



500 West Big Beaver
Troy, MI 48084
troymi.gov

MINUTES

Employees' Retirement System Board Meeting

June 12th, 2024 at 12:00 PM
City Council Boardroom
500 West Big Beaver Troy, Michigan 48084
(248) 524-3412

Roll Call

The monthly meeting for the Employees' Retirement System Board of Trustees was held on **June 12th, 2024** in the City Council Boardroom.

The meeting was called to order at 12:00 p.m. by City Controller Irby who stated a quorum was present.

Trustees Present: Kurt Bovensiep
Theresa Brooks
John Foster
Robert Burner

Trustees Absent: Peter Dungjen
Mark Owczarzak

Also Present: Thomas Michaud – VanOverbeke, Michaud & Timmony P.C.
Joe Warsecke, MBC Consulting
Mark Woolhiser, MBC Consulting
Dee Ann Irby – Controller

Public Comment

- None

Minutes from the May 8th, 2024 Meeting

Resolution # ER – 2024-06-01

Moved by: Bovensiep
Supported by: Foster

RESOLVED, that the Minutes of the May 8th, 2024 meeting be **APPROVED**.

Yeas: - 4 – (Bovensiep, Brooks, Foster, Bruner)

Absent: - 1– (Dungjen)

Motion Passes

Retirement Requests

Name	Beth Tashnick
Pension Program	DB
Retirement Date	July 5, 2024
Department	Admin
Service Time	28 Years 4 Months

Acting City Manager Bruner stated that Beth is valued employee and will be greatly missed.

Resolution # ER – 2024-06-02

Moved by: Bruner

Supported by: Bovensiep

RESOLVED, that the retirement request listed above be **APPROVED**.

Yeas: - 4 – (Bovensiep, Brooks, Foster, Bruner)

Absent: - 1– (Dungjen)

Motion Passes

Regular Business:

- Review of 12/31/2023 Actuarial Report – Kevin Noelke Gabriel Roeder Smith (GRS)
 - Noelke, Actuary from GRS, presented a draft of the results of the December 31, 2023 Annual Actuarial Valuation of the City of Troy Employees' Retirement System. The purposes of the valuation are to measure the System's funding progress and to determine the employer contribution for the fiscal year ending June 30, 2026.
 - With the System closed to new hires, costs were computed using the aggregate cost method which is designed to target all benefits that are fully funded when the plan has no active members.
 - For the plan year ended December 31, 2023, the System experienced an actuarial gain of approximately \$6.1 million, or 3.8% of the prior year's total liabilities. The total gain was comprised of a \$6.3 million gain due to recognized investment performance, and a \$0.2 million loss in connection with System liabilities. The Funding Value of Assets exceeded the Market Value of Assets by \$8.0 million as of December 31, 2023. As a result, deferred losses will be recognized in future valuations.
 - The \$6.3 million gain on assets corresponds to a recognized rate of return on the funding value of assets of 9.5% (before the change in Asset Valuation Method) versus the 6.5% long-term assumption. The estimated market value rate of return was 16.0%.
 - The \$0.2 million loss due to liabilities was due to deviations from assumptions dealing with participant activities and is not related to investment performance.

- There were no changes in plan provisions for this valuation. The following actuarial assumptions were updated in accordance with the five-year experience study performed for the period January 1, 2018 – December 31, 2022:
 - Rates used for future mortality improvements were updated from Scale MP-2020 to MP-2021;
 - Normal retirement rates were adjusted using separate tables for General and Public Safety employees;
 - No withdrawals or disability retirements from active membership are assumed going forward; and
 - The Asset Valuation Method (AVM) was changed to smooth investment gains and losses over a period of three years instead of five years beginning with this valuation.
- The System's cash flow needs are significant due to being closed to new members combined with the general maturity of the System. Cash flow needs will continue to increase over the next five years before declining, according to the current assumptions. The Board and its investment advisors should consider how these increased cash flow needs will affect the investment strategy and asset allocation, which will in turn affect the assumed rate of investment return used in the valuation.

Resolution # ER – 2024-06-03

Moved by: Bruner

Supported by: Bovensiep

RESOLVED, that the Annual Actuarial Report of December 31, 2023 be **ACCEPTED** as presented.

Yeas: - 4 – (Bovensiep, Brooks, Foster, Bruner)

Absent: - 1– (Dungjen)

Motion Passes

• **Advisor & Consultant Review Policy – Attorney Michaud**

- Attorney Michaud explained the Board has a fiduciary responsibility to administer and manage the operations of the Retirement Board. To uphold this responsibility it is prudent to periodically review the costs and services offered by each of its advisors; furthermore to compare the costs and services offered by each of its advisors to those of other comparable advisors and consultants not retained by the Board.
- He recommends the Board formalize its advisor review procedures by developing a regular review schedule so that at least one advisor is reviewed annually.
- The Advisor & Consultant contracts/agreements must be in the name of the Retirement Board, not the City of Troy.

Resolution # ER – 2024-06-04

Moved by: Bovensiep

Supported by: Foster

RESOLVED, that the Advisor and Consultant Review Policy be **ADOPTED** and a review schedule be implemented.

Yeas: - 4 – (Bovensiep, Brooks, Foster, Bruner)

Absent: - 1– (Dungjen)

Motion Passes

• **Pension Ordinance review-**

- Michaud noted that he and the City Attorney are working on the review.

Investments:

• **MBC Consulting Fiduciary Investment Review 457 / 401 – Mark Woolhiser**

- Woolhiser presented an overview of the Q1 2024 report pointing out that U.S. equity markets continued to rally in the first quarter. Growth stocks continued to outperform value stocks and unemployment was at 3.8% in March.
- He said he does not believe the U.S. Federal Reserve (the Feds) will cut rates this year.
- Woolhiser distributed fund strategy information comparing Mid Cap investments of American Century and Fidelity.
- Warsecke reviewed the asset class returns highlighting the importance of diversification.

Other Business:

Vice Chairman Bovensiep noted that the overfunding status may be an opportunity for the Board to consider a cost of living adjustment or 13th check for retirees. Attorney Michaud explained that the Board does not have the authority to offer pension benefit increases. He noted that benefit increases are under the authority of City Council. There is however a limited provision under IRS 401(h) rule to allow for excess pension funds to be used for DB retirees' healthcare costs.

Adjourn: The meeting adjourned at 1:00 p.m.

The next meeting is Wednesday, August 14th, 2024 at 12:00 p.m. in City Council Boardroom.



Robert Bruner, Acting City Manager



Kurt Bovensiep, Vice Chairman