

**Sterling Heights General Employees' Retirement System
Summary Annual Report to Members
6/30/2025**

Dear Retirement System Member:

The Retirement System, which is managed by the General Employees' Retirement System Board, 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 (see individual union contracts for further details), of which the assets and liabilities are legally separate from the GERS Retirement System and not covered in this report. Consequently the reporting of the OPEB valuation is not applicable with regard to Section 20h(7) of Public Act 530 of 2016.

The Retirement Board's fiduciary responsibility to you is to supervise the general administration of the System and invest the assets entrusted to it. During fiscal year 2025, the Board retained the following professional advisors to assist in fulfilling these duties:

<u>Investment Fiduciaries</u>		<u>Other Consultants</u>
Clearbridge	WCM	Gabriel, Roeder, Smith & Co., Actuary
Janus	Harding Loevner	The Brice Group - Morgan Stanley, Investments
Confluence	Victory Intl	VanOverbeke, Michaud & Timmony, P.C., Legal
MFS	Allspring	Comerica Bank, Custodial Bank
John Hancock	Principal REITS	Medical Evaluation Specialists Inc., Medical
iShares S&P 500 ETF	GQQIX	
Edge	Western Asset Management	
Earnest Partners	Energy Income Partners	
Aristotle	Vanguard Russell 1000 ETF	
SEG Partners	Lazard Global Infrastructure	
Pomona	Blackstone	

This summary report has been prepared 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 Charter, the City Retirement Ordinance, State Law, Federal Law, collectively bargained contracts and the Retirement Board rules and regulations. Additional information about the System and its financial operation is available in the Treasury Office.

Respectfully submitted,

Cruz Bell
Treasury Services Coordinator

Retirement Board

John Lamerato, Chairperson - Term Expiring: June 30, 2028
Jennifer Varney, Secretary - Per City Ordinance pursuant to position
Jia Hang, Treasurer - Per City Ordinance pursuant to position
Brian Geldhof, Trustee - Term Expiring: October 15, 2026
Michael Moore, Trustee - Term Expiring: October 15, 2027

SUMMARY RESULTS OF ACTUARIAL VALUATION

The Retirement System's financial objective is to establish and receive contributions that will remain relatively constant from year to year and will not have to be increased for future generations of taxpayers. Contribution levels are expressed in terms of dollar contributions required by members through their 8% payroll deduction and the City contribution for the balance of the actuarial determined amount.

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 retirement system is closed to new entrants in all bargaining units. As a result and based upon the Actuaries recommendation, the Board of Trustees adopted a revised actuarial funding policy for the annual actuarial valuation. The results of the June 30, 2025 valuation, based on the established funding objective, are summarized below:

Fiscal Year Employer Contribution Under Entry Age Normal Level Dollar Amortization

Contributions for General Members

Contributions

Total normal cost of benefits	606,461
Unfunded Actuarial Accrued Liability	4,298,762
Total Adjusted Contribution Requirement	4,905,233
Member Portion	334,830
City Portion & City Dollar Contribution	4,570,393

Funded Status

Actuarial accrued liabilities	\$148.8 million
Applied assets (smoothed market value)	\$111.8 million
% funded	75.2%

SUMMARY OF REVENUES, EXPENDITURES & INVESTMENTS

Revenues & Expenditures

Actuarial Value of Assets* - July 1, 2024 \$109,824,025

Revenues

Member contributions and transfers	416,957
Employer contributions	4,486,600
Recognized investment income*	<u>9,354,756</u>
Total Revenues	<u>14,258,313</u>

Expenditures

Benefit payments	11,514,203
Refund of member contributions	121,551
Money Manager Fees	609,349
Administrative Expenses**	<u>0</u>
Total Expenditures	<u>12,245,103</u>

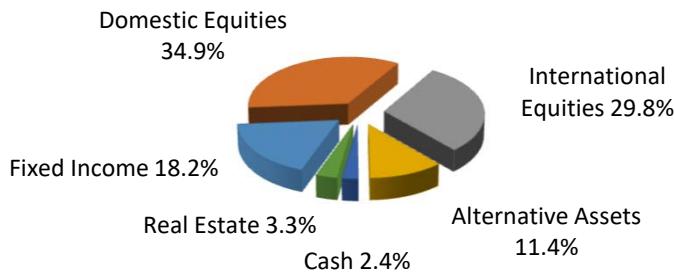
Actuarial Value of Assets* - June 30, 2025 \$111,837,235

*Actuarial value of assets is different than market value of assets. Fiscal year beginning and ending market values were \$107,602,473 and \$112,218,516, respectively

**Administrative Expenses are budgeted and paid from the City's General Fund. The fiscal year actual expenses were \$52,349. Money manager fees are paid from plan assets.

Investments

GERS Investments - June 30th Valuation



In accordance with Public Act 347 reporting, the system's investment performance net-of-fees on a rolling calendar year basis for the previous 1, 3, 7 and 10 year periods is 11.8%, 11.4%, 7.7%, 7.3%, respectively.

The valuation of assets, expenses, investment performance, and other information at fiscal year end will be included in the City's Comprehensive Annual Financial Report that can be reviewed online after December 1, 2025.

Contributions to Provide Benefits for the Fiscal Year Ending

Contributions for Fiscal Year Ending:	June 30, 2026	June 30, 2027
Normal Cost		
Service pensions	\$ 544,519	\$ 568,041
Disability pensions	10,463	10,536
Death-in-service pensions	10,463	10,975
Deferred service pensions	18,834	19,754
Refunds of member contributions	22,182	23,705
Total Normal Cost	606,461	633,011
Unfunded Actuarial Accrued Liability¹		
Retired members and beneficiaries	0	0
Active and vested terminated members	4,298,762	4,299,950
Total Unfunded Actuarial Accrued Liability	4,298,762	4,299,950
 Total Unadjusted Computed Contribution	 4,905,223	 4,932,961
 Full Funding Credit ²	 0	 0
 Total Adjusted Contribution Requirement	 4,905,223	 4,932,961
Member Portion	334,830	351,185
 City Dollar Contribution	 \$4,570,393	 \$4,581,776

¹ Please see page A-8 for the determination of the payment for Unfunded Actuarial Accrued Liabilities.

² Valuation assets did not exceed actuarial accrued liabilities.

Please see important comments on page A-10.

Development of Funding Value of Retirement System Assets

Year Ended June 30:	2022	2023	2024	2025	2026	2027	2028	2029
A. Funding Value Beginning of Year	\$112,961,827	\$111,440,437	\$109,832,038	\$109,824,025				
B. Market Value End of Year	101,257,884	104,544,763	107,602,473	112,218,516				
C1. Market Value Beginning of Year	125,747,503	101,257,884	104,544,763	107,602,473				
C2. Audit Adjustment	0	0	0	0				
C3. Adjusted Market Value Beginning of Year	125,747,503	101,257,884	104,544,763	107,602,473				
D. Non-Investment Net Cash Flow	(6,915,576)	(7,480,191)	(6,670,319)	(6,732,197)				
E. Investment Income								
E1. Market Total: B - C3 - D	(17,574,043)	10,767,070	9,728,029	11,348,240				
E2. Assumed Interest Rate	7.25%	7.15%	7.15%	7.15%				
E3. Amount for Immediate Recognition	\$ 7,939,043	\$ 7,700,574	\$ 7,614,527	\$ 7,611,742				
E4. Amount for Phased-In Recognition: E1-E3	(25,513,086)	3,066,496	2,113,502	3,736,498				
F. Phased-In Recognition of Investment Income								
F1. Current Year: 0.2 x E4	(5,102,617)	613,299	422,700	747,300				
F2. First Prior Year	4,452,982	(5,102,617)	613,299	422,700	\$ 747,300			
F3. Second Prior Year	(1,338,587)	4,452,982	(5,102,617)	613,299	422,700	\$ 747,300		
F4. Third Prior Year	(453,857)	(1,338,587)	4,452,982	(5,102,617)	613,299	422,700	\$ 747,300	
F5. Fourth Prior Year	(102,778)	(453,859)	(1,338,585)	4,452,983	(5,102,618)	613,300	422,702	\$ 747,298
F6. Total Recognized Investment Gain	(2,544,857)	(1,828,782)	(952,221)	1,133,665	(3,319,319)	1,783,300	1,170,002	747,298
G. Funding Value End of Year: A + D + E3 + F6	111,440,437	109,832,038	109,824,025	111,837,235				
H. Difference Between Market & Funding Value	(10,182,553)	(5,287,275)	(2,221,552)	381,281				
I. Recognized Rate of Return - Funding Value Basis	4.93%	5.45%	6.26%	8.21%				
J. Recognized Rate of Return - Market Value Basis	(14.37)%	11.04%	9.61%	10.89%				
K. Ratio of Funding Value to Market Value	110.06%	105.06%	102.06%	99.66%				

The Funding Value of Assets recognizes assumed investment income (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased-in over a closed five-year period. 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 Funding Value of Assets is unbiased with respect to Market Value. At any time, it may be either greater or less than Market Value. If actual and assumed rates of retirement income are exactly equal for five consecutive years, the Funding Value will become equal to Market Value.

Retirants and Beneficiaries Added to and Removed from Rolls Comparative Schedule

Valuation Date June 30 ¹	Rolls End of Year			Average Pension	Present Value of Pensions
	No.	Annual Pensions			
1996	96	\$ 1,230,709		\$ 12,820	\$ 12,481,084
1997	105	1,416,213		13,488	13,971,362
1998	121	1,612,534		13,327	15,767,526
1999	132	1,833,319		13,889	17,808,614
2000	137	1,914,435		13,974	18,310,985
2001	149	2,211,072		14,839	21,742,746
2002	167	2,781,986		16,659	27,731,553
2003	180	3,129,891		17,388	30,988,720
2004	184	3,249,066		17,658	31,850,023
2005	196	3,755,432		19,160	36,888,789
2006	203	4,093,462		20,165	40,343,213
2007	223	4,765,099		21,368	47,366,591
2008	254	5,950,988		23,429	60,125,321
2009	260	6,302,381		24,240	63,282,732
2010	277	7,089,919		25,595	72,036,387
2011	298	7,990,687		26,814	81,986,612
2012	332	9,257,463		27,884	95,317,137
2013	344	10,041,506		29,190	103,269,304
2014	350	10,252,090		29,292	104,013,465
2015	356	10,591,256		29,751	107,110,664
2016	356	10,738,241		30,164	109,390,019
2017	361	10,895,570		30,182	114,025,827
2018	364	11,133,251		30,586	115,540,013
2019	362	11,177,937		30,878	114,783,071
2020	360	11,353,106		31,536	115,508,124
2021	357	11,362,994		31,829	117,390,983
2022	361	11,575,812		32,066	122,431,316
2023	357	11,576,710		32,428	121,123,233
2024	356	11,577,221		32,520	119,488,390
2025	349	11,422,515		32,729	116,726,810

¹ Prior to the June 30, 2015 valuation, the valuation date was December 31st.

Active Members – Comparative Statement

Valuation						
Date June 30 ¹	Active Members	Valuation Payroll	Average			
			Age	Service	Pay	% Incr.
2005	286	\$ 15,012,036	46.8 yrs.	15.2 yrs.	\$52,490	1.2 %
2006	277	15,382,785	47.3	15.9	55,534	5.8 %
2007	268	15,406,591	47.0	15.4	57,487	3.5 %
2008	238	14,794,008	46.8	15.0	62,160	8.1 %
2009	235	15,000,778	47.1	15.4	63,833	2.7 %
2010	214	13,709,541	47.6	15.7	64,063	0.4 %
2011	190	12,375,670	47.7	15.8	65,135	1.7 %
2012	154	10,007,272	46.7	15.4	64,982	(0.2)%
2013	132	8,527,956	46.5	15.1	64,606	(0.6)%
2014	126	8,610,706	47.0	15.7	68,339	5.8 %
2015	110	7,615,955	47.3	15.8	69,236	1.3 %
2016	110	7,403,442	48.0	16.1	67,304	(2.8)%
2017	99	6,851,551	48.5	16.9	69,208	2.8 %
2018	88	6,325,825	48.8	17.7	71,884	3.9 %
2019	83	6,409,375	49.5	18.3	77,221	7.4 %
2020	77	5,994,428	49.8	19.1	77,850	0.8 %
2021	71	5,767,945	50.3	19.7	81,239	4.4 %
2022	64	5,492,708	50.3	20.4	85,824	5.6 %
2023	58	4,980,818	51.1	20.8	85,876	0.1 %
2024	54	4,818,246	51.6	22.0	89,227	3.9 %
2025	52	5,162,009	52.2	22.9	99,269	11.3 %

¹ Prior to the June 30, 2015 valuation, the valuation date was December 31st.

Active Members Added to and Removed from Rolls

Year Ended June 30	Number Added During Year		Terminations During Year										Active Members End of Year
			Normal Retirement		Disability Retirement		Died-in- Service		Withdrawal				
	A	E	A	E	A	E	A	Vested	Other	Total	A	E	
2021	0	-	6	9.5	0	0.1	0	0.1	0	0	0	0.4	71
2022	0	-	7	8.7	0	0.1	0	0.1	0	0	0	0.3	64
2023	0	-	4	6.0	0	0.1	0	0.1	2	0	2	0.3	58
2024	0	-	4	6.0	0	0.1	0	0.1	0	0	0	0.3	54
2025	0	-	2	6.5	0	0.1	0	0.1	0	0	0	0.2	52

A = Actual

E = Expected



Financial Information Furnished for the Actuarial Valuation

Statement of Assets as of June 30, 2025

	<u>Market Value</u>
Cash & Short Term	
Cash (including checking/savings accounts)	\$ 2,746,363
Accrued interest and dividends	0
Contributions receivable	70,390
 Certificates of deposit	 0
Treasury bills	0
Short-term investment funds	0
Other	0
Fixed Income	
U.S. Government/Agency/Corporate bonds	20,441,849
Guaranteed investment contracts	0
Bond mutual funds - debt securities	0
Mortgages	0
Other	0
Equities	
Common stocks	39,164,035
Preferred stocks	0
Stock mutual funds	0
Other - international equities	33,481,982
Real Estate	
Direct real estate investments	0
Real estate investment funds	3,658,837
Other	0
 Other Assets	 12,777,580
 Total System Assets	 112,341,036
Less: Accounts Payable	(122,520)
 Net System Assets	 \$112,218,516

Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2025
Actuarial cost method	Entry-Age
Amortization method	Level Dollar, Layered
Amortization period	15 Years (Closed)
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.15%
Projected salary increases (includes wage inflation)	3.00%-10.75%
Wage inflation	2.75%
Cost-of-living adjustments	None

Membership of the plan consisted of the following at June 30, 2025, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	349
Terminated plan members entitled to but not yet receiving benefits	16
Active plan members	<u>52</u>
Total	417

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ACCOUNT BALANCE REPORT FOR CITY OF STERLING HEIGHTS
PERIOD ENDING 06/30/2025

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GL NUMBER	DESCRIPTION	PERIOD BALANCE DR (CR)
101-274.170-729.000	POSTAGE	254.20
101-274.170-751.000	OPERATING SUPPLIES	24.17
101-274.170-802.000	AUDIT & ACTUARIAL SERVICES	24,850.00
101-274.170-806.000	LEGAL SERVICES - OTHER	7,100.10
101-274.170-806.001	LEGAL SERVICES - CITY ATT'Y	0.00
101-274.170-810.000	OTHER FEES	17,644.66
101-274.170-826.000	OTHER CONTRACTED SERVICES	0.00
101-274.170-957.000	MEMBERSHIPS & DUES	200.00
101-274.170-958.000	EDUCATION & TRAINING	2,275.86
Total - All Funds:		52,348.99