



nyhart
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St. Clair County Employees' Retirement System


Board Summary of December 31, 2023 Actuarial Valuation

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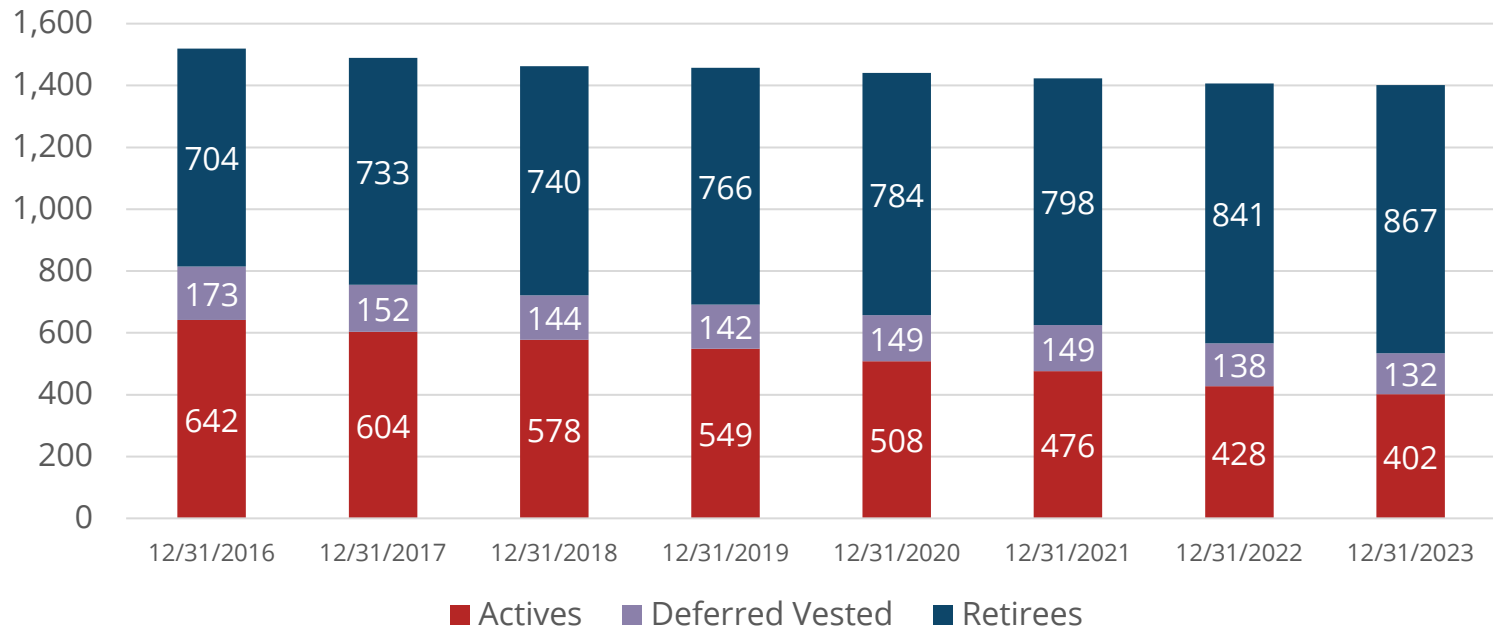
2023 Highlights

- Prior Year Activity
- 2023 Market performance
 - Asset return of 11.7% on market basis
 - Asset smoothing in place to limit volatility
 - Liability impacted by higher pay increases than expected

- Current Year
- Plan Funding Ratio
 - Market Value Funding Percentage: 78% to 81%
 - Smoothed Value Funding Percentage remained at 89%
 - Recommended Contribution
 - Increased from \$7.1M to \$7.6M

- Looking Ahead
- New ASOP 4 Measurement: Low-Default-Risk Obligation Measurement (LDRM)
 - Experience Study Recommendations
 - Review 15-year funding projections
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Participant Information



- 25 Active employees retired and 8 terminated
- 22 Retirees and survivors passed away, with 7 new beneficiaries
- 7 New Hires entered the Plan
- Average retiree benefit is \$1,897/month.



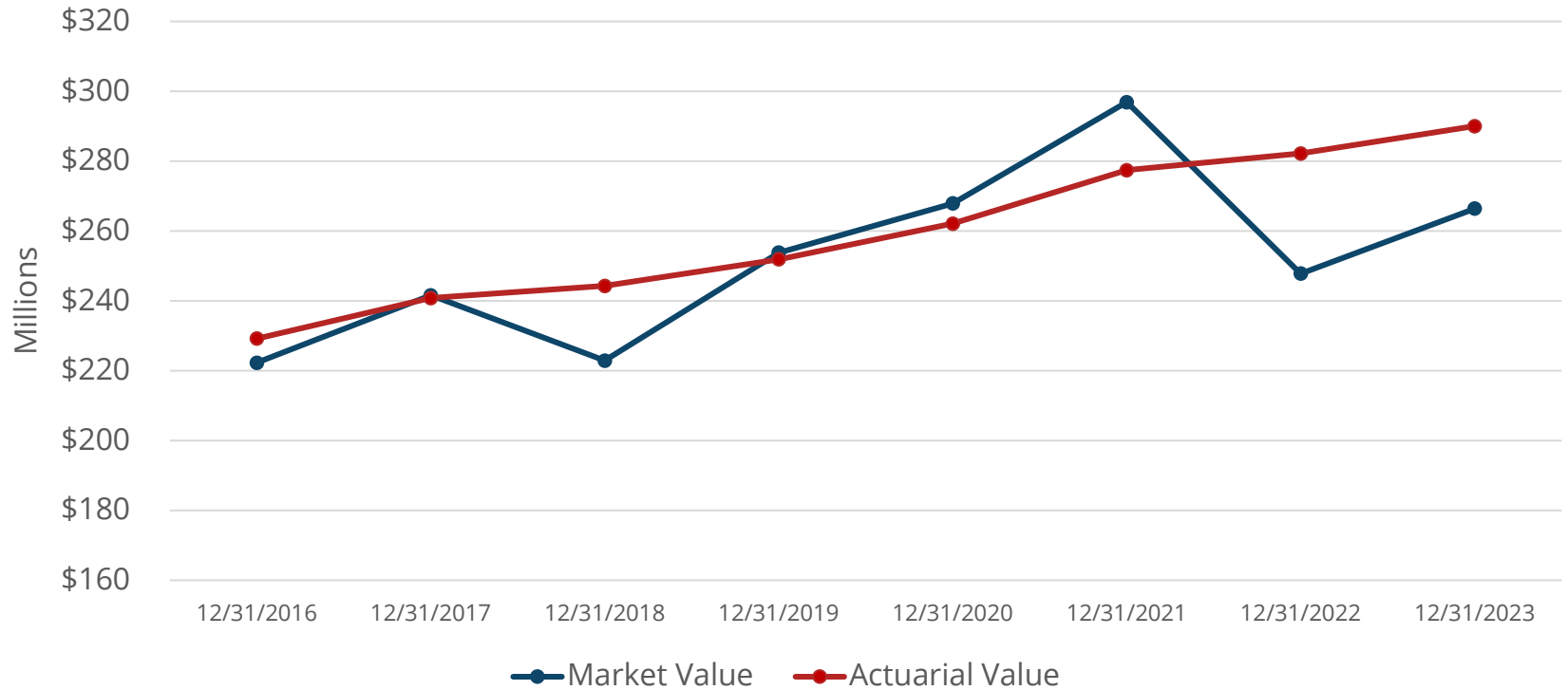
Actuarial Value of Assets Reconciliation

	General	Mental Health	Road Commission	Total
Actuarial Value of Assets, 12/31/2022	\$182,828,000	\$57,934,000	\$41,503,000	\$282,265,000
Employer Contributions	5,750,000	1,371,000	603,000	7,724,000
Employee Contributions	1,125,000	441,000	154,000	1,720,000
Benefit Payments	(12,534,000)	(3,216,000)	(3,497,000)	(19,247,000)
Expenses	(107,000)	(34,000)	(24,000)	(165,000)
Investment Income	11,479,000	3,650,000	2,560,000	17,689,000
Actuarial Value of Assets, 12/31/2023	\$188,541,000	\$60,146,000	\$41,299,000	\$289,986,000



Historical Asset Information (\$Millions)

Market and Actuarial Value of Assets (\$ in millions)



	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Market Value	\$222.3	\$241.6	\$222.9	\$253.8	\$267.9	\$296.9	\$247.8	\$266.4
Actuarial Value	\$229.2	\$240.8	\$244.3	\$251.9	\$262.1	\$277.4	\$282.3	\$290.0
Actuarial Value / Market Value	103%	100%	110%	99%	98%	93%	114%	109%

2023 Plan Experience

- Review end of year liability compared to expected
- Rolled forward with normal cost, benefit payments, and interest
- No assumption or plan changes
- Liability increase compared to expected for Plan in total
 - Salaries grew more than expected with increases of 6.2% compared to expected 2.4%.

Liability (gain)/loss	
Actuarial liability 12/31/2022	\$318,371,000
Normal cost	\$3,117,000
Benefit payments	(\$19,246,000)
Expected Interest	\$21,831,000
Plan provision changes	\$0
Assumption changes	<u>\$0</u>
Expected actuarial liability	324,073,000
Actual actuarial liability	<u>\$327,136,000</u>
Liability (gain)/loss	\$3,063,000



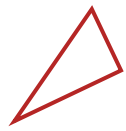
Total Plan Funded Position and Contribution Requirement

Valuation Date Fiscal Year	12/31/2022 2024 Contribution	12/31/2023 2025 Contribution
Funded Position		
Actuarial Accrued Liability	\$318,372,000	\$327,136,000
Actuarial Value of Assets	<u>282,265,000</u>	<u>289,986,000</u>
Unfunded Accrued Liability	\$36,107,000	\$37,150,000
Funded Ratio	88.7%	88.6%
Fiscal Year Employer Contribution Requirement		
Total Normal Cost	\$3,117,000	\$3,145,000
Employee Contributions	<u>1,622,000</u>	<u>1,628,000</u>
Employer Normal Cost	\$1,495,000	\$1,517,000
Admin Expenses	160,000	170,000
Amortization Payment	4,798,000	5,172,000
Interest	<u>683,000</u>	<u>714,000</u>
Total	\$7,136,000	\$7,573,000
Est. Fiscal Year Payroll	\$27,250,000	\$26,984,000
Total as of Percent of Est. Fiscal Year Payroll	26.2%	28.1%



General & Sheriff Funded Position and Contribution Requirement

Valuation Date Fiscal Year	12/31/2022 2024 Contribution	12/31/2023 2025 Contribution
Funded Position		
Actuarial Accrued Liability	\$208,462,000	\$213,873,000
Actuarial Value of Assets	<u>182,828,000</u>	<u>188,541,000</u>
Unfunded Accrued Liability	\$25,634,000	\$25,332,000
Funded Ratio	87.7%	88.2%
Fiscal Year Employer Contribution Requirement		
Total Normal Cost	\$2,025,000	\$2,082,000
Employee Contributions	<u>1,051,000</u>	<u>1,071,000</u>
Employer Normal Cost	\$974,000	\$1,011,000
Admin Expenses	104,000	111,000
Amortization Payment	3,527,000	3,699,000
Interest	<u>488,000</u>	<u>502,000</u>
Total	\$5,093,000	\$5,323,000
Est. Fiscal Year Payroll	\$17,327,000	\$17,608,000
Total as of Percent of Est. Fiscal Year Payroll	29.4%	30.2%



Mental Health Funded Position and Contribution Requirement

Valuation Date Fiscal Year	12/31/2022 2024 Contribution	12/31/2023 2025 Contribution
Funded Position		
Actuarial Accrued Liability	\$63,675,000	\$66,682,000
Actuarial Value of Assets	<u>57,934,000</u>	<u>60,146,000</u>
Unfunded Accrued Liability	\$5,741,000	\$6,536,000
Funded Ratio	91.0%	90.2%
Fiscal Year Employer Contribution Requirement		
Total Normal Cost	\$869,000	\$836,000
Employee Contributions	<u>423,000</u>	<u>408,000</u>
Employer Normal Cost	\$446,000	\$428,000
Admin Expenses	33,000	35,000
Amortization Payment	658,000	771,000
Interest	<u>120,000</u>	<u>128,000</u>
Total	\$1,257,000	\$1,362,000
Est. Fiscal Year Payroll	\$8,100,000	\$7,776,000
Total as of Percent of Est. Fiscal Year Payroll	15.5%	17.5%



Road Commission Funded Position and Contribution Requirement

Valuation Date Fiscal Year	12/31/2022 2024 Contribution	12/31/2023 2025 Contribution
Funded Position		
Actuarial Accrued Liability	\$46,235,000	\$46,581,000
Actuarial Value of Assets	<u>41,503,000</u>	<u>41,299,000</u>
Unfunded Accrued Liability	\$4,732,000	\$5,282,000
Funded Ratio	89.8%	88.7%
Fiscal Year Employer Contribution Requirement		
Total Normal Cost	\$223,000	\$227,000
Employee Contributions	<u>148,000</u>	<u>149,000</u>
Employer Normal Cost	\$75,000	\$78,000
Admin Expenses	23,000	24,000
Amortization Payment	613,000	702,000
Interest	<u>75,000</u>	<u>84,000</u>
Total	\$786,000	\$888,000
Est. Fiscal Year Payroll	\$1,823,000	\$1,601,000
Total as of Percent of Est. Fiscal Year Payroll	43.1%	55.5%



Michigan PA 202

- Underfunded Status
 - Underfunded if funded status is below 60% and required contribution is greater than 10% of City revenue
 - Use Plan Assumptions to determine Underfunded Status
 - St. Clair County Employees Retirement System is **not** in Underfunded Status – Reflects GASB 67/68 reporting, based on prior year assets

	General County	Mental Health	Road Commission
PA 202 Reporting FY 2023	76.8%	82.1%	81.0%

- Uniform Assumptions
 - Compare plans on a more-standard basis
 - For FY 2023 reporting, uniform assumptions use a 6.85% interest rate. All other Plan assumptions align with Uniform guidelines
 - Uniform assumption interest rate moving to 6.90% for FY 2024
- Experience Study Required every 5 years
 - Previous experience study completed December 2019
 - Updated experience study completed August 2024
- Actuary Audit or Replace Current Actuary every 8 years
 - Nyhart’s first valuation was 12/31/2011
 - Guidance from the Treasury expected later this year



Retiree Reserve Balance

Valuation Date	12/31/2022	12/31/2023
Retiree Accrued Liability	\$198,455,384	\$204,675,555
Retiree Reserve	<u>143,229,111</u>	<u>203,007,323</u>
Unfunded Accrued Liability	\$55,226,273	\$1,668,232

As of 12/31/2023, the computed retiree liabilities are greater than the Reserve for Retired Benefit Payments. We recommend a transfer of \$1,668,232 be made from the Reserve for Employer Contributions to the Reserve for Retired Benefit Payments.

During 2023, the Reserve for Retired Benefit Payments increased by \$57,576,904 from member contributions, decreased by \$19,052,153 for benefit payments, and then increased by \$21,253,461 from market gains.



Updates to Actuarial Standards: ASOP 4

- Actuarial Standards of Practice (ASOPs) provide binding guidance for actuaries on numerous topics
- ASOP No. 4 *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* has been updated.
 - Effective for funding reports issued on or after February 15, 2023 relating to measurement dates of the same period
 - Disclosure and discussion of an alternative funded status developed using interest rates based on low-default risk investments, such as corporate or municipal bonds
 - Stricter actuarial standards around the reasonableness of the calculation methods of actuarial recommended contributions
- Reasonable Actuarially Determined Contribution (RADDC)
 - Actuaries are now required to assess the reasonableness of the calculation of the Actuarially Determined Contribution and will show an additional contribution – the RADDC – if deemed unreasonable
 - We conclude that the funding policy is reasonable because the contributions are designed to result in 100% funding in a reasonable timeframe



ASOP 4: LDROM

- The liability basis, often referred to as LDROM, uses interest rates based on low-default risk investments, such as corporate or municipal bonds, rather than the Plan's investments
- **For illustrative purposes only.** Funding policy will still use expected return of Plan's investments

	12/31/2023 Plan Assumptions	12/31/2023 LDROM Measurement
Interest Rate	7.00%	4.80%
Actuarial Liability	\$327,136,000	\$417,020,000
Market Value of Assets	<u>\$266,368,000</u>	<u>\$266,368,000</u>
Unfunded Liability	\$60,768,000	\$150,652,000

Appendix



Participant Information

December 31, 2023	General	Mental Health	Road Commission	Total
Actives				
Number	262	114	26	402
Average Age	48.5	51.4	53.8	49.7
Average Service	18.1	15.6	23.2	17.7
Average Pay	\$68,859	\$72,909	\$73,039	\$70,278
In-Receipt				
Number	566	155	146	867
Average Age	71.8	70.2	73.2	71.8
Average Monthly Benefits	\$1,836	\$1,785	\$1,985	\$1,852
Terminated Vested				
Number	66	37	9	112
Average Age	50.3	50.1	53.9	50.5
Average Monthly Benefits	\$1,192	\$1,094	\$1,140	\$1,155
Return of Contributions				
Number	12	8	0	20
Total Contributions	\$47,715	\$62,661	\$0	\$110,376



Comments on Projections

The cost projections contained in this report are based on the valuation results and assumptions noted in the December 31, 2023 actuarial valuation report. Reasonable actuarial techniques and assumptions were used to produce the cost projections.

This report shows cost projections under different economic scenarios. Note sophisticated demographic projections of participant data were not completed due to the scope of the project. Actual results will vary from projections shown in this report, perhaps significantly, due to changes in the assumptions, plan provisions, participant demographics, interest rate movement, actual asset performance, and other actual experience of the plan. Depending on the use of this information, additional cost projections may be necessary to quantify the sensitivity of results.

While a diligent effort has been made to produce reasonable projections, by their very nature projections are speculative. Plan sponsors are cautioned against placing too much reliance on any particular scenario.



Certification

This report has been prepared for the primary purpose of summarizing the actuarial valuation for the St. Clair County Employees' Retirement System as of December 31, 2023 as well as the experience study covering experience from 2018 through 2023. To the best of our knowledge, the reports summarized herein present fair positions of the funded status of the plan in accordance with the Actuarial Standards of Practice as described by the American Academy of Actuaries and are based on the plan provisions and assumptions summarized within each report.

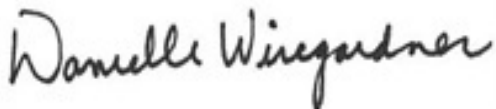
Future actuarial measurements may differ significantly from the current measurements presented in this report due to such facts as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or other additional cost or contribution requirement based on the plan's funded status); and changes in plan provisions of applicable law. The scope of our assignment did not include an analysis of the potential range of future measurements.

Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report. To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

To our knowledge there have been no significant events prior to the current year's measurement date or as of the date of this report which could materially affect the results contained herein.

Nyhart



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