

Commission Letter # 71-10
Commission Meeting: March 15, 2010
RE: **Pension System Actuarial Valuation Report Summary**

Date: March 6, 2010

The Honorable Mayor
and
Members of City Commission

The City's contracted actuary from Gabriel Roeder Smith & Company, completed and delivered the City's 61st Annual Actuarial Valuation report to the City of Royal Oak's Retirement Board on February 24th 2010. The report was developed in accordance with standards practiced by the Actuarial Standards Board. The Retirement Board resolved to accept the report at that meeting. This communication hopes to serve as a summary report.

The funding objective of the Retirement System is to determine and receive contributions which will accumulate as assets during members' time of employment that will be sufficient to finance benefits throughout the members (and beneficiaries) retirement years. Member/employee contributions, City contributions and investment income from the system's assets finance the members' benefits. The purpose of the valuation was to gauge the Retirement System's funding progress and determine the employer contribution rate for the fiscal year beginning July 1, 2010.

The report provided the following information (as of June 30, 2009):

- The system had a funded ratio of 80%. On a market value basis the funded status was 61.8%.
- The actual net investment rate was negative 16.8%, much less than the long term assumption of 7.75%. After phasing-in this loss over four years, there is a net recognized asset loss for the year of \$11.2 million. These losses will be recognized in the funding value over the next few years causing considerable upward pressure on the contribution rate.
- The report finds that the City's/employer's contribution for the next fiscal year should be \$5,158,959, which is 25.35 percent-of-payroll for police and fire and 24 percent-of-payroll for general employees (based on \$20,435,911 payroll assumption). These percentages may change based on the approved FY2010/11 personnel budget.
- There were 317 active employees/members and 480 retirees/beneficiaries with annual benefit payments amounting to \$10,873,000, which is 54% of payroll. The active per retiree ratio is 0.66, which has been declining for many years.

The report, in its entirety, is on the City's website www.ci.royal-oak.mi.us/portal/webfm_send/982

The following resolution is recommended:

BE IT RESOLVED that the City Commission hereby accepts the City of Royal Oaks Retirement System's Pension Summary Report of the 61st Annual Actuarial Valuation for the year ending June 30, 2009.

Respectfully Submitted,



Julie Rudd
Director of Finance

Approved,



Donald E. Johnson
City Manager