**Naming Convention:**

- Attachment – 1
- Attachment – 1a
- Attachment – 2a

Attachment – 3a

Attachment – 4a

Attachment – 5a

Attachment – 6a

**Type of Document:**

**This corrective action plan form (required);**

**Documentation from the governing body approving this corrective action plan (required);**

**An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 60% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 10% of governmental fund revenues, as defined by the Act (required);**

Documentation of additional payments in past years that are not reflected in your audited financial statements (e.g. enacted budget, system provided information);

Documentation of commitment to additional payments in future years (e.g. resolution, ordinance);

A separate corrective action plan that the local government has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio;

Other documentation not categorized above.

**7. CORRECTIVE ACTION PLAN CRITERIA**

Please confirm that each of the three corrective action plan criteria listed below have been satisfied when submitting this document. Specific detail on corrective action plan criteria can be found in the Corrective Action Plan Development: Best Practices and Strategies document.

**Corrective Action Plan Criteria:****Description:**

Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local government is a city, village, township, or county, how and when the ADC of all pension systems will be less than 10% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe?

Legality

Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included?

Affordability

Do the corrective action(s) listed allow the local government to make the ADC payment for the pension system now and into the future without additional changes to this corrective action plan?

**8. LOCAL GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN**

I, Shawn Murphy \_\_\_\_\_, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) (**insert title**) Treasurer/Comptroller \_\_\_\_\_ approve this corrective action plan and will implement the prospective actions contained in this corrective action plan.

I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The \_\_\_\_\_ (**insert retirement pension system name**) will achieve a funded status of at least 60% by fiscal year \_\_\_\_\_ as demonstrated by required supporting documentation listed in Section 6.

**OR, if the local government is a city, village, township, or county:**

The ADC for all the defined benefit pension retirement systems of the local government will be less than 10% of the local government's annual governmental fund revenues by fiscal year 2023 \_\_\_\_\_ as demonstrated by required supporting documentation listed in Section 6.

Signature: **Shawn Murphy**

Digitally signed by Shawn Murphy  
Date: 2023.06.26 15:25:37 -04'00'

Date:

## Protecting Local Government Retirement and Benefits Act

### Corrective Action Plan:

### Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017 (The Act).

#### I. LOCAL GOVERNMENT INFORMATION

Local Government Name: City of Grosse Pointe Woods Six-Digit Muni Code: 822130  
 Defined Benefit Pension System Name: GPW Supplemental Annuity  
 Contact Name (Administrative Officer): Shawn Murphy  
 Title if not Administrative Officer: Treasurer/Comptroller Telephone: (313) 343-2604  
 Email (Communication will be sent here): smurphy@gpwmi.us  
 Fiscal Year System was Determined to be Underfunded: 2022

#### 2. GENERAL INFORMATION

**Corrective Action Plan:** An underfunded local government shall develop and submit for approval a corrective action plan for the local government. The local government shall determine the components of the corrective action plan. This corrective action plan shall be submitted by any local government with at least one defined benefit pension retirement system that has been determined to have an underfunded status. Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local government is a city, village, township, or county, the actuarially determined contribution (ADC) for all of the defined benefit pension retirement systems of the local government is greater than 10% of the local government's annual governmental fund revenues, based on the most recent fiscal year.

**Due Date:** The local government has **180 days from the date of notification** to submit a corrective action plan to the Municipal Stability Board (the Board). The Board may extend the 180-day deadline by up to an additional 45 days if the local government submits a reasonable draft of a corrective action plan and requests an extension.

**Filing:** Per Sec. 10(1) of PA 202 of 2017 (the Act), this corrective action plan must be approved by the local government's administrative officer and its governing body. ***You must provide proof of your governing body approving this corrective action plan and attach the documentation as a separate PDF document.*** Failure to provide documentation that demonstrates approval from your governing body will automatically result in a disapproval of the corrective action plan.

The submitted plan must demonstrate through distinct supporting documentation how and when the local government will reach the 60% funded ratio. Or, if the local government is a city, village, township, or county, the submitted plan may demonstrate how and when the ADC for all defined benefit pension systems will be less than 10% of annual governmental fund revenues, as defined by the Act. Supporting documentation for the funding ratio and/or ADC must include an actuarial projection, an actuarial valuation, or an internally developed analysis. The local government must project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation.

The completed plan must be submitted via email to Treasury at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov) for review by the Board. **If you have multiple underfunded retirement systems, you are required to**

**complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-20XX, Local Government Name, Retirement System Name** (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

**Municipal Stability Board:** The Board shall review and vote on the approval of a corrective action plan submitted by a local government. If a corrective action plan is approved, the Board will monitor the corrective action plan and report on the local government's compliance with the Act not less than every two years.

**Review Process:** Following receipt of the email by Treasury, the Board will receive the corrective action plan submission at the Board's next scheduled meeting. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

**Considerations for Approval:** A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status as well as the date prospective actions will be taken. A local government may also include in its corrective action plan a review of the local government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

- (i) Closing the current defined benefit plan;
- (ii) Implementing a multiplier limit;
- (iii) Reducing or eliminating new accrued benefits;
- (iv) Implementing final average compensation standards.

**Implementation:** The local government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local government's compliance with this Act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local government is in substantial compliance with the Act. If the Board determines that an underfunded local government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local government detailing the reasons for the determination of noncompliance with the corrective action plan. The local government has 60 days from the date of the notification to address the determination of noncompliance.

### 3. DESCRIPTIONS OF PRIOR ACTIONS

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement system as a whole.

- If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local government done to improve its underfunded status, and which attachment(s) supports your actions).

- Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

#### Category of Prior Actions:

- System Design Changes** - System design changes may include the following: lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

**Sample Statement:** *The system's multiplier for current employees was lowered from 2.5X to 2X for the **General Employees' Retirement System** on **January 1, 2019**. On page **8** of the attached actuarial supplemental valuation, it shows our funded ratio will be **60%** by fiscal year **2022**.*

- Additional Funding** – Additional funding may include the following: voluntary contributions above the ADC, bonding, millage increases, restricted funds, etc.

**Sample Statement:** *The local government provided a lump sum payment of **\$1 million** to the **General Employees' Retirement System** on **January 1, 2019**. This lump sum payment was in addition to the ADC of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2027**. Please see page **10** of the attached enacted budget, which highlights this contribution of **\$1 million**.*

- Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

**Sample Statement:** *The information provided on the Form 5572 from the audit used actuarial data from **2017**. Attached is an updated actuarial valuation from **2019** that shows our funded ratio has improved to **62%** as indicated on page **13**.*

#### 4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the additional actions the local government is planning to implement to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funding status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement system as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local government do to improve its underfunded status, and which attachment(s) supports your actions).

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**Sample Statement:** Beginning with **summer 2019** contract negotiations, the local government will seek to lower the system's multiplier for current employees from 2.5X to 2X for the **General Employees' Retirement System**. On page 8 of the attached actuarial supplemental valuation, it shows our funded ratio would be **60% funded by fiscal year 2021** if these changes were adopted and implemented by **fiscal year 2020**.

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Additional funding included the CVTRS requirement - (A city, village, or township that has a retirement pension benefit system in underfunded status (under Section 5 of 2017 Public Act 202) must allocate, to the local unit's pension unfunded liability, an amount equal to the sum of the local unit's FY 2022 eligible CVTRS payment amount less the sum of the local unit's FY 2020 eligible CVTRS payment amounts.)  
Additional funding included \$39,704 in fiscal year 22-23 and additional funding of \$52,719 in fiscal year 23-24.

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- Decrease the amortization period from 25 years to a 20 year closed amortization for a period of 5 years and after 5 years the plan will remain at a 15 year open amortization period
- Decrease the assumed rate of investment return from 7.5% to 7.4% with an intention of lowering it .1% a year for the next 5 years
- Update the payroll growth assumption from 3.5% to 3.00%,
- Adjust the age based retirement tables

**5. CONFIRMATION OF FUNDING**

**Please check the applicable answer:**

Do the corrective actions listed in this plan allow for your local government to make, at a minimum, the ADC payment for the defined benefit pension system according to your long-term budget forecast?

**Yes**

**No, Explain:**

**6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN**

Documentation should be attached as a PDF to this corrective action plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

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**Naming Convention:****Type of Document:**

Attachment – 1

**This corrective action plan form (required);**

Attachment – 1a

**Documentation from the governing body approving this corrective action plan (required);**

Attachment – 2a

**An actuarial projection, an actuarial valuation, or an internally developed analysis (in accordance with GASB and/or actuarial standards of practice), which illustrates how and when the local government will reach the 60% funded ratio. Or, if the local government is a city, village, township, or county, how and when the ADC will be less than 10% of governmental fund revenues, as defined by the Act (required);**

Attachment – 3a

Documentation of additional payments in past years that are not reflected in your audited financial statements (e.g. enacted budget, system provided information);

Attachment – 4a

Documentation of commitment to additional payments in future years (e.g. resolution, ordinance);

Attachment – 5a

A separate corrective action plan that the local government has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio;

Attachment – 6a

Other documentation not categorized above.

## 7. CORRECTIVE ACTION PLAN CRITERIA

Please confirm that each of the three corrective action plan criteria listed below have been satisfied when submitting this document. Specific detail on corrective action plan criteria can be found in the Corrective Action Plan Development: Best Practices and Strategies document.

### Corrective Action Plan Criteria:

### Description:

Underfunded Status

Is there a description and adequate supporting documentation of how and when the retirement system will reach the 60% funded ratio? Or, if your local government is a city, village, township, or county, how and when the ADC of all pension systems will be less than 10% of governmental fund revenues? Do the corrective actions address the underfunded status in a reasonable timeframe?

Legality

Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included?

Affordability

Do the corrective action(s) listed allow the local government to make the ADC payment for the pension system now and into the future without additional changes to this corrective action plan?

## 8. LOCAL GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

I, Shawn Murphy, as the government's administrative officer (Ex. City/Township Manager, Executive Director, Chief Executive Officer, etc.) **(insert title)** Treasurer/Comptroller approve this corrective action plan and will implement the prospective actions contained in this corrective action plan.

I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The \_\_\_\_\_ **(insert retirement pension system name)** will achieve a funded status of at least 60% by fiscal year \_\_\_\_\_ as demonstrated by required supporting documentation listed in Section 6.

**OR, if the local government is a city, village, township, or county:**

The ADC for all the defined benefit pension retirement systems of the local government will be less than 10% of the local government's annual governmental fund revenues by fiscal year 2023 as demonstrated by required supporting documentation listed in Section 6.

Signature: **Shawn Murphy**

Digitally signed by Shawn Murphy  
Date: 2023.06.26 15:23:55 -04'00'

Date:





June 20, 2023

VIA EMAIL

Board of Trustees  
City of Grosse Pointe Woods Employees Retirement System

*Re: Cost Impact of Newly Adopted Assumption Changes*

To whom it may concern:

As requested, we have prepared revised contribution amounts based on the newly adopted assumption changes. This letter will outline our work and summarize the results of our analysis.

#### **Assumptions Considered**

This report shows the impact on the contribution amount due to assumption changes. The following assumptions were adopted in light of the most recent experience study:

- The Investment Return rate was updated from 7.5% to 7.4%.
- The Payroll Growth rate was updated from 3.5% to 3.0%.
- The Retirement Rates were adjusted.
- The Termination Rates were adjusted.
- The Disability Rate was simplified to 0.02% for general employees and 0.06% for public safety employees.
- The cost of administrative expenses paid from the trust were added.
- The Amortization Period was changed from an open 25-year period to a closed 20-year period (until 15 years remain).

#### **Approach to Analysis**

Our analysis shows liabilities based on the member data, methods, and plan provisions reflected in the June 30, 2022 actuarial valuation with updated plan assumptions.

#### **Contribution Impact**

The attached exhibit summarizes the results. The combination of the newly adopted plan assumptions creates an increase in annual contributions of approximately \$320,400. However, the recommended contributions to fund the supplemental benefit annuity decreased by approximately \$6,000. The initial funded ratio from the June 30, 2022 actuarial valuation of 66.7% decreased to 66.5% with the assumption updates.

#### **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.

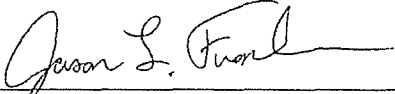
Future actuarial measurements may differ significantly from current measurements due to such factors as the following: plan experience differing from that anticipated by assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used (such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

The June 30, 2022 consolidated 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

## City of Grosse Pointe Woods Employees Retirement System

### Impact of Assumption Changes

Based on June 30, 2022 Actuarial Valuation

	6/30/2022 Valuation	6/30/2022 Valuation with Assumption Changes
Present Value of Benefits (PVB)	69,017,325	68,853,256
Total Actuarial Accrued Liability (AL)	62,517,270	62,723,494
Actuarial Value of Assets (AVA)	41,703,710	41,703,710
Unfunded Actuarial Accrued Liability (UAAL)	20,813,560	21,019,784
Funded Ratio	66.7%	66.5%
Normal Cost	846,361	830,537
As a % of Projected Payroll	14.93	14.77
UAAL Amortization	1,359,303	1,631,655
As a % of Projected Payroll	23.98	29.01
Administrative expenses	-	61,218
As a % of Projected Payroll	0.00	1.09
Total Recommended Contribution	2,205,664	2,523,410
As a % of Projected Payroll	38.91	44.87
Expected Member Contributions	(326,695)	(324,009)
As a % of Projected Payroll	(5.76)	(5.76)
Expected City Contribution	1,878,969	2,199,401
As a % of Projected Payroll	33.15	39.11
Increase in Recommended Contribution		320,432
As a % of Projected Payroll		5.96
Projected Payroll	5,668,368	5,624,285
Interest Rate	7.50%	7.40%
Payroll Growth	3.50%	3.00%
Amortization Period	25	20

## City of Grosse Pointe Woods Employees Retirement System

### Impact of Assumption Changes on Supplemental Benefit Annuity

Based on June 30, 2022 Actuarial Valuation

	6/30/2022 Valuation	6/30/2022 Valuation with Assumption Changes
Total Actuarial Accrued Liability (AL)	3,885,922	3,902,773
Market Value of Assets (MVA)	2,314,927	2,314,927
Unfunded Actuarial Accrued Liability (UAAL)	1,570,995	1,587,846
Normal Cost	48,336	41,020
UAAL Amortization	228,872	230,272
Total Recommended Contribution	277,208	271,292
Increase in Recommended Contribution		(5,916)
Interest Rate	7.50%	7.40%
Payroll Growth	0.00%	0.00%
Amortization Period	10	10



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) City Contrib.	Increase / (Decrease) City Contrib. as % of Payroll	Increase / (Decrease) UAAL	Funded Ratio (EAN)
	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% <sup>1</sup>	2,474	1,647,010	58.1%
(2)	Combination 7.00% <sup>1</sup>	16,853	1,749,189	56.7%

<sup>1</sup> 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.

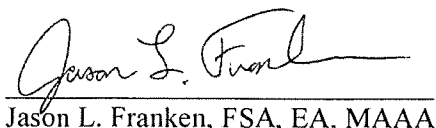
Future actuarial measurements may differ significantly from current measurements due to such factors as the following: plan experience differing from that anticipated by assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used (such 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. Balance	Payment	20-Year Amort. Balance	Payment	15-Year Amort. Balance	Payment	20-Year Amort. 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

**CITY OF GROSSE POINTE WOODS  
EMPLOYEES RETIREMENT SYSTEM**

ACTUARIAL EXPERIENCE STUDY

April 24, 2023



**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS



April 24, 2023

Board of Trustees  
City of Grosse Pointe Woods Employees Retirement System

*Re: Actuarial Experience Study*

Dear Board:

The following report presents the results of an actuarial experience study of the assumptions and methods used for actuarial valuation purposes for the City of Grosse Pointe Woods Employees Retirement System. In the course of the analysis, we compiled plan experience from 2017 through 2022. While we cannot verify the accuracy of all the information provided, the supplied information used for performance of the annual actuarial valuations or compiled from prior year annual reports was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe it has produced appropriate results.

The report includes a review of demographic and economic experience, a comparison of this experience to current actuarial assumptions, our recommendations for consideration regarding changes in assumptions or methods to be effective for the July 1, 2023 actuarial valuation, and the estimated actuarial impact of these suggested changes. We believe implementing the recommended changes will assist in achieving the objective of developing costs that are stable, predictable, and represent our best estimate of anticipated experience.

It is important to remember that the ultimate cost of your retirement plan is independent of any actuarial assumptions or methods used throughout the valuation process. This cost will be the sum of the benefits paid from the fund and the administrative expenses incurred, less any net investment gains received. Future actuarial measurements may differ significantly from current measurements due to such factors as: 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 actuarial measurements included in this report are based on actuarial asset values as of July 1, 2022 and would be different if market asset values were used instead of actuarial asset values.

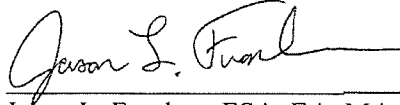
Our analysis used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models that apply the funding and accounting 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.

Foster & Foster does not provide legal, investment or accounting advice. Thus, the information in this report is not intended to supersede or supplant the advice or the interpretations of the plan or its affiliated legal, investing or accounting partners.

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. All sections of this report are considered an integral part of the actuarial opinions.

Respectfully submitted,

FOSTER & FOSTER INC.



Jason L. Franken, FSA, EA, MAAA

## ACTUARIAL STANDARDS OF PRACTICE

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The Actuarial Standards Board (ASB) is responsible for determining which actuarial activities are the best representations of generally accepted actuarial principles, and is also responsible for issuing guidance in the form of Actuarial Standards of Practice (ASOPs) to help actuaries in various practice areas deliver results and recommendations that are consistent with those representations. Generally speaking, ASOPs identify what the actuary should consider, document, and disclose when performing actuarial assignments.

The experience study and related measurements of benefit obligations for the plan are subject to the “coordinated guidance” provided in various ASOPs, including but not limited to:

- ❖ ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, which ties together the standards shown below, provides guidance on actuarial cost methods, and addresses overall considerations for measuring pension obligations and determining plan costs or contributions
- ❖ ASOP No. 23, *Data Quality*
- ❖ ASOP No. 25, *Credibility Procedures*
- ❖ ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*
- ❖ ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*
- ❖ ASOP No. 44, *Selection and Use of Asset Valuation Methods for Pension Valuations*
- ❖ ASOP No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*
- ❖ ASOP No. 56, *Modeling*

This report refers to ASOPs by number (e.g. ASOP No. 4) throughout. It is important to keep in mind that this experience study report only reflects the guidance provided in the final releases of the above-mentioned ASOPs issued by the ASB on or before the date of this report. The results provided in this report reflect the requirements of, and are consistent with, the applicable above-mentioned Actuarial Standards of Practice. When applicable, details from the relevant ASOP will be provided in the report section associated with a particular analysis or topic.

## EXPERIENCE REVIEW SUMMARY

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Below is a summary of our key findings and suggested changes for your consideration. The remainder of the document provides details of our analysis, documents our suggestions, and determines the estimated corresponding actuarial impact.

- ❖ Investment Return – We propose a discussion with your investment advisor on the long-term expected return of the current asset allocation, with consideration given to what expenses are netted against such returns.
- ❖ Payroll Growth – We recommend updating the payroll growth assumption from 3.50% to 3.00%.
- ❖ Retirement Rates – We recommend adjusting the age-based retirement tables.
- ❖ Termination Rates – We recommend adjusting the age and service-based termination rates.
- ❖ Disability Rates – We recommend simplifying the disability rate to 0.20% for general employees and 0.60% for public safety employees.
- ❖ Assumed Expenses – We recommend adding the cost of administrative expenses paid from the trust.
- ❖ Amortization Period – We recommend decreasing the amortization period from 25 years to 15 years.

## REVIEW OF ECONOMIC ASSUMPTIONS

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ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, provides guidance to actuaries in selecting (including giving advice on selecting) economic assumptions – primarily investment return, discount rate, post-retirement benefit increases, inflation, and compensation increases – for measuring obligations under defined benefit pension plans.

Throughout the remainder of this section, we have used the standards set forth in ASOP No. 27 as a guideline for reviewing and if applicable, selecting recommended changes to the following economic actuarial assumptions and methods:

- ❖ Investment Return
- ❖ Salary Increases
- ❖ Payroll Growth

Please keep in mind that ASOP No. 27 (and ASOP No. 35) recognizes a range of reasonable assumptions and states “the actuary should recognize the uncertain nature of the items for which assumptions are selected and, as a result, may consider several different assumptions reasonable for a given measurement. The actuary should also recognize that different actuaries will apply different professional judgment and may choose different reasonable assumptions. As a result, a range of reasonable assumptions may develop both for an individual actuary and across actuarial practice.”

### Investment Return

The investment return assumption is critical in the actuarial valuation since it determines the portion of assets that will come from investment income rather than contributions from the plan sponsor and its participants. The investment return assumption should be determined based on the long-term rate of return (net of investment-related fees) the plan expects to earn over the life of the plan. The assumed rate of investment return is currently 7.50% per year compounded annually, net of both investment-related expenses and administrative expenses.

We believe that the decision to modify the investment return assumption shall be made based upon input from your investment professionals, reflecting any significant changes to the asset allocation, and their judgment of capital market returns. Keep in mind, however, that this assumption should reflect the best estimate of investment returns expected to be realized until no participants remain, which could be 50+ years from now.

ASOP No. 27 provides that in developing a reasonable assumption, the actuary may consider a broad range of data and other inputs, including the judgment of investment professionals. The data that may be considered includes: current yields to maturity of fixed income securities; forecasts of inflation, GDP growth, and total returns for each asset class; historical and current investment data (including real and nominal returns); the inflation and inflation risk components implicit in the yield of inflation-protected securities; dividend yields, earnings yields, real estate capitalization rates; and historical plan performance.

For purposes of reviewing the investment return assumption, a building block approach is often used, whereby the actuary determines the weighted average expected real rate of return for the plan’s target investment portfolio and then adjusts for inflation and expenses not reflected in the real rates of return. Foster & Foster is an actuarial firm, and we do not have the required expertise to produce our own capital market assumptions. For this reason, ASOP No. 27 addresses that the actuary will often collect capital market assumptions from external sources in order to determine the forward-looking expected arithmetic and/or geometric returns. The capital market assumptions can be broadly classified into the following categories: expected returns by asset class; standard deviation by asset class; and correlation coefficients between asset classes. This information was not available for our analysis as part of this study, but if it can be provided, we can revisit to give additional insight.

In the meantime, we can look to national assumption surveys for additional information. NASRA released updated information in November 2022 to their ongoing summary of investment return assumptions used by public employers. While their survey looks at large statewide funds (e.g., Michigan Municipal, Public Schools, and State Employees' systems are included), the results are a common source for information for all public systems. Figure 1 below, taken from NASRA's website, shows that an assumption from 7.0% to 7.5% is most common among respondents. Figure 2 shows how discount rates are trending down over the last 22 years, with a current median of 7.00%.

Figure 1

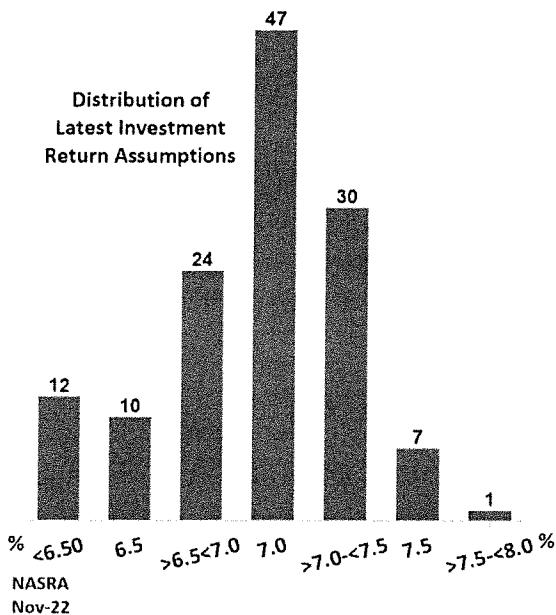
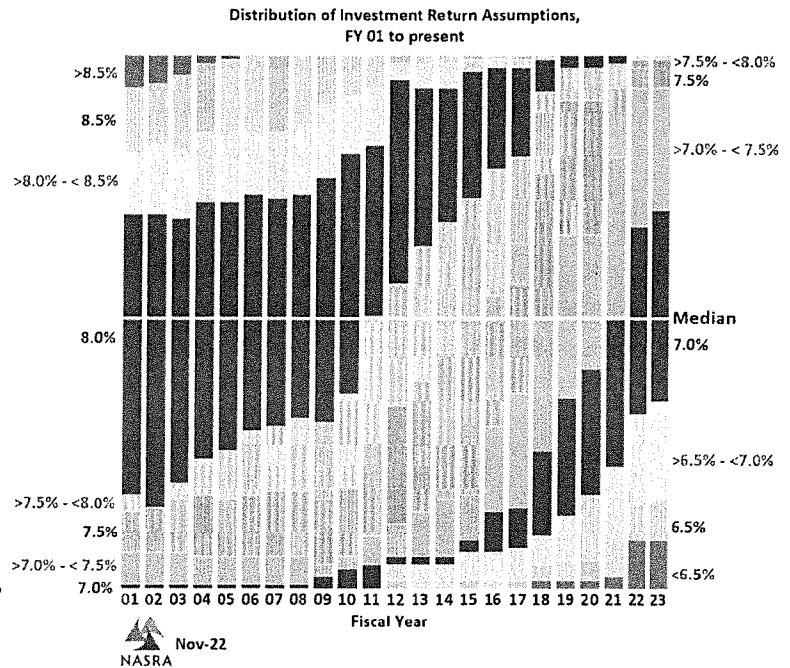


Figure 2



Based on the relevant data discussed in this section, we believe there should be a discussion surrounding the continued use of the current 7.50% assumption. Included in that discussion should be consideration of what expenses (e.g., investment related, administrative) are netted against expected returns to arrive at the final investment return assumption. The Michigan Public Act 202 requires municipal retirement systems in the state to submit information concerning their actuarial accrued liabilities and funded status based on uniform assumptions. The P.A. 202 interest rate assumption for the 2022 reporting year was 6.85%. For informational purposes, we have illustrated the impact of lowering the investment return assumption from 7.50% to 7.00% or 6.85% per year.

Investment Return	City Contribution	Increase / (Decrease)	City Contrib. as % of Payroll	UAAL	Funded Ratio
Current (7.50%)	1,878,969		33.15%	20,813,560	66.7%
6.85%	2,222,498	343,529	39.30%	25,594,709	62.0%
7.00%	2,141,055	262,086	37.86%	24,438,975	63.1%

### Salary Increases

The salary increase assumption is used to project a participant's compensation while actively employed, from the valuation date until the assumed retirement age. This allows the actuary to estimate the pension benefit the member will be entitled to at retirement. Generally, a participant's compensation will increase over the long term in accordance with inflation, productivity growth, and merit adjustments. Currently, the valuation uses age-based assumption tables.

When reviewing the experience, we found that the salary increases were consistent with expectations. Due to the strong correlation between experience and expectations, we recommend keeping the existing age-based assumption tables.

Group	Total Expected Increase	Total Actual Increase
General	4.98%	5.11%
Public Safety	4.05%	3.95%
Total	4.51%	4.52%

### Payroll Growth

The payroll growth assumption is used as part of the unfunded liability amortization calculation, allowing for the amortization rate to remain level as a percentage of payroll over time, assuming all assumptions are met. This is different from the salary increase assumption, since it is looking at the payroll for the entire membership, rather than any individual member. Currently, the valuation assumes that payroll will increase 3.50% each year.

We reviewed total payroll, as reported in the annual valuation report, over the last nine years. The results of this review across different time periods is shown below. The current assumption is higher than the historical data supports. We would recommend lowering the assumption to 3.00% to better reflect actual experience.

Lookback Period	Total
1 year	-4.2%
3 years	3.0%
5 years	2.8%
9 years	0.3%

The impact of the recommended changes will only impact contribution rates, since liabilities are not influenced by the payroll growth assumption. This assumption is used only for the amortization of the unfunded liabilities. The impact of only the recommended changes to the payroll growth rate assumption is an increase in the funding requirement.

Payroll Growth	City Contribution	City Increase / (Decrease)	City Contrib. as % of Payroll	UAAL	Funded Ratio
Current	1,878,969		33.15%	20,813,560	66.7%
Proposed	1,940,657	61,688	34.33%	20,813,560	66.7%

## REVIEW OF DEMOGRAPHIC/OTHER ASSUMPTIONS

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ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, provides guidance to actuaries in selecting (including giving advice on selecting) demographic and other noneconomic assumptions for measuring obligations under defined benefit pension plans.

Throughout the remainder of this section, we have used the standards set forth in ASOP No. 35 as a guideline for reviewing and if applicable, selecting recommended changes to the following demographic and other noneconomic actuarial assumptions:

- ❖ Mortality Rates
- ❖ Retirement Rates
- ❖ Withdrawal Rates
- ❖ Disability Rates
- ❖ Administrative Expenses

Generally, demographic assumptions are based on actual plan experience with additional consideration for current trends. ASOP No. 35 states “the actuary should use professional judgment to estimate possible future outcomes based on past experience and future expectations and select assumptions based upon application of that professional judgment. For any given measurement, the actuary will typically be able to identify two or more reasonable assumptions for the same contingency.”

Demographic trends generally remain consistent over time, absent significant changes in plan provisions. Therefore, the best true indicator of future experience is past experience. For each assumption, this analysis compares actual experience for the studied time period to the current assumptions used for purposes of the actuarial valuations. Note that actuarial assumptions reflect average experience over long periods of time. A change in actuarial assumptions generally occurs when experience over a period of years indicates a consistent pattern.

### **Mid-Year Decrements**

Currently, the valuation assumes members will decrement at the beginning of the year. To better capture actual decrement timing, we developed the proposed decrement rates assuming mid-year decrements. The exhibits detailing the impact of the proposed changes illustrate the impact of the change in decrement timing.



### **Mortality Rates**

The rate of mortality is the probability of death at a given age. As mortality rates have continued to decline over time, concern has increased about the impact of potential future mortality improvement on the magnitude of pension obligations. ASOP No. 35 discusses the importance of actuaries considering mortality improvements when measuring pension obligations. Specifically, an actuary should adjust mortality rates to reflect mortality improvement prior to the measurement date and include an assumption as to the expected mortality improvement after the measurement date, if reasonable.

The Society of Actuaries underwent a comprehensive experience study with the primary objective to develop mortality tables comprised solely of public-sector lives. Additionally, contributors to the study were asked to identify plan members as teachers, public safety personnel, or general employees. This helped provide new insights into the composition of gender-specific pension mortality by factors such as job category, specifically in the public sector. The published tables were released as the Pub-2010 Public Retirement Plans Mortality Tables.

The Retirement System is currently using the Pub-2010 Mortality Tables including generational improvements with Scale MP-2018. We believe that this is an appropriate assumption and recommend continued use of the Pub-2010 Mortality Tables.

### Retirement Rates

Regular Retirement requires attainment of age 50 with 25 years of service, or age 55 with 20 years of service, or age 60 with 10 years of service. Currently, the valuation uses separate age-based tables.

Actual experience over the timespan of the study has shown fewer retirements than expected. Public Safety employees generally retire by age 65. While some general employees may not retire until age 70. Both groups experienced a spike in retirements around reaching regular retirement ages 55 and 60. Based on the recent retirements, we would recommend modifying the current assumption to use the following age-based tables.

Retirement Rates		
Age	General	Public Safety
50-53	20%	20%
54	35%	20%
55	35%	30%
56	35%	10%
57-58	20%	10%
59	40%	10%
60	40%	40%
61-62	10%	40%
63	10%	50%
64	10%	70%
65-66	30%	100%
67	40%	100%
68	50%	100%
69	70%	100%
70+	100%	100%

Adopting the recommended changes to the retirement rates would result in a decrease to the City's contribution when compared to the current assumptions.

Retirement Rates	City Contribution	Increase / (Decrease)	City Contrib. as % of Payroll	UAAL	Funded Ratio
Current	1,878,969		33.15%	20,813,560	66.7%
Mid-Year Decr	1,927,555	48,586	34.36%	21,139,361	66.4%
Proposed	1,868,667	(58,888)	33.32%	20,568,159	67.0%

### Withdrawal Rates

The withdrawal rate, or termination rate, is the probability that a participant will separate employment from a cause other than disability, death, or retirement. Currently, the valuation uses service and age-based tables with a higher rate for participants with less than 5 years of service.

When reviewing the experience, we noticed terminations at a higher rate than expected for general employees and a lower rate than expected for public safety employees. Overall, general employees terminate at a higher rate than public safety employees while both have the highest termination rates at three years of service in the select period. We recommend maintaining the 5-year select period but modifying the current assumption rates to better reflect experience. See below for the proposed termination rate tables.

General Termination Rates						
Age	Service					
	0	1	2	3	4	5+
< 27	10.0%	15.0%	15.0%	20.0%	8.0%	7.0%
30	10.0%	15.0%	15.0%	20.0%	8.0%	7.0%
35	10.0%	15.0%	15.0%	20.0%	8.0%	5.0%
40	10.0%	15.0%	15.0%	20.0%	8.0%	4.0%
45	10.0%	15.0%	15.0%	20.0%	8.0%	3.0%
50	10.0%	15.0%	15.0%	20.0%	8.0%	3.0%
55+	10.0%	15.0%	15.0%	20.0%	8.0%	2.0%

Public Safety Termination Rates						
Age	Service					
	0	1	2	3	4	5+
< 27	3.0%	3.0%	4.0%	8.0%	3.0%	3.0%
30	3.0%	3.0%	4.0%	8.0%	3.0%	3.0%
35	3.0%	3.0%	4.0%	8.0%	3.0%	2.0%
40	3.0%	3.0%	4.0%	8.0%	3.0%	1.0%
45	3.0%	3.0%	4.0%	8.0%	3.0%	0.5%
50	3.0%	3.0%	4.0%	8.0%	3.0%	0.5%
55+	3.0%	3.0%	4.0%	8.0%	3.0%	1.0%

Adopting the recommended changes to the withdrawal rates would result in a slight increase to the City's contribution when compared to the current assumptions.

Withdrawal Rates	City Contribution	Increase / (Decrease)	City Contrib. as % of Payroll	UAAL	Funded Ratio
Current	1,878,969		33.15%	20,813,560	66.7%
Mid-Year Decr	1,927,555	48,586	34.36%	21,139,361	66.4%
Proposed	1,886,564	(40,991)	33.63%	20,994,495	66.5%

### Disability Rates

The disability rate assumption is the probability that a member will become disabled while an active participant in the plan. Currently, the valuation uses age-based tables.

Over the timeframe of the study, no disabilities were granted under the plan. Given the low frequency of occurrences there is not enough experience in the data to support age-based tables. We recommend simplifying the current assumption to 0.20% for all general employees and 0.60% for all public safety employees.

Adopting the recommended changes to the disability rates would result in a slight increase to the City's contribution when compared to the current assumptions.

Disability Rates	City Contribution	Increase / (Decrease)	City Contrib. as % of Payroll	UAAL	Funded Ratio
Current	1,878,969		33.15%	20,813,560	66.7%
Mid-Year Decr	1,927,555	48,586	34.36%	21,139,361	66.4%
Proposed	1,911,444	(16,111)	34.08%	21,032,790	66.5%

### Administrative Expenses

While pension plans exist to pay benefits to members in retirement, an overlooked liability of the plan is the payment of administrative expenses from the trust. If the expenses are not considered in the development of the annual required contribution, the amount being contributed is insufficient. As a result, we recommend including an estimate of administrative expenses in the development of the annual contribution.

There are a variety of different approaches used by actuaries to build in administrative expenses into the contribution including a reduction to the investment return assumption, or the inclusion of an average of prior years' administrative expenses. We recommend including the 3-year average of expenses paid, rounded to the nearest 1,000 in the required contribution. The 3-year average administrative expenses for the City's plan is about \$57,000 which would increase the City's contribution requirement.

### Amortization Period

As part of this analysis, we reviewed the amortization period used to determine the annual contribution. Currently, a 25-year open period is used. The current period does not allow for timely payment of the unfunded liability. Based on the June 30, 2022 valuation, the unfunded accrued liability is projected to increase indefinitely because the amortization payment is not enough to pay the accumulating interest on the unfunded liabilities.

Tables 1, 2 and 3 in the appendix show the impact of changing the amortization period. Table 1 shows the impact on recommended contributions of changing to a 20-year, 15-year or 10-year amortization. Table 2 summarizes the impact of all the proposed changes. Table 3 shows the projected impact of each scenario on the initial unfunded liability. A 20-year amortization period increases the recommended contribution by about 3.5%. However, assuming all assumptions are realized, the payment amount that just covers the interest accumulating on the unfunded liabilities and the entire initial unfunded remains for the duration of the plan's existence. A 15-year period results in an increase in recommended contributions of about 9.5%. This option begins to pay down a portion of the unfunded immediately, but results in 50% of the initial unfunded remaining after 40 years. A 10-year amortization payment increases the recommended contribution nearly 22%. With a 10-year amortization, the initial unfunded liability steadily retires.

We recommend changing the amortization period to a 15-year open amortization of unfunded liabilities. This 15-year amortization will create a more stable and predictable contribution pattern that better aligns the funding of the plan with the payment of the remaining benefit obligations.

## SUMMARY

As stated throughout the content of this report, we have recommended that the Board consider several changes to the actuarial assumptions used for purposes of completing the annual valuations. It is our belief that these changes reflect sound actuarial principles, are in compliance with the Actuarial Standards of Practice, are our best estimate of anticipated future experience, and will assist in achieving the objective of developing costs that are stable and predictable. Below, we have provided a summary of the estimated actuarial impact for the discussed changes.

### Impact of Changes - Current Amortization Period

Cost impacts reflect the current amortization period (25-year open).

<b>Pension Benefits</b>					
Change	Assumption	Increase / (Decrease)		Increase / (Decrease) UAAL	Funded Ratio (EAN)
		City Contrib.	City Contrib. as % of Payroll		
	Current	1,878,969		20,813,560	66.7%
(1)	6.85% Interest	343,529	6.15%	4,781,149	62.0%
(2)	7.00% Interest	262,086	4.71%	3,625,415	63.1%
(3)	Payroll Growth	61,688	1.18%	0	66.7%
(4)	Mid-Year Decrements	48,586	1.21%	325,801	66.4%
(5)	Retirement Rates	(58,888)	0.17%	(245,401)	67.0%
(6)	Withdrawal Rates	(40,991)	0.49%	180,935	66.5%
(7)	Disability Rates	(16,111)	0.93%	219,230	66.5%
(8)	Administrative Expenses	61,275	1.08%	0	66.7%
(9)	Combination 7.50% <sup>1</sup>	53,605	1.30%	(543,258)	67.3%
(10)	Combination 6.85% <sup>1</sup>	404,644	7.55%	4,222,427	62.5%
(11)	Combination 7.00% <sup>1</sup>	321,463	6.07%	3,070,195	63.6%

<b>Supplemental Annuity</b>				
Change	Assumption	Increase / (Decrease)		Funded Ratio (EAN)
		City Contrib.	Increase / (Decrease) UAAL	
	Current	277,208	1,570,995	59.6%
(1)	Combination 7.50% <sup>1</sup>	(11,414)	1,549,263	59.9%
(2)	Combination 6.85% <sup>1</sup>	25,730	1,812,737	55.8%
(3)	Combination 7.00% <sup>1</sup>	16,853	1,749,189	56.7%

<sup>1</sup> Reflects the combination of all the proposed assumption changes with the investment return as shown.

## APPENDIX – IMPACT OF AMORTIZATION PERIOD CHANGE

The tables the following pages illustrate the impact of changing the amortization period. The first two show the impact on the contribution requirements. Table 3 shows the impact of various amortization periods on retiring the current unfunded liabilities.

**Table 1 - Proposed Amortization Period – Recommended Contribution**

The table below shows the impact of three amortization period scenarios on the contribution requirements. Costs include all proposed assumption changes and reflect the current 7.50% investment return. The baseline scenario reflects the current 25-year amortization period.

Change	Assumption	Increase / (Decrease)		Funded Ratio (EAN)
		City Contrib.	City Contrib. as % of Payroll	
	Combination 7.50%	1,932,574		67.3%
(1)	20 Years	198,027	3.52%	67.3%
(2)	15 Years	538,152	9.57%	67.3%
(3)	10 Years	1,234,013	21.94%	67.3%

**Table 2 - Proposed Amortization Period – Impact of All Proposed Changes**

The table below shows the impact of all proposed changes (including a change to the proposed 15- year amortization period) at 7.50%, 6.85% and 7.00%.

Change	Assumption	Increase / (Decrease)		Funded Ratio (EAN)
		City Contrib.	City Contrib. as % of Payroll	
	Current	1,878,969		66.7%
(1)	All - 7.50%/15 Yr. Amort.	591,757	10.87%	67.3%
(1)	All - 6.85%/15 Yr. Amort.	1,198,378	21.66%	62.5%
(2)	All - 7.00%/15 Yr. Amort.	1,053,055	19.07%	63.6%

**Table 3 – Proposed Amortization Period – Projected Unfunded Liabilities**

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

Year	25-Year Amort.		20-Year Amort.		15-Year Amort.		10-Year Amort.	
	Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment
2022	20,270,302	1,292,174	20,270,302	1,476,162	20,270,302	1,792,177	20,270,302	2,438,709
2023	20,401,488	1,300,536	20,203,700	1,471,312	19,863,984	1,756,253	19,168,962	2,306,207
2024	20,533,523	1,308,953	20,137,317	1,466,478	19,465,811	1,721,049	18,127,462	2,180,905
2025	20,666,413	1,317,425	20,071,152	1,461,660	19,075,619	1,686,551	17,142,549	2,062,411
2026	20,800,162	1,325,951	20,005,204	1,456,857	18,693,248	1,652,744	16,211,148	1,950,354
2027	20,934,777	1,334,532	19,939,473	1,452,070	18,318,542	1,619,615	15,330,354	1,844,387
2028	21,070,263	1,343,169	19,873,958	1,447,299	17,951,347	1,587,150	14,497,415	1,744,176
2029	21,206,626	1,351,862	19,808,658	1,442,544	17,591,512	1,555,335	13,709,732	1,649,410
2030	21,343,871	1,360,611	19,743,573	1,437,804	17,238,890	1,524,158	12,964,846	1,559,794
2031	21,482,005	1,369,416	19,678,702	1,433,080	16,893,337	1,493,607	12,260,431	1,475,046
2032	21,621,033	1,378,279	19,614,044	1,428,371	16,554,710	1,463,667	11,594,289	1,394,903
2033	21,760,961	1,387,199	19,549,598	1,423,678	16,222,871	1,434,328	10,964,340	1,319,114
2034	21,901,794	1,396,177	19,485,364	1,419,000	15,897,684	1,405,577	10,368,618	1,247,443
2035	22,043,538	1,405,212	19,421,341	1,414,338	15,579,015	1,377,402	9,805,263	1,179,666
2036	22,186,200	1,414,307	19,357,528	1,409,691	15,266,734	1,349,792	9,272,517	1,115,572
2037	22,329,785	1,423,460	19,293,925	1,405,059	14,960,713	1,322,736	8,768,716	1,054,959
2038	22,474,299	1,432,672	19,230,531	1,400,442	14,660,825	1,296,221	8,292,289	997,641
2039	22,619,749	1,441,944	19,167,346	1,395,841	14,366,949	1,270,239	7,841,747	943,436
2040	22,766,140	1,451,276	19,104,368	1,391,255	14,078,963	1,244,777	7,415,684	892,177
2041	22,913,479	1,460,669	19,041,596	1,386,683	13,796,750	1,219,825	7,012,770	843,703
2042	23,061,771	1,470,122	18,979,031	1,382,127	13,520,194	1,195,374	6,631,747	797,862
2043	23,211,023	1,479,636	18,916,672	1,377,586	13,249,182	1,171,413	6,271,426	754,512
2044	23,361,241	1,489,212	18,854,517	1,373,059	12,983,602	1,147,932	5,930,683	713,517
2045	23,512,431	1,498,850	18,792,567	1,368,548	12,723,345	1,124,921	5,608,453	674,750
2046	23,664,600	1,508,550	18,730,820	1,364,051	12,468,306	1,102,372	5,303,731	638,089
2047	23,817,754	1,518,314	18,669,277	1,359,570	12,218,379	1,080,275	5,015,565	603,420
2048	23,971,898	1,528,140	18,607,935	1,355,102	11,973,462	1,058,621	4,743,056	570,635
2049	24,127,040	1,538,030	18,546,795	1,350,650	11,733,454	1,037,401	4,485,353	539,630
2050	24,283,186	1,547,984	18,485,856	1,346,212	11,498,257	1,016,606	4,241,652	510,311
2051	24,440,342	1,558,002	18,425,117	1,341,789	11,267,775	996,229	4,011,192	482,584
2052	24,598,516	1,568,085	18,364,578	1,337,380	11,041,912	976,259	3,793,254	456,364
2053	24,757,713	1,578,233	18,304,238	1,332,986	10,820,577	956,690	3,587,157	431,569
2054	24,917,941	1,588,447	18,244,096	1,328,606	10,603,679	937,513	3,392,257	408,121
2055	25,079,206	1,598,728	18,184,152	1,324,241	10,391,128	918,721	3,207,946	385,946
2056	25,241,514	1,609,074	18,124,404	1,319,890	10,182,838	900,305	3,033,650	364,977
2057	25,404,873	1,619,488	18,064,853	1,315,553	9,978,723	882,258	2,868,823	345,147
2058	25,569,289	1,629,969	18,005,498	1,311,231	9,778,700	864,574	2,712,952	326,394
2059	25,734,769	1,640,518	17,946,337	1,306,922	9,582,685	847,243	2,565,550	308,660
2060	25,901,320	1,651,135	17,887,371	1,302,628	9,390,600	830,260	2,426,157	291,890
2061	26,068,949	1,661,821	17,828,599	1,298,348	9,202,366	813,618	2,294,337	276,030



2A

Motion by Crook, supported by Zarb –after the board reviewed the Actuarial Experience Study(s) from Foster and Foster Actuaries and Consultants dated April 24, 2023 and May 16, 2023—to adopt the following recommendations with the understanding that these assumptions are to be reviewed annually prior to implementation and inclusion in the following years' valuation:

- Decrease the amortization period from 25 years to a 20 year closed amortization for a period of 5 years and after 5 years the plan will remain at a 15 year open amortization period
- Decrease the assumed rate of investment return from 7.5% to 7.4% with an intention of lowering it .1% a year for the next 5 years
- Update the payroll growth assumption from 3.5% to 3.00%,
- Adjust the age based retirement tables
- Adjust the age and service-based retirement rates
- Simplify the disability rate to 0.20% for general employees and 0.60% for public safety employees
- Add the cost of administrative expenses paid from the trust.

Motion CARRIED by the following vote:

YES: Bryant, Crook, Conigliaro, Zarb

NO: None

ABSENT: Granger

2B

City of Grosse Pointe Woods  
822130  
GPW Retirement System  
GPW Supplemental Annuity  
ADC Analysis

	2017	2018	2019	2020	2021	2022	2022-23 ESTIMATE	2023-24 ESTIMATE	2024-2025 ESTIMATE
<b>Plan Fiduciary Net Position</b>	<b>37,614,854</b>	<b>37,828,401</b>	<b>37,194,936</b>	<b>35,546,210</b>	<b>45,943,628</b>	<b>38,115,937</b>	<b>40,000,000</b>		
Plan Fiduciary Increase/(Decrease)		213,547	(633,465)	(1,648,726)	10,397,418	(7,827,691)	1,884,063		
Percentage Increase/(Decrease)		0.57%	-1.67%	-4.43%	29.25%	-17.04%	4.94%		
Actuarial Determined Contributions-Pension	1,076,000	1,231,000	1,215,000	1,406,000	1,623,000	2,044,000	1,993,291	1,878,969	2,199,369
Actuarial Determined Contributions-SA	290,000	298,000	311,792	335,830	318,174	349,494	329,201	277,208	271,292
<b>TOTAL ACTUARIAL DETERMINED CONTRIBUTION</b>	<b>1,366,000</b>	<b>1,529,000</b>	<b>1,526,792</b>	<b>1,741,830</b>	<b>1,941,174</b>	<b>2,393,494</b>	<b>2,322,492</b>	<b>2,156,177</b>	<b>2,470,661</b>
		163,000	-2,208	215,038	199,344	452,320	-71,002	-166,315	314,484
		12%	-0.14%	14.08%	11.44%	23.30%	-2.97%	-7.16%	14.59%
<b>Average Increase over 5 years 2018-2022</b>	<b>12.12%</b>								
<b>Governmental Fund Revenues</b>	<b>18,991,373</b>	<b>20,007,777</b>	<b>21,597,822</b>	<b>21,211,077</b>	<b>22,113,120</b>	<b>23,292,071</b>	<b>25,552,849</b>	<b>25,644,219</b>	<b>26,726,405</b>
		1,016,404	1,590,045	-386,745	902,043	1,178,951	2,260,778	91,370	1,082,186
Percentage Increase/(Decrease) in Governmental Revenue		5.35%	7.95%	-1.79%	4.25%	5.33%	9.71%	0.36%	4.22%
<b>Average Increase over 5 years 2018-2022</b>	<b>4.22%</b>								
<b>ALL SYSTEMS COMBINED ADC/GOVERNMENTAL FUND REVENUES</b>		<b>7.6%</b>	<b>7.1%</b>	<b>8.2%</b>	<b>8.8%</b>	<b>10.3%</b>	<b>9.1%</b>	<b>8.4%</b>	<b>9.2%</b>