Macomb County Employees' Retirement System
Summary Annual Financial Report
Year Ended December 31, 2023

Retirement Board Members:

Mark Deldin, Chair, Chief Deputy County Executive
Bryan Santo, Vice-Chair, Director of the Department of Roads
Michael Grix, Employee Representative
Harold Haugh, County Commissioner
Lawrence Rocca, County Treasurer
Dan Willis, Employee Representative
Ken Willis, Employee Representative

Retiree Representative – Wendy Fisher

Secretary – Stephen Smigiel, County Finance Director

Legal Counsel – John Schapka, County Corporation Counsel
Vanoverbeke, Michaud & Timmony, PC, Outside Counsel

Investment Consultant – Mariner Consulting

Auditors – UHY, LLP

Actuaries – Gallagher

MACOMB COUNTY EMPLOYEES' RETIREMENT SYSTEM
Statement of Net Position
December 31,

Assets	**2022**	**2023**
Cash and cash equivalents	$ 43,689,589	$ 26,937,711
Receivables		
Accrued interest	474,203	360,255
Other	233,044	20,068,121
Other assets	17,776	18,631
Total receivables and other assets	725,023	20,447,007
Investments, at fair value	1,030,009,635	1,088,886,843
Total investments	1,030,009,635	1,088,886,843
Total Assets	1,074,424,247	1,136,271,561
Liabilities		
Accounts payable	1,519,451	1,136,730
Accrued compensation and benefits	6,460,822	5,693,517
Due to primary government	-	850,316
Total Liabilities	7,980,273	7,680,563
Net position	$ 1,066,443,974	$ 1,128,590,998

MACOMB COUNTY EMPLOYEES' RETIREMENT SYSTEM
Statement of Changes In Net Position
Years Ended December 31,

ADDITIONS	**2022**	**2023**
Employer contributions	$ 11,966,428	$ 13,966,428
Employee contributions	2,816,531	2,932,975
Interest,dividends and appreciation in value of assets	(177,850,622)	131,360,278
Management and custodial fees	(7,981,791)	(8,674,755)
Total additions	(171,049,454)	139,584,926
Deductions		
Benefit payments	78,716,138	76,202,411
Refunds of contributions	401,462	439,602
Supplies & Services	160,336	161,453
Conferences & Training	43,949	41,182
Repairs & Maintenance	61,903	63,760
Contract Services	69,809	94,484
Internal Services	408,958	435,010
Total deductions	79,862,555	77,437,902
Net increase (decrease) in net position	(250,912,009)	62,147,024
Net Position, Beginning of year	1,317,355,983	1,066,443,974
Net Position, End of year	$ 1,066,443,974	$ 1,128,590,998

MACOMB COUNTY EMPLOYEES' RETIREMENT SYSTEM
Adopted Budget
Year Ending December 31, 2024

ADDITIONS	
Employer contributions	$ 9,936,708
Employee contributions	3,000,000
Interest,dividends and appreciation in value of assets	84,000,000
Management and custodial fees	(8,555,000)
Total additions	88,381,708
Deductions	
Benefit payments	79,000,000
Refunds of contributions	400,000
Supplies & Services	140,600
Conferences & Training	44,700
Repairs & Maintenance	66,000
Contract Services	75,000
Internal Services	507,200
Total deductions	80,233,500
Net increase in net position	$ 8,148,208

MACOMB COUNTY EMPLOYEES' RETIREMENT SYSTEM
Notes to Summary Annual Financial Report
December 31, 2023

Plan Description and Provision – The County sponsors and administers the Macomb County Employees' Retirement System (the "System"), a single employer defined benefit plan covering substantially all of the County's employees. The System was established in accordance with state statutes to provide retirement benefits for the employees of the County and its several offices, boards and departments, including the Department of Roads. At December 31, 2023 (date of the most recent actuarial valuation) the System's membership consisted of:

Retirees and beneficiaries receiving benefits	3,389
Terminated employees entitled to benefits but not yet receiving them	259
Active members accruing retirement benefits	1,103
Active members accruing termination benefits	1,960
Total	6,711

Retirement Benefits- The following is a summary of the benefits provided to the members of the system. All members become vested in the System after 8 or 15 years of service, depending on their date of hire.

General County- Virtually all employees hired on or before December 21, 2001 may retire if their age plus years of service equals or exceeds 70 and they have attained a minimum age of 50. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%. Employees hired between January 1, 2002 and December 31, 2011 and certain employees hired before that date not covered by the provisions described above may retire at age 55 with 25 or more years of service or age 60 with 8 years of service. Employees hired between January 1, 2012 and December 31, 2015 may retire at age 55 with 25 or more years of service or age 60 with 15 years of service. The annual retirement benefit, payable monthly for life, for employees in the latter two groups is computed at 2.2% of final average compensation for each year of service, with a maximum employer pension of 66%. The plan was closed to new hires effective January 1, 2016. The employer's normal cost of benefits was 9.4% of payroll and the employer's total contribution was 3.0% of payroll for the year ended December 31, 2023.

Sheriff Department- Employees may retire at any age with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit for the Sheriff and deputies, payable monthly for life, is computed at 2.64% of final average compensation multiplied by credited years of service with a maximum employer pension of 66%. The factor for the undersheriff, captains, jail administrator, command officers, corrections officers and dispatchers is 2.4% for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 66%. The plan was closed to new hires effective January 1, 2016. The employer's normal cost of benefits was 13.0% of payroll and the employer's total contribution was 13.6% of payroll for the year ended December 31, 2023.

Retirement Benefits- (concluded)

Department of Roads- Employees may retire at age 55 with 25 or more years of service, at age 60 with 8 years of service or at age 55 if their age pl4us years of service equals or exceeds 70. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%. The plan was closed to new hires effective January 1, 2016. The employer's normal cost of benefits was 10.8% of payroll and the employer's total contribution was 16.0% of payroll for the year ended December 31, 2023

Martha T. Berry Medical Care Facility- Virtually all employees hired on or before December 21, 2001 may retire if their age plus years of service equals or exceeds 70 and they have attained a minimum age of 50. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%. Employees hired between January 1, 2002 and December 31, 2011 and certain employees hired before that date not covered by the provisions described above may retire at age 55 with 25 or more years of service or age 60 with 8 years of service. Employees hired on or after January 1, 2012 may retire at age 55 with 25 or more years of service or age 60 with 15 years of service. The annual retirement benefit, payable monthly for life, for employees in the latter two groups is computed at 2.2% of final average compensation for each year of service, with a maximum employer pension of 66%. The employer's normal cost of benefits was 6.5% of payroll and the employer's total contribution was 0.0% of payroll for the year ended December 31, 2023. The plan was closed to new hires effective January 1, 2016.

The System also provides death and disability benefits. If an employee leaves covered employment or dies before they are vested, accumulated employee contributions plus interest at the rate of 3.5% per year is refunded to the employee or designated beneficiary.

Funding Policy – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established by collective bargaining agreement for union members. Contribution rates for nonunion members mirror those of union members with the same benefit levels. The County is required to contribute the difference between the actuarially determined rate and the contribution rate for employees. General County employees contribute 2.5% or 3.5% of their annual salary to the System depending upon classification and date of hire. Department of Roads employees contribute 3.5% of their annual salary. Sheriff employees contribute 4.0% of their annual salary. The County's required contribution for 2023 was $6,332,767. The County's actual contribution in 2023 was $13,966,428.

Annual Pension Cost and Net Pension Obligation – During the year ended December 31, 2023, employer contributions totaled $13,966,428 while the required contribution was $6,332,767 as determined by the actuarial valuation of the plan as of December 31, 2020. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities (UAAL) are amortized as a level percent of payroll over a 20-year closed period, with 10 years remaining as of December 31, 2023. Ten-year trend information regarding the County's annual pension contribution is presented below.

Year Ended December 31	Actuarially Determined Contribution	Actual Amount Contributed	Percent Contributed
2014	22,152,820	22,152,820	100.0%
2015	21,281,602	21,281,602	100.0%
2016	20,909,535	20,909,535	100.0%
2017	19,920,483	21,672,813	108.8%
2018	22,169,777	23,747,047	107.1%
2019	16,137,328	17,144,386	106.2%
2020	14,304,020	15,146,875	105.9%
2021	13,892,354	15,560,031	112.0%
2022	10,252,487	11,966,428	116.7%
2023	6,332,767	13,966,428	220.5%

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions regarding the probability of the occurrence of events in the future. Examples of such assumptions include future employment and retirement patterns, mortality and investment rate returns. These assumptions are subject to continual revision as actual results are measured against past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplemental information following the notes herein, presents multi-year trend information that indicates whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of the benefits provided. Significant actuarial assumptions used in determining the annual required contribution include (a) a rate of return on the investment of present and future assets of 7.00% per year compounded annually, (b) projected salary increases of 3.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 1.0% to 18.0% for various members per year, depending on service, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Funding Status and Progress – As of December 31, 2023, the date of the most recent actuarial valuation, the plan was 101.8% funded. A schedule of funding progress for the previous ten (10) years is presented below and provides information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded % (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2014	882,565,132	911,095,833	28,530,701	96.9	110,159,044	25.9
2015	902,930,628	977,566,461	74,635,833	92.4	105,254,524	70.9
2016	940,494,250	1,018,883,615	78,389,365	92.3	116,574,389	67.2
2017	990,802,562	1,013,110,113	22,307,551	97.8	107,492,732	20.8
2018	999,604,207	1,034,282,157	34,677,950	96.6	103,002,972	33.7
2019	1,022,559,084	1,054,636,606	32,077,522	97.0	97,589,925	32.9
2020	1,068,574,127	1,064,429,280	(4,144,847)	100.4	96,607,826	(4.3)
2021	1,142,153,181	1,089,306,972	(52,846,209)	104.9	89,214,107	(59.2)
2022	1,141,682,925	1,124,197,091	(17,485,834)	101.6	91,051,639	(19.2)
2023	1,180,888,821	1,160,340,306	(20,548,515)	101.8	89,492,081	(23.0)

Basis of Accounting – The financial statements of the System are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period that the contributions are due. Benefits and refunds are recognized when due and payable according to the terms of the plan.

Benefit Payments - Benefit payments made during the year ended December 31, 2023 totaled 76,202,411 and the average annual retirement allowance was $23,458.

Deferred Retirement Option Program (DROP)- The County offers employees the ability to continue employment and be paid a salary after they are fully vested and also receive credits for the retirement benefit payments that would have been paid to them had they left County employment. Employees may receive up to 60 months of DROP credits. The accumulated credits are paid out; including interest at 3.5%, after the employee has fully retired (discontinued providing employee services to the County). The Plan had $22,435,666 accumulated in DROP accounts at December 31, 2023.

Investments- The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2023:

Asset Class	Target Allocation
Cash and Equivalents	0.0%
Domestic Equity	37.0%
International Equity	15.0%
Domestic Fixed Income	15.0%
Private Equity	10.0%
Real Estate	10.0%
Alternatives	13.0%
Total	100.0%

Rate of Return – Investment performance for the trailing 1,3,5,7,10 and 15 years, net of fees, are presented below.

Macomb County Employees' Retirement System
Investment Performance - Net of Fees
December 31, 2023

Trailing 1 Yr	12.41%
Trailing 3 Yrs	4.77%
Trailing 5 Yrs	9.80%
Trailing 7 Yrs	8.29%
Trailing 10 Yrs	7.36%
Trailing 15 Yrs	8.85%