



Financial Services Audit Committee Communication

Date: March 28, 2025

To: Great Lakes Water Authority Audit Committee

From: Nick Fedewa, CPA, Public Finance Manager

Re: General Retirement System Financial Report and Annual Actuarial Valuation for Year End June 30, 2024 (City of Detroit Component II)

Background: The Great Lakes Water Authority (GLWA) assumed a portion of the legacy pension commitment assigned to the Detroit Water & Sewerage Department (DWSD) pursuant to the terms of the regional water and sewer system leases. For this reason, GLWA monitors activity related to the City of Detroit General Retirement System (GRS). While there are two plans managed by GRS, GLWA is impacted by only the Component II plan. Component II was closed as of June 30, 2014 under the City of Detroit bankruptcy plan of adjustment and is commonly referred to as the 'legacy plan'.

The following reports have been presented to the GRS Board and are attached.

1. Letter from the GRS external audit firm to those charged with governance for the General Retirement System of the City of Detroit for the year ending June 30, 2024
2. Audited Financial Report for the General Retirement System of the City of Detroit (dated December 19, 2024)
3. GASB Statement No. 67 and 68 Accounting and Financial Reporting of Financial Plans of Component II June 30, 2024 (dated October 11, 2024)
4. Annual Actuarial Valuation as of June 30, 2024 (dated February 6, 2025)

While the external auditor letter (#1 above) to those charged with governance did highlight areas for improvement, the overall financial audit for the GRS combined plans received an unqualified opinion for the year ending June 30, 2024. The balance of this discussion will focus on the remaining reports: the results of the Audited Financial Report (#2 above) and GASB Statement No. 67 and 68 Report (#3 above) which are based on prior year actuarial results and serve as the basis for the DWSD and GLWA pension expense and liability to be reported in FY 2025. Finally, we will address the most recent June 30, 2024 Actuarial Valuation Report (#4 above) which provides insight into future pension expense and liability expectations. We are presenting this annual communication utilizing the latest reports to provide a timely update on the Authority's pension status.

Key Update on Prepaid Administrative Expense: Per the Annual Actuarial Valuation of Component II, June 30, 2024 (dated February 6, 2025), the \$13 million GLWA and DWSD prepaid in accordance with the 2015 Memorandum of Understanding is to be transferred from the General City to the DWSD during the 2025 fiscal year.

Comments and Recommendations

DWSD (Water/Sewer) Contributions

We understand that the City, System and GLWA have a Memorandum of Understanding dated December 1, 2015 for assessing contributions, if any, to GLWA.

The DWSD contributions and liabilities determined in this report do not consider the separation of DWSD-R and GLWA from the DWSD. For the employer contributions in this report, we have assumed that contributions would be assessed to the City based on the total unfunded liability for DWSD and without regard to any future separate contribution agreement with GLWA beyond those described herein.

Per the General Retirement System's June 30, 2024 Notes to Financial Statements (Note 14):

During the fiscal year beginning on July 1, 2023, the parties to the pension reporting agreement were to mutually determine and resolve whether any aggregate excess or shortfall of administrative expenses as of June 30, 2023 shall have any effect on the obligation of DWSD-R or GLWA to make payments to the General Retirement System of the City of Detroit under the pension reporting agreement. Pending a formalized agreement, the parties verbally agreed to have the City make the DWSD-R/GLWA annual required contribution until such time that the aggregate excess of approximately \$13 million is exhausted.

It is further our understanding that the approximately \$13 million is to be transferred from the General City to division to the DWSD division during the 2025 fiscal year and it is both parties' intention for the DWSD to begin making annual required contribution payments beginning with the 2026 fiscal year.

Per Section 2.2 from the Memorandum of Understanding dated December 1, 2015:

(b) For each Fiscal Year commencing from and after July 1, 2023, on its normal schedule for determining the current Fiscal Year's contributions to the GRS, the GRS shall provide the Authority with a determine of the UAAL for the Authority Pension Pool using the market value of assets for the Authority Pension Pool and whether the Authority Pension Pool is funded at 100%. If the Authority Pension Pool is fully funded at 100% or more, no contributions for the current Fiscal Year will be required of the Authority. If the Authority Pension Pool is less than 100% funded, then the Authority shall make such level annual contributions to the GRS as necessary to amortize such shortfall over five (5) years (or such greater period not to exceed ten (10) years as agreed upon by GRS and the Authority) at an interest rate equal to the then current GRS investment return assumption. Except for the additional payments required by this subsection (b), if any, the Authority shall have no further liability whatsoever to the City or the GRS in connection with any other shortfalls that that may occur with respect to the GRS Plan.

(c) The UAAL calculations required to be furnished pursuant to this Agreement shall be calculated by the GRS Actuary using actuarial standards of the actuary industry.

This report does not reflect any potential additional contribution requirements per Section 2.2 from the MOU. We will assist the Retirement System in determining whether contributions are required of the Authority Pension Pool for the 2025 and 2026 Fiscal Years in a separate report.

Recommendation

In order to minimize the risk of insolvency, it is important that timely employer contributions in an amount equal to or greater than the actuarially calculated amount are received, in accordance with the funding policy.

*Source:
Annual
Actuarial
Valuation of
Component
II, June 30,
2024 (dated
February 6,
2025), p 13.*



Analysis: This report addresses five key areas.

1. Financial Position of the GRS as a Whole
2. Financial Position of the DWSD Unit with the GRS
3. Administrative Expenses
4. Planning for the Tail Liability (Unfunded Actuarial Accrued Liability - UAAL)
5. Impact on GLWA Financial Forecast

Financial Position of the GRS as a Whole

As reported in the GASB Statement No. 67 and 68 Accounting and Financial Report, and shown below in Table 1, the measurement date June 30, 2024 Component II Net Pension Liability is \$844 million based on the roll forward of the June 30, 2023 valuation date. This is a decrease of approximately 8.6% from the prior year liability of \$923 million. The combined DWSD/GLWA unit makes up approximately \$42 million or 5% of that total and is discussed further in the next section.

Table 1: GASB Statement No. 67 and 68 Report - Executive Summary

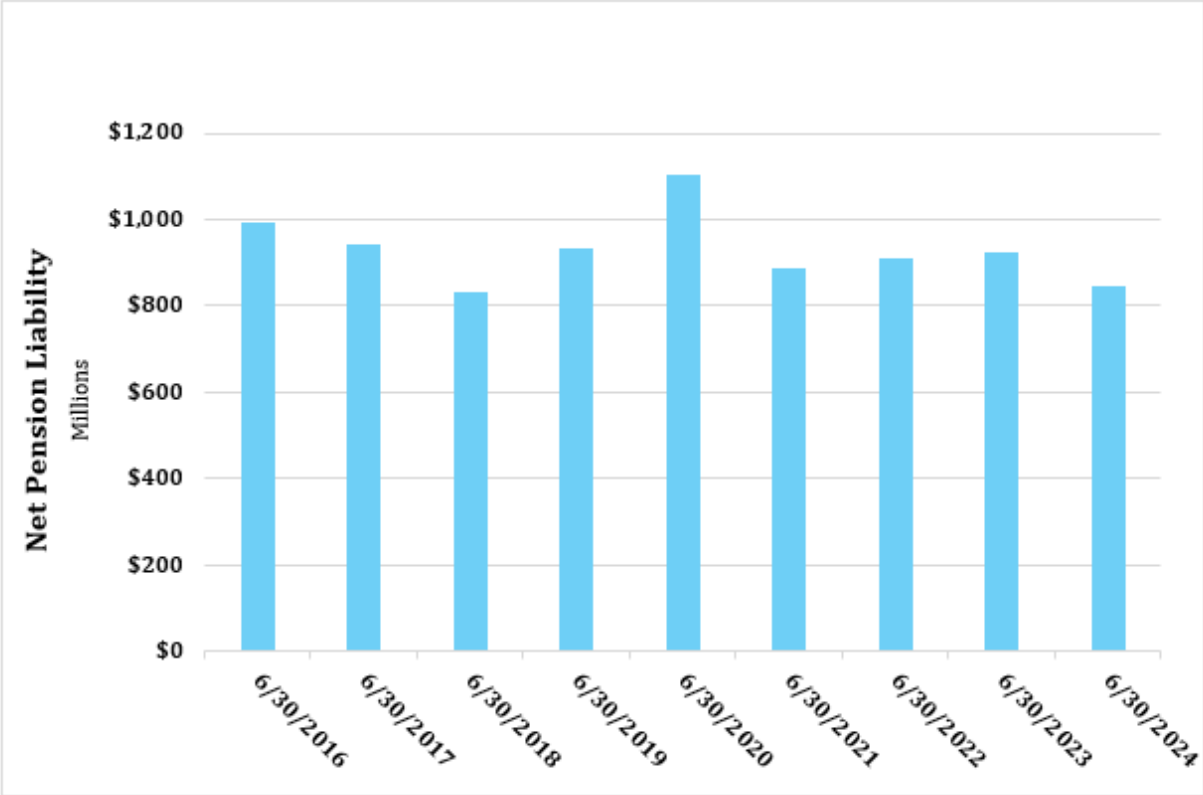
Executive Summary as of June 30, 2024

Actuarial Valuation Date	June 30, 2023
Measurement Date of the Net Pension Liability	June 30, 2024
Employer's Fiscal Year Ending Date (GASB No. 68 Reporting Date)	June 30, 2025
Membership	
Number of	
- Retirees and Beneficiaries	10,792
- Inactive, Nonretired Members	2,391
- Active Members	1,737
- Total	14,920
Covered Payroll [^]	\$ 78,649,527
Net Pension Liability	
Total Pension Liability	\$ 2,246,596,545
Plan Fiduciary Net Position	1,402,602,998
Net Pension Liability	\$ 843,993,547
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.43%
Net Pension Liability as a Percentage of Covered Payroll	1,073.11%
Development of the Single Discount Rate	
Single Discount Rate	6.75%
Long-Term Expected Rate of Investment Return	6.75%
Long-Term Municipal Bond Rate*	3.97%
Last year ending June 30 in the 2025 to 2124 projection period for which projected benefit payments are fully funded	2124
Total Pension Expense	\$ 58,878,042

Source: GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pension Plans of Component II, June 30, 2024 (dated October 11, 2024), p 1.

The June 30, 2024 actual net pension liability decrease for GRS as a whole is attributed to an increase in employer contributions of \$57.4 million (which includes \$23 million from a Michigan Pension Grant) and an increase in net investment income as compared to June 30, 2023. Chart 1 below highlights the overall net pension liability trend for the GRS since GLWA was formed in 2016.

Chart 1: Net Pension Liability Trend for GRS in Total



Source: GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pension Plans of Component II. Multiple Years.

Financial Position of the DWSD Unit with the GRS

The GASB Statement No. 67 and 68 Accounting and Financial Report also provides a breakdown by unit as shown below in Table 2. The DWSD unit reflects the combined DWSD and GLWA pension obligation. As of June 30, 2024, the DWSD Net Pension Liability is \$42 million. This is a decrease of 20% from \$52.7 million DWSD Net Pension Liability as of June 30, 2023, in contrast to the overall system decrease of 8.6%. This decrease in the net pension liability is a result of actual net investment return 9.06% exceeding the previous year 4.94% (DWSD contribution in FY23 were \$700,000 versus \$42.9 million in FY24).

Table 2: GASB Statement No. 67 and 68 Report - DWSD Changes in Net Pension Liability

Schedule of Changes in Net Pension Liability and Related Ratios Current Period Fiscal Year Ended June 30, 2024*

A. Total Pension Liability	General	DOT	DWSD	Library	Total
1. Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
2. Interest on the Total Pension Liability	81,058,461	23,441,104	41,291,172	4,952,267	150,743,004
3. Changes of benefit terms	-	-	-	-	-
4. Difference between expected and actual experience of the Total Pension Liability	(7,647,380)	(8,768,999)	(6,234,300)	(1,452,359)	(24,103,038)
5. Changes of assumptions	890,534	266,200	469,499	51,731	1,677,964
6. Benefit payments, including refunds of employee contributions	(125,498,298)	(31,321,674)	(59,416,166)	(7,058,812)	(223,294,950)
7. Net change in Total Pension Liability	\$ (51,196,683)	\$ (16,383,369)	\$ (23,889,795)	\$ (3,507,173)	\$ (94,977,020)
8. Total Pension Liability – Beginning	1,261,838,810	362,422,731	640,524,230	76,787,794	2,341,573,565
9. Total Pension Liability – Ending	\$ 1,210,642,127	\$ 346,039,362	\$ 616,634,435	\$ 73,280,621	\$ 2,246,596,545
B. Plan Fiduciary Net Position					
1. Contributions – employer [^]	\$ 67,455,909	\$ 37,429,233	\$ 700,000	\$ 100,000	\$ 105,685,142
2. Contributions – employee	-	-	-	-	-
3. Net investment income	54,836,310	4,134,243	49,128,301	6,162,226	114,261,080
4. Benefit payments, including refunds of employee contributions	(125,498,298)	(31,321,674)	(59,416,166)	(7,058,812)	(223,294,950)
5. Pension Plan Administrative Expense	(1,373,976)	(130,411)	(1,176,329)	(158,131)	(2,838,847)
6. Other	(5,172,463)	(1,992,430)	(2,444,389)	(209,425)	(9,818,707)
7. Net change in Plan Fiduciary Net Position	\$ (9,752,518)	\$ 8,118,961	\$ (13,208,583)	\$ (1,164,142)	\$ (16,006,282)
8. Plan Fiduciary Net Position – Beginning	686,593,617	65,168,252	587,827,141	79,020,270	1,418,609,280
9. Plan Fiduciary Net Position – Ending	\$ 676,841,099	\$ 73,287,213	\$ 574,618,558	\$ 77,856,128	\$ 1,402,602,998
C. Net Pension Liability	\$ 533,801,028	\$ 272,752,149	\$ 42,015,877	\$ (4,575,507)	\$ 843,993,547
D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability	55.91%	21.18%	93.19%	106.24%	62.43%
E. Covered-employee payroll	\$ 51,528,192	\$ 10,970,076	\$ 10,092,380	\$ 6,058,879	\$ 78,649,527
F. Net Pension Liability as a percentage of covered-employee payroll	1035.94%	2486.33%	416.31%	-75.52%	1073.11%

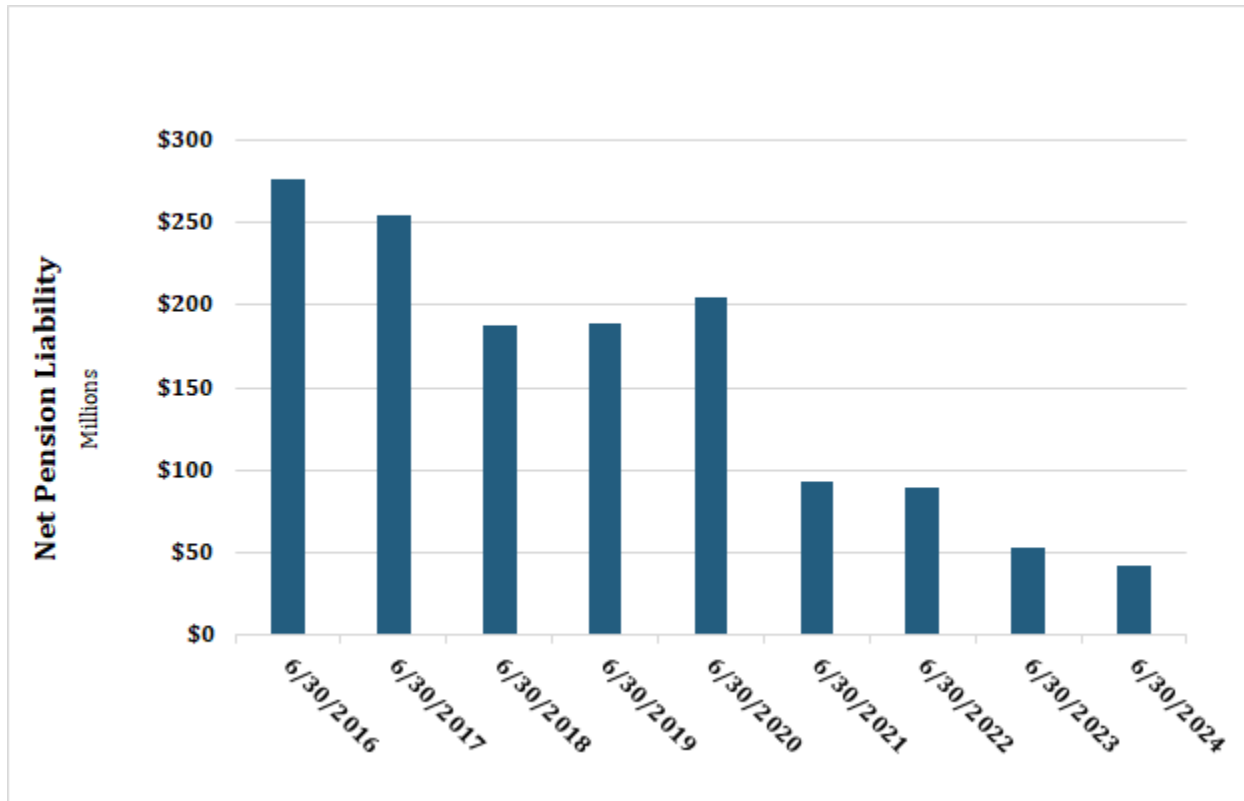
* Totals may not add due to rounding.

[^] Includes additional funding the System received from the MI Pension Grant Program (\$23,185,142).

Source: GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pension Plans of Component II, June 30, 2024 (dated October 11, 2024), p 22.

Chart 2 below highlights the overall net pension liability trend for the DWSD unit since GLWA was formed in 2016.

Chart 2: Net Pension Liability Trend for DWSD Unit



Under a pension reporting agreement established on January 24, 2017, the parties of DWSD and GLWA agreed that 70.3 percent of the liability allocated to the DWSD unit in the table above was attributable to GLWA regional operations and 29.7 percent to DWSD local operations. This is the basis of allocation for future pension contributions with additional allocation within each entity between Water and Sewer funds. This is summarized in Table 3 below and applied to the current June 30, 2024 liability.

Table 3: Liability Allocation Between GLWA and DWSD as of June 30, 2024

Entity	Percent	Liability Allocation
DWSD - Water	17.80%	\$ 7,478,826
DWSD - Sewer	11.90%	4,999,889
GLWA - Water	25.20%	10,588,001
GLWA - Sewer	45.10%	18,949,161
	100.00%	\$ 42,015,877

Administrative Expenses

Through June 30, 2023, as part of the City of Detroit bankruptcy plan of adjustment (POA), GLWA and DWSD contributed \$2.5 million annually towards administrative expenses for the combined plan. GRS allocates 60% of overall administrative expenses to Component II and 40% to Component I. An allocation of overall pension administrative expense is provided in the GRS Annual Financial Report Statement of Changes in Fiduciary Net Position by Division shown in Table 4 below.

The fiscal year 2024 employer contribution was computed in the June 30, 2022 actuarial valuation. GLWA and DWSD contributed \$700,000 towards administrative expenses for the fiscal year 2024.

Table 4: Statement of Changes in Fiduciary Net Position by Division

<u>General Retirement System of the City of Detroit</u>							
<u>Statement of Changes in Fiduciary Net Position by Division - Legacy Defined Benefit Plan</u>							
<u>For the Year Ended June 30, 2024</u>							
	DWSD Subdivisions		General Retirement System - Divisions				Total - General Retirement System (all Divisions)
	GLWA	DWSD-R	DWSD - Division Total (all DWSD Subdivisions)	General Division	DOT	Library	
Beginning Net Position - July 1, 2023	413,242,476	174,584,665	587,827,141	686,593,617	65,168,252	79,020,270	1,418,609,280
Additions:							
Investment Income (loss):							
Interest, dividends, and other income	13,295,586	5,617,054	18,912,640	21,110,020	1,591,536	2,372,237	43,986,433
Net increase in fair value of investments	24,144,041	10,200,257	34,344,298	38,334,616	2,890,140	4,307,849	79,876,903
Net unrealized loss on collateralized securities	(254,701)	(107,605)	(362,306)	(404,401)	(30,489)	(45,444)	(842,640)
Investment related expenses	(2,647,731)	(1,118,601)	(3,766,332)	(4,203,926)	(316,944)	(472,416)	(8,759,618)
Net investment income	34,537,195	14,591,105	49,128,300	54,836,309	4,134,243	6,162,226	114,261,078
Contributions:							
Employer contributions	492,100	207,900	700,000	51,425,000	29,900,000	100,000	82,125,000
Foundation for Detroit's Future	-	-	-	265,012	109,988	-	375,000
State of Michigan Pension Grant	-	-	-	15,765,896	7,419,246	-	23,185,142
Total contributions	492,100	207,900	700,000	67,455,908	37,429,234	100,000	105,685,142
ASF recoupment interest	1,018,581	430,325	1,448,906	2,705,946	964,007	111,815	5,230,674
Other income	263,464	111,307	374,771	467,418	53,658	55,017	950,864
Total additions - net	36,311,340	15,340,637	51,651,977	125,465,581	42,581,142	6,429,058	226,127,758
Deductions:							
Member refunds and withdrawals	771,567	325,968	1,097,535	5,684,188	1,242,290	494,135	8,518,148
Retirees' pension and annuity benefits	40,997,998	17,320,633	58,318,631	119,814,110	30,079,384	6,564,676	214,776,801
General and administrative expenses	826,959	349,370	1,176,329	1,373,975	130,411	156,131	2,838,846
ASF Recoupment Write-off	3,000,446	1,267,619	4,268,065	8,345,826	3,010,096	376,258	16,000,245
Total deductions	45,596,970	19,263,590	64,860,560	135,218,099	34,462,181	7,593,200	242,134,040
Net Increase (Decrease) in Net Position	(9,285,630)	(3,922,953)	(13,208,583)	(9,752,518)	8,118,961	(1,164,142)	(16,006,282)
End of Year Net Position Restricted for Pensions - June 30, 2024	403,956,846	170,661,712	574,618,558	676,841,099	73,287,213	77,856,128	1,402,502,998

Source: Audited Financial Report for the General Retirement System of the City of Detroit (dated December 19, 2024), p 52.

As of June 30, 2024, the aggregate excess of administrative expenses paid by GLWA and DWSD are approximately \$13 million as shown in Table 5 below. Per the audited General Retirement System of the City of Detroit audit report (page 54):

“In accordance with Section 2.3 of the pension reporting agreement, DWSD and GLWA’s collective allocable share of administrative expenses through fiscal year 2023 had been allocated to the general division. Correspondingly, the expenses transferred to the general division were offset by a \$2.5 million contribution made by DWSD and GLWA, collectively, for administrative expenses, which was credited to the general division. This occurred until 2023, at which point the City and GLWA were to mutually determine and resolve whether any aggregate over-or underpayment will impact the obligation of DWSD and GLWA to make payments to GRS under the pension reporting agreement. As of June 30, 2023, the aggregate excess of administrative expenses paid by DWSD and GLWA were \$12,961,567. As of June 30, 2024, the City and GLWA have not formally agreed to a resolution of this excess.”

Table 5: Schedule of DWSD/GLWA Contributions Toward Administrative Expenses

General Retirement System of the City of Detroit		
Schedule of DWSD/GLWA Excess of Contributions Paid Toward Administrative Expenses		
For the Year Ended June 30, 2024		
	<u>DWSD Division Total</u>	
	<u>GLWA</u>	<u>DWSD-R</u>
Amount Paid in Excess of Administrative Expenses		
Otherwise Allocable - June 30, 2023	\$ 9,111,980	\$ 3,849,587
City payments against excess	-	-
Cumulative Amount Paid in Excess of Administrative Expenses		
Otherwise Allocable - June 30, 2024	\$ 9,111,980	\$ 3,849,587

Source: Audited Financial Report for the General Retirement System of the City of Detroit (dated December 19, 2024), p 53.

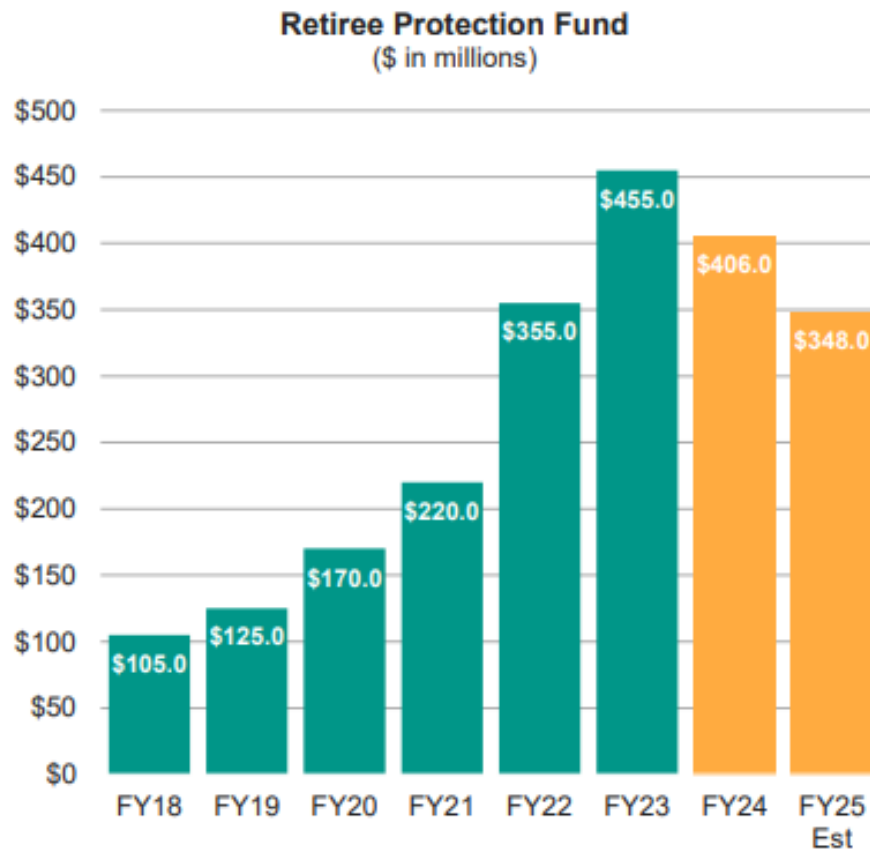
Planning for the Tail Liability (UAAL)

Under the POA, GLWA and DWSD made combined, Component II annual pension payments of \$45.4 million, of which \$2.5 million was specific to administrative expenses discussed above. Those fixed payments were reduced after June 30, 2023 based upon the terms of a pension agreement that addresses the tail liability. Starting in fiscal 2024, the GRS Component II Annual Pension Report presented to the GLWA Audit Committee by GLWA staff included the actuarial report and reflects the actuarially determined employer contributions (ADEC) payment rather than fixed payments to be made by the combined GLWA and DWSD GRS unit. The actual amount of this remaining, unfunded liability and associated ADEC will vary based upon plan performance and the outstanding liability at that time.

The current June 30, 2024 Actuarial Report estimates the total Component II projected unfunded actuarial accrued liability (UAAL) for the GRS as a whole to be \$846 million as of June 30, 2025. The DWSD-GLWA share of the projected UAAL amount is \$37.6 million with an estimated actuarial determined employer contribution of \$3.8 million plus \$0.6 million administrative expense contribution, total \$4.4 million for FY 2026.

The City has been setting funds aside outside of the GRS in a “Retiree Protection Fund” (RPF) via an Internal Revenue Code Section 115 Trust. The balance in the RPF by year is shown in Chart 3 below. The chart was obtained from the FY 2025-2026 City of Detroit proposed budget presented by the Financial Review Commission and presents the current value of that fund as of February 28, 2025. As noted in the City presentation, “To protect retirees, the Mayor and City Council deposited \$455 million in the RPF through FY24”.

Chart 3: City of Detroit Retiree Protection Fund



FY24 and FY25 balances demonstrate RPF draw downs net of investment returns.

Source: [Mayor's Proposed Budget \(detroitmi.gov\)](https://www.detroitmi.gov/mayor-proposed-budget)

Funded ratio is a metric used to measure a plan's ability to cover future obligations based on projected contributions. The Component II funded ratio for the period ending June 30, 2024 is 62.4% (as shown in Table 1 on page 3 of this memo) up from 60.6% the prior year with best practice benchmarks being a 75% minimum and 100% maximum funded ratio. As stated previously, this increase is largely attributed to the increase in the City contributions and the actual net investment return.

As noted above, the POA established a funding policy for GLWA and DWSD. Starting from fiscal year 2024 (post-bankruptcy) the City is required to make ADEC payments annually in accordance with the plan document. The June 30, 2024 valuation computes the employer contribution as a forecast for the 2026 fiscal year. Table 6 below summarizes this ADEC by unit and provides a range for annual contribution requirements beginning in FY 2026.

Table 6: Projected Actuarially Determined Employer Contributions & UAAL/Tail Liability

Valuation Results

Determination of FY 2026 Actuarially Determined Employer Contribution

Beginning with the 2024 fiscal year, a closed 30-year level principal amortization has been used for determining the contribution dollar amount. Beginning with the 2025 fiscal year, the dollar amount is to be contributed in quarterly installments paid on the last day of each quarter to the Retirement System.

	Development of FY 2026 Contributions				
	General City	D.O.T.	DWSD	Library	System Total
As of June 30, 2024:					
Actuarial Accrued Liability	\$ 1,226,232,248	\$ 341,969,749	\$ 617,106,660	\$ 72,603,205	\$ 2,257,911,862
Funding Value of Assets (FVA)	670,844,372	72,637,899	569,527,510	77,166,334	1,390,176,114
Unfunded Actuarial Accrued Liability (UAAL)	\$ 555,387,876	\$ 269,331,850	\$ 47,579,150	\$ (4,563,129)	\$ 867,735,748
During Fiscal Year 2025:					
Assumed Contribution ¹	(53,500,000)	(27,100,000)	-	(100,000)	(80,700,000)
Assumed Transfer for Excess Admin Expenses ²	12,961,567	-	(12,961,567)	-	-
Assumed Administrative Expenses	1,279,864	332,401	616,753	75,891	2,304,909
Interest at 6.75%	37,070,286	17,514,301	2,357,162	(307,988)	56,633,761
Projected UAAL as of June 30, 2025	\$ 553,199,593	\$ 260,078,552	\$ 37,591,498	\$ (4,895,226)	\$ 845,974,417
Remaining Amortization Years (Closed 30-Year Level Principal Amortization)	28	28	28	28	28
UAAL Contribution	\$ 55,707,199	\$ 26,189,911	\$ 3,785,464	\$ (492,949)	\$ 85,189,625
\$0 Minimum UAAL Contribution	55,707,199	26,189,911	3,785,464	-	85,682,574
Administrative Expense Contribution ³	1,264,666	332,787	613,584	75,886	2,286,923
Actuarially Determined Employer Contribution⁴	\$ 56,971,865	\$ 26,522,698	\$ 4,399,048	\$ 75,886	\$ 87,969,497

¹ Contributions are assumed to be made in equal quarterly installments on the last day of each quarter of the fiscal year. The General City contribution includes the computed DWSD contribution for the 2025 fiscal year of \$2.2M (see page 13 for more information).

² Transfer from General to DWSD for aggregate excess administrative expenses paid by the DWSD pension pool (see page 13 for more information).

³ Administrative expenses were allocated (see Section D of the report) and assumed to be paid by the individual units.

⁴ Total employer contributions, including amounts paid by the employer but funded from other sources as required by POA, if any.

If the City is unable to make the quarterly contribution in any given quarter, we recommend a catch-up contribution equal to 25% of the full end of year amount (see Comments and Recommendations for more information).

Totals may not add due to rounding.

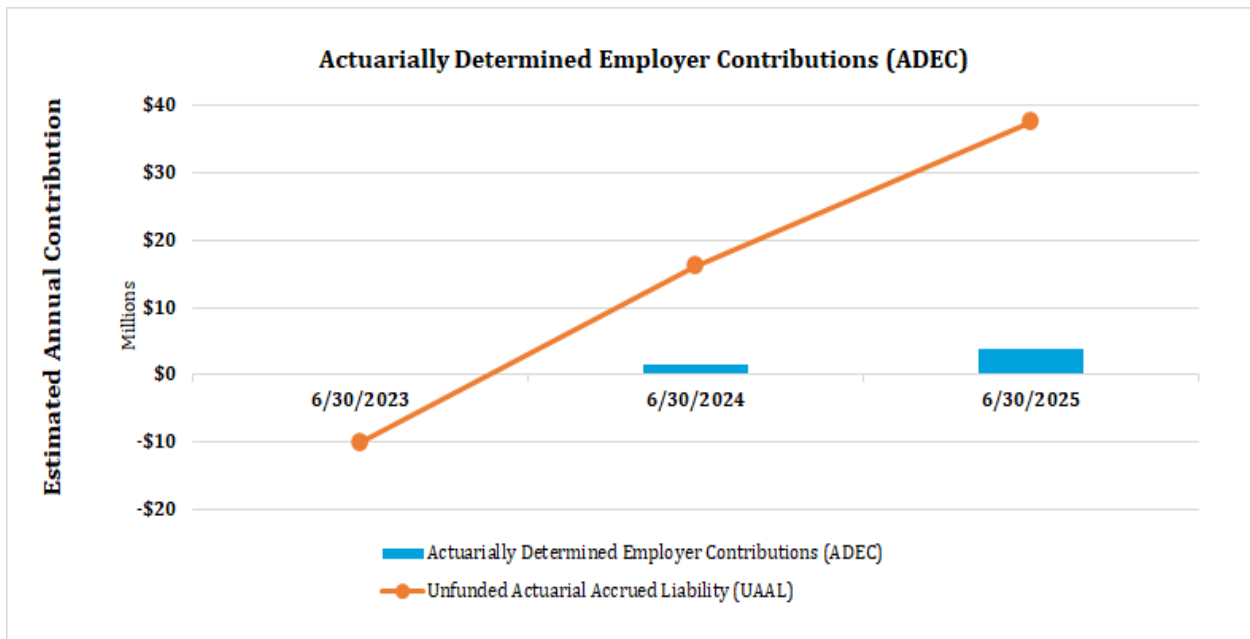
Source: Annual Actuarial Valuation of Component II, June 30, 2024 (dated February 6, 2025), p 3.

In June 2023, the U.S. Bankruptcy Court granted the motion filed by the City of Detroit requiring the Police & Fire Retirement System to honor the original, 30-year amortization period. The GRS Board was presented with and approved the final June 30, 2022 actuarial report and a funding policy confirming use of the 30-year level dollar amortization upheld by the U.S. Bankruptcy Court.

According to the Pension Agreement, “If the Authority Pension Pool is less than 100% funded, then the Authority shall make such level annual contributions to the GRS as necessary to amortize such shortfall over five (5) years (or such greater period not to exceed ten (10) years as agreed upon by GRS and the Authority) at an interest rate equal to the then current GRS investment return assumption. For each Fiscal Year commencing from and after July 1, 2023, on its normal schedule for determining the current Fiscal Year’s contributions to the GRS, the GRS shall provide the Authority with a determination of the UAAL for the Authority Pension Pool using the market value of assets for the Authority Pension Pool and whether the Authority Pension Pool is funded at 100%.”

Chart 4 below tracks the ADEC contributions based on the UAAL since the first year of this requirement. If the UAAL is less than zero, no annual contribution is required and only administrative expense is paid. This was the case as of June 30, 2023. Chart 4 reflects a zero contribution accordingly.

Chart 4: Estimated Annual Contribution Trends for DWSD Unit based on Actuarially Determined Employer Contributions

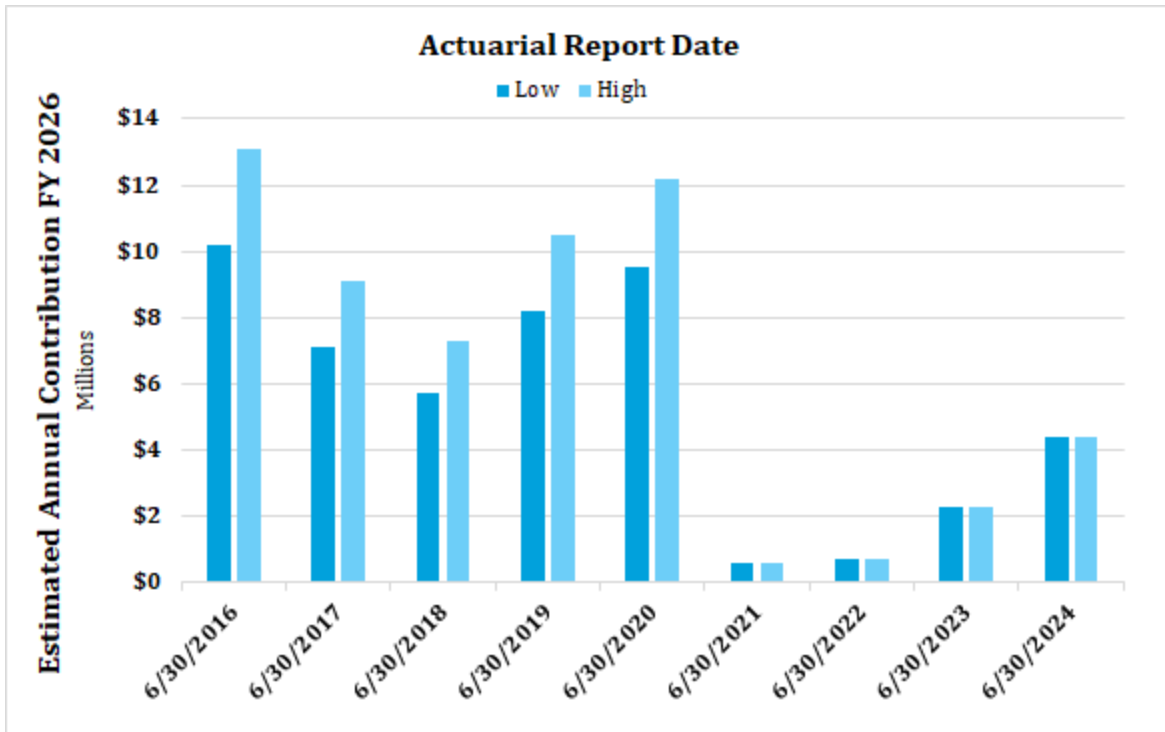


Source: Annual Actuarial Valuation of Component II.

Impact on GLWA Financial Forecast

Based on the funding policy currently proposed to the City of Detroit for FY 2026, the annual contribution for GLWA and DWSD is \$0.6 million for administrative expense contribution, and \$3.8 million for the ADEC contribution. The prior year actuarial placed that range as \$2.3 million for FY 2025. The current annual estimated contribution based on the tail liability is summarized in Chart 5 below.

Chart 5: GLWA and DWSD Estimated Annual Contribution for FY 2026



Source: Annual Actuarial Valuation of Component II, June 30, 2024 (dated February 6, 2025), p 3.

GLWA will continue to monitor and report on Component II activity, specifically as it relates to funding policy actions taken by the City of Detroit. GLWA has engaged an independent consultant to review the current valuation and the impacts of any funding policy actions taken by the City and GRS. In addition, GLWA staff continues to attend the monthly GRS Board meetings to monitor and report on the current events and impact on the Plan's investment assets.

Proposed Action: Receive and file this report.