



## Financial Services Audit Committee Communication

**Date:** October 27, 2023 (Rescheduled to November 9, 2023)

**To:** Great Lakes Water Authority Audit Committee

**From:** Kim Garland, CPA, Deputy Chief Financial Officer

**Re:** General Retirement System (GRS) Component II Annual Pension Report Update

**Background:** Annually, GLWA staff present a formal report to the GLWA Audit Committee regarding the status of the General Retirement System (GRS) Component II Annual Pension and annual actuarial valuation. The latest report was presented by GLWA staff at the June 26, 2023 Audit Committee meeting. At that time, the annual actuarial report for June 30, 2022 remained in draft status pending litigation related to the Police & Fire Retirement System adoption of an amortization schedule not agreed to by the City of Detroit.

**Analysis:** The same week that report was presented to the Audit Committee 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. Just last week, at the October 18 GRS Board of Directors meeting 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. Based on resolution of that matter, the final actuarial report, reflecting an October 6, 2023 issuance date is attached to this memo for your reference.

Key changes to the final actuarial report were to:

- (1) Remove the references to alternatives of a 20-year amortization and 30-year level dollar amortization for the Actuarially Determined Employer Contribution (ADEC) originally found on page 4 as well as commentary related to those alternatives on page 5.
- (2) Provide updated commentary on page 5 regarding the approved 30-year level principal amortization valuation results.
- (3) Update Section G – Funding Policy to reflect the newly adopted funding policy confirming the 30-year level principal amortization process for ADEC.

Key takeaways from the final report are both good news.

1. **Excellent Funding Status at June 30, 2022:** Consistent with the draft report, the final actuarial report, calculated as of June 30, 2022, sets forth a UAAL for the DWSD

Pension Obligation of approximately \$84 million in total reflecting an 87.3% funded ratio as referenced on page 2.

2. **No Contributions for FY 2024 (other than admin fee):** Revised in this report is commentary, on page 5 noting that, “the DWSD and Library groups are projected to be more than 100% funded on June 30, 2023. Starting in FY 2024 the only contributions for divisions that are more than 100% funded is for administrative expenses (in accordance with the Funding Policy included in the appendix). For divisions that are projected to be over 100% funded on June 30, 2023, the funded ratio is projected to continue growing.”

GRS Staff has advised the GRS Board that the next actuarial report, dated June 30, 2023, is expected to be submitted for review in accordance with its standard schedule. That standard schedule would allow for presentation at the GRS Board’s December 2023 meeting with anticipated approval soon thereafter.

**Proposed Action:** Receive and file this report.