
City of Royal Oak Retirement System

Summary Annual Report to Members for the Period Ending June 30, 2024

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
- Mark Wollenweber
- Amanda Herzog
- Monica Hunt

Plan Administrator

- Kymberly Coy

Medical Director

- Med Source Services, Inc.

Custodial Bank

- SEI

Auditors/Accountants

- Rehmann

Legal Counsel

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

Actuaries and Consultants

- Gabriel, Roeder, Smith & Company

Investment Consultant

- SEI

Investment Managers

- Various (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, 2024 valuation, based on continuing the established funding objective, are summarized below:

Valuation Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent for Police and Fire
Remaining Amortization Period	Level Dollar for General and Water
Asset Valuation Method	Police and Fire: 19 Years Closed
Valuation Payroll	General and Water: 14 Years Closed
Annual Pensions Paid	5-Year Smoothed Market
Average Annual Pensions Paid	\$ 17,608,646
Retirees and Beneficiaries Receiving Benefits	\$ 19,474,644
Terminated Plan Members Entitled to but not yet Receiving Benefits	\$ 36,064
Active Plan Members	540
Total	17
Principal Actuarial Assumptions:	185
– Investment Rate of Return	7.25%
– Projected Salary Increases (includes step adjustments)	3.25% - 5.41%
– Includes Wage Inflation at	2.5%
– Cost-of-Living Adjustments	None

Fiscal Year Ending 2026 Employer Contribution Amounts

Contributions for	General & Water	Police Officers & Fire Fighters	Weighted Average	Funded Status	\$ Millions
Normal Cost of Benefits				Actuarial Accrued Liabilities	\$ 278.3
Total	15.49 %	23.45 %	22.14 %	Valuation Assets	
Member Portion	5.36 %	5.89 %	5.81 %	(Smoothed Market Value)	\$ 163.6
Employer Portion	10.13 %	17.56 %	16.33 %	% Funded	58.8%
UAAL* Amortization	\$ 846,272	52.55 %			
Projected Payroll	\$ 2,577,252	\$ 15,070,736			
Estimated \$ Amount	\$ 1,107,348	\$ 10,566,093	\$ 11,673,441		

* *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

	2023-2024	2022-2023
Market Value - July 1	\$154,693,172	\$151,680,634
Adjustment to Balance - Beginning of Year	0	0
Adjusted Balance - Beginning of Year	\$154,693,172	\$151,680,634

Investment Performance (Net of Fees)

1-Year*	12.5 %
3-Year*	2.5 %
5-Year*	7.5 %
7-Year	7.3 %
10-Year	6.6 %

Revenues

Member Contributions	1,034,836	1,039,999
Employer Contributions	9,139,170	8,532,621
Investment Income	<u>19,120,738</u>	<u>14,698,515</u>
Total	29,294,744	24,271,135

Expenditures

Benefit Payments	19,624,456	18,924,891
Health Insurance Premiums for Retired Members	0	0
Refund of Member Contributions	1,562,929	1,382,006
Administrative and Investment Expenses	<u>917,401</u>	<u>951,700</u>
Total	22,104,786	21,258,597

Market Value - June 30

Actuarial Valuation of Assets & Reserves

Reported Assets

Cash & Equivalents	\$ 317,100
Other Short-Term	0
Receivables & Accruals	119,478
Mutual Funds	161,649,481
Other	0
Accounts Payable	(202,929)
Market Value of Assets	\$161,883,130
Funding Value Adjustment	1,714,900
Funding Value of Assets	\$163,598,030

Reserves for

Member Contributions	\$ 11,192,442
Employer Contributions	26,745,925
Retired Benefit Payments	193,149,167
Undistributed Investment Income	(69,204,404)
Market Value of Assets	\$161,883,130
Funding Value Adjustment	1,714,900
Funding Value of Assets	\$163,598,030

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 44% funded. The city is contributing the required contribution to decrease the unfunded actuarial accrued liability.