



St. Clair County Employees' Retirement System Summary Annual Report

Year Ending: December 31, 2023

TABLE OF CONTENTS

INTRODUCTION

Letter to Members	2
Investment Fiduciaries & Service Providers	3

ACTUARIAL

Results Summary	4
Actuarial Methods	5
Plan Participation	6
Plan Changes	6
Plan Results	7

INVESTMENT

Investment Objectives	8
Asset Class Allocation	9
Fund Performance	10

FINANCIAL

Significant Accounting Policies	11
Statement of Fiduciary Net Position	13
Changes in Fiduciary Net Position	14
Administrative & Investment Expenses	15
Budgeted Expenditures for year ending 12/31/25	16

RETIREMENT BOARD OF TRUSTEES

Deborah Martin, Chairperson	Road Commission Employee
William Herpel, Vice Chairperson	Retiree
Jorja Baldwin, Trustee	St. Clair County Board of Commissioner
Geoffrey Donaldson, Trustee	St. Clair County Employee
Karen Farr, Trustee	Community Mental Health Employee
Karry Hepting, Trustee	St. Clair County Administrator
William Oldford, Trustee	Citizen
James Spadafore, Trustee	St. Clair County Employee
Timothy Ward, Trustee	Road Commission Board Member



WHERE TO WRITE FOR INFORMATION:

St. Clair County Employee's Retirement System

Attn: Tami Rumsey

200 Grand River Avenue, Ste. 206

Port Huron, MI 48060

Telephone: 810-989-6910

Fax: 810-985-3493

Email: trumsey@stclaircounty.org

Web site: www.stclaircounty.org

SUMMARY ANNUAL REPORT TO MEMBERS

DECEMBER 31, 2023

Dear Retirement System Members:

The Retirement System, which is managed by the Retirement Board of Trustees, is designed to help meet your financial needs due to disability, retirement or death. The Retirement Board's fiduciary responsibility is to oversee the general administration of the Retirement System and invest its assets. The Board retains professional advisors to assist in the fulfillment of these duties.

This summary report has been prepared to give you an overview of the Retirement Pension System and how it operates, which is governed by the provisions of the St. Clair County Retirement Ordinance and the Retirement Board's official rules and regulations. We hope you will find it useful and informative. As a summary cannot cover all the details of the System, additional information about the System, including the Retirement Ordinance, the actuarial valuation, and audited financials can be obtained from the St. Clair County Human Resource Office or accessed via the St. Clair County website at www.stclaircounty.org.

St. Clair County also provides postemployment health care benefits, which is separate from the Retirement System and managed by the County. Additional information regarding postemployment benefits can be found on the County website at www.stclaircounty.org in the St. Clair County Annual Comprehensive Financial Report and the 2023 Actuarial Report for Retirement Health Care.

Respectfully submitted,

Board of Trustees

St. Clair County Employees' Retirement System

INVESTMENT FIDUCIARIES

Dahab Associates

Garcia Hamilton Associates

International Farming Corporation

Morgan Stanley Real Estate

Pavilion Alternatives Group

Reams Asset Management

TA Realty

Walker & Dunlop Investment Partners—JCR Capital

WCM Investment Management

SERVICE PROVIDERS

Fifth Third Institutional Services

MedSource Services

Nyhart

Pension Benefit Information Research Services

Robbins, Geller, Rudman and Dowd

UHY LLP

VanOverbeke, Michaud & Timmony, PC

ACTUARIAL RESULTS SUMMARY

The Retirement System's financial objective is to accumulate the assets necessary to pay the promised benefits in an orderly manner. To accomplish this, contribution rates are established in a manner designed to keep those rates approximately level as a percentage of payroll or as a level dollar amount from year to year.

The Board of Trustees of the St. Clair County Employees' Retirement System provides for payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728.

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 conducts annual actuarial valuations.

These valuations are based on the System's past experience, information about current participation and financial markets, and assumptions concerning the System's future demographic and economic activity.

It is generally recommended that actuarial assumptions be evaluated and reviewed every three to five years. An experience/assumption study was performed presented and accepted by the Board of Trustees in 2024, to be applied beginning with the December 31, 2024 pension valuation report.

For 2023, the actuarial valuation was performed by Nyhart. The results are summarized on pages 5-7 of this annual report. Complete actuarial valuation reports for this and historical years can be reviewed via the St. Clair County website at www.stclaircounty.org.

ACTUARIAL METHODS

Name of plan

St. Clair County Employees Retirement System

Effective date

The plan was originally effective as of January 1, 1964.

Cost Method (CO)

Individual Entry Age Level Percent of Pay Cost Method

Amortization Method (CO)

Mental Health 15 year level dollar closed amortization of Unfunded Actuarial Accrued Liability
General County 15 year level dollar closed amortization of Unfunded Actuarial Accrued Liability
Road Commission 15 year level dollar closed amortization of Unfunded Actuarial Accrued Liability
Each subsequent year after an employer who has closed participation reaches a 15 year amortization period of their unfunded accrued liability, a new amortization base for any assumption changes, plan changes, or actuarial gain/loss will be set up which will be fully amortized in 15 years.

Asset Valuation Method

20% Phase-In Method: Expected actuarial value of assets, adjusted by 20% of the asset gain/(loss) from the previous five years. Where the asset gain/(loss) for a particular year is defined as the difference between the actual market value return and the expected actuarial value return. This method was first used for the December 31, 2005 valuation.

Interest Rates (CO)

7.00%

The interest rate is the expected long term rate of return on assets. This assumption is supported by the investment mix of the plan assets as of 12/31/2023.

Annual Pay Increases (FE)

Pay increase assumption applies to all groups and includes 2.25% inflation. Pay increases compounded with inflation are based on service as follows:

<u>Service</u>	<u>Increase</u>
1	7.0%
2	6.0%
3	5.0%
4	4.0%
5	3.0%
6-19	2.25%
20+	2.25%

*FE indicates an assumption representing an estimate of future experience
CO indicates an assumption representing a combination of an estimate of future experience and observations of market data*

PLAN PARTICIPATION

Participants	County General	Mental Health	Road Commission	Plan Total
Actives	262	114	26	402
Terminated Vested	78	45	9	132
Retirees & Beneficiaries	566	155	146	867
Total	906	314	181	1401

Retirement Benefits

Average monthly benefit	1,836	1,785	1,985	1,852
Average annual benefit	22,032	21,420	23,820	22,224
Total monthly benefit	1,039,360	276,723	289,769	1,605,852
Total annual benefit	12,472,320	3,320,676	3,477,228	19,270,224

Participation

A county policeman, sheriff, or deputy sheriff who agrees to make required participant contributions shall become a participant on his/her date of hire.

The plan is closed to new hires for most of General County employees, Road Commission and Mental Health.

PLAN CHANGES

Changes since last valuation and key notes:

There have been no changes in assumptions, methods, or plan provisions since the prior valuation to be applied to the 12/31/2023 pension valuation.

PLAN RESULTS

Total Plan Results	General County	Mental Health	Road Commission	Plan Total
Valuation Date				12/31/2023
For Fiscal Year Beginning				01/01/2025
<u>Funded Position</u>				
Entry Age Accrued Liability	213,872,541	66,682,297	46,580,982	327,135,820
Actuarial Value of Assets	<u>188,540,906</u>	<u>60,145,708</u>	<u>41,298,785</u>	<u>289,985,399</u>
Unfunded actuarial accrued liability	25,331,635	6,536,589	5,282,197	37,150,421
 Funded Ratio - Actuarial Basis	 88.2%	 90.2%	 88.7%	 88.6%
<u>Employer Contributions</u>				
Total Normal Cost	2,082,449	835,450	226,952	3,144,851
Expected Participant Contributions	<u>1,071,200</u>	<u>407,582</u>	<u>149,150</u>	<u>1,627,932</u>
Net Normal Cost	1,011,249	427,868	77,802	1,516,919
 Administrative Expenses	 110,529	 35,260	 24,211	 170,000
Amortization UAAL	3,699,078	770,270	702,623	5,171,971
Applicable Interest	<u>502,321</u>	<u>128,273</u>	<u>83,639</u>	<u>714,233</u>
Total Recommended Contribution	5,323,177	1,361,671	888,275	7,573,123
 Estimated Fiscal Year Payroll	 17,607,680	 7,775,736	 1,600,935	 26,984,351
Recommended Contribution as a percentage of estimated payroll	30.2%	17.5%	55.5%	28.1%
 Actuarial Value of Assets, 12/31/2022	 \$ 182,827,628	 \$ 57,934,255	 \$ 41,503,110	 \$ 282,264,993
Employer Contributions	5,749,763	1,370,807	602,987	7,723,557
Employee Contributions	1,124,957	440,451	154,315	1,719,723
Benefit Payments	(12,533,751)	(3,215,849)	(3,496,812)	(19,246,412)
Expenses	(107,068)	(33,927)	(24,305)	(165,300)
Investment Income	<u>11,479,377</u>	<u>3,649,971</u>	<u>2,559,490</u>	<u>17,688,838</u>
 Actuarial Value of Assets, 12/31/2023	 \$ 188,540,906	 \$ 60,145,708	 \$ 41,298,785	 \$ 289,985,399

TOTAL PLAN FUNDED RATIO 88.6% - Actuarial Value Basis

TOTAL PLAN FUNDED RATIO 81.4% - Market Value Basis

INVESTMENT INFORMATION

PLAN INVESTMENT POLICY

The Retirement System is maintained to provide retirement benefits for the participants and their beneficiaries. The Retirement System is established in accordance with the laws of the State of Michigan whereby it operates and is controlled, as to its investments, by Act 314 and its amendments.

The Board of Trustees are authorized and permitted by the plan document and under Michigan law to engage the services of an investment manager(s), investment consultant and custodian and to set the direction for the investments. The Board requires that the investment manager(s), investment consultant and custodian comply with all applicable laws, rules and regulations. The investment manager will be given full discretion in managing the funds within the statement of investment policies, procedures and objectives.

PLAN INVESTMENT OBJECTIVES

The Board's attitude regarding Retirement System assets combines both growth of capital and appropriate risk-taking. The Board recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential of loss in purchasing power (due to inflation) are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of an appropriate level of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and character of the Retirement System. The policies and restrictions contained in the Plan's Statement of Investment Policies, Procedures and Objectives should not impede the investment manager to attain the overall Retirement System objectives, nor should they exclude the investment manager from appropriate investment opportunities.

The Plan's overall investment objective is to earn an average, annual net return equal to the actuarial rate of return. The Plan is expected to outperform the Policy Index over three to five year rolling annualized time periods and a full market cycle.

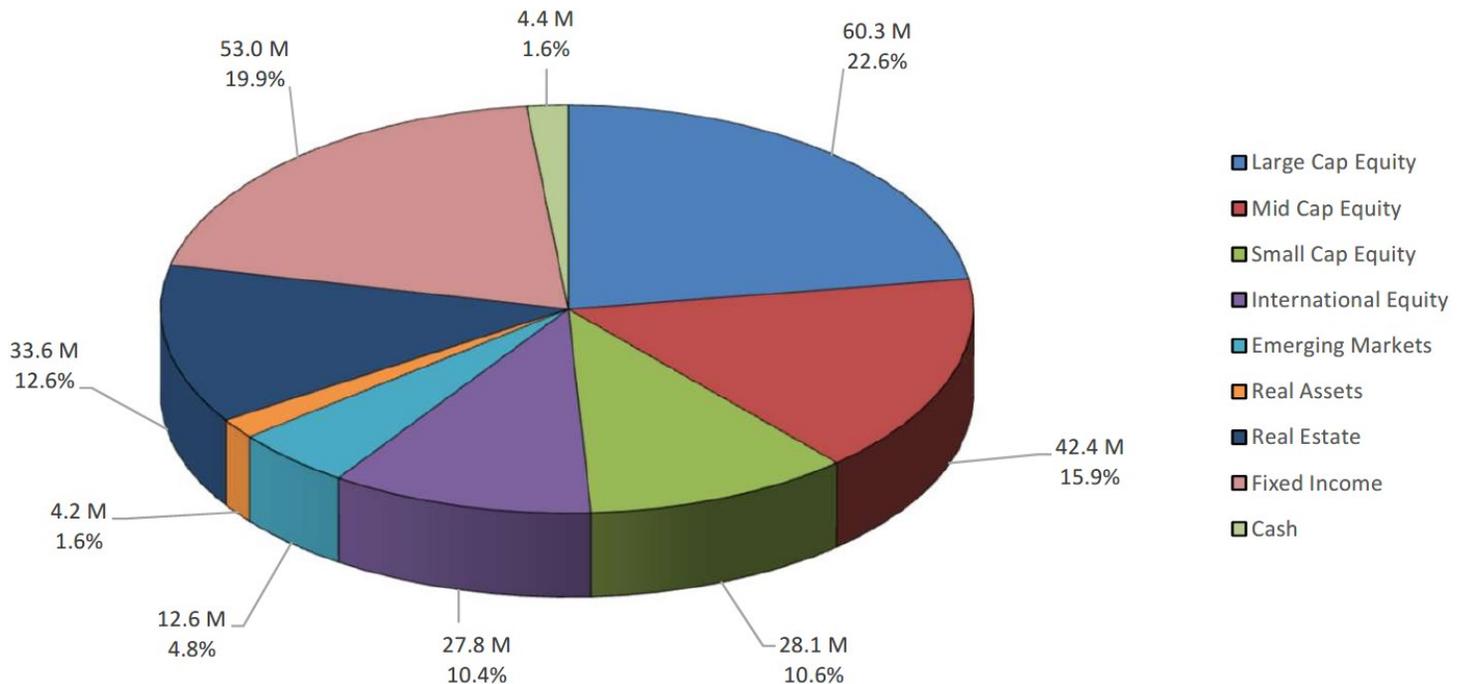
The Plan's objective is based on the expected returns under the strategic asset allocation policy. This asset allocation policy should result in normal fluctuation in the Plan's actual return, year to year. The expected level of volatility (return fluctuation) is appropriate given the Plan's current and expected tolerance for short-term return fluctuations. Appropriate diversification of Plan assets will reduce the Plan's investment return volatility.

ASSET CLASS ALLOCATION

ASSET ALLOCATION POLICY

The strategic asset allocation policy is consistent with the achievement of the Plan's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward/risk characteristics, correlation with other asset classes, manager roles, and fulfillment of the Plan's long-term financial needs. Conformance with P.A. 314 of 1965 and amendments thereof is also considered.

As of 12/31/2023

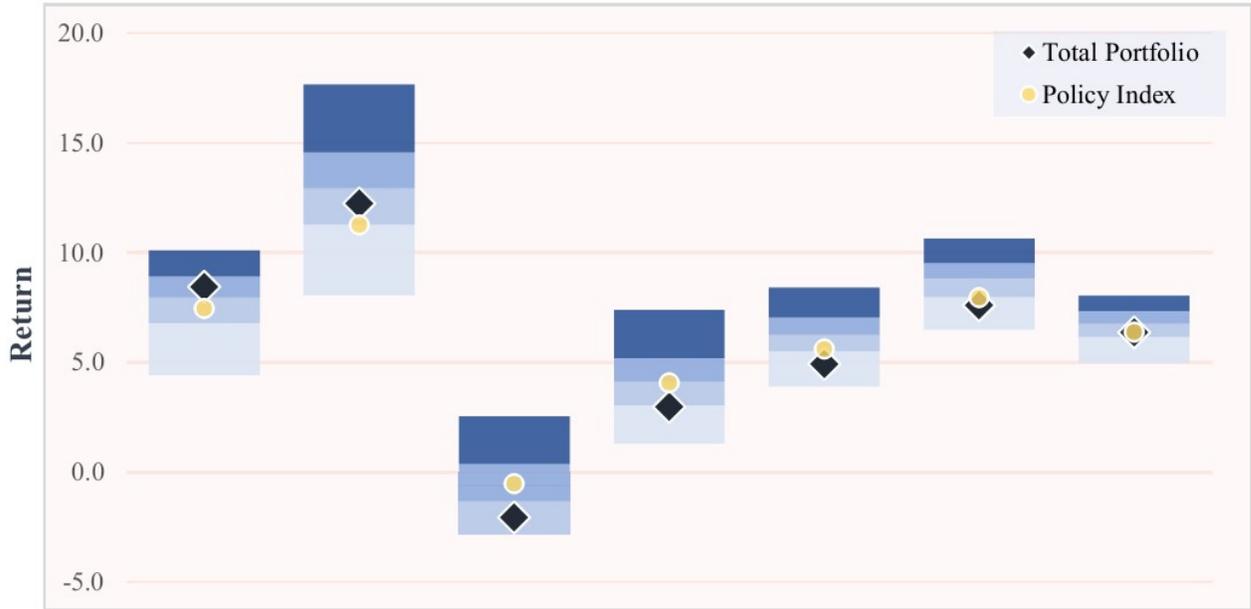


Asset Allocation Compliance

Asset	Current Allocation	Minimum Allocation	Maximum Allocation	Target Allocation	
(\$)	(%)	(%)	(%)	(%)	
Large Cap Equity	60,282,235.00	22.6	10.0	30.0	20.0
Mid Cap Equity	42,426,047.00	15.9	0.0	25.0	15.0
Small Cap Equity	28,136,990.00	10.6	0.0	20.0	10.0
International Equity	27,750,091.00	10.4	0.0	20.0	10.0
Emerging Markets	12,634,884.00	4.8	0.0	10.0	5.0
Real Assets	4,234,879.00	1.6	0.0	7.0	5.0
Real Estate	33,624,930.00	12.6	10.0	20.0	15.0
Fixed Income	53,025,126.00	19.9	15.0	45.0	20.0
Cash	4,352,613.00	1.6	-	-	0.0
Total Fund	266,467,795.00	100.00	-	-	100.00

FUND PERFORMANCE

Public Fund Universe



	1 Qtr	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	8.5	12.2	-2.1	3.0	4.9	7.6	6.4

Comparative Performance

	QTR	1 YR	3 YR	5 YR	7 YR	10 YR	Inception	Inception Date
Total Fund	8.50	12.20	3.00	7.60	6.50	6.40	5.90	09/30/1998
Benchmark Policy Index	7.50	11.30	4.10	7.90	7.00	6.40	7.20	
Ranking Public Plans < \$250 M	36	63	77	86	89	68	-	
Total Fund (Net of Fees)	8.40	11.90	2.50	7.10	6.00	5.80	5.50	09/30/1998

Financial Reconciliation Year to Date

	Market Value 01/01/2023	Net Cash Flow	Estimated Fees	Income	Net Investment Return	Market Value 12/31/2023
Total Fund	247,904,054	(10,541,204)	(879,750)	6,432,765	29,104,945	266,467,795

2023 Gross Trailing Return 12.2

2023 Net Trailing Return 11.9

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEFINED BENEFIT PLAN – PLAN DESCRIPTION

The St. Clair County Retirement System is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for eligible employees of St. Clair County, the St. Clair County Road Commission, and St. Clair County Community Mental Health Authority. Employees not in this plan are covered by a defined contribution plan. Effective January 1, 2016, the Plan is closed to all but the Sheriff deputies bargaining unit. The system is administered, managed and operated by a Board composed of 9 Trustees, the chairperson of the Board of Commissioners, or their appointee, a member of the Board of Commissioners, a member of the St. Clair County Road Commission Board, one appointed citizen, four elected employees of the retirement system and one retired member elected by the retired members. The benefit provisions are governed by Act No. 427 of the Michigan Public Acts of 1984, as amended. The plan may be amended by the County Board of Commissioners. The plan is audited within the scope of the audit of the basic financial statements. Separate audited financial statements are not issued. Additional financial information can be reviewed in the Annual Comprehensive Financial Report year ending 12/31/2023 using the 2023 Audit/ACFR link in the on the St. Clair County website at www.stclaircounty.org.

Summary of Significant Accounting Policies

Basis of Accounting -

The St. Clair County Retirement System utilizes the accrual basis of accounting and is reported within the County's reporting entity as a separate Pension Trust Fund. Contributions from employees are recognized in the period in which contributions are paid. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of the Plan.

Method Used to Value Investments -

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Contribution and Funding Policy -

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a level dollar amount designed to accumulate sufficient assets to pay benefits when due. During the year ended December 31, 2023, contributions totaling \$9,443,280 (\$7,723,557 employer and \$1,719,723 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the Plan as of December 31, 2021. The required employer contributions were \$4,660,241 for General County, \$536,825 for the Road Commission, and \$1,370,807 for Community Mental Health. Employee contributions represent 5.00%-8.00% of covered payroll, depending on the contract. The contribution requirement of a Plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the Plan are paid with retirement assets. The defined benefit Plan, excluding Sheriff Deputies, is closed to new-hires.

The required contribution rate was determined as part of the December 31, 2021 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included: (a) 7.00% net investment rate of return, and (b) projected salary increases of 2.25% to 7.00% per year, which includes pay inflation at 2.25%. There are no projected cost-of-living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar on an open period, with a remaining amortization period as of December 31, 2021 of 15 years for Community Mental Health and amortized as a level dollar on a closed period with a remaining amortization period as of December 31, 2021 of 15 years for General Employees and the Road Commission.

STATEMENT OF FIDUCIARY POSITION

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION PENSION FUND December 31, 2023

	Basic Retirement System
Assets:	
Cash and cash equivalents	3,181,738
Investments, at fair value -	261,658,000
Receivables -	
Interest and dividends	154,690
Other	29,975
Prepayments	1,423,486
Total Assets	<u>266,447,889</u>
Liabilities:	
Accounts payable	77,917
Accrued liabilities	2,372
Total Liabilities	<u>80,289</u>
Net Position:	
Restricted for pension benefits	<u>266,367,600</u>
	<u>266,367,600</u>

CHANGES IN FIDUCIARY NET POSITION

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION PENSION FUND FOR THE YEAR ENDED DECEMBER 31, 2023

	Basic Retirement System			Total
	Member Contributions	Employer Contributions	Pension Payments	
Additions:				
Contributions				
Member contributions	1,719,723	-	-	1,719,723
Employer contributions	-	7,723,557	-	7,723,557
Total contributions	1,719,723	7,723,557	-	9,443,280
Investment income				
Net depreciation in fair value of investments	-	22,975,450	-	22,975,450
Interest/Dividends	-	5,896,163	-	5,896,163
Less investment expense	-	(363,022)	-	(363,022)
Net investment income	-	28,508,591	-	28,508,591
Other	-	-	-	-
Total Additions	1,719,723	36,232,148	-	37,951,871
Deductions:				
Retirement payroll	-	-	19,052,153	19,052,153
Health/dental insurance	-	-	-	-
Death benefits	-	73,500	-	73,500
Employee refunds	120,759	-	-	120,759
Administration	-	165,300	-	165,300
Total Deductions	120,759	238,800	19,052,153	19,411,712
Net Increase (Decrease) before Transfers	1,598,964	35,993,348	(19,052,153)	18,540,159
Interfund Transfers In (Out):				
Retirees obligation	(2,350,631)	(55,226,273)	57,576,904	-
Interest	576,002	(21,829,463)	21,253,461	-
Net Decrease	(175,665)	(41,062,388)	59,778,212	18,540,159
Net Position Restricted for Pension Benefits:				
Beginning of year	29,662,886	74,935,444	143,229,111	247,827,441
End of year	\$ 29,487,221	\$ 33,873,056	\$ 203,007,323	\$ 266,367,600

ADMINISTRATIVE & INVESTMENT EXPENSES

(YTD Activity through 12/31/2023)

Expenditures

Administration -

Salaries and Fringes	140,515.50
Mileage and Travel	4,365.47
Food & Operating Supplies	178.09
Postage	6,063.20
Conferences and Training	1,535.00
Printing and Publishing	2,790.47
Miscellaneous	1,091.17

Professional Fees -

Legal Services	8,327.40
Actuary Services	37,500.00
Deceased Member Services	3,350.00
Medical Director Services	4,892.09

Investment Fees -

Custodial Services	38,372.56
Active Investment Managers *	189,512.22
Investment Consultant	95,000.00

Retirement Benefits -

Retirement Payroll	19,052,152.62
Refunds	105,556.84
Interest	15,202.17

Death Benefits

73,500.00

Total Expenditures	<u>19,779,904.80</u>
--------------------	----------------------

* Not inclusive of EFT expenses/fees

BUDGETED EXPENDITURES

(Calendar Year Ending 12/31/2025)

Expenditures

Administration -

Salaries and Fringes	158,000.00
Mileage and Travel	5,000.00
Food & Operating Supplies	3,000.00
Postage	7,000.00
Conferences and Training	15,000.00
Printing and Publishing	3,000.00
Miscellaneous	1,500.00

Professional Fees -

Legal Services	28,000.00
Actuary Services	64,000.00
Deceased Member Services	3,900.00
Medical Director Services	6,000.00
Miscellaneous Services	3,000.00

Investment Fees -

Custodial Services	42,000.00
Active Investment Managers *	300,000.00
Investment Consultant	95,000.00

Retirement Benefits -

Retirement Payroll	19,580,000.00
Employee Refunds - Principal	92,773.00
Employee Refunds - Interest	18,000.00

Death Benefits	42,000.00
----------------	-----------

Total Expenditures	<u>20,467,173.00</u>
--------------------	----------------------

* Not inclusive of EFT expenses/fees