



**City of Taylor
Police and Fire
Retirement System**

Supplemental Actuarial Valuation
P.A. 202

As of June 30, 2025

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

October 15, 2025

Retirement Board

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

Dear Retirement Board:

This report details the P.A. 202 valuation of the Police and Fire Retirement System as of June 30, 2025.

The valuation was performed to satisfy the annual reporting requirements of Public Act 202 of 2017, effective for the fiscal year ended June 30, 2025. This report was prepared for use by the City. Use of the results for other purposes may not be applicable and could produce significantly different results.

DATA AND ASSUMPTIONS

In preparing this report, we have relied on personnel and plan design supplied by the Board. Assets were determined based on audited financial reports supplied by the Board. In our opinion, the assumptions used in the valuation, as adopted by the Board of Trustees and required by Public Act 202 of 2017, represent reasonable expectations of anticipated fund experience. Other sets of assumptions and methods could also be reasonable and could produce materially different results. 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.

DISCLOSURES AND LIMITATIONS

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

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 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.

ACTUARIAL CERTIFICATION

The valuation has been conducted in accordance with all applicable laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 4 for Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, No. 44, Selection and Use of Asset Valuation Methods for Pension Valuations, and No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations.

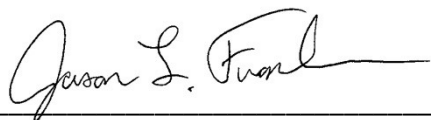
In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.

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 this report 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 Police and Fire Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

Respectfully submitted,

Foster & Foster, Inc.

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

Jason L. Franken, FSA, EA, MAAA

P.A. 202 REPORTING

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 | | 6/30/2025 |
| 24 | Actuarial Value of Assets | 142,560,986 |
| 25 | Actuarial Accrued Liabilities | 214,334,526 |
| 26 | Funded Ratio | 66.5% |
| 27 | Actuarially Determined Contribution | 7,859,394 |

The information was calculated based on the following assumptions, in compliance with the Uniform Assumptions pursuant to PA 202, applicable for fiscal year 2025. All other assumptions are as described in the Actuarial Assumptions and Methods section of this report.

| | |
|--|------------------------|
| Investment Rate of Return | 7.00% |
| Discount Rate (equivalent single rate used) | 6.89% |
| Periods with sufficient assets | 7.00% |
| Periods without sufficient assets | 3.93% |
| Salary Increase | Experience-based rates |
| 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% |

STATISTICAL DATA

| | |
|----------------|-----------|
| Valuation Date | 6/30/2024 |
|----------------|-----------|

Actives

| | |
|---------------------------|----------|
| Number | 79 |
| Average Current Age | 34.5 |
| Average Age at Employment | 27.1 |
| Average Past Service | 7.4 |
| Average Annual Salary | \$73,937 |

Service Retirees

| | |
|------------------------|----------|
| Number | 252 |
| Average Current Age | 64.7 |
| Average Annual Benefit | \$63,226 |

Beneficiaries

| | |
|------------------------------|----------|
| Number | 55 |
| Average Current Age | 73.8 |
| Average Annual Benefit | \$21,965 |
| EDROs incl. in Beneficiaries | 29 |

Disability Retirees

| | |
|------------------------|----------|
| Number | 3 |
| Average Current Age | 58.3 |
| Average Annual Benefit | \$36,358 |

Terminated Vested

| | |
|------------------------|----------|
| Number | 8 |
| Average Current Age | 46.8 |
| Average Annual Benefit | \$32,832 |

ASSET INFORMATION

STATEMENT OF FIDUCIARY NET POSITION

| | Market Value June 30, 2025 |
|---|-------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | 7,842,014 |
| Total Cash and Equivalents | 7,842,014 |
| Receivables: | |
| Accounts Receivable-Other | 36,233 |
| Accrued Interest and Dividends | 133,971 |
| Total Receivable | 170,204 |
| Investments: | |
| Fixed Income | 5,938,619 |
| Domestic and International Equities | 100,953,289 |
| Alternative Investments | 32,203,518 |
| Total Investments | 139,095,426 |
| Total Assets | 147,107,644 |
| LIABILITIES | |
| Total Liabilities | 0 |
| NET POSITION RESTRICTED FOR PENSIONS | 147,107,644 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

| | | Year Ended 6/30/2025 |
|---|------------|-------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Member | 585,979 | |
| City | 6,940,807 | |
| Total Contributions | | 7,526,786 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 16,349,354 | |
| Less Expenses ¹ | (302,504) | |
| Net Investment Income | | 16,046,850 |
| Other | | 18,215 |
| Total Additions | | 23,591,851 |
| DEDUCTIONS | | |
| Distributions to Members: | | |
| Benefit Payments | 17,184,341 | |
| Total Distributions | | 17,184,341 |
| Administrative Expenses | | 68,508 |
| Other | | 10,305 |
| Total Deductions | | 17,263,154 |
| Net Increase in Net Position | | 6,328,697 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of the Year | | 140,778,947 |
| End of the Year | | 147,107,644 |

¹ Expenses include investment advisory, custodial and performance monitoring fees

DEVELOPMENT OF ACTUARIAL ASSET VALUATION

| | Actuarial Value of Assets |
|--|------------------------------|
| ACTUARIAL VALUE OF ASSETS | |
| Market Value of Assets, 6/30/2025 | 147,107,644 |
| Total Deferred Investment (Gains)/Losses | (4,546,658) |
| Preliminary Actuarial Value of Assets, 6/30/2025 | <u>142,560,986</u> |
| 6/30/2025 Limited Actuarial Assets, Total | 142,560,986 |

DEVELOPMENT OF INVESTMENT (GAIN)/LOSS

| | |
|---------------------------------------|--------------------|
| Market Value of Assets, 6/30/2024 | 140,778,947 |
| Contributions | 7,526,786 |
| Benefit Payments | (17,184,341) |
| Administrative Expenses/Other | (89,118) |
| Expected Investment Earnings | 9,853,157 |
| Actual Net Investment Earnings | (16,046,850) |
| 2025 Actuarial Investment (Gain)/Loss | <u>(6,193,693)</u> |

DEFERRED INVESTMENT (GAINS)/LOSSES

| Year Ended: | (Gain)/Loss | Percentage | |
|--|-------------|------------|----------------------|
| | | Deferred | Deferred (Gain)/Loss |
| 6/30/2025 | (6,193,693) | 80% | (4,954,954) |
| 6/30/2024 | (5,536,258) | 60% | (3,321,755) |
| 6/30/2023 | (3,434,219) | 40% | (1,373,688) |
| 6/30/2022 | 25,518,694 | 20% | <u>5,103,739</u> |
| Total Deferred Investment (Gains)/Losses | | | (4,546,658) |

APPROXIMATE RATES OF RETURN

| Basis | Rate of Return |
|--|----------------|
| Actuarial Asset Rate of Return: | 10.42% |
| Market Value of Assets Rate of Return: | 11.81% |

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - ACTUARIAL ASSET BASIS

| | | Year Ended 6/30/2025 |
|---|-------------|-------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Member | 585,979 | |
| City | 6,940,807 | |
| Total Contributions | | 7,526,786 |
| Earnings from Investments | | |
| Net Increase in Fair Value of Investments | 16,349,354 | |
| Change in Actuarial Value | (2,132,859) | |
| Total Earnings and Investment Gains | | 14,216,495 |
| DEDUCTIONS | | |
| Administrative Expenses: | | |
| Investment Related ¹ | 302,504 | |
| Other | 78,813 | |
| Total Administrative Expenses | | 381,317 |
| Distributions to Members: | | |
| Benefit Payments | 17,184,341 | |
| Total Distributions | | 17,184,341 |
| Other | | 10,305 |
| Change in Net Assets for the Year | | 4,167,318 |
| NET ASSETS BEGINNING OF YEAR | | 138,393,668 |
| NET ASSETS END OF YEAR | | 142,560,986 |
| Excess Earnings Reserve | | |

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

ACTUARIAL ASSUMPTIONS AND METHODS

Discount Rate 6.89% Blended discount rate using GASB Statement 68 methodology.

7.00% for periods with sufficient assets.
 3.93% for periods without sufficient assets.

Investment rate of return 7.00%.

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

Retirement Age Rates are based on an experience study performed in 2023. 100% of members are assumed to retire at age 60.

| Service | % Retiring During Year (Age < 60) | | | | |
|---------|-----------------------------------|----------------------|---------------------|---------------------|--------------------|
| | Police Com. | Corp/ Patrol | Corp/ Patrol | Fire | Fire |
| | | Hired Before 9/30/11 | Hired After 9/30/11 | Hired Before 8/1/12 | Hired After 8/1/12 |
| <18 | N/A | N/A | N/A | N/A | N/A |
| 18 | N/A | 70% | N/A | N/A | N/A |
| 19 | N/A | 70% | N/A | N/A | N/A |
| 20 | 100% | 70% | N/A | 70% | 30% |
| 21 | 100% | 20% | N/A | 40% | 20% |
| 22 | 100% | 20% | N/A | 30% | 20% |
| 23-24 | 100% | 20% | N/A | 20% | 20% |
| 25-29 | 100% | 100% | 100% | 50% | 50% |
| 30+ | 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 Rate

Rates are based on an experience study performed in 2023.

| % Terminating During Year | |
|---------------------------|-------|
| Service | Rate |
| 0 | 8.00% |
| 1 | 7.00% |
| 2 | 6.00% |
| 3 | 5.00% |
| 4-9 | 4.00% |
| 10+ | 3.00% |

Inflation

3.50%.

Salary Increases

Rates inclusive of inflation. Rates are based on an experience study performed in 2023 and the police officers CBA effective January 1, 2025.

| Service | Police Rate for 2024 | All Others |
|---------|----------------------|------------|
| 0 | 47% | 8.00% |
| 1 | 40% | 8.00% |
| 2 | 38% | 8.00% |
| 3 | 21% | 8.00% |
| 4 | 18% | 5.50% |
| 5-10 | 22% | 5.50% |
| 11-19 | 22% | 3.00% |
| 20 | 3% | 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%.

| | |
|------------------------------------|---|
| 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, 2025. |
| Payroll Growth | 3.00%. This is based on an experience study performed in 2023. |
| 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. |

PLAN PROVISIONS

Plan Administration

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:

- a.) One police officer elected by plan members,
 - b.) One firefighter elected by plan members,
 - c.) Two members representing the City, and
 - d.) The city treasurer.
-

Final Average Compensation (FAC)

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.

Service Retirement Eligibility

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.

Corporal/Patrol hired after 9/30/2011: 25 or more years of service or age 60.

Fire hired after August 1, 2021: Any age with 20 or more years of service or age 60 regardless of service.

Police Command: Any age with 25 or more years of service or age 60 regardless of service.

Annual Benefit

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.

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.

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.

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.

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. |
| 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. |

| | |
|---------------|---|
| Contributions | 8.00% of pay. Member contributions earn 2.00% interest. |
|---------------|---|
