
City of Royal Oak Retirement System

Summary Annual Report to Members for Period Ending June 30, 2020

Dear Retirement System Member:

The retirement system, which is managed by the board of trustees, is designed to help you meet your financial needs should you become disabled, retire or die. The city also supports a retiree health insurance program, which is separate from the retirement system.

The board's fiduciary responsibility to you is to supervise the general administration of the system and invest its assets. The board retains professional employees and advisors to assist us in fulfilling these duties.

We have prepared this summary report to give you a brief overview of the retirement system and how it operates. We hope you will find it useful and informative. However, a summary cannot cover all the details of the system, which is governed by the provisions of the city's retirement ordinance, any applicable collective bargaining agreements, and the board's official rules and regulations. Additional information about the system and its financial operation is available in the finance director's office.

Retirement Board

City of Royal Oak Retirement System

- Lee Collick
- Bret Nelson
- Paul Brake
- Kyle DuBuc

Auditors

- Rehmann

Legal Counsel

- Thomas Michaud, VanOverbeke, Michaud & Timmony P.C.

Actuaries and Consultants

- Gabriel, Roeder, Smith & Company

Plan Administrator

- Julie Rudd

Investment Consultant

- SEI

Medical Director

- Med Source Services, Inc.

Investment Managers

- Various (SEI)

Custodial Bank

- SEI

Summary Results of the Actuarial Valuation

Your retirement system's financial objective is to accumulate assets necessary to pay the promised benefits in an orderly manner. To accomplish this, contribution rates are established in a manner that is designed to keep those rates approximately level as a percentage of payroll from year to year. The board of trustees of the retirement system provides for payment of the required employer contribution as described in Section 20m of the Michigan Public Act No. 728 of 2002.

To determine an appropriate employer contribution level for the ensuing year and to gauge how the system's funding is meeting this fundamental objective, an independent firm of actuaries and employee benefit consultants, Gabriel, Roeder, Smith & Company, conducts annual actuarial valuations.

These valuations are based on your system's past experience, information about current participation and financial markets, and assumptions concerning the system's future demographic and economic activity. The results of the June 30, 2020 valuation, based on continuing the established funding objective, are summarized below:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent for Police and Fire Level Dollar for General and Water
Remaining Amortization Period	Police and Fire: 23 Years Closed General and Water: 18 Years Closed
Asset Valuation Method	4-Year Smoothed Market
Valuation Payroll	\$ 14,909,017
Annual Pensions Paid	\$ 17,595,034
Average Annual Pensions Paid	\$ 32,403
Retirees and Beneficiaries Receiving Benefits	543
Terminated Plan Members Entitled to but not yet Receiving Benefits	22
Active Plan Members	201
Total	766
Principal Actuarial Assumptions:	
– Investment Rate of Return	7.25%
– Projected Salary Increases (includes step adjustments)	3.0% - 5.2%
– Includes Wage Inflation at	2.5%
– Cost-of-Living Adjustments	None

Fiscal Year 2021 Employer Contribution Amounts

Contributions for	General & Water	Police Officers & Fire Fighters	Weighted Average	Funded Status	\$ Millions
Normal Cost of Benefits				Actuarial Accrued Liabilities	\$ 250.7
Total	14.91 %	21.47 %	19.69 %	Valuation Assets	
Member Portion	5.42 %	5.89 %	5.76 %	(Smoothed Market Value)	\$ 156.2
Employer Portion	9.49 %	15.58 %	13.93 %	% Funded	62.3%
UAAL* Amortization	\$ 735,682	52.28 %			
Projected Payroll	\$3,597,317	\$11,108,603			
Estimated \$ Amount	\$1,077,067	\$ 7,538,298	\$ 8,615,365		

* *Unfunded Actuarial Accrued Liabilities.*

Actuary's Opinion

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

Summary of Current Asset Information

Revenues & Expenditures

Investment Performance (Net of Fees)*

	<u>2019-2020</u>	<u>2018-2019</u>		
Market Value - July 1	\$154,305,575	\$156,198,591	1-Year	2.94 %
Adjustment to Balance - Beginning of year	<u>0</u>	<u>0</u>	3-Year	5.51 %
Adjusted Balance - Beginning of year	\$154,305,575	\$156,198,591	5-Year	5.45 %
			7-Year	6.92 %
			10-Year	8.08 %

Revenues

Member Contributions	1,020,272	1,045,318
Employer Contributions	8,575,466	6,125,484
Investment Income	<u>5,300,963</u>	<u>9,319,665</u>
Total	14,896,701	16,490,467

* Provided by the City

Projected Expenses for 2020-2021

Expenditures

Benefit Payments	17,186,476	16,480,118
Health Insurance Premiums for Retired Members	0	0
Refund of Member Contributions	1,179,562	1,011,413
Administrative and Investment Expenses	<u>892,301</u>	<u>891,952</u>
Total	19,258,339	18,383,483

Administrative	\$ 0
Investment	850,000
Professional	80,300

Market Value - June 30

\$149,943,937 \$154,305,575

Actuarial Valuation of Assets & Reserves

<u>Reported Assets</u>		<u>Reserves for</u>	
Cash & Equivalents	\$ 227,773	Member Contributions	\$ 10,298,150
Other Short-Term	0	Employer Contributions	25,929,523
Receivables & Accruals	63,291	Retired Benefit Payments	171,749,575
Mutual Funds	150,311,189	Undistributed Investment Income	(58,033,311)
Other	0		
Accounts Payable	(658,316)		
Market Value of Assets	<u>\$149,943,937</u>	Market Value of Assets	<u>\$149,943,937</u>
Funding Value Adjustment	6,296,614	Funding Value Adjustment	6,296,614
Funding Value of Assets	<u>\$156,240,551</u>	Funding Value of Assets	<u>\$156,240,551</u>

Note: During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, funding value of assets will tend to be greater than market value. The "actuarial funding method" is a mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability.

Public Act 530 of 2016 Disclosure Requirement:

This system does not pay healthcare benefits therefore there is not an assumed rate of healthcare inflation. The police officers and firefighters pension plan is approximately 48% funded. The city is contributing the required contribution to decrease the unfunded actuarial accrued liability.