

# **CITY OF SOUTHFIELD FIRE & POLICE RETIREMENT SYSTEM**

## **2025 SUMMARY ANNUAL REPORT (as of June 30, 2024)**

### **Fire & Police Retirement System Board:**

John Fisher, President  
Duane Garth, Vice President  
Audrey Harvey, Secretary  
Irv Lowenberg, Trustee  
Brent Wilson, Trustee

### **Fire & Police Retirement System Staff:**

Megan Battersby, Retirement Program Director

### **Phone:**

(248)796-5220

## **2025 SUMMARY ANNUAL REPORT**

Dear Member:

The City of Southfield Fire & Police Retirement System is a program designed to help its members meet the financial concerns of old age, disability, and death. This summary report is intended to give you a brief system operation overview.

The Retirement System is managed by a Board of Trustees, which in accordance with Public Act 345 includes the Treasurer of the City, one representative each from the Police and Fire departments, and two citizen representatives. The Board's duty is to supervise general administration of the system and invest the assets accumulating on behalf of all its members. The Board retains professional advisors to assist in fulfilling these fiduciary responsibilities.

It is not practical to cover all activities and provisions of the Retirement System in a summary report. The actual operation of the system is governed and controlled by the detailed provisions of Public Act 345, union contracts, and the Board's official rules, regulations, and resolutions.

Respectfully Submitted,

City of Southfield Fire & Police Retirement System Board of Trustees

## RETIREMENT SYSTEM FUNDING

The basic financial objective of the Retirement System is to establish and receive contributions expressed as percentages of active member payroll which will remain approximately level from year to year and will not have to be increased for future generations of taxpayers. The annual actuarial valuation analyzes the Retirement System's funding progress to establish a contribution rate that will allow the Retirement System to function at a financially sound level. The Actuary calculates the contribution requirements and benefit values of the fund by applying actuarial assumptions to the benefit provisions and people information provided by the Retirement Program Director. Actuarial valuations are conducted by Gabriel, Roeder, Smith & Company, an independent firm of consultants and actuaries. Results of the June 30, 2024 valuation are summarized below:

### Contributions to Provide Benefits Fiscal Year Beginning July 1, 2025

Contributions for	Contributions Expressed as %s of Active Member Payroll
<i>Normal Cost of Benefits:</i>	
Age & service	19.57%
Disability	1.39
Death before retirement	0.25
Refunds of member contributions	0.21
Expenses	0.71
Total	22.13
<i>Member Contributions (weighted avg.)</i>	5.68
<i>Employer Normal Cost</i>	16.45
<i>Unfunded Actuarial Accrued Liabilities*</i>	28.00
<b>Computed Employer Rate</b>	<b>44.45%</b>
Minimum Dollar Contribution	\$11,101,262

The projected employer dollar contribution based on the payroll information provided for the valuation, adjusted to reflect assumed payroll increases between the valuation date and the fiscal year for which the contributions are being determined, is \$11,101,262. Therefore, the actuary suggests a minimum contribution of this amount.

## **RETIREMENT SYSTEM SUMMARY**

The City of Southfield Fire & Police Retirement System offers retirement benefits based on the provisions of Public Act No. 345 of 1937, as amended, and applicable collective bargaining agreements. Members covered by the SPOA, SFFA, SPCOA, and Deputy Chiefs collective bargaining agreements are eligible for a Regular retirement upon attaining a minimum of 20 years of service. The maximum service currently permitted for the calculation of a pension benefit, in accordance with these collective bargaining agreements, is 25 years. The current multiplier applied to Average Final Compensation for a Regular retirement, in accordance with the above collective bargaining agreements, is 2.8 except for Fire employees hired after September 12, 2011 and new Police employees hired after February 22, 2014 for whom it is 2.5.

Unless members elect another benefit option to provide for their beneficiaries, an eligible surviving spouse automatically receives 60% of the member's benefit, provided that the member retired with a Regular retirement pension and the spouse was the member's spouse both at the time of retirement and at the time of the member's death. Pre-retirement death benefits to the survivor of a member are also available. The Retirement System provides disability benefits for its members with certain survivor options. More information on these various retirement options can be obtained by contacting the Retirement Program Director at (248)796-5220.

The City of Southfield Fire & Police Retirement System consists of two interrelated tax qualified plans: the Defined Benefit Plan and the Defined Contribution Plan. The Defined Benefit Plan is funded by the employer and payable to members meeting minimum service requirements for the various retirement options available. Members' Defined Contribution Plan accounts are comprised of their accumulated employee contributions and accrued interest. The refundable amount held in this plan may be withdrawn by a member upon Regular retirement or when terminating employment with the City of Southfield. If a vested member (one with 10 or more years of service) terminates employment with the City, the member has the option of leaving the balance of his or her contributions in the Retirement System's Defined Contribution Plan to receive vested retirement benefits. These benefits become effective upon application to the Board of Trustees on or after the date the member would have first become eligible to retire had the member continued City employment.

## **RETIREMENT SYSTEM OVERVIEW**

The name of the Retirement System is the City of Southfield Fire and Police Retirement System. Investment consulting services are provided by Mariner, legal services are provided by VanOverbeke Michaud & Timmony, P.C., actuarial services are provided by Gabriel Roeder Smith & Company, custodial services are provided by The Northern Trust Company, and the medical director that serves the Plan is MedSource/Consulting Physicians.

The Retirement System's investment fiduciaries during the fiscal year ended June 30, 2024 were:

City of Southfield Fire and Police Retirement Board

ABS

Ares

Artemis

Bloomfield Capital

Boyd Watterson

Centerbridge Partners

Champlain Investment Partners

Fidelity

JCR Capital

Ironsides

Loomis, Sayles & Company

Marathon

Mariner

Nantucket Capital Management

National Investment Services

Prudential

Reinhart Partners

TerraCap

The Northern Trust Company

YCM

1607 Capital Partners

As reported in the actuarial valuation for the annual period ended June 30, 2024, excluding reserves for inflation equity, the Retirement System's valuation assets were \$201,558,565 and its actuarial accrued liabilities were \$304,630,811, which produced a funded ratio of 66.2 %.

For the annual period ended June 30, 2024, the Retirement System's expenses were \$167,812. Benefit payments were \$22,238,156 and member refunds were \$144,113. No services were paid for with soft dollars.

The Retirement System continues to be in sound financial condition in accordance with actuarial principles of level percent of payroll financing. The Retirement System has received the required employer contribution for the year ended June 30, 2024. Detailed information on the Retirement System's funding is contained in the Annual Actuarial Valuation as of June 30, 2024.

## BUDGET

### City of Southfield Fire & Police Retirement System Annual Budget: July 1, 2024 to June 30, 2025

Service/Provider	2023 - 2024 Budget	2023 - 2024 Actual	2024 - 2025 Budget
Investment Consultant	107,100	108,700	110,300
Custodian	44,000	42,122	44,000
Legal Counsel	25,000	28,753	25,000
Actuary	27,600	27,600	28,175
Pension Management Software Expenses	2,000	0	2,000
Education/Training/Travel	30,000	11,676	30,000
Fiduciary Insurance	25,000	24,586	25,000
Medical Director	0	0	0
Miscellaneous Expenses	2,000	1,139	2,000
Pension Management System Maintenance Fee	2,000	0	2,000
Membership Dues	1,700	1,700	1,700
Retirement Administrator	135,000	135,000	135,000
<b>TOTAL</b>	<b>401,400</b>	<b>381,276</b>	<b>405,175</b>

### INVESTMENT PERFORMANCE As of December 31, 2024

	Total Fund Return	Net of Fees
1 Year	9.29%	8.81%
2 Year	10.38%	9.90%
3 Year	2.50%	2.04%
4 Year	5.65%	5.16%
5 Year	6.94%	6.44%
6 Year	8.32%	7.89%
7 Year	6.51%	6.03%
10 Year	6.87%	6.31%

## Retirees and Beneficiaries June 30, 2024 Tabulated by Type of Benefit Being Paid

Pension Benefits		
Type of Benefit	No.	Annual Amount
<b>Age and Service Pensions</b>		
Regular Pension - terminating at death	98	\$ 3,519,118
- auto. 60% to spouse	246	13,049,551
Option I - 100% Joint and Survivor	6	83,486
Option II - 50% Joint and Survivor	3	58,508
Survivor Beneficiary	56	1,458,005
<b>Age and Service Totals</b>	409	\$ 18,168,668
<b>Casualty Pensions</b>		
Duty Disability	7	\$ 153,158
Non-Duty Disability	2	15,022
Non-Duty Death-Survivor Benefit	2	46,008
<b>Casualty Totals</b>	11	\$ 214,188
<b>Total Pensions</b>	<b>420</b>	<b>\$ 18,382,856</b>

**RETIREES AND BENEFICIARIES AS OF JUNE 30, 2024**  
**TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT**

Attained Age	Age & Service		Casualty		Totals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
40 - 44	1	\$ 12,188			1	\$ 12,188
45 - 49	13	602,292			13	602,292
50 - 54	29	1,473,755			29	1,473,755
55 - 59	64	3,112,022			64	3,112,022
60 - 64	68	3,573,916	4	\$ 82,946	72	3,656,862
65 - 69	55	2,546,382	2	39,880	57	2,586,262
70 - 74	47	2,188,114	1	4,984	48	2,193,098
75 - 79	74	2,563,083			74	2,563,083
80 - 84	42	1,472,846	3	75,798	45	1,548,644
85 - 89	10	350,567	1	10,580	11	361,147
90 - 94	4	204,764			4	204,764
95 - 99	2	68,739			2	68,739
<b>Totals</b>	<b>409</b>	<b>\$ 18,168,668</b>	<b>11</b>	<b>\$ 214,188</b>	<b>420</b>	<b>\$ 18,382,856</b>

Average Age at Retirement: 51.6 years

Average Age Now: 68.1 years



**ACTIVE MEMBERS AS OF JUNE 30, 2024  
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date						No.	Valuation Payroll
	0-4	5-9	10-14	15-19	20-24	25-29		
20-24	12						12	\$ 767,404
25-29	30	14					44	4,100,926
30-34	18	34					52	5,351,987
35-39	8	5	1	3			17	1,774,734
40-44	4	3	4	17	2		30	3,834,494
45-49	1	1	5	16	6	3	32	4,274,124
50-54	1		1	6	6	2	16	2,032,455
55-59				2	4	3	9	1,282,058
60					1		1	100,596
62						1	1	136,983
<b>Totals</b>	<b>74</b>	<b>57</b>	<b>11</b>	<b>44</b>	<b>19</b>	<b>9</b>	<b>214</b>	<b>\$ 23,655,761</b>

## ACTUARIAL VALUE OF ASSETS

Actuarial Value of Assets		Reserve for <sup>(1)</sup>	
Cash & Cash Equivalents	\$ 147,414	Employee's Contributions	\$ 8,245,943
Debt Securities	42,567,717	Employers Contribution	(26,595,424)
Equity Securities	134,271,621	Retired Benefit Payments	218,066,012
Short-Term Investments	6,321,542	Funding Value Adjustment	<u>1,842,034</u>
Other Investments	16,419,967	<b>Actuarial Value of Assets</b>	<b><u>\$ 201,558,565</u></b>
Collateral for Securities Lending	22,402,137		
Accounts Receivable	-		
Accounts Payable	(22,413,867)	Funding Value of Pension Assets <sup>(2)</sup>	\$ 201,558,565
Funding Value Adjustment	<u>1,842,034</u>	Reserve for Inflation Equity	<u>-</u>
<b>Actuarial Value of Assets</b>	<b><u>\$ 201,558,565</u></b>	<b>Actuarial Value of Assets</b>	<b><u>\$ 201,558,565</u></b>

(1) Note that these reserve amounts were not supplied by staff. We have set the Employees' Contributions Reserve to the sum of the employee contributions submitted for each individual in the valuation. The Retired Benefit Payments Reserve has been set equal to the liability for retired members. The Employer Contribution Reserve is a balancing item.

(2) The funding value of pension assets includes \$18,815,439 of retiree account balances to be dispersed (\$1,177,722 of outstanding employee contributions and \$17,637,717 of outstanding DROP account balances).

(3) The Retiree Health Insurance Fund has been exhausted.

Market value of assets was \$199,716,531.

## REVENUES AND EXPENDITURES

	Pension	Reserve for Inflation Equity	Totals
<b>Actuarial Value 6/30/2023</b>	\$ 198,356,713	\$ 107,160	\$ 198,463,873
<b>Revenues</b>			
Employee Contributions	1,339,154	0	1,339,154
Employer Contributions	11,800,296	0	11,800,296
Income (net of investment expenses)	12,213,776	3,321	12,217,097
Total Revenues	\$ 25,353,226	\$ 3,321	\$ 25,356,547
<b>Expenditures</b>			
Benefit Payments	22,122,239	115,917	22,238,156
Refund of Member Contributions	(144,113)	0	(144,113)
Other <sup>#</sup>	5,436	(5,436)	0
Expenses Paid from System	167,812	0	167,812
Total Expenditures	\$ 22,151,374	\$ 110,481	\$ 22,261,855
<b>Actuarial Value 6/30/2024</b>	<b>\$ 201,558,565</b>	<b>\$ 0</b>	<b>\$ 201,558,565</b>
Nominal Rate of Return*	6.30%	6.40%	6.30%

# The RIE was adjusted by \$5,436 to ensure the end of the year balance was non-negative.

\* The nominal rate of return was computed using the approximate formula:  $i = I$  divided by  $1/2 (A+B-I)$ , where  $I$  is recognized investment income, plus the additional market value adjustment,  $A$  is the beginning of year asset value and  $B$  is the end of year asset value.

The net change in assets for the plan year was \$3,094,692.

**COMPARISON OF ACTIVE AND RETIRED DATA  
AS OF JUNE 30, 2024**

	<u>Active Members</u>	<u>Retired Members</u>
Total	214	420
Valuation Payroll/ Pension Benefits	\$23,655,761	\$18,382,856
Health Insurance Premiums Being Paid By Retirement System	N/A	\$ 0
Average Age	37.2	68.1
Years of Service	10.1	N/A
Average Pay/Benefit	\$ 110,541	\$ 43,769

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date:	June 30, 2024
Actuarial Cost Method:	Individual Entry-Age
Amortization Method:	Level percent-of-payroll
Amortization Period:	22 years
Asset Valuation Method:	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return	6.75%
Projected salary increases*	2.75% - 12.75%
* Includes wage inflation at	4.00%
Cost-of-living adjustments	None

Membership of the plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	420
Terminated plan members entitled to future benefits	2
Active plan members	214
Total members	636