CITY OF BATTLE CREEK

POLICEMEN AND FIREMEN RETIREMENT SYSTEM

ANNUAL REPORT AS OF JUNE 30, 2024

The name of the retirement system is 'City of Battle Creek Policemen and Firemen Retirement System' and is often referred to as Police and Fire Pension Fund/System in other publications. Further reference within this document shall be "P&F Pension Fund."

Board of Trustees

Stanley Chubinski, Chair	Commission appointee	term to expire 6/30/2025
Josita Todd, Trustee	Commission appointee	term to expire 10/17/2027
Tammy Wolfersberger, Treasurer	per Public Act 345	term to expire 6/30/2026
Capt. Jake Martin, Trustee	Fire Representative	term to expire 6/30/2028
Sgt. Chris Rabbitt, Trustee	Police Representative	term to expire 6/30/2026

The five-members of the Retirement Board are either elected or appointed in accordance with Public Act 345 of 1937 ("the Act). Two members shall be appointed by the legislative body of the City (the Commission) upon completing an application to serve. One member is an active member of the retirement system and elected by a majority vote of the active members of the Police Department. One member is an active member of the retirement system and elected by a majority vote of the active members of the Fire Department. The Treasurer of the City is a member per the Act. All terms are four years.

Investment Fiduciaries

Comerica Bank – Custodial Bank

Loomis Sayles & Company

Actuary & Investment Consultant

Gabriel Roeder Smith & Company – Actuary

CAPTRUST – Financial/Investment Consultant

Legal Counsel

Michael VanOverbeke

VanOverbeke, Michaud and Timmony, PC

COMPARATIVE SUMMARY RESULTS
of the June 30, 2024, June 30, 2023 and June 30, 2022
Actuarial Valuation Reports

The objective of the P&F Pension Fund is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year-to-year and will not have to be increased for future generations of citizens. This objective meets the requirements of Act No. 345 of the Public Acts of 1937, as amended, and the Michigan constitution.

To determine an appropriate Employer contribution level for the ensuing year and to gauge how the P&F Pension Fund's funding is meeting this fundamental objective, an independent firm of actuaries, Gabriel Roeder Smith & Company, conducts annual actuarial valuations.

These valuations are based on the P&F Pension Fund's past experience, information about current members, financial markets and assumptions concerning the future demographic and economic activity. There are no closed divisions within the P&F Pension Fund. The results of the June 30, 2023 valuation, June 30, 2022 valuation, and June 30, 2021 valuation based on the established funding objective, are summarized below:

EMPLOYER CONTRIBUTION RATES
As a Percentage of Active Member Payroll

Contributions to Provide Benefits	July 1, 2025	July 1, 2024	July 1, 2023
Normal Cost: Total	30.41%	30.33%	30.22%
Amortization Payment - Initial Unfunded	19.18%	19.96%	22.27%
Total Contribution Requirement	49.59%	50.29%	52.49%
Member Contribution - Average	12.07%	12.01%	11.15%
Computed Employer Rate	37.52%	38.28%	41.34%

COMPUTED AND ACTUAL CITY CONTRIBUTIONS
Comparative Statement

Fiscal Year	Valuation Date June 30	Budgeted/*Actual Dollar Contribution	Valuation Payroll	City's Computed % of Payroll Contributions
2025/26	2024	N/A	15,808,780	37.52%
2024/25	2023	N/A	16,990,750	38.28%
2023/24	2022	$6,140,034	14,953,589	41.34%

FUNDED STATUS

	June 30, 2024	June 30, 2023	June 30, 2022
Actuarial Accrued Liability	234,224,000	235,094,000	229,419,000
Actuarial Value of Assets	181,523,000	174,441,000	170,222,000
Funded Ratio	77.5%	74.20%	74.20%

SUMMARY OF CURRENT ASSET INFORMATION
Revenues & Expenses

	2023-24	2022-23	2021-22
Market Value - July 1	$ 168,798,632	$ 157,926,951	$ 186,019,846
Revenues:			
Member Contributions	$ 1,965,479	$ 1,922,364	$ 1,725,254
Employer Contributions	$ 6,140,034	$ 6,323,009	$ 6,368,077
Interest & Dividends	$ 4,021,023	$ 3,876,772	$ 6,223,014
Realized and Unrealized Gain (Loss)	$ 19,133,556	$ 12,928,149	$ -29,223,082
Total Revenues	$ 31,260,092	$ 25,050,294	$ -14,906,737
Expenditures:			
Refunds of Member Contributions	$ 45,391	$ 35,191	$ 109,594
Retirement Benefits Paid Out	$ 13,229,517	$ 13,537,067	$ 12,299,677
Administrative Expenses	$ 217,278	$ 196,493	$ 231,962
Health Insurance Premiums	$ 202,528	$ 271,367	$ 304,595
Investment Expense	$ 124,296	$ 138,495	$ 240,330
Total Expenses	$ 13,819,010	$ 14,178,613	$ 13,186,158
Market Value - June 30	$ 186,239,714	$ 168,798,632	$ 157,926,951

BATTLE CREEK P&F ASSET CLASS RETURN ASSUMPTIONS

Asset Class	Projected Long-Term Real Returns (2024-2033)
U.S. agencies	2.30%
Domestic corporate securities	4.95%
Domestic equities	5.20%
American depositary receipts	1.10%
International equities	4.23%
Assumed Inflation	2.30%

ANNUAL BENEFITS

	Age & Service Retirees	Disability Retirees	Survivor Beneficiaries
2024			
Number of retirees	244	9	34
Total benefits paid	$11,902,927	$292,003	$677,267
Average	$48,782	$32,445	$19,920
2023			
Number of retirees	235	9	38
Total benefits paid	$11,402,604	$292,003	$749,041
Average	$48,522	$32,445	$19,712
2022			
Number of retirees	234	9	32
Total benefits paid	$11,338,083	$301,704	$637,653
Average	$48,453	$33,523	$19,927

MEMBER AND RETIREE DATA

ACTIVE MEMBERS	2024	2023	2022
Police:			
Lieutenants	6	6	4
Sergeants (POLC)	18	17	16
Non-Supervisory (POLC)	84	91	78
Non-Represented	1	3	4
Lieutenants (DROP)	2	2	2
Sergeants (DROP)	1	1	1
Fire:			
Chiefs (OSP)	3	3	3
Firefighters (IAFF)	76	74	69
Non-Represented	1	1	0
Firefighters (DROP)	9	7	10
Chiefs (DROP)	1	1	0

RETIREES	2024	2023	2022
Age & Service Benefits:			
Straight Life benefit-terminates @ death	53	52	45
Straight Life benefit-60% survivor benefit	190	182	188
Option 1 benefit-100% joint & survivor	1	1	1
Option 2 benefit-50% joint & survivor	0	0	0
Survivor benefit (retiree deceased)	31	35	29
Casualty Benefits *(includes survivor beneficiaries)*			
Duty Disability benefits	5	5	5
Non-duty Disability benefits	4	4	4
Duty Death benefits	1	1	1
Non-duty Death benefits	2	2	2

ANNUAL BUDGET VERSUS ACTUAL
7/1/2023 - 6/30/2024

	Budget 2023/2024	Actual 2023/2024
REVENUE		
Member Contributions	$1,855,700	$1,965,479
Employer Contributions & Health Contribution	$6,898,943	$6,140,034
Investment Income		
Interest & Dividends	$3,999,300	$4,021,023
Realized & Unrealized Gains (Loss)	$3,000,000	$ 19,133,556
TOTAL REVENUES	$15,753,943	$ 31,260,092
EXPENDITURES		
Benefit Payments	$14,433,400	$13,229,517
Health Insurance	$205,260	$202,528
Refunds of Member Contributions	$37,000	$45,391
Administrative Expense:		
Investment Management Fees	$160,000	$124,296
Financial Consultant Fees	$95,000	$95,000
Custody Fees	$76,000	$52,770
Audit & Actuary	$34,000	$37,200
Administrative Services	$13,200	$13,280
Legal Fees	$3,000	$3,777
Memberships	$200	$200
Conference Expense	$6,000	$1,338
Medical Consultation	$0	$13,713
	$15,063,060	$13,819,010

INVESTMENT PERFORMANCE
CAPTRUST
City of Battle Creek Police and Fire Retirement System
Calendar Year Historical Performance as of 6/30/2024

TOTAL PORTFOLIO CALENDAR PERFORMANCE

	CYTD	2023	2022	2021	2020	2019	2018	Inception
Total Portfolio	7.73	16.35	-15.10	10.92	15.86	18.77	-3.84	6.95
Total Portfolio Benchmark	7.39	17.09	-14.84	11.37	13.17	19.30	-3.92	6.87
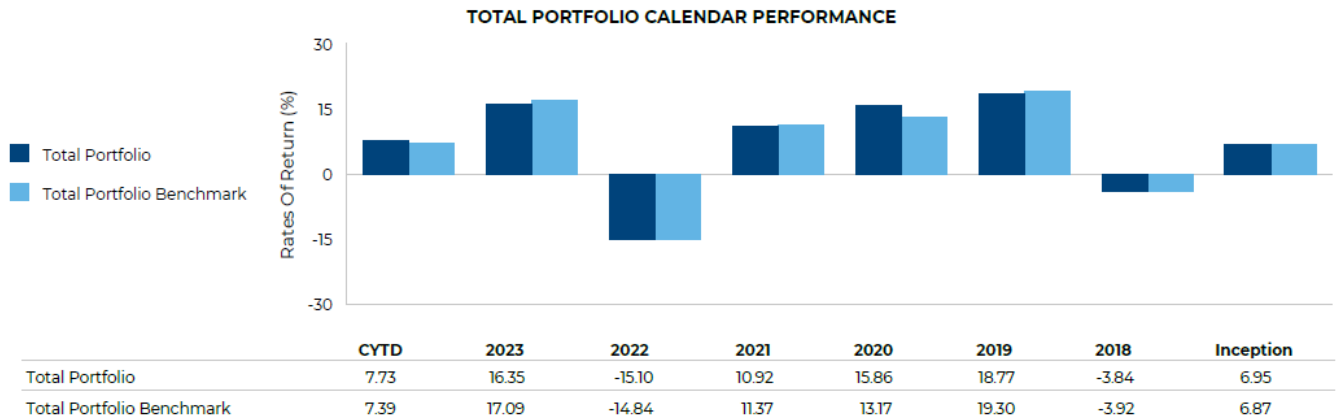
SCHEDULE OF AMORTIZATIONS
For Development of Employer Contribution Rates
Attributable to Actuarial Gains and Losses and Changes

Year Established	Initial Years	Years Remaining	Unf'd. Act. Accr. Liab. (UAAL) Initial Amount	Current Amount	Fiscal Year Beginning 2025 Projected UAAL	Amortization Factor	Amortization Payment	% of Payroll Contribution
Initial Unfunded								
2022	25	23	$ 51,720,601	$ 51,883,783	$ 52,380,370	16.9788	$ 3,085,054	18.22 %
Benefit Changes								
2007	30	13	4,422,379	4,678,497	4,594,741	10.8293	424,286	2.51
2008	30	14	390,603	421,777	416,088	11.5194	36,121	0.21
2009	30	15	121,354	132,095	130,230	12.1915	10,682	0.06
2014	30	18	(135,876)	(149,973)	(149,226)	14.1053	(10,579)	(0.06)
2016	30	18	954,398	1,016,053	1,015,457	14.1053	71,991	0.43
2017	30	18	1,322,624	1,388,899	1,387,990	14.1053	98,402	0.58
2018	30	18	(111,600)	(114,995)	(115,435)	14.1053	(8,184)	(0.05)
2019	30	18	(11,845)	(11,195)	(11,895)	14.1053	(843)	0.00
2020	30	18	(174,306)	(174,360)	(173,450)	14.1053	(12,297)	(0.07)
2021	30	18	(27,406)	(27,537)	(27,571)	14.1053	(1,955)	(0.01)
2022	15	13	(31,003)	(28,588)	(28,688)	10.8293	(2,649)	(0.02)
2023	15	14	(146,358)	(155,505)	(153,417)	11.5194	(13,318)	(0.08)
Experience Changes								
2023	20	19	1,456,264	1,547,281	1,549,524	14.7105	105,334	0.62
2024	20	20	(7,705,035)	(7,705,035)	(8,186,600)	15.3001	(535,069)	(3.16)
Assumption Changes								
Totals		21.59		$52,701,197	$52,628,118		$3,246,976	19.18 %

ACTUARIAL ASSUMPTIONS

Valuation date:	June 30, 2024
Actuarial cost method:	Entry-age actuarial cost method
Amortization method:	Layered, Level percent-of-payroll
Amortization periods:	15-year closed for benefit improvements
	20-year closed for assumption and method changes
	20-year closed for experience deviations
	25-year closed for liabilities as of 6/30/22
Asset valuation method:	5-year smoothed market with 20% corridor
Investment rate of return:	6.25%
Projected salary increases:	3.50% - 15.75%
Assumed rate of payroll growth:	3.50%
Assumed rate of membership growth	0%
Cost-of-living adjustments:	N/A

Amortization Method: The Board adopted a layered amortization method beginning with the June 30, 2022 valuation. In particular:

- The Unfunded Actuarial Accrued Liability (UAAL) attributable to experience deviations and assumption changes were consolidated and amortized over a closed 25-year period beginning with the June 30, 2022 valuation.
- The existing UAAL bases attributable to benefit changes were accelerated to be amortized over closed 20-year periods, if applicable.
- Future changes to the UAAL attributable to benefit, assumption/method changes, and experience deviations will be amortized separately as they occur over the following periods:
    o Benefit changes – Closed 15-year periods
    o Assumption/method changes – Closed 20-year periods
    o Experience deviations – Closed 20-year periods

The respective layers are amortized as a level percent of payroll. Absent actuarial gains or losses, a closed amortization period is expected to result in UAAL amortization payments that remain level as a percentage of payroll.

Benefit Changes: There were no benefit changes for the June 30, 2024 valuation.

ACTUARIAL COST METHODS USED FOR THE VALUATION

Age and Service Benefits. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

(i)   The annual normal costs for each individual active member (usually expressed as a percent-of-payroll), payable from the member's date of hire to the member's projected date of retirement, are sufficient to accumulate the actuarial present value of the member's projected benefit at the time of retirement; and

(ii)   The actuarial accrued liability under this method is equal to the assets which would have been accumulated had the normal cost contribution been made from the date of entry to the date of the valuation and had all actuarial assumptions been realized.

Casualty Benefits. Normal cost contributions were determined using a one-year term cost method. This method produces contributions sufficient to fund the value of (i) disability benefits likely to be incurred during the year (net of the member's accrued age and service benefits), and (ii) survivor benefits likely to be incurred during the year because of a member's death while employed.

Funding Value of Assets. The funding value of assets is derived as follows: prior year valuation assets are increased by contributions and expected investment income and reduced by refunds and benefit payments. To this amount is added 20% of the difference between expected and actual investment income for each of the previous five years. Funding value of assets may not be less than 80% nor more than 120% of market value.

Amortization of Unfunded Actuarial Accrued Liabilities. Beginning with the June 30, 2022 valuation, the unfunded actuarial accrued liabilities are amortized as level percent of payroll contributions (principal and interest combined) over the following periods:

- Initial Period
    - UAAL attributable to experience deviations and assumption changes as of June 30, 2022 is over a closed 25-year amortization period.
- Benefit changes
    - Bases before June 30, 2022 – Accelerated to closed 20-year amortization periods, if applicable.
    - Future bases – Closed 15-year amortization periods.
- Assumption/method changes
    - Future bases – Closed 20-year amortization periods.
- Changes from experience deviations
    - Future bases – Closed 20-year amortization periods.

Active member payroll was assumed to increase 3.50% per year for the purpose of determining the level percent contributions.