

**CITY OF MADISON HEIGHTS
POLICE & FIRE RETIREMENT SYSTEM
REGULAR SCHEDULED TRUSTEE MEETING
January 24, 2023**

The Meeting of the City of Madison Heights Policemen & Firemen Retirement System Board of Trustees was held on Tuesday, January 24, 2023, at 8:30 a.m. at 31313 Brush Street, Madison Heights, Michigan.

Present: Chairperson, Jeff Gerald
Board Members: Linda Kunath, Kevin Powers, Anthony Roberts

Others Present: Gabriel, Roeder, Smith & Company actuary services Brad Armstrong, Jamal Adora
Morgan Stanley\Graystone investment advisors Brian Brice, Tim Brice

Arrived at 8:40 a.m.: Board Member Kevin Barrett

30-23 Approval of Minutes of the Special Meeting of December 7, 2022

Motion by Trustee Roberts and supported by Trustee Bissinger to approve minutes of the regular meeting of December 7, 2022.

Yeas: Gerald, Bissinger, Kunath, Roberts
Nays: None
Absent: Barrett
Motion Carried.

Meeting Open to the Public

No items were discussed.

31-23 GRS Retirement System Actuarial Valuation Report June 30, 2022

Gabriel, Roeder, Smith & Company (GRS) actuaries Brad Armstrong and Jamal Adora presented the Police and Fire Retirement System Actuarial Valuation Report, dated June 30, 2022. The City's Normal Cost of Department Heads, Police, and Fire total is 10.82%, the Unfunded Actuarial Accrued Liabilities for Retiree and beneficiaries and Active members total is 48.89%, which brings the City's Total Contribution to 59.71% of payroll. This contribution amount equates to \$3,606,957 for fiscal year 2023-2024. The overall actuarial experience was less favorable than anticipated, with a (0.9)% loss, \$(803,465), of actuarial accrued liabilities at the start of the year. The Plan has a funded ratio of 51.1%, which is 0.4% less than last year, which is still below the State P.A. 202 recommended ratio of 60%. The amortization period of 22 years exceeds the average expected future lifetime of the current retired members of 20 year. GRS recommends that the Board consider lowering the amortization period for at least the portion of the unfunded liability attributable to retiree liability. The lower the amortization period, the higher the annual funding requirement will be.

GRS noted the assets in the Plan are not sufficient to cover current retiree liabilities and the ratio of assets (Market Value) to retiree benefit payroll is approximately nine. This means that approximately nine years of retiree benefit payments can be paid from current assets; the ability to make such payments beyond that period is heavily dependent upon future contributions and future investment return. Investment income is phased-in over four (4) years, which results in more stable contributions, by smoothing out the peaks and valleys of market returns. If not for smoothing, the funded ratio would be 47.2%, rather than 51.1%.

Motion by Trustee Roberts and supported by Trustee Barrett to receive and file the June 30, 2022 GRS Retirement System Actuarial Valuation report.

Yeas: Barrett, Bissinger, Gerald, Kunath, Roberts
Nays: None
Motion Carried.

32-23 Morgan Stanley\Graystone Consulting Investment Report

Investment Consultants Tim Brice and Brian Brice discussed retirement investments and the markets. During 2022 the market performance was historic, the bond market was down 13% which hadn't been seen since 1870 and the equity market was down 18%. The Federal Reserve increased interest rates over 4.25% the past 9 months and is thought to be near the end of raising rates. The S&P 500 has increased 3.5% and the bond market has increased 2.9% this past calendar year. Growth potential exist for international and emerging markets if the dollar value is decreased.

The pension fund is higher 6.12% quarter to date which is less than the benchmark of 7.01%, -16.28 the last 12 months which is lower than -13.68 benchmark and 3.55% the last 5 years which is less than 4.85% benchmark. The total assets as of January 17, 2023 were \$45,776,740 and were \$41,337,961 at December 31, 2022.

Motion by Trustee Roberts and supported by Trustee Bissinger to receive the investment report.

Yeas: Barrett, Bissinger, Geraldts, Kunath, Roberts

Nays: None

Motion Carried.

33-23 New Business.

A legislative update was provided by pension firm VanOverbeke, Michaud & Timmony, P.C.. The supplemental actuarial valuation report for Steven King was given to the Board for review. Finance Director Linda Kunath advised the Board that a Corrective Action Plan (CAP) was submitted to the State of Michigan, as required every two years for pension plans that are not funded to at least 60%. The City's Police and Fire Plan has 20 years, until 2037, to meet the funding requirement. The CAP continues to plan for meeting the funding level by 2031 and includes additional annual contributions by the City above the actuarial required amount.

The timeframe for a new retiree of the pension system to receive a first monthly pension payment was discussed. A retiring employee receives a last active payroll check, then a final payment amount is calculated for any accumulated bank time and special pay types and paid to the retiring employee in the following few weeks, afterwards a final average compensation amount is calculated and sent to the actuary for monthly pension is computed in the next 4 to 6 weeks. Once the pension calculation is received, the City notifies the new retiree, requests a retro-active payment and establishes a monthly pension distribution.

34 -23 Adjournment

Motion by Trustee Roberts and supported by Trustee Barrett to adjourn the meeting.

Yeas: Barrett, Bissinger, Geraldts, Kunath, Roberts

Nays: None

Motion Carried.

Meeting was adjourned at 10:08 a.m.

Respectfully submitted,

Linda A. Kunath, Secretary