

CITY OF TAYLOR
POLICE AND FIRE RETIREMENT SYSTEM
SUPPLEMENTAL ACTUARIAL VALUATION
AS OF JUNE 30, 2024

BASED ON UNIFORM ASSUMPTIONS
FOR REPORTING PURPOSES PURSUANT TO P.A.
202



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS



October 22, 2024

The Retirement Board
City of Taylor Police and Fire Retirement System

Re: P.A. 202 Valuation Report – City of Taylor Police and Fire Retirement System

Dear Board:

We are pleased to present to the City the P.A. 202 valuation report for the City of Taylor Police and Fire Retirement System. The funding valuation was performed to satisfy the annual reporting requirements of Public Act 202 of 2017, effective for the fiscal year ended June 30, 2024. Use of the results for other purposes may not be applicable and could produce significantly different results. The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the Retirement System, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees and required by Public Act 202 of 2017, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuation, we did not perform an analysis of the potential range of such future measurements.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City, financial reports prepared by the custodian bank and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

The undersigned is familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Taylor, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Taylor Police and Fire Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 630-620-0200.

Respectfully submitted,

Foster & Foster, Inc.

By:

A handwritten signature in black ink that reads "Jason L. Ford". The signature is written in a cursive style with a long horizontal flourish extending to the right.

JLF/lke
Enclosures

P.A. 202
REPORTING AS OF
JUNE 30, 2024

Michigan Public Act 202 of 2017 requires municipal retirement systems in the state to submit information concerning their actuarial accrued liabilities and funded status based on uniform assumptions. The information is to be furnished by the municipality on Form 5572.

Form 5572

Line

24	Actuarial Value of Assets	138,393,668
25	Actuarial Accrued Liabilities	218,638,438
26	Funded Ratio	63.3%
27	Actuarially Determined Contribution	8,669,913

The information was calculated based on the following assumptions, in compliance with the Uniform Assumptions pursuant to PA 202, applicable for fiscal year 2024. All other assumptions are as described in the Actuarial Assumptions and Methods section of this report.

Investment Rate of Return	6.90%
Discount Rate (equivalent single rate used)	6.70%
Periods with sufficient assets	6.90%
Periods without sufficient assets	3.65%
Salary Increase	N/A
Mortality Table	Pub-2010 with MP-2021
Amortization Period for Unfunded	
Actuarial Accrued Liability	15 years
Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Payroll Growth Assumption	3.00%

ACTUARIAL ASSUMPTIONS AND METHODS

Discount Rate 6.70% Blended discount rate using GASB Statement 68 methodology.

6.90% for periods with sufficient assets.
3.65% for periods without sufficient assets.

Investment rate of return 6.90%.

Mortality Rate PubS-2010 Mortality Tables, projected generationally with Scale MP-2021. 100% of deaths are assumed to be non-duty.

Retirement Age

Service	Rate	Corp/ Patrol Hired Before 9/30/11 Age < 60	Corp/ Patrol Hired After 9/30/11 Age < 60	Fire Hired Before 8/1/12 Age < 60	Fire Hired After 8/1/12 Age < 60	All Age 60+
		Rate	Rate	Rate	Rate	Rate
<18	N/A	N/A	N/A	N/A	N/A	100%
18	N/A	70%	N/A	N/A	N/A	100%
19	N/A	70%	N/A	N/A	N/A	100%
20	100%	70%	N/A	70%	30%	100%
21	100%	20%	N/A	40%	20%	100%
22	100%	20%	N/A	30%	20%	100%
23	100%	20%	N/A	20%	20%	100%
24	100%	20%	N/A	20%	20%	100%
25	100%	100%	100%	50%	50%	100%
26	100%	100%	100%	50%	50%	100%
27	100%	100%	100%	50%	50%	100%
28	100%	100%	100%	50%	50%	100%
29	100%	100%	100%	50%	50%	100%
30	100%	100%	100%	100%	100%	100%
31	100%	100%	100%	100%	100%	100%
32+	100%	100%	100%	100%	100%	100%

Disability Rate Members are assumed to decrement due to disability at a rate of 0.20% per year. 90% of disabilities are assumed to be in the line of duty.

Termination	<u>Service</u>	<u>Rate</u>
Rate .	0	8.00%
	1	7.00%
	2	6.00%
	3	5.00%
	4	4.00%
	5	4.00%
	6	4.00%
	7	4.00%
	8	4.00%
	9	4.00%
	10+	3.00%

Inflation 3.50%.

Salary Increases	<u>Service</u>	<u>Total</u>
	0	8.00%
	1	8.00%
	2	8.00%
	3	8.00%
	4	5.50%
	5	5.50%
	6	5.50%
	7	5.50%
	8	5.50%
	9	5.50%
	10	5.50%
	11+	3.00%

Final Salary Load Final salary is loaded 17% for police members and 10% for fire members to account for unused sick leave payouts.

Marital Status 90% of Members are assumed to be married.

Spouse's Age Males are assumed to be three years older than females.

Member Contribution Interest 2.00%.

Valuation Date June 30, 2023. Assets were determined as of June 30, 2024. Liabilities were rolled forward from June 30, 2023 to June 30, 2024.

Funding Method Entry Age Normal.

Actuarial Asset Method	Investment gains and losses are smoothed over a five-year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of the Market Value of Assets.
Funding Policy Amortization Method	The unfunded actuarial accrued liability is amortized according to a level percentage of payroll method over an open period. 15 years as of June 30, 2024.
Payroll Growth	3.00%.
Administrative Expenses	Expenses paid out of the fund other than investment-related expenses are assumed to be equal to those paid in the previous year.
Basis for Assumptions	Experience study dated December 19, 2023.

ACTUARIAL ASSET VALUATION

June 30, 2024

Development of Actuarial Value of Assets

Market Value of Assets, 6/30/2024	140,778,947
(Gains)/Losses Not Yet Recognized	<u>(2,385,279)</u>
Preliminary Actuarial Value of Assets, 6/30/2024	138,393,668
6/30/2024 Limited Actuarial Assets, Total	138,393,668

Development of Investment Gain/Loss

Market Value of Assets, 6/30/2023	135,577,185
Actuarial Value of Assets, 6/30/2023	137,121,472
Contributions Less Benefit Payments and Administrative Expenses	(10,187,548)
Expected Investment Earnings ¹	9,572,008
Actual Net Investment Earnings	<u>15,108,266</u>
2024 Actuarial Investment Gain/(Loss)	5,536,258

¹ Expected Investment Earnings = 7.25% x (137,121,472 + 0.5 x -10,187,548)

Gains/(Losses) Not Yet Recognized

Plan Year	Gain/(Loss)	Amounts Not Yet Recognized by Valuation Year				
		2024	2025	2026	2027	2028
6/30/2021	30,516,100	6,103,220	0	0	0	0
6/30/2022	(25,518,694)	(10,207,478)	(5,103,739)	0	0	0
6/30/2023	3,434,219	2,060,531	1,373,688	686,844	0	0
6/30/2024	5,536,258	4,429,006	3,321,755	2,214,503	1,107,252	0
Total		2,385,279	(408,296)	2,901,347	1,107,252	0

Development of Asset Returns

(A) 6/30/2023 Actuarial Assets:	137,121,472
(I) Net Investment Income:	
1. Change in Actuarial Value	11,807,216
2. Investment Expenses	<u>(347,472)</u>
Total	11,459,744
(B) 6/30/2024 Preliminary Actuarial Assets:	138,393,668
Actuarial Asset Rate of Return = (2 x I) / (A + B - I):	8.68%
Market Value of Assets Rate of Return:	11.57%
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)	1,887,736

CHANGES IN NET ASSETS AVAILABLE FOR
BENEFITS June 30, 2024
Actuarial Asset Basis

INCOME	
Contributions:	
Member	576,009
City	6,636,384
Total Contributions	7,212,393
Earnings from Investments	
Change in Actuarial Value	11,807,216
Total Earnings and Investment Gains	11,807,216
EXPENSES	
Administrative Expenses:	
Investment Related ¹	347,472
Other	99,603
Total Administrative Expenses	447,075
Distributions to Members:	
Benefit Payments	17,300,338
Total Distributions	17,300,338
Change in Net Assets for the Year	1,272,196
Net Assets Beginning of the Year	137,121,472
Net Assets End of the Year	138,393,668
Excess Earnings Reserve	

¹ Investment Related expenses include investment advisory, custodial and performance monitoring fees.

STATISTICAL DATA

Valuation Date	6/30/2023
PA202 Reporting Date	6/30/2024

Actives

Number	75
Average Current Age	34.7
Average Age at Employment	26.5
Average Past Service	8.2
Average Annual Salary	\$78,492

Service Retirees

Number	247
Average Current Age	64.3
Average Annual Benefit	\$62,318
DROP Retirees incl. in Retirees	20

Beneficiaries

Number	53
Average Current Age	72.4
Average Annual Benefit	\$22,192
EDROs incl. in Beneficiaries	29

Disability Retirees

Number	4
Average Current Age	63.4
Average Annual Benefit	\$32,320

Terminated Vested

Number	8
Average Current Age	45.8
Average Annual Benefit	\$32,832

SUMMARY OF CURRENT PLAN PROVISIONS

Plan	<p>The Plan is a single employer defined benefit pension plan that covers all eligible public safety employees of the City. The plan is administered by a Board of Trustees comprised of five members:</p> <ul style="list-style-type: none">a.) One police officer elected by plan members,b.) One firefighter elected by plan members,c.) Two members representing the City, andd.) The city treasurer.
Final Average Compensation (FAC)	<p>Highest 3 years out of last 10. Fire FAC will use base wages only and overtime is capped at \$3,000. Corporal/Patrol FAC shall be base wage plus a maximum of 240 hours of paid leave.</p>
Service Retirement	
Eligibility	<p>Corporal/Patrol hired prior to 10/1/2011 and Fire hired prior to August 1, 2012: Any age with 20 or more years of service or age 60 regardless of service.</p> <p>Corporal/Patrol hired after 9/30/2011: Age 50 with 25 or more years of service or age 60.</p> <p>Fire hired after August 1, 2021: Any age with 20 or more years of service or age 60 regardless of service.</p> <p>Police Command: Any age with 25 or more years of service or age 60 regardless of service.</p>
Annual Benefit	<p>Corporal/Patrol hired prior to 10/1/2011: Straight life pension equals 2.80% FAC times first 25 years of service, maximum of 70% of FAC.</p> <p>Police Command and Fire hired prior July 1, 2007: Straight life pension equals 2.80% of FAC times first 25 years of service plus 1.00% of FAC times years of service in excess of 25 years to a maximum of 75% of FAC.</p> <p>Fire hired on or after July 1, 2007 (and before August 1, 2012) and Corporal/Patrol hired after 9/30/2011: Straight life pension equals 2.25% of FAC times years of service.</p> <p>Fire hired on or after August 1, 2021: Straight life pension equals 2.25% of FAC times years of service to a maximum of 75% of FAC.</p>

Duty Disability Retirement

Eligibility	Payable upon the total and permanent disability of a member in the line of duty.
Benefit	To age 55: 50% of FAC. At age 55: Same as service retirement pension with service credit from date of disability to age 55.

Non-Duty Disability Retirement

Eligibility	Payable upon the total and permanent disability of a member with 5 or more years of service
Benefit	To Age 55: 1.50% of FAC times years of service. At Age 55: Same as service retirement pension.

Deferred Retirement

Eligibility	10 years of credited service.
Benefit	Computed as service retirement but based upon service, FAC and benefit provisions in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

Duty Death in Service Survivor's Pension

Eligibility	Payable upon the expiration of a worker's compensation to the survivors of a member who died in the line of duty.
Benefit	Same amount that was paid by worker's compensation.

Non-Duty Death in Service Survivor's Pension

Eligibility	Payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service.
Benefit	Fire: Spouse's pension equals 60% of the straight life pension. All others: Accrued straight life pension actuarially reduced in accordance with an Option I election

Death After Retirement Survivor's Pension

Eligibility	Payable to an eligible surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.
Annual Benefit:	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.

Deferred Retirement Option Plan

Eligibility	Must be Police Command or member of the Taylor Professional Fire Fighters Associate Local 1252 hired before August 1, 2012. Members can elect DROP after earning 20 years of service. Fire members must earn 20 years on or before June 30, 2022.
Participation	Not to exceed 60 months.
Rate of Return	DROP Interest for each DROP Participant prior to termination of employment shall be equal to the rate paid to an employee who terminates their employment and withdraws their annuity in lieu of a retirement. Upon termination of employment, DROP Interest shall be credited at the same rate and in the same manner as interests is credited to an employee who withdraws their annuity and terminates employment in lieu of a retirement.
Member Contributions	8.00% of pay. Member contributions earn 2.00% interest.