

City of St. Joseph Employees Retirement System

Summary Annual Report to Members for Period Ending June 30, 2022

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 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 St. Joseph Employees Retirement System

- Tim Zebell, Chair, General Employee Representative
- Laura Goos, Vice Chair, Mayor
- Adam Herbert, Trustee, Police-Fire Representative
- John Hodgson, Trustee, City Manager
- Robert Judd, Trustee, Citizen Representative

Legal Counsel

- Laurie Schmidt, City Attorney

Actuaries and Consultants

- Gabriel Roeder Smith & Company

Investment Manager

- SEI Investments

Plan Administrator

- Laurie Moore, HR Administrator

Auditors/Accountants

- Plante Moran

Custodial Bank

- Chemical Bank

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, 2022 valuation, based on continuing the established funding objective, are summarized below:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	11 Years Closed
Asset Valuation Method	5-Year Smoothed Market
Valuation Payroll	\$7,685,271
Annual Pensions Paid	\$4,169,127
Average Annual Pensions Paid	\$29,360
Retirees and Beneficiaries Receiving Benefits	142
Terminated Plan Members Entitled to but not yet Receiving Benefits	6
Active Plan Members	<u>115</u>
Total	263
Principal Actuarial Assumptions:	
– Investment Rate of Return	6.75%
– Projected Salary Increases (includes step adjustments)	3.63% - 6.50%
– Includes Wage Inflation at	3.50%
– Cost-of-Living Adjustments	2.50% Compound*

* A maximum of 2.5% compound Cost-of-Living Adjustments (COLA) are made to retiree benefits. General Non-Union, Library, and Housing members hired before February 1, 2010 will receive a COLA on pension benefits accrued before July 1, 2011 when retired. General Non-Union, Library, and Housing members hired after February 1, 2010, Police Patrol, Police Command, and Fire members hired after July 1, 2012, and Public Works Union members hired after January 1, 2013 will not be eligible to receive a COLA when retired. Wastewater union employees hired after July 1, 2013 are not eligible for COLA increases. Employees hired into a managerial, supervisory, professional or non-union position after December 31, 2020 will not be eligible for any COLA increases. In the event of a union employee hired prior to July 2, 2013 and transferring into a managerial, supervisory, professional, or non-union position on or after December 31, 2020, that employee's pension benefits are eligible for COLA increases.

Fiscal Year Ending 2024 Employer Contribution Amounts

Contributions for	Total Weighted Average	Funded Status	\$ Millions
Normal Cost of Benefits		Actuarial Accrued Liabilities	\$ 76.6
Total	16.92 %	Valuation Assets	
Member Portion	4.78 %	(Smoothed Market Value)	\$ 75.1
Employer Portion	12.14%	% Funded	98.0%
UAAL* Amortization	2.02%		
Employer Contribution Rate	14.16%		
Estimated \$ Amount	\$ 1,226,901		
Estimated \$ Amount with Normal Cost Minimum	\$ 1,238,737		

* 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

	<u>2020-2021</u>	<u>2021-2022</u>
Market Value - July 1	\$67,775,053	\$80,621,757
Revenues		
Member Contributions	344,565	370,388
Employer Contributions	943,531	1,095,062
Investment Income	<u>15,918,328</u>	<u>(8,520,919)</u>
Total	17,206,424	(7,055,469)
Expenditures		
Benefit Payments	3,969,564	4,103,677
Health Insurance Premiums for Retired Members	0	0
Refund of Member Contributions	58,950	44,352
Administrative and Investment Expenses	<u>331,206</u>	<u>359,913</u>
Total	4,359,720	4,507,942
Market Value - June 30	<u>\$80,621,757</u>	<u>\$69,058,346</u>

Investment Performance* (Net of Fees)

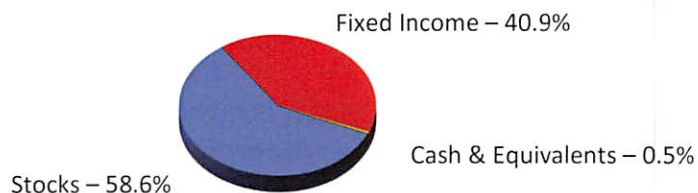
1-Year	(10.77) %
3-Year	4.38 %
5-Year	5.33 %
7-Year	Not Available
10-Year	Not Available

*Results may differ from investment manager stated returns.

Projected Expenses for 2022-2023

Administrative	\$ 49,300
Investment	22,700
Professional	268,100

Investments (Market Value)



Brief Summary of Primary Benefit Provisions

(Please refer to Retirement Ordinance for a complete description.)

Eligibility

Amount

Regular Retirement

The benefit amounts attributable to regular retirements and the conditions under which such benefits may be paid are described in tabular form below.

Group	Code	Number	Eligibility	Benefit Multiplier	Breakpoint	Years in FAC	Soc. Sec. Coverage	Member Contribution Rate	2.5% Compound COLA (Max)
General Non-Union	11	33	60 & 10 or 30 yrs.	2.25%/0%	40 yrs.	3	Yes	4.00%	Yes ⁽¹⁾
Wastewater	16	18	60 & 10 or 30 yrs.	2.25%/0%	40 yrs.	3	Yes	4.00%	Yes ⁽⁴⁾
Public Works Union	13	28	60 & 10 or 30 yrs.	2.25%/0%	40 yrs.	3	Yes	3.25%	Yes ⁽²⁾
Library	14	7	60 & 10 or 30 yrs.	2.25%/0%	40 yrs.	3	Yes	4.00%	Yes ⁽¹⁾
Housing	15	3	60 & 10 or 30 yrs.	2.25%/0%	40 yrs.	3	Yes	4.00%	Yes ⁽¹⁾
Police Patrol	22	16	60 & 10 or 25 yrs.	2.50%/0%	28 yrs.	3	No	6.50%	Yes ⁽³⁾
Police Command	23	6	60 & 10 or 50 & 25 yrs.	2.50%/0%	30 yrs.	3	No	6.50%	Yes ⁽³⁾
Fire	33	4	60 & 10 or 50 & 25 or 30 yrs.	2.70%/0%	25 yrs.	3	No	8.35%	Yes ⁽³⁾
Total		115							

⁽¹⁾ General Non-Union, Library, and Housing employees hired before February 1, 2010 will receive a COLA on pension benefits accrued before July 1, 2011 when retired. General Non-Union, Library, and Housing employees hired on or after February 1, 2010 will not be eligible to receive a COLA when retired.

⁽²⁾ Public Works employees hired after January 1, 2013 are not eligible for COLA increases.

⁽³⁾ Police Patrol, Police Command, and Fire employees hired after July 1, 2012 are not eligible for COLA increases.

⁽⁴⁾ Wastewater union employees hired after July 1, 2013 are not eligible for COLA increases. Employees hired into a managerial, supervisory, professional or non-union position after December 31, 2020 will not be eligible for any COLA increases. In the event of a union employee hired prior to July 2, 2013 and transferring into a managerial, supervisory, professional, or non-union position on or after December 31, 2020, that employee's pension benefits are eligible for COLA

Deferred Retirement (vested benefit)

10 years of service. Benefit begins at age 60 (if a Police Officer or Firefighter has more than 25 years of service at termination, benefit may begin at age 50).

Computed as a regular retirement benefit based on service and FAC at date of termination.

Duty Disability Retirement

No age or service requirements

Computed as regular retirement. Upon termination of worker's compensation, or age 65, whichever occurs first, additional service credit is granted and benefit is recomputed. Benefit shall not be less than the amount of worker's compensation.

Non-Duty Disability Retirement

10 years of service

Computed as regular retirement

Duty Death Before Retirement

No age or service requirement

Upon termination of worker's compensation, a benefit equal to the worker's compensation amount shall be paid to the spouse, unmarried children under age 18 and dependent parents.

Non-Duty Death Before Retirement

20 years of service or age 55 with 10 years of service

Computed as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.

Death After Retirement

Fire retiree. Spouse must have been married to Firefighter on retirement date.

55% of retiring Firefighter's pension is continued for the remainder of the spouse's lifetime.

Optional Forms of Benefit Payment

In addition to the straight life normal form, the following optional benefit forms are available.

Option A - 10 years certain and life.

Option B - 100% Survivor Pension.

Option C - 50% Survivor Pension.