

**ANNUAL REPORT TO MEMBERSHIP**  
**JUNE 30, 2025**  
**City of Farmington Hills Employees' Retirement System**

Dear Member:

The year ended June 30, 2025, marked the 59th year of operation for the Employees' Retirement System, which began operation on January 1, 1966. The System provides defined pension benefits for its members and their beneficiaries. The administration of the System, outlined in the City's Retirement Ordinance, is vested with the City of Farmington Hills Retirement Board. This responsibility includes the management of the System's assets, establishing operating policies and procedures, adoption of by-laws and granting of pension benefits in conformity with the existing Retirement Ordinance and labor contracts. Any conflict between statements in this Report and the official documents will be governed by those documents.

All expenses of operating the System are paid for by the Retirement System. No "soft dollars" (defined by statute as broker fees) are used to pay expenses in this System. The dollars needed to finance retirement benefits are accumulated through the collection of employer and employee contributions combined with the income earned on investments.

The Retirement System continues to be in very good financial and actuarial condition. On behalf of the Farmington Hills Retirement Board, I have summarized below some of the pertinent facts and results of operation of the Retirement System for the year ended June 30, 2025, including audited financial information, a listing of administrative and investment expenses, a summary of benefits and options, and a summary of the actuarial valuation report and investment results. If you have any questions regarding the pension plan, please call me at (248) 871-2446.

Respectfully submitted,



Thomas C. Skrobola  
Finance Director/Treasurer/Pension Administrator

**Statement of Fiduciary Net Position**  
**June 30, 2025**

**Assets**

Cash and cash equivalents	\$ 4,046,456
Investments	188,839,315
Accrued interest, dividends, and other receivables	<u>78,184</u>
Total assets	<u>192,963,955</u>

**Liabilities**

Accounts payable	\$ 1,455,864
Due to primary government	<u>116,277</u>
Total liabilities	<u>1,572,141</u>

<b>Net Position Restricted for Pensions</b>	<b><u>\$ 191,391,814</u></b>
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**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2025**

**Additions**

Investment income, net of expenses	\$ 17,646,018
Contributions:	
Employer	9,790,205
Employee	<u>1,577,609</u>
Total additions	<u>29,013,832</u>

**Deductions**

Pension payments	\$ 16,232,647
Contributions returned to employees	<u>97,677</u>
Total deductions	<u>16,330,324</u>

**Net Increase in Net Position Held in Trust** **12,683,508**

**Net Position Restricted for Pensions - Beginning of year** 178,708,306

**Net Position Restricted for Pensions - End of year** **\$ 191,391,814**

## Administrative and Investment Expenses Year Ended June 30, 2025

<u>Administrative Expenses:</u>	<u>Amount</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Accounting Services	\$ 79,840	\$ 85,147	\$ (5,307)	
Actuarial Fees	54,458	39,835	14,623	
Administrative Services	11,318	11,515	(196)	
Audit Fees	3,000	3,465	(465)	
Custodial Fees	51,335	37,525	13,810	
Fiduciary Insurance	10,310	10,310	0	
Legal Fees	16,355	10,534	5,821	
Professional Training/Education/Travel Expenses	7,478	8,139	(661)	
Meeting Supplies & Other	343	1,082	(739)	
<b>Total Administrative Expenses</b>	<b>234,438</b>	<b>207,552</b>	<b>26,886</b>	<b>12.95%</b>
<u>Investment Expenses:</u>				
Money Manager Fees	\$1,216,191	\$1,734,948	\$ (518,758)	-29.90%
Investment Advisory Fees	98,133	95,275	2,858	3.00%
<b>Total Investment Expenses</b>	<b>1,314,324</b>	<b>1,830,223</b>	<b>(515,900)</b>	<b>-28.19%</b>
<b>Total Administrative and Investment Expenses</b>	<b>\$1,548,761</b>	<b>\$2,037,775</b>	<b>\$ (489,014)</b>	<b>-24.00%</b>

**Budget Report**  
**2025/2026 Fiscal Year**

**Administrative Expenses:**

Accounting Services	\$ 92,095
Actuarial Fees	44,250
Administrative Services	15,994
Audit Fees	4,000
Custodial Fees	45,000
Miscellaneous	660
Fiduciary Liability Insurance	10,516
Legal Fees	10,534
Professional Training/Education/Travel Expenses	16,764
<b>Total Administrative Expenses</b>	<b><u>239,813</u></b>

**Investment Expenses:**

Money Manager Fees	\$ 1,819,000
Investment Advisory Fees	101,077
<b>Total Investment Expenses</b>	<b><u>1,920,077</u></b>

<b>Total Administrative and Investment Expenses</b>	<b><u>\$ 2,159,890</u></b>
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**BENEFIT TABLE**  
**SUMMARY OF BASIC PENSION BENEFITS**  
**STRAIGHT LIFE (NO SURVIVOR BENEFIT)**

**ELIGIBILITY**

**MULTIPLIERS**

Up to 25 yrs.   Over 25   Max\*

**BENEFIT GROUP TPOAM**

Sum of age and service equals 80 (minimum age 55) or age 60 with 8 years of service.	2.80%	1.00%	75%
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**BENEFIT GROUPS G-GENERAL, J-COURT, T-TEAMSTERS**

Sum of age and service equals 80 (minimum age 55) or age 60 with 8 years of service.	2.80%	1.00%	80%
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**BENEFIT GROUP EXECUTIVE**

Sum of age and service equals 80 (minimum age 55) or age 60 with 8 years of service.	3.00%	1.00%	80%
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**BENEFIT GROUP D-DISPATCHERS**

Sum of age and service equals 80 (minimum age 55) or age 60 with 8 years of service.	Until age 67 At age 67	2.80% 2.375%	1.00% 1.00%	75% 70%
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**BENEFIT GROUP F-FIREFIGHTERS**

25 years of service regardless of age .	2.80%	1.00%	75%
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**BENEFIT GROUP C-POLICE COMMAND**

Minimum Age 50 with 25 years of service, or 30 years of service regardless of age with a minimum of 25 years as sworn Police Officer.	3.00%	1.00%	80%
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**BENEFIT GROUP P-POLICE OFFICER**

25 years of service regardless of age.	2.80%	1.00%	75%
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\*Maximum benefit is computed as the indicated % of Final Average Compensation.

**CHANGES IN BENEFIT PROVISIONS**

The defined benefit (DB) pension plan was re-opened to General and Court employees (previously covered by a defined contribution plan) at the same DB pension multiplier, maximum pension, and pension benefit eligibility as existing General and Court employees covered by the defined benefit pension plan.

General and Court employees newly covered by the defined benefit pension plan received credit for their vesting service back to date of employment and credit for benefit service earned prospectively from date of re-entry into the defined benefit pension plan.

General and Court employees, newly covered by the defined benefit pension plan, were given a one-time opportunity to purchase prior benefit service in any amount up to service credit earned since date of employment.

Tier 1 Police and Fire defined benefit pension multiplier, maximum pension, and pension eligibility was extended to Police and Fire active employees previously covered by Tier 2 Police and Fire defined benefit coverage.

The interest rate used to determine the reduction in retirement allowance for annuity withdrawal purposes was updated for most groups.

### **FINAL AVERAGE COMPENSATION**

Final Average Compensation (FAC) consists of the three (3) highest consecutive years, as of July 1<sup>st</sup>, out of the last ten (10) years. FAC includes longevity on base pay for all employees plus lump sum holiday pay for Police, Fire and Dispatch members.

### **EARLY RETIREMENT**

The Early Retirement Benefit is actuarially reduced from Normal Retirement Age.

General Employee	Age 57 with 8 years of service.
Patrol/Fire Employee	Age 50 with 20 years of service or age 55 with 20 years of service.
Police Command Employee	Age 50 with 15 years of service or <50 years with 25 years of service as sworn Police Officer.

### **DEFERRED RETIREMENT**

System Member is eligible for a Deferred Retirement Benefit (Vested Benefit) if a General Employee has 8 or more years of service (benefit begins at age 60) or a Police/Fire Employee has 15 or more years of service (benefit generally begins at age 55).

### **DUTY DISABILITY**

In addition to the Normal, Early and Deferred Retirement provisions, the System provides Duty Disability benefits to qualifying members.

### **DEATH-IN-SERVICE**

A pension (survivor option A) shall be paid for life to the surviving spouse provided the member attained age 57 and has 8 years of service or the member has 10 or more years of credited service regardless of age and died while an employee of the City.

### **RETIREMENT BENEFIT OPTIONS**

Prior to retirement, but not thereafter, a member may elect to receive a retirement benefit by one of the following three methods:

#### **1. STRAIGHT LIFE RETIREMENT BENEFITS**

This allowance is a benefit payable to the member throughout his/her life. This is a non-survivor benefit and terminates upon the death of the member.

#### **2. SURVIVOR ALLOWANCE OPTIONS**

Under three available options, a retiree receives a reduced Straight Life Benefit, payable for life. Upon death, the reduced pension benefit will continue to be paid throughout the beneficiary's life at the percentage option selected. The reduction of Straight Life Benefit

is actuarially determined based on the ages of the member and his/her beneficiary at the time of retirement and the percentage option of primary benefit chosen. A greater reduction of Straight Life Benefit will be made to provide 100% of the Primary Pension Benefit than 75% or 50%. The Survivor Allowance Options are:

<u>Option A</u>	- 100% of Primary Pension Benefit
<u>Option B</u>	- 75% of Primary Pension Benefit
<u>Option C</u>	- 50% of Primary Pension Benefit

Should the named survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a Straight Life Pension.

### 3. **ANNUITY OPTION**

All City and Court employees are eligible for the annuity option.

### **MEDICAL BENEFITS**

Medical Benefits are available for all qualifying retirees. Since age and service requirements, the amount of monthly premium covered, and the effective date of coverage vary between bargaining groups, check with Human Resources or the Finance Department for your respective coverage.

### **SUMMARY OF ACTUARIAL VALUATION**

An Actuarial Valuation of the Retirement System and Retiree Health Plan, performed by Gabriel, Roeder, Smith & Company, involves the computation of the present value of future benefits to be paid by the System as well as the present value of future income of the System. These present values, when related to the assets currently held by the System, provide the actuary with the basis for computing the future contributions, which will be required of the employer to keep the System on a sound actuarial basis.

### **ACTUARIAL COST METHOD**

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

1. The annual normal costs for each individual active member, payable from the hire date to the date of retirement, are sufficient to accumulate to the value of the member's benefit earned.
2. Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

### **ASSET VALUATION OR SMOOTHING METHOD**

The actuarial value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed five-year period.



## **INVESTMENTS**

The goal of the System is to provide present and future retirement or survivor benefits for its members. Since investment income is a vital link to funding these benefits, the System's portfolio is managed by the following general policies:

1. Preservation of the principal value of the Plan.
2. Diversification of the portfolio to minimize volatility, market risk, and to maximize total rate of return.
3. Meet, with a high degree of probability, the assumed actuarial rate of return of 7% over a five-year period.
4. Achieve funding of vested pension benefits within the time period in which unfunded liabilities are amortized by actuary.

Investments on June 30, 2025, consisted of 62.5% Equities, 23.2% Fixed Income (Bonds), 12.9% Alternative Investments (Hedge Funds/Real Estate/Private Equity), and 1.4% Cash or Cash Equivalents.

To diversify the portfolio, the Retirement Board retained eight equity managers:

1. Hamlin
2. Seizert
3. Reinhart Partners
4. Hudson Edge
5. Ancora
6. ABS
7. Fidelity
8. Aristotle

The Board retained three fixed income managers:

1. Baird
2. HIG Bayside
3. Marathon

The Board retained twelve private alternative investments:

1. Townsend
2. Penn Square
3. Entrust
4. Entrust III
5. Blackstone Tac Ops
6. McMorgan
7. Goldman Sachs
8. Blackstone BTAS IV
9. Valstone
10. PRISA II
11. Brookfield
12. TerraCap

The remainder of the portfolio is comprised of cash or cash equivalents. For FY 24/25, the retirement system portfolio posted a net investment gain of 9.62%.

## Summary of Actuarial Valuation Reports Year Ended June 30, 2025

<b>Retirement System:</b>	<b>General</b>	<b>Court</b>	<b>Police</b>	<b>Fire</b>	<b>Total</b>	<b>Prior Year</b>	<b>Change from Prior Year</b>
Membership	Open	Open	Open	Open	-	-	-
Funded Ratio	* 74%	72%	65%	74%	70%	70%	0.00%
Number of Active Members	210	22	111	69	412	402	10
Number of Retirees/Beneficiaries	220	25	136	39	420	410	10
Total Annual Pensions Paid	N/A	N/A	N/A	N/A	\$16,232,647	\$18,193,885	(\$1,961,238)
Average Annual Pension Paid	N/A	N/A	N/A	N/A	\$38,649	\$44,375	(\$5,726)
Total Annual Valuation Payroll	N/A	N/A	N/A	N/A	\$33,120,716	\$31,307,511	\$1,813,205
City's Normal Cost %	** 13.40%	14.88%	17.24%	16.81%	N/A	N/A	N/A
City's Annual Required Contribution	\$3,633,209	\$411,130	\$4,177,004	\$1,568,862	\$9,790,205	\$7,507,962	\$2,282,243
City's Annual Required Contribution as a % of valuation payroll	10.97%	1.24%	12.61%	4.74%	29.56%	22.67%	-6.89%
Employee Contribution Rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	0.00%
Actuarial Assumed Rate of Investment Return	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	0.00%
Actuarial Assumed Rate of:							
Long-term Wage Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	0.00%
Health Care Inflation	3.5%-7.25%	3.5%-7.25%	3.5%-7.25%	3.5%-7.25%	3.5%-7.25%	3.5%-7.5%	0.25%
Amortization Method Used:	Level % of Payroll	Level % of Payroll	Level % of Payroll	Level % of Payroll	-	**	-
Amortization Period Used	14 Years	14 Years	18 Years	18 Years	-	**	**
Amortization Smoothing Method Used	5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	-
<b><u>Investment Performance</u></b> (net of fees)	Trailing <u>1 Year</u>	Trailing <u>3 Years</u>	Trailing <u>5 Years</u>	Trailing <u>7 Years</u>	Trailing <u>10 Years</u>		
	9.84%	8.81%	9.08%	7.25%	6.89%		

\* From Actuarial Valuation Report.

\*\* A level dollar amortization method was previously used for the General and Court groups. With the reopening of these groups in fiscal year 2023, a level percent of payroll amortization method was used for all groups.

## **RETIREMENT BOARD MEMBERS**

(as of June 30, 2025)

3 Year Term Expires December 31

### **Eric Gould, Chairperson**

Citizen Member  
Term Expires 2026

### **Lauri Siskind, Vice Chairperson**

Citizen Member  
Term Expires 2025

### **Domenic Lauria**

Police/Fire Member  
Term Expires 2027

### **Thomas Allen**

Police/Fire Member  
Term Expires 2026

### **Paul Wonfor**

General Employee Member  
Term Expires 2026

### **Don Droelle**

General Employee Member  
Term Expires 2027

### **Thomas Skrobola**

Administrative Officer  
Secretary-Treasurer  
Ex-Officio Member

## **INDEPENDENT AUDITORS**

Yeo & Yeo, CPAs

## **ACTUARY**

Gabriel, Roeder, Smith & Company

## **INVESTMENT MANAGERS**

ABS  
Ancora  
Aristotle  
Baird  
Blackstone BTAS IV  
Blackstone Tactical Opportunities  
Brookfield Premier  
Fidelity 500  
Fidelity International  
Hudson Edge HGK  
Entrust  
Goldman Sachs Vintage  
Hamlin Capital  
HIG  
Marathon  
McMorgan Infrastructure  
Penn Square  
PRISA II  
Reinhart Partners  
Seizert  
TerraCap  
Townsend  
Valstone

## **INVESTMENT PERFORMANCE**

### **ADVISORS**

Mariner Consulting

## **ATTORNEY**

VanOverbeke, Michaud & Timmony, P.C.

## **CUSTODIAN**

Northern Trust

## **MEDICAL DIRECTOR**

MediSource Services

## **SENIOR PENSION ACCOUNTANT**

Susan Hardy

## **CITY COUNCIL LIAISON**

Bill Dwyer

## **FOR FURTHER INFORMATION CONTACT:**

Thomas Skrobola, Administrative Officer/Secretary/Treasurer  
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Farmington Hills, Michigan 48336-1165  
(248) 871-2446