



**ANNUAL REPORT TO MEMBERSHIP  
JUNE 30, 2025  
City of Farmington Hills Post-Retirement Healthcare Finance Fund**

Dear Member:

The year ended June 30, 2025, marked the 25th year of operation for the Employees' Retirement System Post-Retirement Healthcare Finance Fund, which began operation on May 15, 2000. The Fund provides medical benefits for its members and their beneficiaries. The administration of the Fund, outlined in the City's Retirement Ordinance, is vested with the City of Farmington Hills Retirement Board. This responsibility includes the management of the Fund's assets, establishing operating policies and procedures, adoption of by-laws and granting of medical 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 Post-Retirement Healthcare Finance Fund are paid for by the Healthcare Fund. No soft dollars are used to pay expenses in this Fund. The dollars needed to finance healthcare benefits are accumulated through the collection of employer and employee contributions combined with the income earned on investments.

The Post-Retirement Healthcare Finance Fund 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 ending June 30, 2025, including audited financial information, a listing of administrative and investment expenses, 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,

A handwritten signature in blue ink, reading "Thomas C. Skrobola".

Thomas C. Skrobola  
Finance Director/Treasurer/Pension Administrator

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

**Assets**

Cash and cash equivalents	\$ 1,259,564
Investments	102,088,465
Accrued Interest and other receivables	<u>30,631</u>

Total assets	<u>103,378,660</u>
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**Liabilities**

Accounts payable	\$ 97,401
Due to primary government	<u>407,529</u>

Total liabilities	<u>504,930</u>
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Net Position Restricted for OPEB	<u>\$ 102,873,730</u>
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**Statement of Changes in Plan Net Position**  
**Year Ended June 30, 2025**

**Additions**

Investment income, net of expenses	\$ 9,842,783
Contributions:	
Employer	245,972
Employee	<u>151,720</u>
Total additions	<u>10,240,475</u>

**Deductions**

Benefit payments	\$ 3,869,022
Contributions returned to employees	<u>0</u>
Total deductions	<u>3,869,022</u>

<b>Net Increase in Restricted Net Position for OPEB</b>	<b>6,371,453</b>
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<b>Net Position Restricted for OPEB - Beginning of year</b>	<u>96,502,277</u>
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<b>Net Position Restricted for OPEB - End of year</b>	<b><u>\$ 102,873,730</u></b>
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## Administrative and Investment Expenses

### Year Ended June 30, 2025

<b><u>Administrative Expenses:</u></b>	<b><u>Amount</u></b>	<b><u>Prior Year</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
Accounting Services	\$ 15,491	\$ 16,521	\$ (1,030)	
Actuarial Fees	23,917	33,837	(9,920)	
Administrative Services	5,450	5,544	(94)	
Audit Fees	1,700	1,785	(85)	
Custodial Fees	29,214	14,250	14,964	
Dues/PCORI Fee	1,312	162	1,150	
Fiduciary Insurance	5,311	5,311	0	
Legal Fees	4,127	710	3,417	
Professional Training/Education/Travel Expense	3,852	3,543	309	
Meeting Supplies & Other	177	416	(239)	
<b>Total Administrative Expenses</b>	<b>90,551</b>	<b>82,079</b>	<b>8,472</b>	<b>10.32%</b>
<b><u>Investment Expenses:</u></b>				
Money Manager Fees	\$ 692,219	\$ 1,001,977	\$ (309,758)	-30.91%
Investment Advisory Fees	45,088	43,775	1,313	3.00%
<b>Total Investment Expenses</b>	<b>737,307</b>	<b>1,045,752</b>	<b>(308,445)</b>	<b>-29.50%</b>
<b>Total Administrative and Investment Expenses</b>	<b>\$ 827,858</b>	<b>\$ 1,127,831</b>	<b>\$ (299,973)</b>	<b>-26.60%</b>

**Budget Report  
2025/2026 Fiscal Year**

**Administrative Expenses:**

Accounting Services	\$ 17,869
Actuarial Fees	35,250
Administrative Services	7,701
Audit Fees	2,000
Custodial Fees	35,500
Miscellaneous	340
Fiduciary Liability Insurance	5,417
Legal Fees	710
Professional Training/Education/Travel	8,636
<b>Total Administrative Expenses</b>	<b><u>113,423</u></b>

**Investment Expenses:**

Money Manager Fees	\$ 963,000
Investment Advisory Fees	46,441
<b>Total Investment Expenses</b>	<b><u>1,009,441</u></b>

<b>Total Administrative and Investment Expenses</b>	<b><u>\$ 1,122,864</u></b>
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## **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.

## **CHANGES IN MEDICAL BENEFIT PROVISIONS**

Upon retirement, a retiree health care stipend of \$200/month for single coverage or \$400/month for double coverage will be credited to a retiree health care savings account each year for Tier 2 General, Court, Police, and Fire employees satisfying certain conditions at retirement.

The eligibility requirements to be satisfied at the time of retirement for the retiree health care stipend are as follows:

Police Patrol: 25 or more years of credited service

Police Command: attained age of 50 with 25 or more years of credited service, or 30 or more years of credited service regardless of age.

TPOAM (formerly AFSCME): upon attainment of full unreduced pension.

All Other Groups: attained age of 60 with 15 or more years of credited service.

For retiree health care stipend eligibility purposes, service back to date of hire is considered.

## **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:

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.

Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

## **ASSET VALUATION 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 60.4% Equities, 22% Fixed Income (Bonds), 13.8% Alternative Investments (Hedge Funds/Real Estate/Private Equity), and 3.8% Cash or Cash Equivalents.

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

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

The Board retained three fixed income managers:

1. Baird
2. HIG Bayside
3. Marathon

The Board retained eleven private alternative investments:

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

The remainder of the portfolio is comprised of cash or cash equivalents. For 2025, the retirement system portfolio posted net investment gain of 9.81%.

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

<u>Retiree Health Plan</u>	*	General	Court	Police	Fire	Total	Prior Year	Change from Prior Year
Membership		Closed	Closed	Closed	Closed	-	-	-
Funded Ratio	**	N/A	N/A	N/A	N/A	117%	113%	4.00%
Number of Active Employees:		210	22	111	69	412	402	10
Number of Active -Tier One		33	10	34	14	91	98	(7)
Number of Active -Tier Two		177	12	77	55	321	304	17
Number of Retirees/Beneficiaries:		163	18	111	27	319	316	3
Medical Insurance		115	11	88	26	240	242	(2)
Medical Opt Out Allowance		42	7	21	1	71	70	1
RHS Healthcare Stipend		6	0	2	0	8	4	4
Total Annual Premiums Paid		N/A	N/A	N/A	N/A	\$3,869,022	\$3,570,891	\$298,131
Total Annual Valuation Payroll	***	N/A	N/A	N/A	N/A	\$9,923,103	\$11,656,686	(\$1,733,583)
City's Annual Required Contribution		\$0	\$3,436	\$0	\$242,536	\$245,972	\$274,586	(\$28,614)
City's Annual Required Contribution as a % of valuation payroll		0.00%	0.03%	0.00%	2.44%	2.48%	2.36%	-0.12%
Employee Contribution Rate		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	0.00%
Actuarial Assumed Rate of:								
Investment Return		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	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%	.25%
Amortization Method Used		Level \$	Level \$	Level \$	Level \$	Level \$	Same	-
Amortization Period Used		11 Years	11 Years	11 Years	11 Years	11 Years	**	**
Amortization Smoothing Method Used		5 Year	5 Year	5 Year	5 Year	5 Year	5 Year	-
<u>Investment Performance</u> (net of fees)		Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 7 Years	Trailing 10 Years		
		9.92%	8.87%	9.10%	7.36%	6.93%		

\* Actuarial Valuations for the Retiree Health Care Plan are completed bi-annually.

\*\* From Actuarial Valuation Report.

\*\*\* Total Annual Valuation Payroll is based on Fiscal Year 2024-2025



## **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:**

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Farmington Hills, Michigan 48336-1165  
(248) 871-2446