RETIREMENT ADMINISTRATIVE REVIEW COMMITTEE

Kimberly L. Murphy
County Administrator

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MEMBERS
Terry Collins, Jim Van Doren, Roxann Holloway, Kimberly Murphy
301 N. Main St, Adrian, MI 49221

MEETING LOCATION
Chambers

Minutes: Wednesday, September 18, 2024

I. Approval of Minutes

The meeting was called to order at 10:10am by Comm. Van Doren

Present: *Comm Terry Collins, Comm. James Van Doren, Administrator Kim Murphy*

Also Present: *Mass Mutual Advisor Jason Tether, Milliman Principal & Consulting Actuary Becky Sielman, Empower Relationship Manager Michele Equale, Empower Representative Joe Fine (via phone), Deputy Administrator Shannon Elliott, HR Director Bev Ahlers, HR Assistant Rachel McAran, Marketing/Communication Coordinator Jen Ambrose, Admin. Coordinator Carissa Zubke*

Absent: *Roxann Holloway*

A. 11/1/2023 Minutes

Motion by Murphy, seconded by Collins, to approve the minutes of November 1, 2023. Motion carried.

II. Capital Market Overview

A. Economic Review

Empower Representative, Joe Fine, called in to review the Capital Markets Overview with the Committee. U.S. economic activity slowed in the first half of 2024 and economic growth has been positive. Also, in the first half of this year, the market equities finished with strong returns. S&P closed at an all-time high in August, while September so far has not been good but, had a good day 9/17/24.
Fine stated the Federal Reserve announced a decision to decrease interest rates, which is expected to come later in the day.

Year to date equity market returns were reviewed, highlighting the Large and Small cap domestic equity. Fine informed the committee of the top 7 stocks to control the market, known as the "Magnificent Seven": Google, Apple, Nvidia, Meta, Tesla, Microsoft, Amazon. Included in the electronic packet is the Calendar Year Returns by Asset Class, showing the stocks that have led the market in the past ten years.
Fine stated that bonds will have a negative return when interest rates rise.

III. Defined Benefit Plan Review

A. Valuation Presentation

Actuary Becky Sielman with Milliman reviewed the Lenawee Board of Commissioners Defined Benefit Retirement Income Plan. An annual evaluation is done and includes the assets and wellness in the plan, to ensure benefits for the plan members.
Current plan membership for the past 5 years was reviewed and includes the number of employees that are: retired with pension (Members in Pay Status), Active (currently still working for the County), terminated (former employees, eligible for benefit but have not started to collect benefits), or Opt-Out (currently working but opted to not utilize these benefits). As time goes on, the active members will decrease and no new members will be added due to the closing of this plan, beginning in 2001, completing in 2006. Sielman stated members could choose to retire earlier and receive a lower benefit for a longer period of time. However, they are seeing fewer people retire early. Each year, they estimate the number of people that will retire and an estimate of the number of deaths.

The valuation of the BOC retirement plan reflects the rate of returns on the plan for the past 5 years. Sielman stated the expected rate of return is 6.75%. The Actuarial value of assets and the market value of assets is looked at over a period of 5 years. Sielman stated this information is used when determining the recommended amount to contribute to the retirement plan.
Sielman reviewed the Interest Rate Assumption; the most important assumption is to look at the long term expected returns for this portfolio. The metric in 2024 is 6.8%, down 1% from one year ago.

A discussion was held regarding the average retirement age in the County. Sielman stated she may recommend taking a further look at the County's retirement trends, possibly next year. The retirees were fewer than predicted and the past few years have shown the same trend. With employees working longer, Milliman may recommend lowering the interest rate, which may increase the liability.

The plans Accrued Liability was reviewed. This grows as active members earn benefits and goes down as retired members receive benefits. Reviewing the past four years, Sielman stated the accrued liability is slightly lower than $98 million, due to increased deaths and decreased retirees. They also look at the value of assets and the actuarial value of assets.

Miliman determines and Actuarially Determined Contribution, which is the recommended appropriate amount to contribute to the plan next year. In the electronic packet there is a graph looking at the past 4 year's recommendations. In 2025, the actuarially determined contribution is $1,663,000.00, which is down from last year's $2.2 million. The plan contribution recommendation is to fully fund the plan for a reasonable amount of time.
Director Ahlers informed the committee the current contributions include: employee contributions of 10% and employers contribution of 5% plus 9.5% budgeted for defined liability in 2024.
Actuary Sielman shared that the more the plan is funded, above the recommended actuarially determined amount, it will continue to lower recommended contributions in the future.

Included in the packet is the valuation report; Sielman recommends reading it thoroughly due to recent changes in the language.

IV. Envestnet Defined Benefit Plan Review

A. Attachment

Mass Mutual Advisor, Jason Tether presented the Plan Investment Review for the Board of Commissioners Retirement Plan. Tether shared that mass mutual hired an outside source, Envestnet, to manage the plan. They review the plan periodically during the year and have specific criteria used during the review. In addition, a single mass mutual employee does periodic reviews of the plan.
An overview of the Current Plan Assets was reviewed and shows the total value of assets along with the percentage of allocations to the total mix.

Tether explained that the County plans are in model 3 of investment mix; a 40/60% split between bonds and equities. This is considered a conservative approach and has worked well. Envestnet has been hired to determine the proper mix in return for the County's plan. In fact, 35.77% are in bonds and 64% in equities. The report also included a look at the past two years' fund performance and end value.
A historical Plan Asset Allocation Analysis was reviewed and is included in the packet. The total market value and % of allocation are reflected from 12/31/2022-6/30/2024.

V. Defined Contribution Plan Review

A. Defined Contribution

Empower Relationship Manager Michele Equale reviewed the Defined Contribution Plan. The plans Performance Insights report is done on a quarterly basis; this report is as of June 2024. There are 550 participants in this plan with an average balance of $37,735, which is $29,000 below the benchmark. Equale explained that Benchmarking looks at 179 other defined contribution plans/401(a) that may not be exactly the same, but very similar, to come up with a "benchmark" amount. Equale discussed the various investment strategies available to participants. A target-date strategy is based on the current age and expected retirement date, to determine the allocation and risk.
Another available investment strategy is "My Total Retirement". This is a managed account solution that considers fifteen different data points to determine the best strategy. The data points considered include health status, family, total asset accumulation, etc., and then allocate the portfolio differently for each participant. This service is for an additional fee, but the County does have 16.4% of participants using this available service.
Equale also explained that 159 active employees are using the "do-it-yourself" strategy, broken down by age, which calls attention to those who are too risky or too conservative. Equale discussed that further education can be provided for those specific active employees.
Empower utilizes targeted messages sent by email and currently there are 170 employees

with no email address, to receive the emails and a2-factor authentication. Equale recommends reaching out to those individuals.

B. Deferred Comp. 457

Equale reviewed the executive summary of the Deferred 457 compensation plan. The average balance is $87,700 with only 7 participants. This average is above the benchmark and close to the top 10%. The 457 deferred comp. plan is set up as a 100% do-it-yourself strategy.
Empower is available to all County employees for further educational opportunities.

VI. Envestnet Defined Contribution Plan Review

A. Attach

Jason Tether provided the Plan Investment Review for the BOC Defined Contribution plan. Tether stated it is very similar to the defined benefit plan review. The plan is monitored just the same and recommendations are provided as needed.
No further discussion.

VII. Report on Communication Action Plan

VIII. Other Business

Jason Tether encourages the County employees and the public to utilize the Empower Learning Center. Topics include saving, investing, budgeting, college planning, and other planning tools for life events. This is a free service available to the public. Tether encouraged to publish this information on the County website or in newsletters to employees.

IX. Public Comment

No public comment.

X. Adjournment

Motion by Collins, Second by Murphy to adjourn the meeting at 11:51 AM. Motion carried.