



CITY OF GROSSE POINTE WOODS MEMORANDUM

Date: June 27, 2023

RECEIVED

To: Mayor Bryant and City Council

JUN 30 2023

From: Shawn Murphy, Treasurer/Comptroller
Frank Schulte, City Administrator

CITY OF GROSSE POINTE WOODS
CLERK'S DEPARTMENT

Re: Public Act 202 – Corrective Action Plan-Pension and Supplemental Annuity

On January 6, 2023, the City received the attached letter from the State of Michigan Local Retirement Reporting Team that pursuant to Public Act 202 of 2017 (the Act), one (or more) of our retirement systems has triggered a preliminary review of underfunded status.

Based on the State's review, the GPW Retirement System and GPW Supplemental Annuity are underfunded as of fiscal year end June 30, 2022. Primary government triggers of underfunded status are less than 60% funded AND greater than 10% Actuarial Determined Contributions (ADC)/Governmental fund revenues.

June 30, 2022 funding status is as follows:

GPW Retirement System	GPW Supplemental Annuity
Funded Ratio: 54.8%	Funded Ratio: 59.7%
ADC/Governmental Fund Revenues: 10.3%	ADC/Governmental Fund Revenues: 10.3%

At the February 2, 2023 Pension Board meeting Foster and Foster Actuaries and Consultants presented fiscal year June 30, 2022 actuary reports to the Pension Board. Discussion regarding the reports resulted in the Pension Board to accept the actuarial recommendation of performing an Actuarial Experience Study as required by Public Act 202.

The Actuarial Experience Study was presented to the Pension Board at the May 4, 2023 board meeting, with additional recommendations presented at a Special Pension Board meeting on June 1, 2023. After reviewing the information presented, the board approved the following recommendations:

- Decrease the amortization period from 25 years to a 20 year closed amortization for a period of 5 years and after 5 years the plan will remain at a 15 year open amortization period
- Decrease the assumed rate of investment return from 7.5% to 7.4% with an intention of lowering it .1% a year for the next 5 years
- Update the payroll growth assumption from 3.5% to 3.00%,
- Adjust the age based retirement tables
- Adjust the age and service-based retirement rates
- Simplify the disability rate to 0.20% for general employees and 0.60% for public safety employees
- Add the cost of administrative expenses paid from the trust

The City is required to submit a Corrective Action Plan for both the GPW Retirement System and the GPW Supplemental Annuity. The following documents were submitted to the State of Michigan Local Retirement Reporting Team for review on June 26, 2023.

- Corrective Action Plan application for the GPW Retirement System and GPW Supplemental Annuity
- Actuarial Experience Study dated April 24, 2023 prepared by Foster and Foster Actuaries and Consultants with supplement information dated May 16, 2023 and June 20, 2023
- Approved motion by the Pension Board authorizing the recommendations of the assumption changes made by Foster and Foster Actuaries and Consultants
- ADC Analysis
- Cost impacts of the EROP program and multiplier changes for Public Safety and Command Officers as prepared by Foster and Foster Actuaries and Consultants
- City Council approval of the FOP Collective Bargaining Agreement that included the EROP program and the proposed change to the PSO pension multiplier.
- City Council approval of the budget transfer of \$39,704 to the GPW Retirement System as required under Section 5 of 2017 Public Act 202

I respectfully request City Council approve the Corrective Action Plan as presented. Upon approval, the approved motion will be forward to the State of Michigan Local Retirement Reporting Team.

The assumption changes that were approved by the Pension Board on June 1, 2023 will be applied to the pension valuation dated June 30, 2023 and will be applicable to fiscal year beginning on July 1, 2024.

The combination of the newly adopted plan assumptions will create an increase in annual retirement system contributions of approximately \$320,400, totaling \$2,199,401 and a decrease in the supplemental annuity benefit contributions of approximately \$6,000, totaling \$271,292.

With the implementation of the assumption changes not being applicable until fiscal year beginning July 1, 2024 and a current General Fund Balance in excess of 5.6 million dollars, we respectfully request City Council to consider approving a budget transfer in the amount of \$300,000 from General Fund to the Retirement System in fiscal year 2023-2024. The budget transfer will require budget amendment from account 101-000-692.100-Transfer from Prior Year Reserve to account 101-967-995.731-Transfer to Pension Fund. Upon approval, a transfer of \$300,000 to the Grosse Pointe Woods Retirement System fund held at Charles Schwab will be completed.

In addition, we also recommend to City Council that during future budget discussions, the City consider adding funding to the annual budget in addition to the ADC. This will help reduce the unfunded liabilities and allow for potential increased investment income.

Thank you for your consideration.


 Shawn Murphy, Treasurer/Comptroller


 Frank Schulte, City Administrator