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City of Roseville Employees' Retirement System Summary Annual Report

June 30, 2021

Dear Member:

The following is a summary of your Retirement System. Each year, an actuarial valuation is prepared to compare assets to liabilities. Assets are held and invested in a trust separate from other City assets. The only disbursements from this trust are to members who are retired or disabled, beneficiaries of members, members who receive contribution refunds, and for Retirement System expenses.

As Retirement Board Members, our tasks include making sure trust assets are invested prudently, required City and member contributions are received and that benefits are paid in accordance with the Retirement System's provisions.

Various professionals are hired to help in the administration of the System. They are listed in the column to the right.

The City is funding Retirement System benefits as they accrue in accordance with a sound level percent of payroll funding objective.

Respectfully submitted,

Board of Trustees

BOARD MEMBERS

Robert Taylor, *Chairman*

Catherine Haugh, *Vice Chairwoman*

Michael Busch, *Trustee*

John Haase, *Trustee*

James Osterhout, *Trustee*

Sharon Maas, *Administrative Assistant*

PROFESSIONAL ADVISORS

Investment Fiduciaries

ABS Emerging Markets

Alidade Capital

American Funds EuroPacific, ETF

AndCo Consulting, *Investment Consultant*

Baird Advisors

Bloomfield Capital

Clarkston Capital

Comerica Bank, *Custodian*

Edgewood Investment

EnTrust Capital

Hamlin Capital Management

HGK Asset Management

Loomis, Sayles and Co.

McMorgan Infrastructure

Seizert Capital Partners

TerraCap Partners

ValStone Partners

Vanguard Inst Index Fund

Service Providers

Nyhart Company, *Actuary*

VanOverbeke, Michaud & Timmony,
Attorneys

Plante Moran, *Auditors*

Consulting Physicians/MedSource,
Medical Director

ACTUARIAL INFORMATION USED FOR THIS REPORT:

- 116 members & 10 deferred
- 202 retirees/beneficiaries (includes DROP participants)
- Plan is open to new hires
- Average annual pension benefit: **\$30,072**
- Annual pension benefits paid: \$6,208,535 (includes DROP refunds and annuity withdrawals)
- Valuation payroll used: \$6.5 million
- Employer's normal cost of benefits: 9.9%
- Employer's total contribution rate: 27.4%
- Member contribution rate: varies from 6.5% to 10%, depending upon group
- Required employer contribution for the fiscal year was received
- 7% assumed rate of investment return
- Assumed rate of long-term wage inflation varies from 1-5.5% depending upon age and service
- 4-year smoothing method
- 23 years amortization period
- Level percent of payroll method
- Cost method is individual entry-age
- Current valuation assets are 70.3% of accrued liability

INVESTMENT PERFORMANCE*

	1	3	5	7	10
Combined Account	Year	Year	Year	Year	Year
	14.93%	9.60%	10.38%	8.00%	8.30%

*Calendar year ending December 31, 2020 (net of fees)

2021-2022 PROJECTED EXPENDITURES

Pension Payments/DROP Withdrawals: \$6,700,000

Refund of Member Contributions: \$140,000

Investment Fees: \$450,000

Memberships/Training/Education/Travel: \$17,500

Administrative Expenses: \$110,000

City of Roseville Employees' Retirement System Summary Annual Report (cont.)

ACTUARIAL VALUATION SUMMARY

Nyhart Company was hired to prepare the June 30, 2021 Actuarial Valuation. The funding objective of the System is to contribute a contribution that remains level from year to year as a percent of payroll. The actual level of contribution is dependent on past and assumed future experience, including investment performance, and benefit provisions. Below is a summary of the results:

Contribution Requirements

Normal Cost of Benefits	
Total	\$ 640,494
Member portion	- 518,495
Administrative Expenses	120,000
Amortization of unfunded liability (23 years)	1,394,922
Interest	144,463
Employer portion	\$ 1,781,384

ASSETS & LIABILITIES

Funded Status

Market Value of Assets	\$ 67,093,519
Valuation Assets	56,832,262
Actuarial Accrued Liability	80,796,685
Funded Ratio	70.3%

The valuation reflects Retirement System changes made prior to June 30, 2021, which includes lowering the interest rate from 7.5% to 7%, withdrawal rates and retirement rates were lowered, and the salary scale was lowered. The remaining assumptions and methods are consistent with those used in the June 30, 2020 valuation.

ACTUARY'S STATEMENT – The System is being funded based on sound actuarial assumptions, methods and level percent of payroll funding objective. For a complete analysis, please review the June 30, 2021 actuarial valuation available online at <https://www.roseville-mi.gov/departments/retirement/index.php>

Revenues & Expenditures

Beginning Balance (Market Value) – July 1, 2020		\$ 51,768,841
Revenues		
Employees' contributions	501,568	
Employer contributions	2,260,051	
Investment income	19,329,950	
Other Income	<u>-51,550</u>	
Total		22,040,019
Expenditures		
Pension payments & Member refunds	6,208,535	
Refund of DROP contributions	0	
Memberships/Training/Education/Travel	-2,314	
Investment Fees	390,953	
Administrative Expenses	<u>118,167</u>	
Total		6,715,341
Ending Balance (Market Value) – June 30, 2021		\$ 67,093,519
Recognized Return on Smoothed Funding Value of Assets		13.6%