

**City of Madison Heights
Police & Fire Retirement System
Regular Meeting Agenda
Executive Conference Room
300 West 13 Mile Road
Tuesday, April 16, 2019**

1. Call to Order at 8:30 a.m.
2. Roll Call
3. Approval of Minutes of the Special Meeting of February 5, 2019
4. Meeting Open to the Public
5. PNC – Review Investment Reports
6. PNC – Asset Allocation Study
7. Approval of contract extension of GRS actuarial services for June 30, 2019
8. Adjournment

POSTED:

TIME:

*City of Madison Heights
300 West Thirteen Mile
Madison Heights,
Oakland County, Michigan 48071
(248) 583-0826*

**CITY OF MADISON HEIGHTS
POLICEMEN & FIREMEN RETIREMENT SYSTEM
REGULAR SCHEDULED TRUSTEE MEETING
February 5, 2019**

The Special Meeting of the City of Madison Heights Policemen & Firemen Retirement System Board of Trustees was held on Tuesday, February 5, 2019, at 8:30 a.m. in the Executive Conference Room at City Hall 300 West Thirteen Mile Road, Madison Heights, Michigan.

PRESENT: Jeff Gerald, Corey Haines, Melissa Marsh, Kevin Powers and Anthony Roberts
ALSO PRESENT: Kirk VanDagens, PNC Institutional Advisory Services; Brad Armstrong and Jamal, GRS Retirement Consulting
EXCUSED: None

01-19. Approval of Minutes of Regular Meeting of November 20, 2018

Motion by Trustee Haines and supported by Trustee Roberts to approve the minutes of the regular meeting of November 20, 2018.

YEAS: Gerald, Haines, Marsh, Powers and Roberts.
NAYS: None

02-19. Return of Contributions – N. Barg

Motion by Trustee Powers, seconded by Trustee Roberts to approve the return of N. Barg's employee contributions.

YEAS: Gerald, Haines, Marsh, Powers and Roberts.
NAYS: None

03-19. Return of Contributions – J. Geloso

Motion by Trustee Haines, seconded by Trustee Powers to approve the return of J. Geloso employee contributions.

YEAS: Gerald, Haines, Marsh, Powers and Roberts.
NAYS: None

04-19 GRS – Actuarial Report June 30, 2018

Representatives from GRS Brad Armstrong and Jamal were present to review the June 30, 2018 actuarial report. Brad stated that since we are in a very mature situation with our Police and Fire Retirement system our high negative cash flow is a concern. With the new tier employee benefit, we expect this to come under control. Our investment return was lower than actuarially assumed due to smoothing, this was expected. For this actuarial report the assumed rate of return was reduced from 7.25% to 7.0% which resulted in an increase of approximately \$1.9 million. Funded ratio dropped from 54.5% to 51.2%.

GRS advised that the funding level needs to be improved at a minimum the retiree liability is only 69.6% funded. Actuarial standards changed effective November 2018, those changes have been incorporated in this report including risk measures summary including actuarial assumed liability and assets to payroll ratio (typically 700%) we are at 1,569.1% for actuarial assumed liability to payroll and assets to payroll is 797.2%.

Marsh asked if GRS thinks the system needs to have higher contributions from the City why are the required contributions not higher and why were they not higher in the past when all our current retirees were in the active workforce? The City consistently contributes at a minimum of the required contribution and usually more than the required contribution however, the system is not making any progress. GRS response there is no such thing as an

actuarial emergency; we make incremental changes along the way. We will not necessary recommending changes but just things for the board to consider for future reports.

GRS suggested that we will likely see an increase in contributions in the upcoming years due to experience and the declined assumed rate of return by 0.25% each year until June 30, 2020 when the rate stops at 6.5%.

Kirk Van Dagens will bring rate assumptions to the next meeting for the purpose of reviewing the actuarially assumed rate of return.

Motion by Trustee Powers, seconded by Haines, to accept the actuarial report as presented by GRS for fiscal year ended June 30, 2018.

YEAS: Geraldts, Haines, Marsh, Powers and Roberts.

NAYS: None

05-19 PNC December 31, 2018 Investment Report

We are not currently looking at recession. December 2018 was the worst December performance in our lifetimes. Despite being up at the end of the third quarter, the fourth quarter of the calendar year 2018 resulted in losses to the system. We are currently over weight stock 64% to 62%. At the end of the year total market value was only \$38,523,577 as of February 4, 2019 the market value has gained to \$40,131,487. The calendar year ended down 5.21% for the year.

Motion by Trustee Powers; Supported by Trustee Haines to receive and file the investment report through December 31, 2018

YEAS: Geraldts, Haines, Marsh, Power and Roberts.

NAYS: None

06-19. Adjournment

Meeting was adjourned at 9:48 a.m.



April 8, 2019

City of Madison Heights
Policemen and Firemen Retirement System
300 West Thirteen Mile Road
Madison Heights, Michigan 48071

Attention: Ms. Linda Kunath, Finance Director/Treasurer

Enclosed is an outline of normal annual actuarial and consulting services.

Our fee for normal services during the year beginning July 1, 2019 will be \$13,150 for determining funding requirements consistent with past practice. Calculations for GASB Statements No. 67 and No. 68 will be in addition to the retainer and will be \$6,575. Fees were increased by approximately 2% for price inflation.

Benefit computations will be billed at \$204 per initial scenario and \$102 per additional scenario completed at the same time. Exclusion ratio calculations, made to determine the taxable portion of benefits, will be provided at \$102 per scenario.

Special project work not included in normal annual actuarial services will be billed separately as has been the practice in the past.

An enclosed page illustrates the broad range of services we provide. We would be pleased to have the opportunity to discuss these services with you. We appreciate your patronage.

Respectfully submitted,

A handwritten signature in black ink that reads "Brad Lee Armstrong". The signature is fluid and cursive, with a large, stylized initial "A" at the end.

Brad Lee Armstrong, ASA, EA, FCA, MAAA

BLA:ah
Enclosure

City of Madison Heights Policemen and Firemen Retirement System

Outline of Normal Actuarial and Consulting Services

Normal actuarial and consulting services during the year include the following items:

- The annual actuarial valuation of active members, inactive members and retirants and beneficiaries on rolls as of June 30th, in each year, based upon data furnished by the Retirement System in accordance with instructions furnished by the actuary.
- Reasonable consulting services, via telephone, written correspondence, e-mail or fax concerning the Retirement System's operation or matters of general interest to a public sector retirement program during the course of the year.
- Attendance at one (1) meeting of the Board of Trustees.
- Assistance with data collection.
- GRS newsletter updates and bulletins on issues of interest to the Retirement System.
- Access to GRS Advantage with exclusive GRS research, survey data and archives.

The above services are covered by an annual retainer fee.

Additional services not covered by the annual retainer fee are billed separately.

