

**Sterling Heights General Employees' Retirement System
Summary Annual Report to Members
6/30/2024**

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 2024, 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 & Timmon, P.C., Legal
MFS	Boyd Watterson	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,

Jia Hang
Treasury Services Coordinator

Retirement Board

John Lamerato, Chairperson - Term Expiring: June 30, 2025
Jennifer Varney, Secretary - Per City Ordinance pursuant to position
Jennifer Varney, Interim Treasurer - Per City Ordinance pursuant to position
Brian Geldhof, Trustee - Term Expiring: October 15, 2026
Michael Moore, Trustee - Term Expiring: October 15, 2024

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, 2024 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	653,157
Unfunded Actuarial Accrued Liability	4,186,364
Total Adjusted Contribution Requirement	4,839,521
Member Portion	354,495
City Portion & City Dollar Contribution	4,485,026

Funded Status

Actuarial accrued liabilities	\$148.4 million
Applied assets (smoothed market value)	\$109.8 million
% funded	74.0%

SUMMARY OF REVENUES, EXPENDITURES & INVESTMENTS

Revenues & Expenditures

Actuarial Value of Assets* - July 1, 2023 \$109,832,038

Revenues

Member contributions and transfers	393,715
Employer contributions	4,570,650
Recognized investment income*	7,254,181
Total Revenues	12,218,546

Expenditures

Benefit payments	11,541,210
Refund of member contributions	93,474
Money Manager Fees	591,875
Administrative Expenses**	0
Total Expenditures	12,226,559

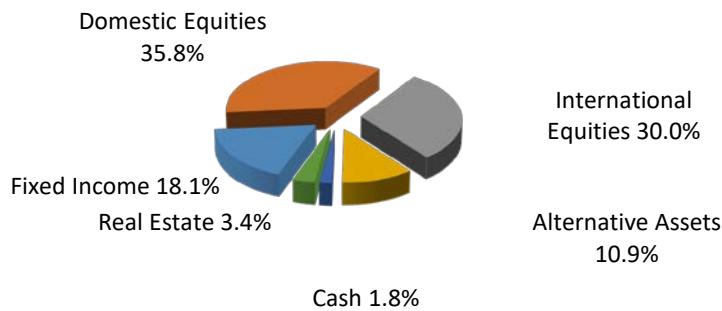
Actuarial Value of Assets* - June 30, 2024 \$109,824,025

*Actuarial value of assets is different than market value of assets. Fiscal year beginning and ending market values were \$104,544,763 and \$107,602,473, respectively

**Administrative Expenses are budgeted and paid from the City's General Fund. The fiscal year actual expenses were \$49,244. 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 9.4%, 1.8%, 7.1%, 6.5%, 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, 2024.

Contributions to Provide Benefits for the Fiscal Year Ending

Contributions for Fiscal Year Ending:	June 30, 2025	June 30, 2026
Normal Cost		
Service pensions	\$ 589,791	\$ 544,519
Disability pensions	10,635	10,463
Death-in-service pensions	10,635	10,463
Deferred service pensions	19,054	18,834
Refunds of member contributions	23,042	22,182
Total Normal Cost	<hr/> 653,157	<hr/> 606,461
Unfunded Actuarial Accrued Liability*		
Retired members and beneficiaries	0	0
Active and vested terminated members	<hr/> 4,186,364	<hr/> 4,298,762
Total Unfunded Actuarial Accrued Liability	<hr/> 4,186,364	<hr/> 4,298,762
 Total Unadjusted Computed Contribution	 4,839,521	 4,905,223
 Full Funding Credit**	 0	 0
 Total Adjusted Contribution Requirement	 4,839,521	 4,905,223
Member Portion	354,495	334,830
 City Dollar Contribution	 \$4,485,026	 \$4,570,393

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

** 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:	2021	2022	2023	2024	2025	2026	2027	2028
A. Funding Value Beginning of Year	\$109,108,262	\$112,961,827	\$111,440,437	\$109,832,038				
B. Market Value End of Year	125,747,503	101,257,884	104,544,763	107,602,473				
C1. Market Value Beginning of Year	102,783,781	125,747,503	101,257,884	104,544,763				
C2. Audit Adjustment	0	0	0	0				
C3. Adjusted Market Value Beginning of Year	102,783,781	125,747,503	101,257,884	104,544,763				
D. Non-Investment Net Cash Flow	(7,213,791)	(6,915,576)	(7,480,191)	(6,670,319)				
E. Investment Income								
E1. Market Total: B - C3 - D	30,177,513	(17,574,043)	10,767,070	9,728,029				
E2. Assumed Interest Rate	7.50%	7.25%	7.15%	7.15%				
E3. Amount for Immediate Recognition	7,912,602	7,939,043	7,700,574	7,614,527				
E4. Amount for Phased-In Recognition: E1-E3	22,264,911	(25,513,086)	3,066,496	2,113,502				
F. Phased-In Recognition of Investment Income								
F1. Current Year: 0.2 x E4	4,452,982	(5,102,617)	613,299	422,700				
F2. First Prior Year	(1,338,587)	4,452,982	(5,102,617)	613,299	\$ 422,700			
F3. Second Prior Year	(453,857)	(1,338,587)	4,452,982	(5,102,617)	613,299	\$ 422,700		
F4. Third Prior Year	(102,780)	(453,857)	(1,338,587)	4,452,982	(5,102,617)	613,299	\$ 422,700	
F5. Fourth Prior Year	596,996	(102,778)	(453,859)	(1,338,585)	4,452,983	(5,102,618)	613,300	\$ 422,702
F6. Total Recognized Investment Gain	3,154,754	(2,544,857)	(1,828,782)	(952,221)	386,365	(4,066,619)	1,036,000	422,702
G. Funding Value End of Year: A + D + E3 + F6	112,961,827	111,440,437	109,832,038	109,824,025				
H. Difference Between Market & Funding Value	12,785,676	(10,182,553)	(5,287,275)	(2,221,552)				
I. Recognized Rate of Return - Funding Value Basis	10.49%	4.93%	5.45%	6.26%				
J. Recognized Rate of Return - Market Value Basis	30.43%	(14.37)%	11.04%	9.61%				
K. Ratio of Funding Value to Market Value	89.83%	110.06%	105.06%	102.06%				

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	Rolls End of Year			Average Pension	Present Value of Pensions
	No.	Annual Pensions			
1995^	88	\$ 1,111,138		\$ 12,627	\$ 11,005,698
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

[^] Prior to the June 30, 2015 valuation, the valuation date was December 31st.

Active Members – Comparative Statement

Valuation						
Date June 30	Active Members	Valuation Payroll	Average			
			Age	Service	Pay	% Incr.
2004^	294	\$ 15,251,784	46.9 yrs.	15.0 yrs.	\$51,877	7.4 %
2005^	286	15,012,036	46.8	15.2	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 %

[^] Prior to the June 30, 2015 valuation, the valuation date was December 31st.

Active Members Added to and Removed from Rolls

Year Ended	Number		Terminations During Year								Active Members End of Year		
	Added		Normal Retirement		Disability Retirement		Died-in- Service		Withdrawal				
	During Year	Year	A	E	A	E	A	E	Vested	Other	Total		
June 30	A	E	A	E	A	E	A	E	A	A	E		
2020	0	-	6	7.8	0	0.1	0	0.2	0	0	0	0.4	77
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

A = Actual

E = Expected



Financial Information Furnished for the Actuarial Valuation

Statement of Assets as of June 30, 2024

	<u>Market Value</u>
Cash & Short Term	
Cash (including checking/savings accounts)	\$ 1,966,905
Accrued interest and dividends	0
Contributions receivable	0
 Certificates of deposit	 0
Treasury bills	0
Short-term investment funds	0
Other	0
 Fixed Income	
U.S. Government/Agency/Corporate bonds	19,469,228
Guaranteed investment contracts	0
Bond mutual funds - debt securities	0
Mortgages	0
Other	0
 Equities	
Common stocks	38,550,538
Preferred stocks	0
Stock mutual funds	0
Other - international equities	32,335,589
 Real Estate	
Direct real estate investments	0
Real estate investment funds	3,642,948
Other	0
 Other Assets	 11,769,230
 Total System Assets	 107,734,438
Less: Accounts Payable	(131,965)
 Net System Assets	 \$107,602,473

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, 2024
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, 2024, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	356
Terminated plan members entitled to but not yet receiving benefits	17
Active plan members	<u>54</u>
Total	427

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ACCOUNT BALANCE REPORT FOR CITY OF STERLING HEIGHTS
PERIOD ENDING 06/30/2024

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GL NUMBER	DESCRIPTION	END BALANCE 06/30/2024
Fund 101 - GENERAL FUND		
Expenditures		
101-274.170-729.000	POSTAGE	235.83
101-274.170-751.000	OPERATING SUPPLIES	0.00
101-274.170-802.000	AUDIT & ACTUARIAL SERVICES	22,840.00
101-274.170-806.000	LEGAL SERVICES - OTHER	8,626.50
101-274.170-806.001	LEGAL SERVICES - CITY ATT'Y	0.00
101-274.170-810.000	OTHER FEES	16,588.07
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	753.32
TOTAL EXPENDITURES		49,243.72