

STATE OF MICHIGAN
WAYNE COUNTY CIRCUIT COURT

ABRAHAM YAZBEK,
individually and as representative of a class
of similarly-situated persons and entities,

Case No. 22- -CZ

Plaintiff,

v.

CITY OF DEARBORN HEIGHTS,
MICHIGAN, a municipal corporation,

Defendant.

Gregory D. Hanley (P51204)
Jamie Warrow (P61521)
Edward F. Kickham Jr. (P70332)
Kickham Hanley PLLC
32121 Woodward Avenue, Suite 300
Royal Oak, MI 48073
(248) 544-1500
Attorneys for Plaintiff and the Class

Randal S. Toma (P56166)
Randal Toma & Associates PC
500 S. Old Woodward Ave., Floor 2
Birmingham, MI 48009
(248) 948-1500
Co-Counsel for Plaintiff and the Class

There is no other pending or resolved civil action between these parties arising out
of the transaction or occurrence alleged in this Complaint.

**PLAINTIFF'S CLASS ACTION COMPLAINT
TO ENFORCE THE HEADLEE AMENDMENT
PURSUANT TO CONST 1963, ART 9, § 32**

**PURSUANT TO MCR 2.112(M), PLAINTIFF STATES THAT HE DOES NOT BELIEVE
THERE ARE ANY FACTUAL QUESTIONS THAT ARE ANTICIPATED TO
REQUIRE RESOLUTION BY THE COURT**

Plaintiff Abraham Yazbek, by his attorneys, Kickham Hanley PLLC and Randal Toma & Associates P.C., individually and on behalf of a class of similarly situated class members, states the following for his Class Action Complaint to Enforce the Headlee Amendment Pursuant to Const. 1963, Art 9, § 32 against the City of Dearborn Heights, Michigan (the “City”):

INTRODUCTION

1. This is an action against the City challenging certain property taxes (the “Excess Taxes”) imposed by the City that have not been authorized by the City’s voters and therefore violate Art. 9, § 31 of the Michigan Constitution (the “Headlee Amendment”), which provides:

Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon. ... [Const. 1963, art. 9, § 31]

2. The City imposes the Excess Taxes under the purported authority of the Michigan Fire Fighters and Police Officers Retirement Act, MCL 38.551 et seq. (“Act 345”). *See* Exhibit 1 hereto.

3. Act 345 authorizes a municipality to establish a police and fire employee pension plan and grants a municipality limited authority to impose new taxes to fund its obligations under the pension plan. Pursuant to Act 345, the City has established a police and fire pension plan (the “Police and Fire Pension Plan”). Under Act 345, a municipality may only impose taxes sufficient to fund the City’s actual contributions to the Act 345 pension plan. *See* MCL 38.559.

4. The City imposes taxes – purportedly pursuant to its taxing authority under Act 345 - - that generate millions of dollars more than is needed to fund the City’s actual annual contributions to the Act 345 pension plan. The extra dollars generated by the Excess Taxes are used to fund the City’s financial obligations that are not obligations of the Police and Fire Pension Plan.

5. Act 345 is the only possible legal authorization for the Excess Taxes at issue. In other words, if the Excess Taxes are not authorized by Act 345, the City has no legal ability to impose the Taxes because it is otherwise at the limit of its charter taxing authority.

6. The City has been imposing the Excess Taxes without voter approval. At some point, the City's voters apparently approved the creation of the City's Police and Fire Pension Plan. But the voters never approved a tax which raises millions of dollars more in revenues than is needed to fund contributions to the Police and Fire Pension Plan.

7. The Excess Taxes are unlawful because they are not authorized by Act 345. While the tax the City imposes to cover its actual contributions to its Police and Fire Pension Plan is lawful because it complies with Act 345, the Excess Taxes are not within the City's taxing authority under Act 345. The Excess Tax is a tax that was not authorized by law or charter at the time the Headlee Amendment was ratified in 1978, and therefore violates Section 31 of the Headlee Amendment because it was not approved by the City's voters.

8. Because the Excess Taxes have been imposed in violation of Headlee, the City must disgorge and refund the Excess Taxes it has collected in the year prior to the filing of this action and all additional Excess Taxes it collects during the pendency of this action, and the Court should enjoin the City from continuing to impose and collect the Excess Taxes in the future.

JURISDICTION AND VENUE

9. Plaintiff is a property owner in the City who incurs the Excess Taxes. Plaintiff has paid the Excess Taxes at issue within one year of the filing of this lawsuit and seeks to act as the class representative for all similarly-situated persons.

10. Defendant City of Dearborn Heights (the "City") is a municipality located in Wayne County, Michigan.

11. This is an action filed pursuant to MCR 2.112(M). This Court is vested with original jurisdiction concurrent with the Court of Appeals to hear original actions challenging the validity of a tax pursuant to Article 9, Section 32 of the Michigan Constitution of 1963. This authority is codified by MCL 600.308a.

GENERAL ALLEGATIONS

12. Any Michigan municipality with a paid or part paid fire or police department can create a police and fire pension board in order to come under Act 345, provided it obtains voter approval to adopt the provisions of Act 345. In this regard, MCL 38.561 provides in pertinent part as follows:

At any time after this act shall become effective, any city, village or municipality having a paid or part paid fire or police department, may come under the provisions of this act and create a pension board hereunder by submitting the same to the electors of any such city, village or municipality at any regular or special election for adoption, in the manner provided by law for amending charters: Provided, that this act shall not become effective until the beginning of the next succeeding fiscal year after such adoption of the provisions of this act by any city, village or municipality. ...

13. Once approved by the municipality's voters, the Act allows a municipality to impose property taxes to finance its obligations under the Act. MCL 38.559(2) sets forth the conditions the municipality must comply with in order to impose such taxes:

(2) For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable as provided in this act, the municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semiannually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or that might be payable on account of service performed and to be performed by active members, and pensions being paid to retired members and beneficiaries. The appropriations to be made by the municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries. The amount of the appropriation in a fiscal year shall not be less than 10% of the aggregate pay received during that fiscal year by members of the retirement system unless, by actuarial determination, it is satisfactorily established that a lesser percentage is needed. All deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations into the retirement system. Except in municipalities that are subject to the 15 mill tax limitation as provided by section 6 of article IX of the state constitution of 1963, **the amount required by taxation to meet the appropriations to be made by municipalities under this act shall be in addition to any tax limitation**

imposed upon tax rates in those municipalities by charter provisions or by state law subject to section 25 of article IX of the state constitution of 1963. [Emphasis added.]

14. While MCL 38.559 authorizes additional property taxes, those taxes are subject to the following strict limitations:

- Any tax imposed must **not** exceed the amount necessary to “meet the appropriations” actually made by the municipality under the Act;
- The municipality’s “appropriations” must be **only** for “the payment of the pensions and other benefits payable as provided in this act;”
- The appropriations must be in an amount sufficient to maintain actuarially determined reserves covering pensions payable or that might be payable on account of service performed and to be performed by active members, and pensions being paid to retired members and beneficiaries; and
- The treasurer of the municipality must deposit the appropriations “into the retirement system.”

15. Given that Act 345 allows only taxes for “the payment of the pensions and other benefits payable as provided” in the Act, it is necessary to identify what those benefits are. On this point, Section 6 of the Act, MCL 38.556, sets forth with great specificity the benefits that a municipality must provide under the Act. That section provides in pertinent part as follows:

(1) Age and service retirement benefits payable under this act are as follows:

(a) A member who is 55 years of age or older and who has 25 or more years of service as a police officer or fire fighter in the employ of the municipality affected by this act may retire from service upon written application to the retirement board stating a date, not less than 30 days or more than 90 days after the execution and filing of the application, on which the member desires to be retired. The retirement board shall grant the benefits to which the member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement. Upon the approval of the legislative body or the electors of a municipality under this act, a member under 50 years of age who has 25 or more years of service, or without the necessity for approval, a member 50 years of age or more who has 25 or more years of service, may leave service and receive the full retirement benefits payable throughout the member's life as provided in subdivision (e).

(b) A member who is 60 years of age or older shall be retired by the retirement board upon the written application of the legislative body, or board or official provided in the charter of the municipality as head of the department in which the member is employed. Upon retirement, the retirement board shall grant the benefits to which the

member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement.

(c) A member who is 65 years of age shall be retired by the retirement board on the first day of the month following attainment of 65 years of age.

(d) A member who has 10 or more years of service shall have vested retirement benefits that are not subject to forfeiture on account of disciplinary action, charges, or complaints. If the member leaves employment before the date the member would have first become eligible to retire as provided in subdivision (a) for any reason except the member's retirement or death, the member is entitled to a pension that shall begin the first day of the calendar month immediately after the month in which the member's written application for the pension is filed with the retirement board that is on or after the date the member would have been eligible to retire had the member continued in employment. The retirement board shall grant the member the benefits to which the member is entitled under this act, unless the member resumes service. If the member resumes service, the member's pension shall be further deferred with service years of credit until the member actually retires.

(e) **Upon retirement from service as provided in this subsection, a member shall receive a regular retirement pension payable throughout the member's life of 2% of the member's average final compensation multiplied by the first 25 years of service credited to the member, plus 1% of the member's average final compensation multiplied by the number of years, and fraction of a year, of service rendered by the member in excess of 25 years.** A municipality under this act, upon approval of the legislative body or the electors of the municipality, may increase the percentage of the payment from 2% up to a maximum of 2.5%. If an increase is approved, the increase shall not be reduced for members under the system at the time of the increase. The legislative body may also increase the percentage of employee contributions. If a retired member dies before the total of regular pension payments received by the member equals the total of the member's contributions made to the retirement system, the difference between the member's total contributions and the total of the member's regular retirement pension payments received shall be paid in a single sum to the person or persons the member nominates by written designation duly executed and filed with the retirement board. If there is not a person or persons surviving the retired member, the difference, if any, shall be paid to the retired member's legal representative or estate.

(f) As used in this section, "average final compensation" means the average of the highest annual compensation received by a member during a period of 5 consecutive years of service contained within the member's 10 years of service immediately preceding the member's retirement or leaving service. However, if so provided in a collective bargaining agreement entered into between a municipality under this act and the appropriate recognized bargaining agent, average final compensation may mean the average of the 3 years of highest annual compensation received by a member during the member's 10 years of service immediately preceding the member's retirement or leaving service. If the member has less than 5 years of service, average final compensation means the annual average compensation received by the member during his or her total years of service. ... [emphasis added].

16. In addition to pension payments, Act 345 also authorizes certain death and disability payments to plan participants. *See, e.g.*, MCL 38.556(2). These death and disability payments are the only “other benefits payable as provided” in this Act. MCL 38.559(2). Thus, a municipality’s “appropriations” under Act 345 – *i.e.*, the amounts that can be paid through the taxes authorized by Act 345 – are limited to the amounts necessary to fund pension, death and disability payments provided by the Act 345 pension plan.

17. The City employs actuaries to determine the annual “appropriations” it must make to the Police and Fire Pension Plan. The City’s consistent policy and practice since at least 2012 has been to make annual contributions to the Police and Fire Pension Plan in the precise amounts determined by the actuaries. *See* Exhibit 2 hereto at p. 65.

18. In the fiscal year ending June 30, 2021, the City made contributions to the Police and Fire Pension Plan in the amount of \$4,681,467. *See* Exhibit 2 hereto at p. 65. The City’s adopted budget for the fiscal year ending June 30, 2022 provided for \$5,121,511 in contributions to the Plan. *See* Exhibit 3 hereto. These amounts represent the amounts necessary to “meet the appropriations” the City has made under Act 345, and therefore are the maximum amounts that the City may fund through taxes imposed pursuant to its Act 345 taxing authority.

19. In the fiscal year ending June 30, 2021, however, the City, purportedly relying upon its Act 345 taxing authority, imposed property taxes in the total amount of \$11,397,000, which taxes generated \$6,715,533 in revenues beyond the limits provided by Act 345. *See* Exhibit 2 hereto at p. 29 and Exhibit 3 hereto. The revenues of the total tax levy that exceed the Act 345 limits constitute Excess Taxes.

20. In the fiscal year ending June 30, 2022, the City, purportedly relying upon its Act 345 taxing authority, imposed 8.8926 mills in property taxes in the total amount of \$11,930,672, which taxes generated \$6,809,161 in revenues beyond the limits provided by Act 345. *See* Exhibit 3 hereto

and Exhibit 4 hereto (2021 Tax Rate Request). The revenues of the total tax levy that exceed the Act 345 limits constitute Excess Taxes.

21. The revenues generated by the Excess Taxes are not used to “meet the appropriations” required by Act 345 and therefore the Excess Taxes are not authorized by Act 345. Moreover, because the Excess Tax revenues were used by the City for expenses unrelated to the Police and Fire Pension Fund, the Excess Tax revenues did not become assets of the Police and Fire Pension Plan, as required by Act 345. *See* MCL 38.559 (requiring that “[a]ll deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations **into the retirement system**”) (emphasis added).

22. The Excess Taxes are not authorized by the City’s charter or by any other Michigan statute or law. As of July 1, 2021, the City was levying the maximum allowable millage levy for general operating purposes. *See* Exhibit 4 hereto (City’s 2021 Tax Rate Request showing levy of “maximum allowable millage levy” of 7.9948 mills for general operating purposes). Therefore, the City cannot rely upon any other taxing authority to justify the Excess Taxes.

23. The Excess Taxes were not “authorized by law or charter” at the time the Headlee Amendment was ratified in December 1978, and they were not authorized by a majority vote of the City’s citizens. Therefore, the Excess Taxes have been imposed in violation of Article 29, Section 31 of the Michigan Constitution.

24. “The Headlee Amendment added Sections 25 through 34 to Article 9 of the Michigan Constitution.” *Michigan Ass’n of Home Builders v. Troy*, 504 Mich. 204, 208 n. 3, 934 N.W.2d 713 (2019). Section 25 of the Amendment dictates that “[p]roperty taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval.” Mich. Const. Art. 9, Sec. 25. In *Waterford School Dist. v. State Bd. of Ed.*, 98 Mich. App. 658, 663, 296 NW2d 328 (1980), the Court observed that: “[t]he Headlee Amendment grew out of the

spirit of “tax revolt” and was designed to place specific limitations on state and local revenues. The ultimate purpose was to place public spending under direct popular control.”

25. This case specifically concerns Art. 9, § 31 of the Michigan Constitution, which provides in pertinent part as follows:

Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon. [Const. 1963, art. 9, § 31]

26. “Section 31 prohibits units of local government from levying any new tax or increasing any existing tax above authorized rates without the approval of the unit’s electorate.” *Durant v Michigan*, 456 Mich 175, 183; 566 NW2d 272 (1997). Thus, a tax that was not authorized by law or charter in December 1978 and is imposed without voter approval “unquestionably violates” § 31. *Bolt v. City of Lansing*, 459 Mich. 152, 158 (1998).

27. The Headlee Amendment excludes from the voter approval requirement any tax “authorized by law or charter” at the time Headlee was ratified in December 1978. Therefore, any tax **authorized** by Act 345 is not subject to voter approval because the Act 345 taxing authority existed before December 1978.

28. The Supreme Court has held that “[t]he plain language of art 9, Sec. 31, excludes from its scope the levying of a tax, or an increased rate of an existing tax, that was authorized by law when that section was ratified.” *American Axle & Mfg., Inc. v. Hamtramck*, 461 Mich. 352, 362, 604 N.W.2d 330 (2000). In *American Axle*, 461 Mich. at 357, the Supreme Court approved a line of Section 31 cases from this Court standing for the proposition “that the Headlee exemption of taxes authorized by law when the section was ratified permits the levying of previously authorized taxes even where they were not being levied at the time Headlee was ratified and even though the circumstances making the tax or rate applicable did not exist before that date.”

29. The Court of Appeals has observed that Act 345 “authorizes a municipality to collect property taxes ... for the purpose of **supporting a firefighters and police officers pension system.**” *Kinder Morgan Mich., LLC v. City of Jackson*, 277 Mich. App. 159, 161, 744 N.W.2d 184 (2007) (emphasis added). Therefore, the taxes the City imposes and collects **to cover its actual annual contribution to the Police and Fire Pension Plan** are lawful because they were “authorized by law” at the time the Headlee Amendment was ratified in December 1978.

30. The last amendment to Act 345 prior to the 1978 ratification of Headlee occurred in 1951. *See* Exhibit 5 hereto. At that time, the MCL 38.559 contained the following tax authorization:

(2) **For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable hereunder, the said city, village or municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semiannually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or which might be payable on account of service performed and to be performed by active members and pensions being paid to retired members and beneficiaries.** Provided, That the appropriations to be made by the said city, village or municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries. Provided further, That in no event shall the amount of such appropriation in a fiscal year be less than 10 per cent of the aggregate pays received during that fiscal year by members of the retirement system unless by actuarial determination it is satisfactorily established that a lesser percentage is needed. All such deductions and appropriations shall be payable to the treasurer of said city, village or municipality and by him to be paid into the retirement system hereunder. Except in cities that are subject to the 15 mill tax limitation as provided by article 10, section 21 of the state constitution, **the amount required by taxation to meet the appropriations to be made by cities, villages and municipalities under this act shall be in addition to any tax limitation imposed upon tax rates in such cities, villages and municipalities by charter provisions or by state law.** [Emphasis added.]

31. In *American Axle*, the concurring judge expressly recognized that the taxes authorized by Act 345 were the type of taxes that were exempt from Headlee because such taxes were “authorized by law or charter” in 1978. *See American Axle*, 461 Mich. at 372-373 (Corrigan, J, concurring) (“Legislature has also authorized a tax to fund pensions for police and firefighters, MCL 38.559(2); MSA 5.3375(9)(2), and provided that, except in municipalities subject to the fifteen-mill limitation

under the constitution, the amount required by taxation to meet appropriations ‘shall be in addition to any tax limitation imposed upon tax rates in those municipalities by charter provisions or by state law,’ subject to Const. 1963, art 9, Sec. 25.”)

32. For the reasons discussed below, however, this authorization does not save the Excess Taxes, which constitute taxes outside of the scope of the Act 345 taxing authority and which were not approved by the City’s voters.

33. The City’s use of its Act 345 taxing authority to finance obligations unrelated to its obligations under the Police and Fire Pension Plan constitutes a clear violation of Headlee. The checks provided by Headlee are particularly warranted here, where Act 345 allows a municipality to impose unlimited taxes, so long as those taxes are used to meet the municipality’s actual annual “appropriations” to its Act 345 pension fund. The courts must be vigilante that this broad power is not used in an attempt to solve other municipal financing difficulties by establishing millage rates that allow a municipality to not only cover its actual “appropriations” to its Act 345 pension fund but also cover unrelated expenses. That is precisely what the City is doing here.

34. Here are the reasons the Excess Taxes are **not** authorized by Act 345:

35. First and foremost, the only tax authorized by Act 345 is a tax that generates the “amount required ... to meet **appropriations**” under the Act. MCL 38.559(2) (emphasis added).

36. Second, the municipality’s “appropriations” to the Act 345 pension plan must be **only** for “the payment of the pensions and other benefits payable as provided in this act.” MCL 38.559(2).

37. Third, Act 345 requires a board of an Act 345 pension plan to “[c]ertify to the governing body of the city, village, or municipality the amount to be contributed by the city, village, or municipality as provided in this act” (MCL 38.552(4)) and to “[d]isburse the pensions and other benefits payable under this act.” MCL 38.552(8).

38. Fourth, Act 345 specifically sets forth the methodology a retirement board must apply in order to determine the necessary “appropriations.” Indeed, the Supreme Court has held that the “Legislature has established a standard for arriving at an appropriate sum to be paid to the retirement board” to fund a municipality’s obligations under Act 345. *Shelby Township Police & Fire Retirement Bd. v. Shelby Township*, 438 Mich. 247, 256, 475 N.W.2d 249 (1991).

39. In *Shelby Township*, the Court held:

...the provisions [of Act 345] mandate that the board hire an actuary and then certify to the municipality an amount that covers current service costs as well as unfunded accrued liabilities. The express provisions of MCL 38.552(2), (4); MSA 5.3375(2)(2), (4), read in conjunction with MCL 38.559(2); MSA 5.3375(9)(2), clearly establish the authority and describe the methodology necessary for the board to make an actuarial determination of the funds needed to maintain the retirement system. [438 Mich. at 257-258.]

40. The *Shelby Township* Court ultimately summarized the obligations of an Act 345 pension board to satisfy its funding obligations as follows:

We conclude that MCL 38.559(2); MSA 5.3375(9)(2) mandates the township to annually contribute to the retirement system **an actuarially determined amount**, which will ensure that funds are available to cover pensions earned by active members for services to be performed (in the current year) earned by active members for services already performed, and actual pensions to be paid to retirees. [438 Mich. at p. 264 (emphasis added)].

41. Fifth, consistent with MCL 38.552 and MCL 38.559, the board of the Police and Fire Pension Plan has retained actuaries who determine the annual amounts the City must contribute to the Pension Plan in order to meet its obligations under Act 345. In its most recent financial statements, the City stated:

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising out of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. ... [Exhibit 2 at p. 45].

42. The retained actuaries “crunch the numbers” and calculate the amounts the City is required to contribute to “finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.” The actuarial calculation of this amount for the fiscal year ending June 30, 2022 is set forth at p. A-1 of Exhibit 6 hereto.

43. Sixth, the City historically contributes to the Police and Fire Pension Plan the **exact amount** of the appropriations its actuaries determine are required under Act 345. *See* Exhibit 2 hereto at p. 65 (showing annual actual contributions equal to the “actuarially determined contribution” since 2016).

44. Seventh, the City did not impose taxes solely to “meet the appropriations” it actually made to the Police and Fire Pension Plan. Instead, the City, relying solely upon its Act 345 taxing authority, imposed taxes which generated millions of dollars more than the amounts required to meet those “appropriations.”

45. In the fiscal year ending June 30, 2021, the City made contributions to the Police and Fire Pension Plan in the amount of \$4,681,467. *See* Exhibit 2 hereto at p. 65. The City’s adopted budget for the fiscal year ending June 30, 2022 provided for \$5,121,511 in contributions to the Plan. *See* Exhibit 3 hereto. These amounts represent the amounts necessary to “meet the appropriations” the City has made under Act 345, and therefore are the maximum amounts that the City may fund through taxes imposed pursuant to its Act 345 taxing authority.

46. In the fiscal year ending June 30, 2021, however, the City, purportedly relying upon its Act 345 taxing authority, imposed property taxes in the total amount of \$11,397,000, which taxes generated \$6,715,533 in revenues beyond the limits provided by Act 345. *See* Exhibit 2 hereto at p. 29 and Exhibit 3 hereto. The revenues of the total tax levy that exceed the Act 345 limits constitute Excess Taxes.

47. In the fiscal year ending June 30, 2022, the City, purportedly relying upon its Act 345 taxing authority, imposed 8.8926 mills in property taxes in the total amount of \$11,930,672, which taxes generated \$6,809,161 in revenues beyond the limits provided by Act 345. *See* Exhibit 3 hereto and Exhibit 4 hereto (2021 Tax Rate Request). The revenues of the total tax levy that exceed the Act 345 limits constitute Excess Taxes.

48. The revenues generated by the Excess Taxes are not used to “meet the appropriations” required by Act 345 and therefore the Excess Taxes are not authorized by Act 345. Moreover, because the Excess Tax revenues were used by the City for expenses unrelated to the Police and Fire Pension Plan, the Excess Tax revenues did not become assets of the Police and Fire Pension Plan, as required by Act 345. *See* MCL 38.559 (requiring that “[a]ll deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations **into the retirement system**”) (emphasis added).

49. While it does not matter what activities and expenses of the City are funded by the Excess Taxes, the City has used the bulk of the Excess Taxes to fund its obligation to provide something called Other Post-Employment Benefits (“OPEB”) – basically, health insurance – to retired police and fire employees. *See* Exhibit 2 hereto at p. 29 (stating that the Act 345 taxes are “used for pension **and retiree health care and other benefits**”) (emphasis added); Exhibit 3 hereto (confirming that City used \$5,508,921 of Act 345 Taxes for non-pension expenses in FY 2021 and that the budget for FY 2022 planned to use \$6,093,023 for those purposes in FY 2022 (see these line items: “345 Ins,” “345 Expend.,” “Life Ins. Act 345,” and “345 OPEB Prefund.” Even if this is the case, the Excess Taxes are still illegal.

50. First, Act 345 does not authorize an Act 345 pension plan to provide OPEB to members of the plan. *See* MCL 38.556. The “pensions and other benefits payable as provided in this act” consist solely of pensions, disability and death benefit payments. Thus, a municipality’s

“appropriations” under Act 345 – *i.e.*, the amounts that can be paid through the taxes authorized by Act 345 -- necessarily do not include amounts to fund OPEB.

51. Second, the City’s actual Act 345 pension plan, the Police and Fire Pension Plan, does not **in fact** provide OPEB and therefore none of the City’s “contributions” to that Plan actually fund – or could even potentially fund -- OPEB. The Police and Fire Pension provides only “retirement, disability and death benefits.” *See* Exhibit 2 hereto at p. 43.

52. The Actuarial Valuation Report for the Police and Fire Pension Plan for the fiscal year beginning July 1, 2022 (Exhibit 6 hereto) identifies the following benefits provided by the Fund:

- “Service Retirement” – *i.e.*, payments based upon age at retirement and length of service.
- “Duty Disability Retirement”
- “Non-Duty Disability Retirement”
- “Pre-Retirement Duty Death Benefit”
- “Pre-Retirement Non-Duty Death Benefit”
- “Annuity Withdrawal”
- “Deferred Retirement Option Plan (DROP).” [*Id.* at pp. B-1 – B-3].

53. All of the benefits provided by the Fund are **payments** of either retirement pension, disability or death benefits. None of the benefits are OPEB – *i.e.*, health insurance benefits.

54. On the other hand, OPEB benefits for police and fire retirees are provided by a completely separate fund of the City administered by the City itself:

The City provides retiree health care benefits to certain full-time employees upon retirement, in accordance with labor contracts. The benefits are provided through The Police and Fire OPEB Trust, a single-employer defined benefit plan administered by the City. ... [Exhibit 2 hereto at p 51.]

55. The City admits that its OPEB Plan is separate from the Police and Fire Pension Plan. *See, e.g.*, Exhibit 2 hereto at pp. 43-57.

56. The OPEB benefits provided by the City clearly **cannot** be the type of benefits that fall within Act 345. The OPEB benefits simply are not obligations of the Police and Fire Pension Plan, which are the only obligations that can be financed through “appropriations” under Act 345.

Moreover, the OPEB benefits are not even paid to Pension Plan participants: they are paid by the City to third-parties.

57. Moreover, the OPEB Benefits provided by the separate OPEB Plan cannot be deemed benefits provided by the Police and Fire Pension Plan because Act 345 mandates that all benefits provided by an Act 345 pension plan must be paid out of the Plan itself. In this regard, MCL 38.559(5) provides:

(5) All pensions allowed and payable to retired members and beneficiaries under this act **shall become obligations of and be payable from the funds of the retirement system.** [Emphasis added.]

58. Finally, separate and apart from the clear and unambiguous language of Act 345, OPEB benefits are not pension benefits as a matter of law. *See, e.g., Studier v. Michigan Public Schools Employees Retirement Bd.*, 472 Mich. 642, 698 N.W.2d 350 (2005) (distinguishing health care benefits from traditional pension benefits on the grounds that, among other things, health care benefits did not constitute “payments for past services” and, unlike pension payments, did not “increase or grow over time” based upon “the number of years of service”). *See also* Protecting Local Government Retirement and Benefits Act, MCL 38.2803(n) and (o) (distinguishing “Retirement Health Benefit” from “Retirement Pension Benefit”).

59. Because the Excess Taxes are not authorized by Act 345, they are unlawful because there is no other taxing authority the City can rely upon to justify the Excess Taxes.

60. As an initial matter, the City’s charter taxing authority is prescribed by the Home Rule City Act, MCL 117.1 et seq. MCL 117.3(g) requires that a city charter provide:

For annually laying and collecting taxes in a sum, except as otherwise provided by law, not to exceed 2% of the assessed value of the real and personal property in the city. Unless the charter provides for a different tax rate limitation, the governing body of a city may levy and collect taxes for municipal purposes in a sum not to exceed 1% of the assessed value of the real and personal property in the city, subject to section 1a of chapter 7 of the [Municipal Finance Act, MCL 137.1a; MSA 5.3188(45a)].

61. MCL 117.5(a) provides that a city does not have the power:

To increase the rate of taxation now fixed by law, unless the authority to do so is given by a majority of the electors of the city voting at the election at which the proposition is submitted, but the increase in any case shall not be such as to cause the rate to exceed 2%, except as provided by law, of the assessed value of the real and personal property in the city.

62. The City's Charter provides the following relevant limitations on the City's powers of taxation:

Section 10.1. The City shall have the power to assess taxes and levy and collect rents, tolls, and excises. The annual ad valorem tax levy shall not exceed 8.5 mills of the value of all real and personal property as equalized by the State, exclusive of any levy authorized by statute to be made beyond the Charter tax rate limitation. ... [Exhibit 7 hereto].

63. Application of the Charter provision here confirms that the City has no ability to impose the Excess Taxes in the absence of authority under Act 345 (which the City does not have). The City's voters have not authorized any increase in the 8.5-mill charter limitation. *See* Exhibit 4 hereto.

64. Moreover, because of annual "Headlee rollbacks," the City's charter tax limitation is now just 7.9948 mills.¹ The City is levying 7.9948 mills – the maximum allowable millage levy. *See Id.* Therefore, the City cannot squeeze the Excess Taxes into the City's charter limitation for general operating purposes.

65. Notably, the City is among only a handful of municipalities with Act 345 pension plans that are abusing their taxing authority under Act 345. Many other municipalities with Act 345 pension plans comply with the dictates of the Act and impose only taxes that are sufficient to fund their annual contributions to their respective Act 345 pension plans. Included among the compliant municipalities are the cities of Sterling Heights, Oak Park, Trenton, Midland, Jackson and Traverse City.

¹ The term "Headlee Rollback" became part of municipal finance lexicon in 1978 with the passage of the Headlee Amendment. In a nutshell, Headlee requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the local unit's millage rate gets "rolled back" so that the resulting growth in property tax revenue, community-wide, is no more than the rate of inflation.

CLASS ALLEGATIONS

66. Plaintiff brings this action as a class action, pursuant to MCR 3.501, individually and on behalf of a proposed class consisting of all persons or entities who/which have incurred and/or paid the Excess Taxes during the relevant class period.

67. The members of the Class are so numerous that joinder of all members is impracticable.

68. Plaintiff's claims are typical of the claims of members of the Class. Plaintiff is a member of the Class he seeks to represent, and Plaintiff was injured by the same wrongful conduct that injured the other members of the Class.

69. The City has acted wrongfully in the same basic manner as to the entire class.

70. There are questions of law and fact common to all Class Members that predominate over any questions, which, if they exist, affect only individual Class Members, including:

- a. Whether the Excess Taxes are authorized by Act 345;
- b. Whether the Excess Taxes were "authorized by law or charter" at the time the Headlee Amendment was ratified in 1978;
- c. Whether the taxes authorized by Act 345 are limited to taxes necessary to cover the City's actual contributions to the Police and Fire Pension Plan; and
- d. Whether the City should be forced to disgorge the improperly collected Excess Taxes.

71. Plaintiff will fairly and adequately protect the interests of the Class, and Plaintiff has no interests antagonistic to those of the Class. Plaintiff is committed to the vigorous prosecution of this action and has retained competent and experienced counsel to prosecute this action.

72. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. The prosecution of separate actions would create a risk of inconsistent or varying adjudications. Furthermore, the prosecution of separate actions would substantially impair and impede the ability of individual class members to protect their interests. In addition, since individual refunds may be relatively small for

most members of the class, the burden and expense of prosecuting litigation of this nature makes it unlikely that members of the class would prosecute individual actions. At the same time, it is probable that the amount which may be recovered by individual class members will be large enough in relation to the expense and effort of administering the action to justify a class action. Plaintiff anticipates no difficulty in the management of this action as a class action.

COUNT I

VIOLATION OF THE HEADLEE AMENDMENT

73. Plaintiff incorporates Paragraphs 1 through 72 of this Complaint, inclusive, as if fully set forth herein.

74. The City is bound by the Michigan Constitution of 1963, including those portions commonly known as the Headlee Amendment.

75. In particular, the City may not impose a tax in violation of Article 9, § 31 of the Michigan Constitution of 1963.

76. The Excess Taxes are unlawful taxes because they were not authorized by law or charter at the time the Headlee Amendment was ratified in 1978 and they were not approved by a majority of the City's voters.

77. The City has violated the Headlee Amendment by imposing and collecting the Excess Taxes.

78. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled.

79. As a direct and proximate result of the City's assessment of the Excess Taxes, Plaintiff and the Class have been harmed.

80. The City should be required to disgorge the Excess Taxes it has collected and refund these amounts to Plaintiffs and the Class.

PRAYER FOR RELIEF

Plaintiff requests that the Court grant the following relief:

- A. Certify this action to be a proper class action with Plaintiff certified as the Class Representative and Kickham Hanley PLLC and Randal Toma & Associates, P.C. designated as Class Counsel.
- B. Define the Class to include all persons or entities who/which have paid Excess Taxes to the City or incurred Excess Taxes to the City at any time in the one year preceding the filing of this lawsuit and/or who/which pay Excess Taxes to the City or incur the Excess Taxes during the pendency of this action (the “Class Period”);
- C. Enter judgment in favor of Plaintiff and the Class and against the City;
- D. Order and direct the City to disgorge and refund all Excess Taxes collected during the Class Period and to pay into a common fund for the benefit of Plaintiff and all other members of the Class the total amount of Excess Taxes to which Plaintiff and the Class are entitled;
- E. Find and declare that the Excess Taxes are unlawful taxes imposed in violation of the Headlee Amendment;
- F. Permanently enjoin the City from imposing or collecting any Excess Taxes, unless those Taxes receive voter approval in conformance with the Headlee Amendment to the Michigan Constitution;
- G. Award Plaintiff and the Class the costs and expenses incurred in this action, including reasonable attorneys’, accountants’, and experts’ fees pursuant to MCL 600.308a; and
- H. Grant any other appropriate relief.

KICKHAM HANLEY PLLC

/s/ Gregory D. Hanley

Gregory D. Hanley (P51204)
Jamie Warrow (P61521)
Edward F. Kickham Jr. (P70332)
32121 Woodward Avenue, Suite 300
Royal Oak, Michigan 48073
(248) 544-1500
Attorneys for Plaintiff and the Class

/s/ Randal S. Toma

Randal S. Toma (P56166)
Randal Toma & Associates PC
500 S. Old Woodward Ave., Floor 2
Birmingham, MI 48009
(248) 948-1500
Co-Counsel for Plaintiff and the Class

Date: June 27, 2022
4889-6020-9958 v.1

EXHIBIT - 1

FIRE FIGHTERS AND POLICE OFFICERS RETIREMENT ACT
Act 345 of 1937

AN ACT to provide for the establishment, maintenance, and administration of a system of pensions and retirements for the benefit of the personnel of fire and police departments employed by cities, villages, or municipalities having full paid members in the departments, and for the spouses and children of the members; to provide for the creation of a board of trustees to manage and operate the system; to authorize appropriations and deductions from salaries; to prescribe penalties and provide remedies; and to repeal all acts and parts of acts inconsistent therewith.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1989, Act 7, Imd. Eff. May 3, 1989;—Am. 1998, Act 200, Eff. Mar. 23, 1999.

Popular name: Act 345

The People of the State of Michigan enact:

38.551 Fire and police department pension and retirement system; retirement board, members, election, appointment, terms.

Sec. 1. The retirement board, also referred to in this act as the pension board, created hereunder shall be known as "The retirement board" and shall be a corporate body, consisting of 5 members, which shall consist of:

(1) The treasurer of the city, village or municipality, so affected hereby.

(2) Two additional members, 1 of whom shall be an active member of and elected by a majority vote of the members of the fire department, and 1 of whom shall be an active member of and elected by a majority vote of the members of the police department under such rules and regulations as the retirement board shall adopt to govern such election. Each such member shall serve for a term of 4 years, except that in the first instance, the member elected by the police department shall serve for a term of 2 years. If in the first instance only the fire department or only the police department is included in the retirement plan, the 2 additional members shall be elected from that department and the candidate receiving the highest number of votes shall be elected for the 4-year term and the candidate receiving the second highest number of votes shall be elected for the 2-year term.

(3) Two additional members shall be appointed by the legislative body or another person or body authorized by the city or village charter to appoint administrative officials in any city or village affected by the provisions of this act.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.551;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1959, Act 105, Eff. Mar. 19, 1960.

Popular name: Act 345

38.551a Short title.

Sec. 1a. This act shall be known and may be cited as the "fire fighters and police officers retirement act".

History: Add. 1989, Act 7, Imd. Eff. May 3, 1989.

Popular name: Act 345

38.552 Retirement board; powers and duties.

Sec. 2. The retirement board created under this act shall perform the following:

(1) Make rules and regulations necessary to the proper conduct of the business of the retirement system.

(2) Retain legal, medical, actuarial, clerical, or other services as may be necessary for the conduct of the affairs of the retirement system and make compensations for the services retained.

(3) Cause amounts as established by law to be deducted from the salaries of active members of the retirement system and be paid into the treasury of the retirement system.

(4) Certify to the governing body of the city, village, or municipality the amount to be contributed by the city, village, or municipality as provided in this act.

(5) Cause the examination of each disability pensioner or beneficiary less than 55 years of age to be made at least once a year for the first 5 years following the pensioner's retirement, and at least once each 3 years after the 5 year period, until the pensioner has reached 55 years of age.

(6) Keep records of its meetings and proceedings. The board shall hold meetings at least once each month. The business which the retirement board may perform shall be conducted at a public meeting of the board held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the

manner required by Act No. 267 of the Public Acts of 1976. A writing prepared, owned, used, in the possession of, or retained by the board in the performance of an official function shall be made available to the public in compliance with Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(7) The board shall annually elect a president and secretary from among its members.

(8) Disburse the pensions and other benefits payable under this act.

(9) A member of the board shall not receive additional compensation for services as a board member.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.552;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1977, Act 209, Imd. Eff. Nov. 17, 1977.

Constitutionality: The authority delegated to the retirement board by MCL 38.552 of the Michigan Compiled Laws does not constitutionally abrogate the taxation, budgeting, and legislative responsibilities of the township. *Retirement Bd v Shelby Twp*, 438 Mich 247; 475 NW2d 249 (1991).

Popular name: Act 345

38.552a Compliance with requirements under protecting local government retirement and benefits act.

Sec. 2a. A retirement board under this act, a retirement system under this act, and a city, village, or municipality that is the custodian of funds of a retirement system under this act shall comply with any applicable requirements under the protecting local government retirement and benefits act.

History: Add. 2017, Act 211, Imd. Eff. Dec. 20, 2017.

Popular name: Act 345

38.553 Retirement system funds; treasurer as custodian; bond; disbursement of funds; execution of voucher or warrant; authorization.

Sec. 3. The treasurer of the city, village, or municipality shall be the custodian of all funds of the retirement system and shall be required to give a good and sufficient bond to the retirement board for the faithful performance of his or her duties and the safekeeping of all money collected under this act. The bond shall be paid by the city, village, or municipality. The treasurer shall issue warrants for the disbursement of the funds of the retirement system upon the receipt of a voucher signed by at least 2 members of the retirement board other than the treasurer. The treasurer shall not execute a voucher or warrant unless the voucher or warrant has been previously authorized by resolution adopted by the board.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.553;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

Popular name: Act 345

38.554 Credit for prior service.

Sec. 4. All service performed by members prior to the enactment of this act by any city, village or township, including service performed for predecessor townships, shall be computed to the credit of each member so affected.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.554;—Am. 1957, Act 52, Eff. Sept. 27, 1957;—Am. 1958, Act 159, Eff. Sept. 13, 1958.

Popular name: Act 345

38.555 Retirement board; quasi-judicial body; review of actions by writ of certiorari.

Sec. 5. The board shall be a quasi-judicial body, and its actions shall be reviewable by writ of certiorari only.

History: 1937, Act 345, Eff. Oct. 29, 1937;—CL 1948, 38.555.

Popular name: Act 345

38.556 Age and service retirement benefits.

Sec. 6. (1) Age and service retirement benefits payable under this act are as follows:

(a) A member who is 55 years of age or older and who has 25 or more years of service as a police officer or fire fighter in the employ of the municipality affected by this act may retire from service upon written application to the retirement board stating a date, not less than 30 days or more than 90 days after the execution and filing of the application, on which the member desires to be retired. The retirement board shall grant the benefits to which the member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement. Upon the approval of the legislative body or the electors of a municipality under this act, a

member under 50 years of age who has 25 or more years of service, or without the necessity for approval, a member 50 years of age or more who has 25 or more years of service, may leave service and receive the full retirement benefits payable throughout the member's life as provided in subdivision (e).

(b) A member who is 60 years of age or older shall be retired by the retirement board upon the written application of the legislative body, or board or official provided in the charter of the municipality as head of the department in which the member is employed. Upon retirement, the retirement board shall grant the benefits to which the member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement.

(c) A member who is 65 years of age shall be retired by the retirement board on the first day of the month following attainment of 65 years of age.

(d) A member who has 10 or more years of service shall have vested retirement benefits that are not subject to forfeiture on account of disciplinary action, charges, or complaints. If the member leaves employment before the date the member would have first become eligible to retire as provided in subdivision (a) for any reason except the member's retirement or death, the member is entitled to a pension that shall begin the first day of the calendar month immediately after the month in which the member's written application for the pension is filed with the retirement board that is on or after the date the member would have been eligible to retire had the member continued in employment. The retirement board shall grant the member the benefits to which the member is entitled under this act, unless the member resumes service. If the member resumes service, the member's pension shall be further deferred with service years of credit until the member actually retires.

(e) Upon retirement from service as provided in this subsection, a member shall receive a regular retirement pension payable throughout the member's life of 2% of the member's average final compensation multiplied by the first 25 years of service credited to the member, plus 1% of the member's average final compensation multiplied by the number of years, and fraction of a year, of service rendered by the member in excess of 25 years. A municipality under this act, upon approval of the legislative body or the electors of the municipality, may increase the percentage of the payment from 2% up to a maximum of 2.5%. If an increase is approved, the increase shall not be reduced for members under the system at the time of the increase. The legislative body may also increase the percentage of employee contributions. If a retired member dies before the total of regular pension payments received by the member equals the total of the member's contributions made to the retirement system, the difference between the member's total contributions and the total of the member's regular retirement pension payments received shall be paid in a single sum to the person or persons the member nominates by written designation duly executed and filed with the retirement board. If there is not a person or persons surviving the retired member, the difference, if any, shall be paid to the retired member's legal representative or estate.

(f) As used in this section, "average final compensation" means the average of the highest annual compensation received by a member during a period of 5 consecutive years of service contained within the member's 10 years of service immediately preceding the member's retirement or leaving service. However, if so provided in a collective bargaining agreement entered into between a municipality under this act and the appropriate recognized bargaining agent, average final compensation may mean the average of the 3 years of highest annual compensation received by a member during the member's 10 years of service immediately preceding the member's retirement or leaving service. If the member has less than 5 years of service, average final compensation means the annual average compensation received by the member during his or her total years of service.

(g) A member shall be given service credit for time spent in the military, naval, marine, or other armed service of the United States government during time of war, or other national emergency recognized by the board, if the member was employed by the municipality at the time of entry into the armed service, and is or was reemployed by the municipality as a police officer or fire fighter within 6 months after the date of termination of his or her required enlistment or assignment in the armed service. A municipality by a 3/5 vote of its governing body or by a majority vote of the qualified electors may provide service credit for not more than 6 years of active military service to the United States government to a member who is employed subsequent to this military service upon payment to the retirement system of 5% of the member's full-time or equated full-time compensation for the fiscal year in which payment is made multiplied by the years of service that the member elects to purchase up to the maximum. Service is not creditable if it is or would be creditable under any other federal, state, or local publicly supported retirement system. However, this restriction does not apply to those persons who have or will have acquired retirement eligibility under the federal government for service in the reserve. A member shall be given service credit for the time the member is absent from active service without full pay on account of sickness or injury. If the absence from active

service is due to nonservice connected sickness or injury, not more than 60 days of the absence shall be credited as service in any 1 calendar year, as determined by the retirement board.

(h) Before the effective date of the member's retirement as provided in this subsection, but not after the effective date of the member's retirement, a member may elect to receive his or her benefit in a pension payable throughout the member's life, called a regular retirement pension, or the member may elect to receive the actuarial equivalent, computed as of the effective date of retirement, of the member's regular retirement pension in a reduced retirement pension payable throughout the member's life, and nominate a survivor beneficiary, under an option provided in this subdivision. Upon the death of a retirant who retires on or after July 1, 1975, and who is receiving a regular retirement pension, his or her spouse, if living, shall receive a pension equal to 60% of the regular retirement pension the deceased retirant was receiving. Benefits shall not be paid under this subdivision on account of the death of a retirant if the member elected to receive his or her pension under an option provided in this subdivision. As used in this subsection, "spouse" means the person to whom the retirant was legally married on both the effective date of retirement and the date of death. Except as otherwise provided in this act, if a member fails to elect an option before the effective date of retirement, then the pension shall be paid as a regular retirement pension. A member may elect 1 of the following options:

(i) Option I. Upon the death of a retired member, his or her reduced retirement pension shall be continued throughout the life of and paid to the person, having an insurable interest in the retired member's life, that the member nominated by written designation executed and filed with the retirement board before the effective date of the member's retirement.

(ii) Option II. Upon the death of a retired member, 1/2 of his or her reduced retirement pension shall be continued throughout the life of and paid to the person, having an insurable interest in the retired member's life, that the member nominated by written designation executed and filed with the retirement board before the effective date of the member's retirement.

(i) If a member continues in service on or after the date of acquiring 20 years of service credit, does not have an option I election provided for in subdivision (j) in force, and dies while in service of the municipality before the effective date of the member's retirement, leaving a surviving spouse, the spouse shall receive a pension computed in the same manner as if the member had retired effective the day preceding the date of the member's death, elected option I provided for in subdivision (h), and nominated the spouse as survivor beneficiary. Upon the death of the spouse the pension shall terminate. A pension shall not be paid under this subdivision on account of the death of a member if benefits are paid under subsection (2) on account of the member's death.

(j) A member who continues in service on or after the date of acquiring 25 years of service credit may, at any time before the effective date of the member's retirement, by written declaration executed and filed with the board in the manner and form prescribed by the board, elect option I provided for in subdivision (h) and nominate a survivor beneficiary whom the board finds to be dependent upon the member for at least 50% of the beneficiary's support. If a member who has an option I election provided for in this subdivision in force dies while in service before the effective date of the member's retirement, the member's survivor beneficiary shall immediately receive the same pension that the survivor beneficiary would have been entitled to receive under option I if the member had retired pursuant to this act effective the day preceding the date of the member's death, notwithstanding that the member may not have attained 55 years of age. If a member who has an option I election provided for in this subdivision in force subsequently retires pursuant to this act, the member, within 90 days immediately preceding the effective date of the member's retirement, but not after the effective date of the member's retirement, may elect an option provided for in subdivision (h). The option election is effective as of the effective date of the member's retirement. A pension shall not be paid under this subdivision on account of the death of a member if benefits are paid under subsection (2) on account of the member's death.

(k) If a retirant receiving a reduced retirement pension under subdivision (h)(i) or (ii) is divorced from the spouse who had been named the retirant's survivor beneficiary under subdivision (h)(i) or (ii), the election of a reduced retirement pension payment option shall be considered void by the retirement system if the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, described in section 9 and dated after June 27, 1991 provides that the election of a reduced retirement pension payment option under subdivision (h)(i) or (ii) is to be considered void by the retirement system and the retirant provides a certified copy of the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, to the retirement system. If the election of a reduced retirement pension payment option under subdivision (h)(i) or (ii) is considered void by the retirement system under this subsection, the retirant's retirement pension shall revert to a regular retirement pension, including postretirement adjustments, if any, subject to an award or order of the court as described in the public employee retirement benefit protection act. The retirement pension shall revert to a regular retirement pension

under this subdivision effective the first day of the month after the date the retirement system receives a certified copy of the judgment of divorce or award or order of the court. This subdivision does not supersede a judgment of divorce or award or order of the court in effect on June 27, 1991. This subdivision does not require the retirement system to distribute or pay retirement assets on behalf of a retirant in an amount that exceeds the actuarially determined amount that would otherwise become payable if a judgment of divorce had not been rendered.

(2) Disability and service connected death benefits payable under this act are as follows:

(a) To a surviving spouse, a duty death pension of the same amount each week as that which has been paid the surviving spouse under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable on the termination of the payments to the surviving spouse by a municipality under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue for the surviving spouse's life.

(b) If death results to a member in the line of duty, and the member leaves surviving children, the children shall be paid a pension of the same amount as that which has been paid to them as a weekly benefit under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable upon termination of the payments under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue to each surviving child until he or she attains 18 years of age, or until his or her marriage or death before attaining 18 years of age.

(c) If death results to a member in the line of duty and the member leaves other surviving dependents, the dependents shall receive a pension of the same amount as that which has been paid to them as a weekly benefit under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable upon termination of the payments under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue until the time the retirement board determines that the need for a pension no longer exists.

(d) Upon the application of a member or the member's department head, a member who becomes totally incapacitated for duty by reason of a personal injury or disease occurring as the natural and proximate result of causes arising out of and in the course of the member's employment by the municipality shall be retired by the retirement board. The member shall be given a medical examination by a medical committee consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians named. The medical committee, if determined by a majority opinion, shall certify in writing that the member is mentally or physically incapacitated for the further performance of duty as a police officer or fire fighter in the service of the municipality; that the incapacity is likely to be permanent; and that the member should be retired. Upon retirement for disability as provided in this subdivision, a member who has not attained 55 years of age shall receive a disability retirement pension of 50% of the member's average final compensation, which shall be determined according to subsection (1)(f), and shall be payable until the member becomes 55 years of age. Upon becoming 55 years of age, the disabled member shall receive a disability retirement pension computed according to subsection (1)(e). In computing the disability retirement pension, the member shall be given service credit for the period of receipt of a disability retirement pension before attainment of 55 years of age. If a member retired after attaining 55 years of age on account of disability, as provided in this subdivision, the member shall receive a disability retirement pension computed according to subsection (1)(e), notwithstanding that the member may not have 25 years of service credit. The disability retirement pension provided for in this subdivision is subject to subdivisions (f) and (g).

(e) Upon the application of a member or the member's department head, a member in service who has 5 or more years of service credit and who becomes totally and permanently incapacitated for duty by reason of a personal injury or disease occurring as the result of causes arising outside the course of the member's employment by the municipality may be retired by the retirement board. The member shall be given a medical examination by a medical committee consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians named. The medical committee, if determined by a majority opinion, shall certify in writing that the member is mentally or physically incapacitated for the further performance of duty as a police officer or fire fighter in the service of the municipality, that the incapacity is likely to be permanent, and that the member should be retired. Upon retirement for disability, as provided in this subdivision, a member who has not attained 55 years of age shall receive a disability retirement pension until the member becomes 55 years of age, recovers, or dies, whichever occurs first, of 1.5% of the member's average final compensation multiplied by the number of years of service credited to the member. Upon becoming 55 years of age, the member's disability retirement pension shall be increased to 2% of the member's average final compensation multiplied by the number of years of service credited to the member at the time of his or her retirement. Upon retirement for

disability as provided in this subdivision, a member who is 55 years of age or older shall receive a disability retirement pension computed according to subsection (1)(e). This subdivision is subject to subdivisions (f) and (g).

(f) At least once each year during the first 5 years after the retirement of a member with a disability retirement pension and at least once in every 3-year period after disability retirement, the retirement board may, and upon the retired member's application shall, require a retired member who has not attained 55 years of age to undergo a medical examination. The medical examination shall be given by or under the direction of a physician, designated by the retirement board, at the place of residence of the retired member or other place mutually agreed upon. If a retired member who has not attained 55 years of age refuses to submit to the medical examination in the period, the member's disability retirement pension may be discontinued by the retirement board. If the member's refusal continues for 1 year, all the member's rights to his or her disability retirement pension may be revoked by the retirement board. If upon a medical examination of the retired member the physician reports to the retirement board that the retired member is physically capable of resuming employment in the classification held by the member at the time of retirement, the member shall be restored to active service in the employ of the municipality and payment of the disability retirement pension shall cease if the report of the physician is concurred in by the retirement board. A retired member restored to active service shall again become a member of the retirement system from the date of return to service. The member shall contribute to the retirement system after restoration to active service in the same manner as before the member's disability retirement. Service credited to the member at the time of disability retirement shall be restored to full effect. The member shall be given service credit for the period the member was receiving a duty disability retirement pension provided for in subdivision (d), but shall not be given service credit for the period the member was receiving a nonduty disability retirement pension provided for in subdivision (e). Amounts paid under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to a retired member shall be offset against and payable in place of benefits provided under this act. If the benefits under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, are less than the benefits payable under this act, the amount to be paid out of the funds of the retirement system shall be the difference between the benefits provided under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and the benefits provided in this act. Upon the termination of benefits under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, the benefits shall be paid pursuant to this act.

(g) Within 60 days before a member becomes 55 years of age, or before retirement from service if retirement occurs after the member becomes 55 years of age, a disabled member who is retired as provided in subdivision (d) or (e) may elect to continue to receive a disability retirement pension as a benefit terminating at death, to be known as a regular disability pension, or may elect to receive the actuarial equivalent, at that time, of a regular disability pension in a reduced disability pension payable throughout life pursuant to an option provided in subsection (1)(h). If a disabled member fails to elect an option, as provided in this subdivision, before becoming 55 years of age or before retirement, the member's retirement pension shall be paid to the member as a regular disability pension terminating at death. If a disabled member who has not elected an option provided in subsection (1)(h) dies before the total of the member's regular disability pension payments received equals or exceeds the total of the member's contributions made to the retirement system, the remainder, if any, shall be paid in a single sum to the person or persons nominated by the member by written designation duly executed and filed with the board. If there is not a designated person or persons surviving, then the remainder, if any, shall be paid to the retired member's legal representative or estate.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.556;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1954, Act 173, Eff. Aug. 13, 1954;—Am. 1955, Act 263, Imd. Eff. June 29, 1955;—Am. 1956, Act 169, Imd. Eff. Apr. 16, 1956;—Am. 1959, Act 224, Eff. Mar. 19, 1960;—Am. 1961, Act 201, Eff. Sept. 8, 1961;—Am. 1965, Act 137, Imd. Eff. July 12, 1965;—Am. 1967, Act 256, Eff. Nov. 2, 1967;—Am. 1970, Act 230, Imd. Eff. Nov. 25, 1970;—Am. 1975, Act 147, Imd. Eff. July 9, 1975;—Am. 1976, Act 118, Imd. Eff. May 14, 1976;—Am. 1976, Act 321, Eff. Mar. 31, 1977;—Am. 1989, Act 7, Imd. Eff. May 3, 1989;—Am. 1991, Act 54, Imd. Eff. June 27, 1991;—Am. 2002, Act 98, Imd. Eff. Mar. 27, 2002;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.

Popular name: Act 345

38.556a Municipality having population of 80,000 or more; applicability of MCL 38.556(1)(h) to certain members.

Sec. 6a. In a municipality having a population of 80,000 or more, section 6(1)(h) shall be applicable to any member who continues in service on or after the date he or she acquires 15 years of service credit.

History: Add. 1963, Act 57, Eff. Sept. 6, 1963;—Am. 1982, Act 145, Imd. Eff. Apr. 28, 1982;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.

Popular name: Act 345

38.556b Remarriage of surviving spouse; applicability of subsection (1) to municipality.

Sec. 6b. (1) Notwithstanding section 6 or any predecessor to section 6, the remarriage of a surviving spouse shall not render the surviving spouse ineligible to receive a pension described in section 6(1)(i) or a duty death pension described in section 6(2)(a). A surviving spouse whose pension described in section 6(1)(i) or duty death pension described in section 6(2)(a) was terminated due to the surviving spouse's remarriage shall be eligible to receive that pension or duty death pension beginning on the first day of the month following the month in which written application for reinstatement is filed with the board, but shall not be eligible to receive the pension or duty death pension attributable to any month beginning before the month of reinstatement under this section.

(2) Beginning on the effective date of the amendatory act that amended this subsection, the provisions of subsection (1) that apply to a surviving spouse who is eligible to receive a pension described in section 6(1)(i) shall apply to a municipality upon approval by resolution of the governing body of the municipality.

(3) Beginning on the effective date of the amendatory act that added this subsection, a surviving spouse who is eligible to receive a duty death pension described in section 6(2)(a) and who remarries after the effective date of the amendatory act that added this subsection shall not be denied a duty death pension described in section 6(2)(a) by a municipality because of the remarriage of the surviving spouse.

History: Add. 1986, Act 30, Imd. Eff. Mar. 10, 1986;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.

Compiler's note: Former MCL 38.556b, pertaining to vested rights in pensions and benefits, was repealed by Act 321 of 1976.

Popular name: Act 345

38.556c Service credit for employment in transitional public employment program; payment of contributions and regular interest; payroll deduction; amount in reserve; payment of contributions by current employer; accident, disability, or other benefits.

Sec. 6c. (1) If a person who participated in a transitional public employment program becomes a member of a retirement system established under this act within 12 months after the date of termination as a participant in a transitional public employment program, service credit shall be given for employment in the transitional public employment program for purposes of determining a retirement allowance upon the payment by the person and the person's employer under the transitional public employment program from funds provided under the comprehensive employment and training act, 29 U.S.C. 801 to 992, as funds permit, to the retirement system of the contributions, plus regular interest, the person and the employer would have paid had the employment been rendered in a position covered by this act. During the person's employment in the transitional public employment program, the person's employer shall provide an opportunity by payroll deduction for the person to make his or her employee contribution to the applicable pension system. To provide for the eventual payment of the employer's contribution, the person's employer shall during this same period place in reserve a reasonable but not necessarily an actuarially determined amount equal to the contributions which the employer would have paid to the retirement system for those employees in the transitional public employment program as if they were members under this act, but only for that number of employees which the employer determined would transfer from the transitional public employment program into positions covered by this act. If the funds provided under the comprehensive employment and training act are insufficient, the remainder of the employer contributions shall be paid by the person's current employer.

(2) The provisions of subsection (1) shall not exclude the participant in a transitional public employment program from the accident, disability or other benefits available to members of the retirement system covered by this act.

History: Add. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

Popular name: Act 345

38.556d Postretirement adjustments increasing retirement benefits.

Sec. 6d. A municipality, by ordinance or in another manner provided by law, may adopt from time to time benefit programs providing for postretirement adjustments increasing retirement benefits. Such benefit programs may provide for 1-time postretirement percentage increases in retirement benefits; annual or other periodic postretirement percentage increases in retirement benefits; lump sum postretirement distributions; or any other method considered appropriate by the municipality. The retirement benefit payable after making an adjustment pursuant to the benefit program adopted shall be the new retirement benefit payable until the next adjustment, if any, is made.

History: Add. 1987, Act 145, Imd. Eff. Oct. 26, 1987.

Popular name: Act 345

38.556e Mandatory subjects of bargaining.

Sec. 6e. Notwithstanding any other provisions of this act, any matter relating to the retirement system provided by this act, including, but not limited to, postretirement adjustment increases, applicable to current employees represented by a collective bargaining agent is a mandatory subject of bargaining under the public employment relations act, Act No. 336 of the Public Acts of 1947, being sections 423.201 to 423.216 of the Michigan Compiled Laws.

History: Add. 1987, Act 145, Imd. Eff. Oct. 26, 1987.

Popular name: Act 345

38.557 "An act of duty," "municipality" and "transitional public employment program" defined.

Sec. 7. As used in this act:

(a) "An act of duty" means an act performed by a fire fighter or police officer arising out of and in the course of employment, or the performance of an act pertinent or incidental to the work of a fire fighter or police officer, regardless of time or place.

(b) "Municipality" includes a county, township, charter township, city, or incorporated village.

(c) "Transitional public employment program" means a public service employment program in the area of environmental quality, health care, education, public safety, crime prevention and control, prison rehabilitation, transportation, recreation, maintenance of parks, streets and other public facilities, solid waste removal, pollution control, housing and neighborhood improvements, rural development, conservation, beautification, veterans' outreach, or any other area of human betterment and community improvement as part of a program of comprehensive manpower services authorized, undertaken, and financed pursuant to the comprehensive employment and training act of 1973, 29 U.S.C. 801 to 992.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—CL 1948, 38.557;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1968, Act 210, Imd. Eff. June 24, 1968;—Am. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

Popular name: Act 345

38.558 Refunds of salary contributions.

Sec. 8. Refunds of salary contributions:

(1) If a fire fighter or police officer dies before being placed on pension, the total amount of the member's salary deductions, with interest as the board may determine, but not to exceed 2% per annum, shall be payable to the person or persons that the member nominated by written designation duly executed and filed with the board. If there is no designated person or persons surviving, then the total of the member's salary deductions shall be paid to the member's legal representative or estate.

(2) If a fire fighter or police officer becomes separated from the service before being eligible for retirement, the member shall be paid the total of the member's contributions together with interest as the board may determine, but not to exceed 2% per annum credited to the member upon his or her written request for a refund. If the person again becomes employed by the city, village, or municipality as a police officer or fire fighter, he or she shall, within 1 year following his or her reemployment, repay to the retirement system the amount previously withdrawn together with interest at 2% per year.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.558;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1957, Act 52, Eff. Sept. 27, 1957;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

Popular name: Act 345

38.559 Contributions of member; rate; deduction from salary; appropriations to maintain actuarially determined reserves; payment of deductions and appropriations into retirement system; prorating pensions and other benefits; expenses; pensions as obligations of retirement system.

Sec. 9. (1) The contributions of a member to the retirement system shall be 5% of the salary paid to the member by the municipality. The officer responsible for making up the payroll shall cause the contributions provided for in this subsection to be deducted from the salary of each member on each payroll for each payroll period so long as he or she remains an active member in the employ of the municipality. The amounts deducted shall be paid into the funds of the retirement system. The members' contributions provided for in this act shall be made notwithstanding that the minimum salary provided for by law is changed by the members' contributions. Every member shall be considered to consent and to agree to the deductions made and provided for in this act and shall receipt for his or her full salary and payment of his or her salary less the

deduction, which is a full and complete discharge and acquittance of all claims and demands for the services rendered by the member during the period covered by the payment, except as to benefits provided by this retirement system.

(2) For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable as provided in this act, the municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semiannually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or that might be payable on account of service performed and to be performed by active members, and pensions being paid to retired members and beneficiaries. The appropriations to be made by the municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries. The amount of the appropriation in a fiscal year shall not be less than 10% of the aggregate pay received during that fiscal year by members of the retirement system unless, by actuarial determination, it is satisfactorily established that a lesser percentage is needed. All deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations into the retirement system. Except in municipalities that are subject to the 15 mill tax limitation as provided by section 6 of article IX of the state constitution of 1963, the amount required by taxation to meet the appropriations to be made by municipalities under this act shall be in addition to any tax limitation imposed upon tax rates in those municipalities by charter provisions or by state law subject to section 25 of article IX of the state constitution of 1963.

(3) If, at the beginning or during any fiscal year, it has been satisfactorily determined by the retirement board that the accumulated funds of the retirement system plus the municipality's contribution of 10% of the aggregate pay received during that fiscal year by members of the retirement system plus members' contributions of 5% of payroll, are insufficient to pay all pensions and other benefits due and payable in that year out of funds of the retirement system, then all pensions and other benefits payable shall be prorated for the remainder of the fiscal year by the retirement board.

(4) Any clerical, legal, actuarial, or medical expenses required by the retirement board, or any other necessary expense for the operation of the retirement system, shall be provided for by the municipality or shall be paid from the investment income of the retirement system, as determined by the governing body of the municipality. The retirement board shall submit expenses periodically to the governing body of the municipality. If use of investment income to pay these expenses causes an actuarial insufficiency in the assets of the retirement system used to pay pensions, the insufficiency shall be made up by the municipality.

(5) All pensions allowed and payable to retired members and beneficiaries under this act shall become obligations of and be payable from the funds of the retirement system.

(6) The right of a person to a pension, to the return of member contributions, to any optional benefits, or any other right accrued or accruing to a member or beneficiary under this act and the money belonging to the retirement system is subject to the public employee retirement benefit protection act.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.559;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1985, Act 36, Imd. Eff. June 13, 1985;—Am. 1987, Act 145, Imd. Eff. Oct. 26, 1987;—Am. 1991, Act 54, Imd. Eff. June 27, 1991;—Am. 2002, Act 98, Imd. Eff. Mar. 27, 2002.

Popular name: Act 345

38.560 Investments; transfer and disposition of certain assets.

Sec. 10. Any and all cash assets and funds on hand not necessary for immediate payment of pensions or benefits under this act shall be invested subject to all the terms, conditions, limitations, and restrictions imposed by the statutes of this state upon life insurance companies in making and disposing of their investments, and as provided by law relating to investment authority of public employee retirement systems under Act No. 314 of the Public Acts of 1965, being sections 38.1132 to 38.1140i of the Michigan Compiled Laws, and any and all assets of every description of the pension or retirement fund created by any city, village, or municipality under this act shall be transferred and deposited to the credit of the newly created retirement system under this act.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.560;—Am. 1965, Act 33, Eff. Mar. 31, 1966;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

Popular name: Act 345

38.561 Referendum; township or charter township.

Sec. 11. At any time after this act shall become effective, any city, village or municipality having a paid or part paid fire or police department, may come under the provisions of this act and create a pension board hereunder by submitting the same to the electors of any such city, village or municipality at any regular or

special election for adoption, in the manner provided by law for amending charters: Provided, That this act shall not become effective until the beginning of the next succeeding fiscal year after such adoption of the provisions of this act by any city, village or municipality: Provided further, That where no provision is made in the charter of the city, village or municipality for amending said charters, this act may be submitted for adoption in accordance with any law authorizing the amending of the charters of cities: Provided further, That in case of a township or charter township, this act shall be submitted to the qualified electors of such township or townships by the township board on the filing of a petition requesting the submission, signed by 10 per cent of the registered and qualified electors in such township or charter township, at any general election or special election called for that purpose by the township board, in accordance with the laws of this state, and this act shall be in force and effect in any such township or charter township if a majority of the electors voting on such proposition, as determined by the canvass of votes cast, shall vote in favor thereof.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—CL 1948, 38.561;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951.

Popular name: Act 345

38.561a Violation of MCL 168.1 to 168.992 applicable to petitions; penalties.

Sec. 11a. A petition under section 11, including the circulation and signing of the petition, is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A person who violates a provision of the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992, applicable to a petition described in this section is subject to the penalties prescribed for that violation in the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

History: Add. 1998, Act 200, Eff. Mar. 23, 1999.

Popular name: Act 345

38.562 Membership of retirement system.

Sec. 12. (1) The membership of the retirement system created by a municipality affected by this act shall include each police officer and fire fighter employed by a municipality. A police officer or fire fighter, who is a member of the retirement system and who is transferred from the classification of a police officer or fire fighter to a civilian position within the police or fire department or who is transferred from the police or fire department of the municipality to another department of the municipality by an officer or body of the municipality authorized to make the transfer, shall continue as a member of this retirement system covering the police officers and fire fighters, and shall be subject to the provisions of the retirement system. If the officers and employees of the department to which the person is transferred are covered by an annuity pension or retirement system to which the municipality makes contributions and the person transferred becomes entitled to membership in that system, the person shall cease to be a member of this police officer and fire fighter retirement system.

(2) The membership of the retirement system shall not include a volunteer fire fighter, a privately employed police officer or fire fighter, a person temporarily employed during an emergency, a civilian employee of a police and fire department, or a person participating in a transitional public employment program, except as provided in subsection (1) and section 6c.

History: 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.562;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

Popular name: Act 345

EXHIBIT - 2

City of Dearborn Heights, Michigan

**Financial Report
with Supplemental Information
June 30, 2021**

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council retains the authority to make assignments as the authority has not been delegated. As such, the City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related taxes become a lien on December 1 of the following year. Taxes are due on March 1, at which time penalties and interest are assessed.

The City's 2020 property tax revenue was levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 adjusted taxable valuation of the City approximated \$1.353 billion, a portion of which is captured by the TIFA, on which taxes levied consisted of 8.110 mills for operating purposes, 1.93081 mills for public safety expenditures, 0.9540 mills for solid waste expenditures, 8.4257 mills for Act 345 contributions, 2.1289 mills for sanitation expenditures, 1.7826 mills for library operations and debt service, and 0.1293 mills for EPA debt service. This resulted in approximately \$10,970,000 for operating expenditures, \$2,581,000 for public safety expenditures, \$1,290,000 for solid waste expenditures, \$11,397,000 for Act 345 contributions (used for pension and retiree health care and other benefits), \$2,880,000 for sanitation expenditures, \$2,411,000 for library operations and debt service, and \$175,000 for EPA debt service. These amounts are recognized in the financial statements as tax revenue, net of administrative fees and amounts captured by the TIFA, plus collection of delinquent tax revenue.

June 30, 2021

Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority (the "Authority") for claims relating to general liability and auto liability, auto physical damage, and property loss claims; the City is self-insured for a majority of its health care costs and all workers' compensation claims within certain limits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The Michigan Municipal Risk Management Authority (the "Risk Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Risk Authority that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for workers' compensation and general liability and medical claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General and Medical Liability		Workers' Compensation	
	2021	2020	2021	2020
Estimated liability - Beginning of year	\$ 1,327,552	\$ 1,376,170	\$ 396,614	\$ 273,658
Estimated claims incurred, including changes in estimates	11,726	407,175	88,755	323,234
Claim payments	(262,260)	(455,793)	(150,082)	(200,278)
Estimated liability - End of year	<u>\$ 1,077,018</u>	<u>\$ 1,327,552</u>	<u>\$ 335,287</u>	<u>\$ 396,614</u>

The City is involved in litigation related to various other matters. At the current time, the outcome or potential liability related to these matters cannot be determined. In addition, the extent of insurance coverage related to these matters cannot be determined at this time.

Note 8 - Pension Plans***Plan Description***

The City of Dearborn Heights, Michigan provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the General Government Employees' Retirement System, a single-employer plan administered by the City of Dearborn Heights Pension Board, and the Police and Fire Retirement System, a single-employer plan administered by the City of Dearborn Heights Pension Board.

The financial statements of each pension system are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the pension board, which consists of five members elected by plan members and appointed by the City.

Benefits Provided

The General Government Employees' Retirement System and the Police and Fire Retirement System provide retirement, disability, and death benefits.

Effective July 1, 2017, police patrol members of the Police and Fire Retirement System may purchase an additional 12 months of service credits at a rate of 24.5 percent of the member's current base pay. This time shall be paid for in accordance with Section 10(D) and shall be at no cost to the City.

Note 8 - Pension Plans (Continued)

Police patrol members in the bargaining unit as October 1, 2017 but before January 1, 2018 included in the DROP program and members who enter the DROP or retire from active employment after July 1, 2018 will receive a guaranteed 13th check payment after being retired for at least five years or five years after entering the DROP program. Police patrol members retired between October 1, 2017 and hired after December 31, 2017 will not have a guaranteed 13th check.

General Government Employees' Retirement System

Retirement benefits for general plan members are calculated as 2.5 percent of the member's average monthly compensation for each year of credited service up to a maximum of 30 years of credited service. General plan members with 10 years of credited service are eligible to retire at age 55 and are also eligible for nonduty disability benefits after 10 years of credited service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction and are calculated using a minimum of 15 years of credited service for duty disabilities only. Preretirement death benefits are payable to the spouse of a married employee who has 10 or more years of credited service or who has met the age and service requirement for normal or early retirement. The amount of the benefit is equal to 60 percent of the employee's accrued normal retirement benefit reduced for payment prior to age 62 (reduced by 0.5 percent for each year or fraction that the spouse is more than 5 years younger than the employee). Upon death of an employee or upon eligibility for duty disability retirement, the surviving spouse and children under age 18 will receive monthly pensions equal in the aggregate to the benefit payable to the employee prior to his/her death. Upon the death of a retiree who retired under normal or early retirement, the surviving spouse will receive a benefit equal to 60 percent of the normal or early retirement benefit the retiree was receiving (reduced by 0.5 percent for each year or fraction that the spouse is more than 5 years younger than the employee). A plan member who leaves city service after 5 years of credited service may withdraw his or her contributions, plus any accumulated interest. A supplemental payment may be made to current and future retirees who have been retired for at least 5 full years.

Benefit terms provide for annual cost of living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are paid from the supplemental annuity fund in the form of a 13th check.

Police and Fire Retirement System

Retirement benefits for police and fire plan members are calculated as 2.8 percent of the member's final 5-year average of highest compensation (in the last 10 years of service) times the member's first 25 years of service, plus 5 percent at 25 years of service, plus 1 to 1.5 percent for years in excess of 25 years of service (with certain maximum benefit provisions set forth in the plan documents). Fire plan members with 25 years of service are eligible to retire at age 50 or at age 55 with 20 years of service. Police plan members with 25 years of service are eligible to retire at age 50 (or prior to age 50 with city approval). Effective July 1, 2009, police members' eligibility was modified to 25 years of service only. All plan members are eligible for nonduty disability benefits after 5 years of service and for duty-related disability benefits upon hire. Duty disability retirement benefits are determined in the same manner as retirement benefits, including credit for the period of receipt of a disability pension. Nonduty disability retirement benefits are determined in the same manner as accrued normal retirement benefits if disability occurs after age 55; otherwise, they are subject to modification, as outlined in the plan provisions. Upon death of an employee, the surviving spouse and children under age 18 will receive monthly pensions equal to that which would have been paid under the provisions of the Workers' Compensation Act, with no minimum service requirement. Upon the death of a nonduty employee, the benefit provided to the surviving spouse varies depending on years of service credited. Upon death of a retiree who retired under normal or early retirement, the surviving spouse will receive a benefit equal to 60 percent of the normal or early retirement benefit the retiree was receiving or, alternatively, may elect an actuarial equivalent 100 percent or 50 percent survivor benefit. A plan member who leaves city service after 10 years of credited service may withdraw his or her contributions, plus any accumulated interest.

June 30, 2021

Note 8 - Pension Plans (Continued)

Benefit terms provide for annual cost of living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are paid from the bonus fund in the form of a 13th check.

Members Covered by Benefit Terms

At the June 30, 2021 measurement date, the following members were covered by the benefit terms:

	General Government Employees' Retirement System	Police and Fire Retirement System
Inactive plan members or beneficiaries currently receiving benefits	152	246
Inactive plan members entitled to but not yet receiving benefits	51	27
Active plan members	124	109
Total employees covered by the plan	327	382

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city charter, union contracts, and plan provisions.

For the year ended June 30, 2021, the City's average contribution rate for general plan members was 26.93 percent of covered payroll. For police and fire members, the average active member contribution rate was 8.69 percent of annual pay, and the City's average contribution rate was 56.14 percent of covered payroll.

Net Pension Liability

The components of the net pension liability of the City at June 30, 2021 were as follows:

	General Government Employees' Retirement System	Police and Fire Retirement System	Total
Total pension liability	\$ 54,067,831	\$ 229,984,480	\$ 284,052,311
Plan fiduciary net position	(47,060,296)	(220,877,926)	(267,938,222)
City's net pension liability	\$ 7,007,535	\$ 9,106,554	\$ 16,114,089

The City has chosen to use June 30, 2021 as its measurement date for the net pension liability. The June 30, 2021 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2021. The June 30, 2021 total pension liability reported by the Police and Fire Retirement System was determined by an actuarial valuation performed as of that date. The June 30, 2021 total pension liability reported by the General Government Employees' Retirement System was determined as of June 30, 2020, rolled forward to June 30, 2021.

June 30, 2021

Note 8 - Pension Plans (Continued)

Changes in the net pension liability during the measurement year were as follows:

General Government Employees' Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2020	\$ 56,042,507	\$ 37,623,537	\$ 18,418,970
Changes for the year:			
Service cost	856,632	-	856,632
Interest	3,831,083	-	3,831,083
Differences between expected and actual experience	(1,545,191)	-	(1,545,191)
Changes in assumptions	(1,407,511)	-	(1,407,511)
Contributions - Employer	-	1,591,402	(1,591,402)
Contributions - Employee	-	73,881	(73,881)
Net investment income	-	11,483,651	(11,483,651)
Benefit payments, including refunds	(3,709,689)	(3,709,689)	-
Administrative expenses	-	(2,486)	2,486
Net changes	(1,974,676)	9,436,759	(11,411,435)
Balance at June 30, 2021	\$ 54,067,831	\$ 47,060,296	\$ 7,007,535

Police and Fire Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2020	\$ 224,542,006	\$ 169,861,620	\$ 54,680,386
Changes for the year:			
Service cost	2,066,460	-	2,066,460
Interest	17,040,842	-	17,040,842
Differences between expected and actual experience	702,511	-	702,511
Contributions - Employer	-	5,251,467	(5,251,467)
Contributions - Employee	-	813,050	(813,050)
Net investment income	-	59,351,605	(59,351,605)
Benefit payments, including refunds	(14,367,339)	(14,367,339)	-
Administrative expenses	-	(133,016)	133,016
Miscellaneous other	-	100,539	(100,539)
Net changes	5,442,474	51,016,306	(45,573,832)
Balance at June 30, 2021	\$ 229,984,480	\$ 220,877,926	\$ 9,106,554

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of \$290,539 and \$1,437,254 for the General Government Employees' Retirement System and Police and Fire Retirement System, respectively.

June 30, 2021

Note 8 - Pension Plans (Continued)

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Government Employees' Retirement System		Police and Fire Retirement System		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,334,025	\$ (1,158,893)	\$ 3,332,621	\$ -	\$ 4,666,646	\$ (1,158,893)
Changes in assumptions	-	(1,055,633)	1,876,573	-	1,876,573	(1,055,633)
Net difference between projected and actual earnings on pension plan investments	-	(5,472,881)	-	(29,657,304)	-	(35,130,185)
Total	\$ 1,334,025	\$ (7,687,407)	\$ 5,209,194	\$ (29,657,304)	\$ 6,543,219	\$ (37,344,711)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	General Government Employees' Retirement System	Police and Fire Retirement System	Total
2022	\$ (1,299,120)	\$ (3,927,255)	\$ (5,226,375)
2023	(1,298,720)	(4,217,957)	(5,516,677)
2024	(1,971,214)	(6,752,292)	(8,723,506)
2025	(1,784,328)	(9,550,606)	(11,334,934)
Total	\$ (6,353,382)	\$ (24,448,110)	\$ (30,801,492)

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions. The only change in assumption is the mortality table used in the General Employees' Retirement System, as the RP-2014 Blue Collar Healthy Annuitant Mortality table with MP 2017 was used in the June 2020 valuation.

	General Government Employees' Retirement System	Police and Fire Retirement System
Inflation	2.50%	2.25%
Salary increases (including inflation)	Service-based rates	3.00% to 5.00%
Investment rate of return (net of investment expenses)	7.00%	7.00%
Mortality rates	A version of the Pub-2010 tables with generational mortality improvement using scale MP- 2020	A version of the Pub-2010 tables with generational mortality improvement using scale MP-2019

Note 8 - Pension Plans (Continued)

Discount Rate

General Government Employees' Retirement System

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Police and Fire Retirement System

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

General Government Employees' Retirement System

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2021 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Equity	6.75 %	59.00 %
Fixed income	5.75	32.00
Alternative	4.75	9.00

Police and Fire Retirement System

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

June 30, 2021

Note 8 - Pension Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2021 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. large-cap equities	6.05 %	22.90 %
U.S. mid-cap equities	6.45	14.40
U.S. small-cap equities	5.75	8.90
International equities	5.05	16.00
Emerging market equities	6.65	8.00
Cash	0.85	1.00
U.S. investment-grade fixed income	1.65	3.40
International investment-grade fixed income	1.45	1.00
Emerging-market fixed income	4.85	6.00
Global high-yield fixed income	3.25	5.50
Alternative fixed income	5.05	4.20
Real estate/REIT	4.55	3.50
Domestic MLPs	5.35	2.20
Alternative	7.65	3.00

Investment Rate of Return

The pension plans' policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the blended discount rate of 7.00 percent for the General Government Employees' Retirement System and Police and Fire Retirement System, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net pension liability of the General Government Employees' Retirement System	\$ 12,940,898	\$ 7,007,535	\$ 1,999,540
Net pension liability (asset) of the Police and Fire Retirement System	30,522,227	9,106,554	(8,544,847)

Concentrations

At June 30, 2021, the General Government Employees' Retirement System and Fire and Police Retirement System plans held approximately 68 percent and 70 percent of their investment portfolios in equity securities, respectively. The General Government Employees' OPEB and Police and Fire OPEB plans held approximately 69 percent of their investment portfolios in equity securities.

June 30, 2021

Note 8 - Pension Plans (Continued)

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on the General Government Employees' Retirement System and Police and Fire Retirement System pension plan investments, net of pension plan investment expense, was 32.34 percent and 35.81 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

General Government Employees' Retirement System

In accordance with the plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee. The 7.00 percent assumed rate of return is applied to all assets for the purpose of the actuarial valuation. For any employee who terminates before vesting in the pension plan, the employee's balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2021 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 35,241,594	\$ 35,241,594
Employee reserve	79,377	79,377
Employer and supplemental benefit reserve	11,739,325	11,739,325
Total	<u>\$ 47,060,296</u>	<u>\$ 47,060,296</u>

Police and Fire Retirement System

In accordance with the plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plan, the employee's balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

June 30, 2021

Note 8 - Pension Plans (Continued)

The balances of the reserve accounts at June 30, 2021 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 196,033,150	\$ 196,033,150
Employee reserve	3,619,308	3,619,308
Employer and supplemental benefit reserve	21,225,368	21,225,368
Total	<u>\$ 220,877,826</u>	<u>\$ 220,877,826</u>

Police and Fire Retirement System - Deferred Retirement Option Program (DROP)

The City offers certain employees the ability to continue services and be paid a salary after they are fully vested; this program credits the employee for benefit payments that would have been paid and pays the employee out with interest at 5 percent after the employee has fully retired (discontinued providing employee services to the City). At June 30, 2021, the plan has \$42,763,908 accumulated in DROP accounts.

Note 9 - Other Postemployment Benefit Plans***Plan Descriptions***

The City provides retiree health care benefits to certain full-time employees upon retirement, in accordance with labor contracts.

The benefits are provided through the General Government Employees' OPEB Trust, a single-employer defined benefit plan administered by the City, and the Police and Fire OPEB Trust, a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plans do not issue separate stand-alone financial statements.

The financial statements of the OPEB plans are included in these financial statements as a retiree health care trust fund (a fiduciary fund).

Management of the plans is vested in the pension boards, which consists of seven members - three elected by plan members; three appointed by the City; and the city treasurer, who serves as an ex officio member.

Benefits Provided

The City includes pre-Medicare retirees and their dependents in its insured health care plan, with partial contributions required by some of the participants. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a pay-as-you-go basis). The costs of administering the plans are borne by the City's Corporate Fund.

Effective July 1, 2017, members hired after April 2011 will receive a maximum \$5,000 health care stipend in retirement. Additionally, new DROP participants will contribute to health care in accordance with Public Act 152.

June 30, 2021

Note 9 - Other Postemployment Benefit Plans (Continued)

Members Covered by Benefit Terms

The following members were covered by the benefit terms:

	General Government Employees' OPEB Trust	Police and Fire OPEB Trust
Inactive plan members currently receiving benefits	128	205
Active plan members	115	145
Total plan members	243	350

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. During 2020, the City agreed to contribute \$1.5 million in addition to insurance premiums until the General Employees' OPEB plan and the Police and Fire OPEB plan have sufficient balances to pay all future benefit payments. For the fiscal year ended June 30, 2021, the City made payments for postemployment health benefit premiums of \$2,048,264 to the General Government Employees' OPEB trust and \$3,627,692 to the Police and Fire OPEB trust.

Net OPEB Liability

The City chooses a date for each OPEB plan to measure its net OPEB liability (NOL). This is based on the measurement date of each OPEB plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date. See below for dates chosen by the City:

	General Government Employees' OPEB Trust	Police and Fire OPEB Trust
Measurement date used for the City NOL	June 30, 2021	June 30, 2021
Based on a comprehensive actuarial valuation as of	July 1, 2019	July 1, 2019

June 30, 2021

Note 9 - Other Postemployment Benefit Plans (Continued)

Changes in the net OPEB liability during the measurement year were as follows:

General Government Employees' OPEB Trust

Changes in Total OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2020	\$ 50,101,686	\$ 466,043	\$ 49,635,643
Changes for the year:			
Service cost	1,885,902	-	1,885,902
Interest	1,838,327	-	1,838,327
Differences between expected and actual experience	(3,148,391)	-	(3,148,391)
Changes in assumptions	1,324,429	-	1,324,429
Contributions - Employer	-	2,048,264	(2,048,264)
Net investment income	-	266,114	(266,114)
Benefit payments, including refunds	(1,575,314)	(1,575,314)	-
Administrative expenses	-	(5,044)	5,044
Net changes	324,953	734,020	(409,067)
Balance at June 30, 2021	\$ 50,426,639	\$ 1,200,063	\$ 49,226,576

The plan's fiduciary net position represents 2.38 percent of the total OPEB liability.

Police and Fire OPEB Trust

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2020	\$ 121,356,107	\$ 1,066,350	\$ 120,289,757
Changes for the year:			
Service cost	1,882,426	-	1,882,426
Interest	4,378,619	-	4,378,619
Differences between expected and actual experience	3,275,112	-	3,275,112
Changes in assumptions	(9,179,050)	-	(9,179,050)
Contributions - Employer	-	3,627,692	(3,627,692)
Net investment income	-	616,485	(616,485)
Benefit payments, including refunds	(2,565,459)	(2,565,459)	-
Administrative expenses	-	(10,394)	10,394
Net changes	(2,208,352)	1,668,324	(3,876,676)
Balance at June 30, 2021	\$ 119,147,755	\$ 2,734,674	\$ 116,413,081

The plan's fiduciary net position represents 2.3 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$473,394 and \$1,751,186 for the General Government Employees' OPEB and Police and Fire OPEB plans, respectively.

June 30, 2021

Note 9 - Other Postemployment Benefit Plans (Continued)

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	General Government Employees' OPEB		Police and Fire OPEB		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (10,013,865)	\$ 2,729,260	\$ (3,904,315)	\$ 2,729,260	\$ (13,918,180)
Changes in assumptions	2,823,440	(959,112)	3,231,319	(10,057,874)	6,054,759	(11,016,986)
Net difference between projected and actual earnings on OPEB plan investments	-	(186,565)	-	(439,759)	-	(626,324)
Changes in allocation of liability	3,284,497	(3,284,497)	-	-	3,284,497	(3,284,497)
Total	\$ 6,107,937	\$ (14,444,039)	\$ 5,960,579	\$ (14,401,948)	\$ 12,068,516	\$ (28,845,987)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	General Government Employees' OPEB Trust	Police and Fire OPEB Trust	Total
2022	\$ (3,230,750)	\$ (4,463,091)	\$ (7,693,841)
2023	(1,467,971)	(717,186)	(2,185,157)
2024	(1,467,971)	(717,186)	(2,185,157)
2025	(1,865,417)	(1,559,917)	(3,425,334)
2026	(303,993)	(983,989)	(1,287,982)
Total	\$ (8,336,102)	\$ (8,441,369)	\$ (16,777,471)

Actuarial Assumptions

The total OPEB liability in each actuarial valuation was determined using the following actuarial assumptions:

	General Government Employees' OPEB Trust	Police and Fire OPEB Trust
Inflation	2.75 percent	2.75 percent
Salary increases (including inflation)	3.50 - 4.50 percent	3.50 - 4.50 percent
Investment rate of return (net of investment expenses)	6.75 percent	6.75 percent
Health care cost trend rate	7.50 percent decreasing 0.50 percent per year to an ultimate rate of 4.50 percent for 2027 and later years	7.50 percent decreasing 0.50 percent per year to an ultimate rate of 4.50 percent for 2027 and later years
Mortality rates	SOA Pub-2010 Weighted Mortality Table fully generational using Scale MP-2019	SOA Pub-2010 Weighted Mortality Table fully generational using Scale MP-2019

June 30, 2021

Note 9 - Other Postemployment Benefit Plans (Continued)***Discount Rate***

The discount rate used to measure the total OPEB liability was 3.41 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the General Government Employees' OPEB plan's fiduciary net position and the Police and Fire OPEB plan's fiduciary net position were not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments 6.75 percent with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands between 1.94 - 2.19 percent (as referenced in Bond Buyer Go 20-Bond Municipal Bond Index and S&P Municipal Bond 20-year High Grade Rate Index, June 30, 2021).

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation (1.75 percent). Best estimates of arithmetic real rates of return as of the June 30, 2021 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

General Government Employees' OPEB Trust

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.90 %
International equity	5.40
Fixed income	4.70
Alternative investments	5.30
Cash or cash equivalents	0.80

Police and Fire OPEB Trust

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.80 %
International equity	5.40
Fixed income	4.70
Alternative investments	5.30
Cash or cash equivalents	0.80

June 30, 2021

Note 9 - Other Postemployment Benefit Plans (Continued)***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.41 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (2.41%)	Current Discount Rate (3.41%)	1 Percentage Point Increase (4.41%)
Net OPEB liability of the General Government			
Employees' OPEB Trust	\$ 58,056,428	\$ 49,226,576	\$ 42,328,802
Net OPEB liability of the Police and Fire OPEB Trust	137,294,258	116,413,081	100,100,933

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 7.50 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Health Care Cost Trend Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the General Government			
Employees' OPEB Trust	\$ 41,221,196	\$ 49,226,576	\$ 59,637,968
Net OPEB liability of the Police and Fire OPEB Trust	97,481,621	116,413,081	141,034,381

Assumption Changes

Since the prior measurement date, the discount rate was updated from 3.59 percent to 3.41 percent.

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board's adopted asset allocation policy as of June 30, 2021:

General Government Employees' OPEB Trust

Asset Class	Target Allocation
Domestic equity	43.30 %
International equity	25.60
Fixed income	28.00
Alternatives	2.30
Cash or cash equivalents	0.80
Total	100.00 %

June 30, 2021

Note 9 - Other Postemployment Benefit Plans (Continued)

Police and Fire OPEB Trust

Asset Class	Target Allocation
Domestic equity	43.30 %
International equity	25.60
Fixed income	28.00
Alternative investments	2.30
Cash or cash equivalents	0.80
Total	100.00 %

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 33.32 and 32.20 percent for the Police and Fire OPEB plan and the General Government Employees' OPEB plan, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 - Defined Benefit Pension and Retiree Health Care Plans Condensed Financial Statements

The following are condensed financial statements for the retirement systems as follows:

	General Government Employees' Retirement System	Police and Fire Retirement System	General Government Employees' OPEB Trust	Police and Fire OPEB Trust
Statement of Net Position				
Cash and investments	\$ 46,730,495	\$ 224,566,524	\$ 1,200,062	\$ 2,734,675
Other assets	329,802	1,009,646	-	-
Liabilities	-	(4,698,243)	-	-
Net position	<u>\$ 47,060,297</u>	<u>\$ 220,877,927</u>	<u>\$ 1,200,062</u>	<u>\$ 2,734,675</u>
Statement of Changes in Net Position				
Investment income - Net of expenses	\$ 11,533,978	\$ 58,034,469	\$ 266,321	\$ 616,485
Contributions	1,628,461	7,448,722	2,048,264	3,627,692
Benefit payments	(3,628,369)	(14,466,884)	(1,580,566)	(2,575,852)
Administrative expenses	(97,310)	-	-	-
Net change in net position	<u>\$ 9,436,760</u>	<u>\$ 51,016,307</u>	<u>\$ 734,019</u>	<u>\$ 1,668,325</u>

City of Dearborn Heights, Michigan

Required Supplemental Information Police and Fire Retirement System Schedule of Changes in the Net Pension Liability and Related Ratios

Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 2,066,460	\$ 1,573,588	\$ 1,412,365	\$ 1,258,966	\$ 1,112,327	\$ 1,094,183	\$ 1,031,111	\$ 1,004,200
Interest	17,040,842	14,908,013	14,591,231	13,286,569	13,202,158	12,856,071	12,261,841	12,037,075
Changes in benefit terms	-	-	-	1,350,162	-	-	-	-
Differences between expected and actual experience	702,511	4,781,293	3,370,573	4,941,596	5,058,549	4,430,262	1,509,406	-
Changes in assumptions	-	3,995,315	-	-	-	-	3,883,047	-
Benefit payments, including refunds	(14,367,339)	(14,084,682)	(13,393,285)	(12,922,605)	(11,563,419)	(10,888,291)	(13,290,041)	(9,746,166)
Other	-	-	-	-	(848,598)	-	-	-
Net Change in Total Pension Liability	5,442,474	11,173,527	5,980,884	7,914,688	6,961,017	7,492,225	5,395,364	3,295,109
Total Pension Liability - Beginning of year	224,542,006	213,368,479	207,387,595	199,472,907	192,511,890	185,019,665	179,624,301	176,329,192
Total Pension Liability - End of year	\$ 229,984,480	\$ 224,542,006	\$ 213,368,479	\$ 207,387,595	\$ 199,472,907	\$ 192,511,890	\$ 185,019,665	\$ 179,624,301
Plan Fiduciary Net Position								
Contributions - Employer	\$ 5,251,467	\$ 4,064,641	\$ 3,838,635	\$ 3,595,919	\$ 3,181,017	\$ 3,008,614	\$ 6,796,498	\$ 6,340,593
Contributions - Member	813,050	645,965	430,163	575,054	344,374	491,119	498,200	486,849
Net investment income (loss)	59,351,605	(936,617)	8,790,624	15,411,544	22,430,165	(4,998,994)	3,448,028	30,199,954
Administrative expenses	(133,016)	(59,311)	(517,957)	(21,277)	(29,106)	(31,006)	(32,965)	(540,644)
Benefit payments, including refunds	(14,367,339)	(14,084,682)	(13,393,285)	(12,922,605)	(11,563,419)	(10,888,291)	(13,081,626)	(13,005,066)
Other	100,539	(37,756)	54,951	60,340	12,339	36,301	(147,331)	-
Net Change in Plan Fiduciary Net Position	51,016,306	(10,407,760)	(796,869)	6,698,975	14,375,370	(12,382,257)	(2,519,196)	23,481,686
Plan Fiduciary Net Position - Beginning of year	169,861,620	180,269,380	181,066,249	174,367,274	159,991,904	172,374,161	174,893,357	151,411,671
Plan Fiduciary Net Position - End of year	\$ 220,877,926	\$ 169,861,620	\$ 180,269,380	\$ 181,066,249	\$ 174,367,274	\$ 159,991,904	\$ 172,374,161	\$ 174,893,357
City's Net Pension Liability - Ending	\$ 9,106,554	\$ 54,680,386	\$ 33,099,099	\$ 26,321,346	\$ 25,105,633	\$ 32,519,986	\$ 12,645,504	\$ 4,730,944
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.04 %	75.65 %	84.49 %	87.31 %	87.41 %	83.11 %	93.17 %	97.37 %
Covered Payroll	\$ 9,354,590	\$ 7,989,490	\$ 8,985,517	\$ 7,229,460	\$ 6,517,359	\$ 6,188,918	\$ 5,637,835	\$ 6,016,818
City's Net Pension Liability as a Percentage of Covered Payroll	97.35 %	684.40 %	368.36 %	364.08 %	385.21 %	525.46 %	224.30 %	78.63 %

See notes to required supplemental information.

City of Dearborn Heights, Michigan

Required Supplemental Information Police and Fire Retirement System Schedule of City Contributions

Last Ten Fiscal Years
Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution Contributions in relation to the actuarially determined contribution	\$ 4,681,467	\$ 3,509,641	\$ 3,178,635	\$ 2,935,919	\$ 2,511,017	\$ 2,343,614	\$ 2,822,883	\$ 2,585,170	\$ 2,368,862	\$ 2,355,801
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,000	\$ -	\$ -	\$ -
Covered Deficiency	\$ 9,354,590	\$ 7,989,490	\$ 8,985,517	\$ 7,229,460	\$ 6,517,359	\$ 6,188,918	\$ 5,637,835	\$ 6,016,818	\$ 5,668,970	\$ 6,378,919
Contributions as a Percentage of Covered Payroll	50.04 %	43.93 %	35.38 %	40.61 %	38.53 %	37.87 %	61.60 %	42.97 %	41.79 %	36.93 %

Notes to Police and Fire Retirement System Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30 each year, which is the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market
Inflation	2.25%
Salary increase	3.0% to 5.0%, including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	A version of the Pub-2010 tables with generational mortality improvement using scale MP-2019
Other information	Balances of DROP accounts are included in plan fiduciary net position. The balances of these DROP accounts as of June 30, 2021 were \$42,763,908. Active employees (including DROP participants) who were members of the Police Officer's Association of Michigan/Dearborn Police Officers Association during the period from July 1, 2017 through December 31, 2017 shall be eligible for an Annual Police Patrol Officers Bonus (Nondiscretionary Bonus).

**Required Supplemental Information
Police and Fire Retirement System Schedule of City Contributions**

**Last Ten Fiscal Years
Years Ended June 30**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 4,681,467	\$ 3,509,641	\$ 3,178,635	\$ 2,935,919	\$ 2,511,017	\$ 2,343,614	\$ 2,822,883	\$ 2,585,170	\$ 2,368,862	\$ 2,355,801
Contributions in relation to the actuarially determined contribution	4,681,467	3,509,641	3,178,635	2,935,919	2,511,017	2,343,614	3,472,883	2,585,170	2,368,862	2,355,801
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	650,000	\$ -	\$ -	\$ -
Covered Deficiency	\$ 9,354,590	\$ 7,989,490	\$ 8,985,517	\$ 7,229,460	\$ 6,517,359	\$ 6,188,918	\$ 5,637,835	\$ 6,016,818	\$ 5,668,970	\$ 6,378,919
Contributions as a Percentage of Covered Payroll	50.04 %	43.93 %	35.38 %	40.61 %	38.53 %	37.87 %	61.60 %	42.97 %	41.79 %	36.93 %

Notes to Police and Fire Retirement System Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30 each year, which is the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market
Inflation	2.25%
Salary increase	3.0% to 5.0%, including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	A version of the Pub-2010 tables with generational mortality improvement using scale MP-2019
Other information	Balances of DROP accounts are included in plan fiduciary net position. The balances of these DROP accounts as of June 30, 2021 were \$42,763,908. Active employees (including DROP participants) who were members of the Police Officer's Association of Michigan/Dearborn Police Officers Association during the period from July 1, 2017 through December 31, 2017 shall be eligible for an Annual Police Patrol Officers Bonus (Nondiscretionary Bonus).

City of Dearborn Heights, Michigan

Required Supplemental Information Schedule of Changes in the Total OPEB Liability and Related Ratios

	Last Four Fiscal Years			
	2021*	2020*	2019	2018
Total OPEB Liability				
Service cost	\$ -	\$ -	\$ 3,613,510	\$ 4,418,740
Interest	-	-	6,435,527	7,459,013
Changes in benefit terms	-	-	-	(20,227,512)
Differences between expected and actual experience	-	-	(2,090,659)	(12,557,294)
Changes in assumptions	-	-	9,503,879	(14,986,131)
Benefit payments, including refunds	-	-	(6,100,053)	(4,639,479)
Net Change in Total OPEB Liability	-	-	11,362,204	(40,532,663)
Total OPEB Liability - Beginning of year	-	-	165,700,259	206,232,922
Total OPEB Liability - End of year	\$ -	\$ -	\$ 177,062,463	\$ 165,700,259
Plan Fiduciary Net Position				
Contributions - Employer	\$ -	\$ -	\$ 6,100,053	\$ 4,639,479
Benefit payments, including refunds	-	-	(6,100,053)	(4,639,479)
Net Change in Plan Fiduciary Net Position	-	-	-	-
Plan Fiduciary Net Position - Beginning of year	-	-	-	-
Plan Fiduciary Net Position - End of year	\$ -	\$ -	\$ -	\$ -
Net OPEB Liability - Ending	\$ -	\$ -	\$ 177,062,463	\$ 165,700,259
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	- %	- %	- %	- %
Covered-employee Payroll	\$ -	\$ -	\$ 13,233,971	\$ 11,199,009
Net OPEB Liability as a Percentage of Covered-employee Payroll	- %	- %	1,337.94 %	1,479.60 %

*During the fiscal year ended June 30, 2020, the City established two OPEB plans and trusts - the General Government Employees' OPEB Plan and the Police and Fire OPEB Plan. As a result, the schedule of changes in the total OPEB liability and related ratios has been broken out on subsequent pages.

City of Dearborn Heights, Michigan

Required Supplemental Information General Government Employees' Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Two Fiscal Years	
	2021	2020*
Total OPEB Liability		
Service cost	\$ 1,885,902	\$ 2,072,295
Interest	1,838,327	2,033,344
Differences between expected and actual experience	(3,148,391)	(9,378,050)
Changes in assumptions	1,324,429	298,692
Benefit payments, including refunds	(1,575,314)	(1,551,268)
Net Change in Total OPEB Liability	324,953	(6,524,987)
Total OPEB Liability - Beginning of year	50,101,686	56,626,673
Total OPEB Liability - End of year	\$ 50,426,639	\$ 50,101,686
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,048,264	\$ 2,024,134
Net investment income (loss)	266,114	(2,156)
Administrative expenses	(5,044)	(4,667)
Benefit payments, including refunds	(1,575,314)	(1,551,268)
Net Change in Plan Fiduciary Net Position	734,020	466,043
Plan Fiduciary Net Position - Beginning of year	466,043	-
Plan Fiduciary Net Position - End of year	\$ 1,200,063	\$ 466,043
Net OPEB Liability - Ending	\$ 49,226,576	\$ 49,635,643
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	2.38 %	0.93 %
Covered-employee Payroll	\$ 5,538,582	\$ 5,351,287
Net OPEB Liability as a Percentage of Covered-employee Payroll	888.79 %	927.55 %

*During the fiscal year ended June 30, 2020, the City established the General Government Employees' OPEB Trust. As a result, the applicable OPEB liability from prior years has been allocated to this trust. This schedule is being built prospectively until 10 years of data becomes available.

City of Dearborn Heights, Michigan

Required Supplemental Information Police and Fire Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Two Fiscal Years	
	2021	2020*
Total OPEB Liability		
Service cost	\$ 1,882,426	\$ 1,973,332
Interest	4,378,619	4,252,692
Differences between expected and actual experience	3,275,112	(2,228,549)
Changes in assumptions	(9,179,050)	(555,827)
Benefit payments, including refunds	(2,565,459)	(2,521,331)
Net Change in Total OPEB Liability	(2,208,352)	920,317
Total OPEB Liability - Beginning of year	121,356,107	120,435,790
Total OPEB Liability - End of year	\$ 119,147,755	\$ 121,356,107
Plan Fiduciary Net Position		
Contributions - Employer	\$ 3,627,692	\$ 3,583,564
Net investment income	616,485	5,780
Administrative expenses	(10,394)	(1,663)
Benefit payments, including refunds	(2,565,459)	(2,521,331)
Net Change in Plan Fiduciary Net Position	1,668,324	1,066,350
Plan Fiduciary Net Position - Beginning of year	1,066,350	-
Plan Fiduciary Net Position - End of year	\$ 2,734,674	\$ 1,066,350
City's Net OPEB Liability - Ending	\$ 116,413,081	\$ 120,289,757
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	2.30 %	0.88 %
Covered-employee Payroll	\$ 7,049,966	\$ 6,811,561
City's Net OPEB Liability as a Percentage of Covered-employee Payroll	1,651.26 %	1,765.96 %

*During the fiscal year ended June 30, 2020, the City established the Police and Fire OPEB Trust. As a result, the applicable OPEB liability from prior years has been allocated to this trust. The schedule is being built prospectively until full 10 years of data becomes available.

City of Dearborn Heights, Michigan

Required Supplemental Information Police and Fire Schedule of OPEB Contributions

	Last Two Fiscal Years	
	Years Ended June 30	
	2021	2020*
Actuarially determined contribution	\$ 7,176,627	\$ 7,006,999
Contributions in relation to the actuarially determined contribution	3,627,692	3,583,564
Contribution Deficiency	\$ (3,548,935)	\$ (3,423,435)
Covered-employee Payroll	\$ 7,049,966	\$ 6,811,561
Contributions as a Percentage of Covered-employee Payroll	51.46 %	52.61 %

*The City established a new trust during the year ended June 30, 2020. As such, previous years' contributions are not applicable. This schedule is being built prospectively until 10 years of data becomes available.

Notes to Police and Fire Schedule of OPEB Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of July 1 for the upcoming fiscal year. Covered-employee payroll is as of June 30 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage payroll, closed
Remaining amortization period	28 years
Health care cost trend rates	7.5 percent decreasing 0.5 percent to ultimate 4.5 percent
Salary increase	3.5 - 4.5 percent
Investment rate of return	6.75 percent
Mortality	Pub-2010 mortality tables fully generation using scale MP-2019
Other information	The City's funding policy is to treat costs on a pay-as-you-go basis and make combining prefunding contributions of \$1.5 million until both OPEB trusts are sufficient to pay all future benefit payments.

EXHIBIT - 3

BUDGET REPORT FOR CITY OF DEARBORN HEIGHTS

Fund: 101 General Fund

GL NUMBER	DESCRIPTION	2020-21 ACTIVITY	2021-22 AMENDED BUDGET	2021-22 ACTIVITY THRU 06/30/22	2021-22 PROJECTED ACTIVITY	2022-23 REQUESTED BUDGET	2022-23 RECOMMENDED BUDGET
ESTIMATED REVENUES							
Dept 000 - 000	PROPERTY TAX REVENUE						
101-000-402.000	Current Prop Taxes	10,425,526	10,500,432	10,285,622	10,667,719	11,174,821	11,174,821
101-000-402.010	Act 345	10,831,363	11,930,072	11,440,676	11,852,146	10,691,625	10,691,625
101-000-402.030	Sanitation	2,736,733	2,756,318	3,909,792	4,257,898	2,933,342	2,933,342
101-000-402.040	Public Safety	2,454,253	2,470,520	2,421,169	2,509,879	2,629,189	2,629,189
101-000-402.060	Sanitation Auth	1,226,381	1,235,129			1,314,455	1,314,455
101-000-402.999	Tax Admin Fee	774,377	750,360	709,234	802,500	837,500	837,500
101-000-403.000	Prior Yrs Adj-Prop Tax	127,519	320,018	350,393	357,696	346,750	346,750
101-000-426.000	Trailer Tax	3,902	1,500	2,191	2,415	3,400	3,400
101-000-446.000	Int On Delq Taxes	44,392	150,000	79,410	95,070	97,000	97,000
PROPERTY TAX REVENUE		28,624,446	30,114,349	29,198,487	30,545,323	30,028,082	30,028,082
LICENSE/PERMIT/FEES							
101-000-455.000	Builders License	11,830	22,750	5,700	10,635	8,000	8,000
101-000-456.000	Building Dept Misc	88,350	110,000	118,744	46,805	45,000	45,000
101-000-457.000	Business Licenses	40,541	36,872	26,529	30,475	32,000	32,000
101-000-458.000	Build Inspection 13% INCREASE UPON SALE INSPECTIONS HISTORICAL	351,605	510,015	318,450	397,314	449,000	449,000
101-000-459.000	Fire Dept Cost Recovery	5,080	2,000	8,616	9,161	19,750	19,750
	FOOTNOTE AMOUNTS:					5,000	5,000
	FIRE COST RECOVERY INSPECTIONS						
	FOOTNOTE AMOUNTS:					14,750	14,750
	FIRE COST RECOVERY BUILDING AND ENGINEERING					19,750	19,750
GL # FOOTNOTE TOTAL:							
101-000-461.000	Refrigeration Permits	22,908	21,685	19,935	23,282	25,000	25,000
101-000-463.000	Sign Permits	11,120	10,475	9,749	13,305	13,500	13,500
101-000-465.000	Rental Prop Reg.	8,840	18,300	16,900	14,550	15,000	15,000
101-000-467.000	Rent Prop Inspect	200	19,926	360,925	266,100	400,000	400,000
	FOOTNOTE AMOUNTS:						
	NEW PROGRAM STARTED JUNE 2021						
101-000-469.000	Rental Prop Fines	100	1,580				

BUDGET REPORT FOR CITY OF DEARBORN HEIGHTS

Fund: 101 General Fund

GL NUMBER	DESCRIPTION	2020-21 ACTIVITY	2021-22 AMENDED BUDGET	2021-22 ACTIVITY THRU 06/30/22	2021-22 PROJECTED ACTIVITY	2022-23 REQUESTED BUDGET	2022-23 RECOMMENDED BUDGET
APPROPRIATIONS							
Dept 200 - GENERAL GOVERNMENT							
PERSONAL SERVICES							
101-200-715.000	Soc Sec	751,168	2,312,750	1,170,828	1,034,503		
	THE EXPENSES WASH WITH ACCT 200-998.000						
101-200-716.000	Hosp Insur	3,535,485	4,000,000	6,105,958	4,234,815		
	SPREADING BUDGETS TO DEPTS 2022/2023						
101-200-716.002	Ins BuyOut	85,466	100,000	91,636	90,636	102,070	102,070
	PAY IN LIEU OF HEALTH CARE						95,000
	FOOTNOTE AMOUNTS:						
	ER SOCIAL SECURITY						7,270
	FOOTNOTE AMOUNTS:						
	GL # FOOTNOTE TOTAL:						102,270
101-200-716.200	Hosp-GenCo	1,102,636	725,000	562,088	1,298,860	1,384,021	1,384,021
	GEN GOV RET. PAY GO HEALTH - MEDICARE				1,298,860	600,000	600,000
	FOOTNOTE AMOUNTS:						
	GEN GOV RET. PAY GO HEALTH - PRE 65					679,750	679,750
	FOOTNOTE AMOUNTS:						
	GEN GOV RET. PAY GO DENTAL					89,825	89,825
	FOOTNOTE AMOUNTS:						
	GEN GOV RET. PAY GO VISION					14,446	14,446
	FOOTNOTE AMOUNTS:						
	GL # FOOTNOTE TOTAL:				1,298,860	1,384,021	1,384,021
101-200-717.001	Life Ins	74,929	85,000				
101-200-717.100	Life Ins-Act 345	6,698	11,361	4,208	4,434	2,725	2,725
101-200-717.200	Life Ins-G Gov Ret	2,918		6,555	7,308	9,000	9,000
101-200-718.000	GenGovtPen	1,306,000					
101-200-721.000	Longevity	801,019	525,000	293,497	494,800		
	SPREADING TO DEPARTMENTS IN 2022/2023				494,800		
101-200-722.000	345 Pens	4,681,467	5,121,511				
	ER PENSION WITHIN DEPARTMENTS 300/335						
101-200-722.001	345 Insur	3,869,990	4,444,429				
	PAY GO HEALTH - PRE 65				3,701,590	3,764,732	3,764,732
	FOOTNOTE AMOUNTS:				3,701,590	2,702,862	2,702,862
	PAY GO HEALTH - POST 65					887,597	887,597
	FOOTNOTE AMOUNTS:					152,304	152,304
	PAY GO DENTAL PSO					21,969	21,969
	FOOTNOTE AMOUNTS:						
	PAY GO VISION PSO						
	FOOTNOTE AMOUNTS:						
	GL # FOOTNOTE TOTAL:				3,701,590	3,764,732	3,764,732
101-200-722.002	345 Expend	570,000	575,000		575,000	663,200	663,200

BUDGET REPORT FOR CITY OF DEARBORN HEIGHTS

Fund: 101 General Fund

GL NUMBER	DESCRIPTION	2020-21 ACTIVITY	2021-22 AMENDED BUDGET	2021-22 ACTIVITY THRU 06/30/22	2021-22 PROJECTED ACTIVITY	2022-23 REQUESTED BUDGET	2022-23 RECOMMENDED BUDGET
APPROPRIATIONS							
Dept 200 - GENERAL GOVERNMENT							
PERSONAL SERVICES							
PA 345 OPERATING EXPENSES NON G/F		FOOTNOTE AMOUNTS:					
101-200-722.003	845 OPEB PREFUND	1,062,233	1,062,233	1,062,233	1,062,233	1,062,500	1,062,500
OPEB PREFUND PSO		FOOTNOTE AMOUNTS:					
101-200-722.004	OPEB PREFUND	472,950		444,900	444,900	444,900	444,900
GENERAL CITY OPEB PREFUND		FOOTNOTE AMOUNTS:					
101-200-724.000	Work Comp.	281,914	300,000	344,781	374,731	375,000	375,000
101-200-725.000	Unemploy.	2,238	6,000	14,931	2,241	3,500	3,500
PERSONAL SERVICES		18,607,111	19,268,284	10,101,615	13,326,051	7,811,648	7,811,648
UNK EXP							
101-200-728.000	Supplies	105,605	130,000	77,895	98,065	100,000	100,000
101-200-728.100	COVID SUPPLIES	266,527	100,000	574	574		
101-200-728.900	Commission Supplies	242					
101-200-806.000	Animal Pro	44,906	56,000	32,438	44,076		
NOTE: MOVED 2022/23 APPROPRIATION TO 426 DEPT.							
101-200-807.000	Misc Exp.	19,626	20,000	9,289	19,500	20,000	20,000
101-200-810.000	Sanitation	3,272,945	3,300,000	2,785,596	3,321,695	3,450,000	3,450,000
PICK UP		FOOTNOTE AMOUNTS:					
DISPOSAL		FOOTNOTE AMOUNTS:					
GL # FOOTNOTE TOTAL:		3,450,000					
101-200-817.000	Prof/Con.	335,737	350,000	522,490	550,100	456,700	456,700
INDEPENDENT AUDIT - ALAN C, YOUNG FY 2022		FOOTNOTE AMOUNTS:					
DEPUTY COMPTROLLER PMGAP		FOOTNOTE AMOUNTS:					
THIRD PARTY BENEFITS AGEN		FOOTNOTE AMOUNTS:					
COMCAST		FOOTNOTE AMOUNTS:					
NYHART GASB 75 ACTUARIAL WORK		FOOTNOTE AMOUNTS:					
LABOR ATTORNEY		FOOTNOTE AMOUNTS:					
ALARM CO		FOOTNOTE AMOUNTS:					

BUDGET REPORT FOR CITY OF DEARBORN HEIGHTS

Fund: 101 General Fund

GL NUMBER	DESCRIPTION	2020-21 ACTIVITY	2021-22 AMENDED BUDGET	2021-22 ACTIVITY THRU 06/30/22	2021-22 PROJECTED ACTIVITY	2022-23 REQUESTED BUDGET	2022-23 RECOMMENDED BUDGET
APPROPRIATIONS							
Dept 300 - POLICE DEPARTMENT							
PERSONAL SERVICES							
101-300-706.000	Salaries	6,196,585	6,332,424	4,743,957	5,951,776 5,815,725	6,239,156 5,943,130	6,239,156 5,943,130
	FOOTNOTE AMOUNTS:						
	SALARY - PATROL COMMAND AND DISPATCH						
	FOOTNOTE AMOUNTS:						
	SALARY NON-UNION					89,586	89,586
	FOOTNOTE AMOUNTS:						
	SALARY - TPOAM					160,621	160,621
	FOOTNOTE AMOUNTS:						
	LONGEVITY					45,819	45,819
	GL # FOOTNOTE TOTAL:				5,815,725	6,239,156	6,239,156
101-300-706.020	Ret 1stPay	273,310	40,000	190,683	176,916	73,480	73,480
101-300-706.030	Ret Pr Yrs		30,000				
101-300-707.000	Cross Grds	83,172	115,000	78,725	78,940	100,000	100,000
101-300-707.100	Parttime	123,347	160,000	75,541	107,044	175,000	175,000
101-300-709.000	Overtime	938,744	650,000	788,836	958,785	650,000	650,000
101-300-713.000	Clothing	156,119	200,000	118,116	136,258	130,175 115,175	130,175 115,175
	FOOTNOTE AMOUNTS:						
	CONTRACT ALLOWANCE					15,000	15,000
	FOOTNOTE AMOUNTS:						
	REPAIRS					15,000	15,000
	GL # FOOTNOTE TOTAL:					130,175	130,175
101-300-716.000	HOSPITAL INSURANCE				1,356,913	1,585,525	1,585,525
101-300-717.000	Holiday Pay		350,000	334,057	334,057	359,310	359,310
101-300-717.001	LIFE INSURANCE				29,209	28,100	28,100
101-300-726.000	Fringe Ben	5,162,366	3,839,023	585,355	3,604,578 592,398	3,875,929 589,980	3,875,929 589,980
	FOOTNOTE AMOUNTS:						
	ER SOCIAL SECURITY						
	FOOTNOTE AMOUNTS:						
	ER PENSION PA 345					2,907,249	2,907,249
	FOOTNOTE AMOUNTS:						
	WORKERS COMPENSATION				131,900	135,000	135,000
	FOOTNOTE AMOUNTS:						
	ER PENSION GENERAL CITY DISPATCH/GEN/TPOAM				230,575	243,700	243,700
	GL # FOOTNOTE TOTAL:				3,604,578	3,875,929	3,875,929
PERSONAL SERVICES							
101-300-728.000	Supplies	41,195	60,000	31,301	41,625	50,000	50,000
PERSONAL SERVICES		12,933,643	11,716,447	6,915,270	12,734,476	13,216,675	13,216,675

BUDGET REPORT FOR CITY OF DEARBORN HEIGHTS

Fund: 101 General Fund

GL NUMBER	DESCRIPTION	2020-21 ACTIVITY	2021-22 AMENDED BUDGET	2021-22 ACTIVITY THRU 06/30/22	2021-22 PROJECTED ACTIVITY	2022-23 REQUESTED BUDGET	2022-23 RECOMMENDED BUDGET
APPROPRIATIONS							
Dept 300 - POLICE DEPARTMENT							
UNK EXP							
101-300-744.000	Ammun Targ	35,071	124,000	119,814	119,814	50,000	50,000
101-300-745.000	Utilities	147,122	125,000	131,569	185,750	190,000	190,000
101-300-759.000	Prisoners	6,328	10,000	4,617	6,787	10,000	10,000
101-300-802.000	DuesMember	1,500	2,000	1,100	1,000	2,000	2,000
101-300-818.000	CONT SERV.	362,353	364,234	221,405	318,100	340,000 10,000	340,000 10,000
FOOTNOTE AMOUNTS:							
ADD: COMMUNITY NOTIFICATION SERVICE							
FOOTNOTE AMOUNTS:							
OSCAR LARSON/CLEMIS/STATE OF MICHIGAN/MOTOROLA							
GL # FOOTNOTE TOTAL:							
101-300-825.000	Tuition Rk	37,160	50,000	11,478	38,850	40,000	40,000
101-300-830.000	Secret Wit		1,000			1,000	1,000
101-300-831.000	Spec Serv	2,318	4,000	2,245	2,720	4,000	4,000
101-300-853.000	Telephones	10,724	25,000	8,979	10,716	15,000	15,000
101-300-867.000	Motor Fuel	110,309	200,000	137,728	158,500	200,000	200,000
101-300-932.000	Rep & Maint Equip	257,751	261,500	142,598	268,610	260,000	260,000
101-300-962.000	Training	36,821	55,000	48,370	46,407	50,000	50,000
101-300-962.010	Training Act 302	11,745	20,000	8,989	9,238	15,000	15,000
101-300-981.000	Capital Outlay	233,931	817,774	61,615	161,615	347,000 175,000	347,000 175,000
FOOTNOTE AMOUNTS:							
FIVE PATROL CARS							
FOOTNOTE AMOUNTS:							
BODY CAMERAS - GEN. FUND PIECE (BAL IN 265 FUND)							
GL # FOOTNOTE TOTAL:							
101-300-981.056	JAG GRANT CAPITAL PURCHASES		51,999	36,607	36,607	20,000	20,000
FOOTNOTE AMOUNTS:							
ONLY HAVE \$20K IN JAG FED GRANT REVENUE							
UNK EXP		1,294,328	2,171,507	968,415	1,406,339	1,594,000	1,594,000
Totals for dept 300 - POLICE DEPARTMENT							
		14,227,971	13,887,954	7,883,685	14,140,815	14,810,675	14,810,675

BUDGET REPORT FOR CITY OF DEARBORN HEIGHTS

Fund: 101 General Fund

GL NUMBER	DESCRIPTION	2020-21 ACTIVITY	2021-22 AMENDED BUDGET	2021-22 ACTIVITY THRU 06/30/22	2021-22 PROJECTED ACTIVITY	2022-23 REQUESTED BUDGET	2022-23 RECOMMENDED BUDGET
APPROPRIATIONS							
Dept 335 - FIRE DEPARTMENT							
PERSONAL SERVICES							
101-335-706.000	Salaries	4,473,819	4,233,265	3,645,845	4,599,467	4,410,295 4,269,837	4,410,295 4,269,837
	FOOTNOTE AMOUNTS:						
	SALARY FIRE					99,190	99,190
	FOOTNOTE AMOUNTS:						
	LONGEVITY					41,268	41,268
	FOOTNOTE AMOUNTS:						
	SALARY TPOAM					4,410,295	4,410,295
	GL # FOOTNOTE TOTAL:						
101-335-706.020	Ret 1stPay	189,980	150,000	137,693	128,028	125,000	125,000
101-335-707.100	Parttime		2,500	6,828	6,828	2,500	2,500
101-335-709.000	Overtime	747,788	400,000	544,529	734,810	400,000	400,000
101-335-713.000	Clothing	110,554	110,000	13,453	112,285	110,100	110,100
	FOOTNOTE AMOUNTS:				66,785	78,295	78,295
	CONTRACT ALLOWANCE				45,500	31,750	31,750
	FOOTNOTE AMOUNTS:						
	REPAIR/REPLACE				112,285	110,045	110,045
	GL # FOOTNOTE TOTAL:						
101-335-716.000	HOSPITAL INSURANCE				782,835	914,750	914,750
101-335-717.000	Holiday Pay		250,000	221,186	221,186	263,805	263,805
101-335-717.001	LIFE INSURANCE				18,566	17,410	17,410
101-335-726.000	Fringe Ben	3,247,574	2,539,883	379,927	2,986,461	2,710,838 394,350	2,710,838 394,350
	FOOTNOTE AMOUNTS:						
	ER SOCIAL SECURITY				443,380		
	FOOTNOTE AMOUNTS:				2,512,445	2,279,686	2,279,686
	ER PENSION PA 345				14,250	15,000	15,000
	FOOTNOTE AMOUNTS:						
	WORKERS COMPENSATION				9,794	9,600	9,600
	FOOTNOTE AMOUNTS:						
	ER SOCIAL SECURITY FOR EXIT/DROP				6,592	12,202	12,202
	FOOTNOTE AMOUNTS:						
	ER PENSION GENERAL CITY				2,986,461	2,710,838	2,710,838
	GL # FOOTNOTE TOTAL:						
PERSONAL SERVICES							
		8,769,715	7,685,648	4,949,461	9,590,466	8,954,698	8,954,698
UNK EXP							
101-335-728.000	Supplies	34,786	28,000	23,042	32,295	30,000	30,000
101-335-730.000	Mat/Supply			96			
101-335-730.020	MedicalSup	63,734	63,500	77,242	76,331	75,000	75,000

BUDGET REPORT FOR CITY OF DEARBORN HEIGHTS

Fund: 101 General Fund

GL NUMBER	DESCRIPTION	2020-21 ACTIVITY	2021-22 AMENDED BUDGET	2021-22 ACTIVITY THRU 06/30/22	2021-22 PROJECTED ACTIVITY	2022-23 REQUESTED BUDGET	2022-23 RECOMMENDED BUDGET
APPROPRIATIONS							
Dept 335 - FIRE DEPARTMENT							
UNK EXP							
101-335-745.000	Utilities	72,838	80,000	63,996	80,531	80,000	80,000
101-335-802.000	DuesMember	12,694	13,000	12,449	12,478	13,000	13,000
101-335-818.000	Cont Serv.	56,910	164,700	105,687	122,544	170,000	170,000
	ACCUMED					15,000	15,000
	QAAP					65,000	65,000
	GENERAL					170,000	170,000
	GL # FOOTNOTE TOTAL:						
101-335-825.000	Tuition Bk	10,697	35,000	8,055	4,752	10,000	10,000
101-335-867.000	Motor Fuel	31,380	42,000	36,128	44,975	54,000	54,000
101-335-932.000	Rep & Maint Equip	97,714	120,000	84,429	80,591	100,000	100,000
101-335-940.075	FIRE MEDC GRANT	3,039					
101-335-940.380	FIRE AFG GRANT	1,919,012	63,903	27,514	91,099	882,130	882,130
	GRANT REVENUE IN ACCOUNT 101-000.635.001					776,030	776,030
	FOOTNOTE AMOUNTS:					106,100	106,100
106100						882,130	882,130
	GL # FOOTNOTE TOTAL:						
101-335-962.000	Training	27,378	30,000	16,842	21,180	30,000	30,000
101-335-981.000	Capital Outlay	173,505	858,088	693,088	731,162	321,000	321,000
	VEHICLE LEASE					40,000	40,000
	TURNOUT GEAR					20,000	20,000
	SQUAD - AMBULANCE APPROVED BY COUNCIL					222,000	222,000
	EXTRICATION EQUIPMENT AAA GRANT					29,000	29,000
	STATION BAY DOORS					10,000	10,000
	GL # FOOTNOTE TOTAL:					321,000	321,000
101-335-981.500	Cap Out Under 5000	5,522	12,500	3,773	12,428	12,500	12,500
	OTHER					12,500	12,500
	FOOTNOTE AMOUNTS:						
101-335-991.008	FIRE TRUCK & SQUAD PRINCIPAL	124,000	124,000	124,000	124,000	234,000	234,000
	PRINCIPAL FIRE TRUCK - 2018					124,000	124,000
	FOOTNOTE AMOUNTS:					110,000	110,000

EXHIBIT - 4

2021 Tax Rate Request (This form must be completed and submitted on or before September 30, 2021)

MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS

This form is issued under authority of MCL Sections 211.24e, 211.34 and 211.34d. Filing is mandatory. Penalty applies.

Carefully read the instructions on page 2.

County(ies) Where the Local Government Unit Levies Taxes

82-Wayne

Local Government Unit Requesting Millage Levy

33- City of Dearborn Heights

2021 Taxable Value of ALL Properties in the Unit as of 5-24-2021

1,404,895,165

For LOCAL School Districts: 2021 Taxable Value excluding Principal Residence, Qualified Agricultural, Qualified Forest, Industrial Personal and Commercial Personal Properties.

This form must be completed for each unit of government for which a property tax is levied. Penalty for non-filing is provided under MCL Sec 211.119. The following tax rates have been authorized for levy on the 2021 tax roll.

(1) Source	(2) Purpose of Millage	(3) Date of Election	(4) Original Millage Authorized by Election Charter, etc.	(5)** 2020 Millage Rate Permanently Reduced by MCL 211.34d "Headlee"	(6) 2021 Current Year "Headlee" Millage Reduction Fraction	(7) 2021 Millage Rate Permanently Reduced by MCL 211.34d "Headlee"	(8) Sec. 211.34 Truth in Assessing or Equalization Millage Rollback Fraction	(9) Maximum Allowable Millage Levy *	(10) Millage Requested to be Levied July 1	(11) Millage Requested to be Levied Dec. 1	(12) Expiration Date of Millage Authorized
Charter	Operating	1961/11	8.5000	8.1100	0.9858	7.9948	1.0000	7.9948	7.9948	0.0000	N/A
Voted	P. Safety	1974/11	2.0000	1.9081	0.9858	1.8810	1.0000	1.8810	1.8810	0.0000	N/A
Voted	S. Waste	2010/11	1.0000	0.9540	0.9858	0.9404	1.0000	0.9404	0.9404	0.0000	N/A
Voted	Library	2000	1.0000	0.8764	0.9858	0.8639	1.0000	0.8639	0.8639	0.0000	N/A
Act 298	Sanitation	N/A	3.0000	2.1289	0.9858	2.0986	1.0000	2.0986	2.0986	0.0000	N/A
Act 345	Pol/Fire	1965	Funding Sufficiency	N/A	1.0000	N/A	1.0000	8.8926	8.8926	0.0000	N/A
Voted	Library	2013/11	0.9500	0.9062	0.9858	0.8933	1.0000	0.8933	0.8933	0.0000	N/A

Prepared by
Kimberly Comer

Telephone Number
(313) 791-3460

Title of Preparer
Assessor

Date
05/20/2021

CERTIFICATION: As the representatives for the local government unit named above, we certify that these requested tax levy rates have been reduced, if necessary to comply with the state constitution (Article 9, Section 31), and that the requested levy rates have also been reduced, if necessary to comply with MCL Sections 211.24e, 211.34 and, for LOCAL school districts which levy a Supplemental (Hold Harmless) Millage, 380.1211(3).

- ☒ Clerk
☐ Secretary
☐ Chairperson
☐ President

Signature
Lyne M. Senia

Print Name
Lyne M. Senia

Date
6/1/2021

Signature
BILL BAZZI

Print Name
BILL BAZZI

Date
6/1/2021

* Under Truth in Taxation, MCL Section 211.24e, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in column 9. The requirements of MCL 211.24e must be met prior to levying an operating levy which is larger than the base tax rate but not larger than the rate in column 9.

** IMPORTANT: See instructions on page 2 regarding where to find the millage rate used in column (5).

Local Government Unit Requesting Millage Levy for 2021 for

Instructions on completing this section:

Total School District Operating Rates to be Levied (HH/Supp and NH Oper ONLY)

For Principal Residence, Qualified Ag. Qualified Forest and Industrial Personal

For Commercial Personal

For all Other

Rate

EXHIBIT - 5

[No. 16.]

AN ACT to amend the title and sections 1, 2, 6, 7, 8, 9, 11 and 12 of Act No. 345 of the Public Acts of 1937, entitled "An act to provide for the establishment, maintenance and administration of a system of pensions and retirements for the benefit of the personnel of fire and police departments, employed by cities, villages or municipalities having full paid members in such departments, and for the widows and children of such members, and to provide for the creation of a board of trustees to manage and operate same; to authorize appropriations and deductions from salaries; and to repeal all acts and parts of acts inconsistent therewith," as amended, being sections 38.551, 38.552, 38.556, 38.557, 38.558, 38.559, 38.561 and 38.562, respectively, of the Compiled Laws of 1948.

The People of the State of Michigan enact:

Title and sections amended.

Section 1. The title and sections 1, 2, 6, 7, 8, 9, 11 and 12 of Act No. 345 of the Public Acts of 1937, as amended, being sections 38.551, 38.552, 38.556, 38.557, 38.558, 38.559, 38.561 and 38.562, respectively, of the Compiled Laws of 1948, are hereby amended to read as follows:

TITLE

An act to provide for the establishment, maintenance and administration of a system of pensions and retirements for the benefit of the personnel of fire and/or police departments, employed by cities, villages or municipalities having full paid members in such departments, and for the widows and children of such members, and to provide for the creation of a board of trustees to manage and operate same; to authorize appropriations and deductions from salaries; and to repeal all acts and parts of acts inconsistent therewith.

38.551 Fire and police department pension system; retirement board; members, election, appointment, term. [M.S.A. 5.3375(1)]

Sec. 1. The retirement board (also referred to in this act as the pension board) created hereunder shall be known as "The retirement board" and shall be a corporate body, consisting of 5 members, which shall consist of:

- (1) The treasurer of the city, village or municipality, so affected hereby.
- (2) Two additional members, 1 of whom shall be elected by a majority vote of the members of the fire department, and 1 of whom shall be elected by a majority vote of the members of the police department under such rules and regulations as the retirement board shall adopt to govern such election. Each such member shall serve for a term of 4 years, except that in the first instance, the member elected by the police department shall serve for a term of 2 years and thereafter 1 member shall be so elected every 2 years, the police and fire departments alternating: Provided, That if in the first instance only the fire department or only the police department are included in the retirement plan, the 2 additional members shall be elected from that department and the candidate receiving the highest number of votes shall be elected for the 4 year term and the candidate receiving the second highest number of votes shall be elected for the 2 year term.
- (3) Two additional members shall be appointed by the legislative body or another person or body authorized by the city or village charter to appoint administrative officials in any city or village affected by the provisions of this act.

38.552 Powers and duties of board. [M.S.A. 5.3375(2)]

Sec. 2. The retirement board created hereunder shall have power, and it shall be its duty to:

- (1) Make all rules and regulations necessary to the proper conduct of the business of the retirement system under the provisions of the law.
- (2) Retain such legal, medical, actuarial, clerical, or other service as may be necessary for the conduct of the affairs of the retirement system; and make compensations for such services.

(3) Cause such amounts as may be set forth in the law to be deducted from the salaries of active members of the retirement system and paid into the treasury of the retirement system.

(4) Certify to the governing body of the city, village or municipality the amount to be contributed by the city, village or municipality as provided in this act.

(5) Cause the examination of every disability pensioner or beneficiary under age 55 years to be made at least once a year for the first 5 years following his retirement, and at least once every 3 years thereafter, until his attainment of age 55 years.

(6) Keep all records of its meetings and proceedings, and shall hold meetings at least once each month, which shall be open to the public.

(7) The board shall elect 1 of its members to be president and 1 of its members to be secretary thereof, annually.

(8) Disburse the pensions and other benefits payable under this act.

(9) No member of the board shall receive any additional compensation for his services as a board member.

38.556 Pensions and benefits payable; options. [M.S.A. 5.3375(6)]

Sec. 6. Pensions and benefits payable under this act shall be as follows:

(1) Age and service retirement:

(a) Any member aged 55 years or older who has 25 or more years of service as a policeman or fireman in the employ of the city, village or municipality affected by the provisions of this act, may retire from service upon his written application to the board setting forth at what time, not less than 30 days nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired and the board shall grant him the benefits to which he may be entitled under the provisions of this act.

(b) Any member aged 60 years or older shall be retired by the retirement board upon the written application of the legislative body, or board or official provided in the charter of the city, village or municipality as head of the department in which the said member is employed. Upon his retirement, the retirement board shall grant him the benefits to which he may be entitled under the provisions of this act.

(c) Any member who has attained age 65 years shall be retired by the board on the 1st day of the month following his attainment of age 65 years or January 1, 1948, whichever date is later.

(d) Upon retirement from service as provided in subsection (1) of this section, a member shall receive a regular retirement pension payable for life of 2 per cent of his average final compensation multiplied by the number of years of service credited to him, not to exceed 25 years: Provided, That in no event shall the amount of any member's pension exceed \$1,800.00 per annum. In event a retired member dies before the total of his regular pension payments received by him equals or exceeds the total of his contributions made to the retirement system, the remainder, if any, shall be paid in a single sum to such person or persons as he shall have nominated by written designation duly executed and filed with the board. If there be no such designated person or persons surviving, then such remainder, if any, shall be paid to the retired member's legal representative.

(e) "Average final compensation" shall mean the average of the highest annual compensation received by a member during a period of 5 consecutive years of service contained within his 10 years of service immediately preceding his retirement. If he has less than 5 years of service, then average final compensation shall mean the annual average compensation received by him during his total years of service.

(f) When computing a member's service credit he shall be given credit for time spent in the military, naval, marine or other armed service of the United States government during time of war, or other national emergency recognized by the board: Provided, (1) That he was employed by the city, village or municipality at the time of his entry into such armed service, and (2) that he is or was reemployed by the city, village or municipality as a policeman or fireman within 6 months following the date of termination of his required enlistment or assignment in such armed service. A member shall be given service credit for the time he is absent from active service without full pay on account of sickness or injury:

Provided, That in event his absence from active service is due to non-service connected sickness or injury, no more than 60 days of such absence shall be credited as service in any 1 calendar year, as determined by the board.

(g) Prior to the effective date of his retirement as provided in subsection (1) of this section, but not thereafter, any member may elect to receive his benefit in a pension payable throughout life (to be known as a regular retirement pension); or he may elect to receive the actuarial equivalent, at that time, of his regular retirement pension in a reduced retirement pension payable throughout life in accordance with the provisions of option I or II as hereinafter set forth. In event a member fails to elect an option prior to the effective date of his retirement, then his pension shall be paid to him as a regular retirement pension.

Option I. Upon the death of a retired member who elected this option his reduced retirement pension shall be continued throughout the life of and paid to such person, having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the board prior to his retirement; or

Option II. Upon the death of a retired member who elected this option, $\frac{1}{2}$ his reduced retirement pension shall be continued throughout the life of and paid to such person, having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the board prior to his retirement.

(2) Disability and service-connected death benefits:

(a) To widows, a duty death pension of the same amount each week as that which has been paid her under the provisions of the workmen's compensation act, to become due and payable on the termination of the payments to her by said municipality under the provisions of the workmen's compensation act, and to continue for her life or until her remarriage.

(b) In the event that death results to a member in line of duty, who shall leave surviving children, said children shall be paid a pension of the same amount as that which has been paid to them as a weekly benefit under the workmen's compensation act, to become due and payable upon termination of the payments under the provisions of the workmen's compensation act, and to continue to each surviving child until he or she attains age 18 years, or his or her marriage or death prior to age 18 years.

(c) In the event that death results to a member in line of duty who shall leave surviving him other dependents, such dependents shall receive a pension of the same amount as that which has been paid to them as a weekly benefit under the workmen's compensation act, to become due and payable upon termination of the payments under the workmen's compensation act and to continue until such time as the board shall determine that the need for pension or pensions no longer exists.

(d) Upon the application of a member, or his department head, a member who becomes totally incapacitated for duty by reason of a personal injury or disease occurring as the natural and proximate result of causes arising out of and in the course of his employment by the city, village or municipality shall be retired by the retirement board: Provided, That after a medical examination of said member made by a medical committee, consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians so named, the said medical committee, by a majority opinion, certifies in writing (1) that the said member is mentally or physically incapacitated for the further performance of duty as a policeman or fireman in the service of the city, village or municipality, and (2) that such incapacity is likely to be permanent, and (3) that said member should be retired. Upon retirement for disability as provided in this paragraph, a member who has not attained age 55 years shall receive a disability retirement pension of 50 per cent of his average final compensation; said average final compensation to be determined according to the provisions of subsection (1), paragraph (e) of this section; a member who has attained age 55 years shall receive a disability pension of 2 per cent of his average final compensation multiplied by the number of years of service credited to him, not to exceed 25 years: Provided, That in no event shall the amount of any member's pension exceed \$1,800.00 per annum. The disability pension provided for in this paragraph shall be subject to the provisions of paragraphs (f) and (g) of this subsection (2).

(e) Upon the application of a member, or his department head, a member in service who has 10 or more years of service credit becomes totally and permanently incapacitated for duty by reason of a personal injury or disease occurring as the result of causes arising outside the course of his employment by the city, village or municipality may be retired by the retirement board: Provided, That after a medical examination of said member made by a medical committee, consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians so named, the said medical committee, by a majority opinion certifies in writing (1) that the said member is mentally or physically incapacitated for the further performance of duty as a policeman or fireman in the service of the city, village or municipality, and (2) that such incapacity is likely to be permanent, and (3) that said member should be retired. Upon retirement for disability, as provided in this paragraph, a member who has not attained age 55 years shall receive a disability retirement pension to his attainment of age 55 years, or prior recovery or death, of 1.5 per cent of his average final compensation multiplied by the number of years of service credited to him, not to exceed 25 years; upon attaining age 55 years his disability retirement pension shall be increased to 2 per cent of his average final compensation multiplied by the number of years of service credited to him at the time of his retirement, not to exceed 25 years. Upon retirement for disability as provided in this paragraph, a member who has attained age 55 years shall receive a disability pension of 2 per cent of his average final compensation multiplied by the number of years of service credited to him not to exceed 25 years. In no event shall the amount of any retired member's pension payable under this paragraph exceed \$1,800.00 per annum. The provisions of this paragraph shall be subject to the provisions of paragraphs (f) and (g) of this subsection (2).

(f) At least once each year during the first 5 years following the retirement of a member with a disability retirement pension and at least once in every 3 year period thereafter, the board may, and upon the retired member's application shall, require any retired member who has not attained age 55 years to undergo a medical examination to be made by or under the direction of a physician, designated by the board, at the place of residence of the said retired member or other place mutually agreed upon. Should any retired member who has not attained age 55 years refuse to submit to such medical examination in any such period, his disability retirement pension may be discontinued by the board and should such refusal continue for 1 year all his rights in and to his disability retirement pension may be revoked by the board. If upon such medical examination of said retired member the said physician reports to the board that the said retired member is physically able and capable of resuming employment in the classification held by him at the time of his retirement, he shall be restored to active service in the employ of the city, village or municipality and payment of his disability pension shall cease: Provided, The report of the physician is concurred in by the board. A retired member so restored to active service shall from the date of his return to service again become a member of the retirement system and he shall contribute to the retirement system thereafter in the same manner as prior to his disability retirement. Any service credited to him at the time of his disability retirement shall be restored to full force and effect. He shall be given service credit for the period he was receiving a duty disability pension provided for in paragraph (d) of this subsection (2); he shall not be given service credit for the period he was receiving a non-duty disability pension provided for in paragraph (e) of this subsection (2). Any amounts paid under the provisions of the workmen's compensation act of the state of Michigan, to a retired member shall be offset against and payable in lieu of any benefits provided under the provisions of this act. In the event the benefits under the compensation act are less than the benefits payable under this act, then the amount to be paid out of the funds of the retirement system shall be the difference between the benefits provided under the compensation act and the benefits herein provided. Upon the termination of benefits under the compensation act, then and thereafter benefits shall be paid in full accordance with the provisions of this act.

(g) Within 60 days prior to his attainment of age 55 years, or prior to his retirement

from service if his retirement occurs after his attainment of age 55 years, a disabled member who is retired as provided in paragraph (d) or (e) of this subsection (2) may elect to continue to receive his disability retirement pension as a benefit terminating at death (to be known as a regular disability pension), or he may elect to receive the actuarial equivalent, at that time, of his regular disability retirement pension in a reduced disability retirement pension payable throughout life in accordance with the provisions of option I or II provided in paragraph (g) of subsection (1) of this section. In event a disabled member fails to elect an option, as herein provided, prior to his attainment of age 55 years or prior to his retirement if his retirement occurred after his attainment of age 55 years, then his disability retirement pension shall be paid to him as a regular disability pension terminating at his death. In event a disabled member who has not elected option I or II dies before the total of his regular disability pension payments received by him equals or exceeds the total of his contributions made to the retirement system, the remainder, if any, shall be paid in a single sum to such person or persons as he shall have nominated by written designation duly executed and filed with the board. If there be no such designated person or persons surviving, then such remainder, if any, shall be paid to the retired member's legal representative.

38.557 Act of duty defined; municipality, definition. [M.S.A. 5.3375(7)]

Sec. 7. "An act of duty" shall be defined:

"Any act performed by a fireman or policeman arising out of and in the course of his employment as such, or the performance of any act pertinent or incidental to the work of a fireman or policeman, regardless of time or place."

The term "municipality" shall be construed to include townships, charter townships, cities and incorporated villages.

38.558 Refunds of salary contributions. [M.S.A. 5.3375(8)]

Sec. 8. Refunds of salary contributions:

(1) Should a fireman or policeman die before being placed on pension, the total amount of his salary deductions, with simple interest as the board may determine, but not to exceed 2 per cent per annum, shall be payable to such person or persons as he shall have nominated by written designation duly executed and filed with the board; if there be no such designated person or persons surviving, then the total of his salary deductions shall be paid to his legal representative.

(2) Should a fireman or policeman become separated from the service before being eligible for retirement, he shall be paid the total of his contributions together with simple interest as the board may determine, but not to exceed 2 per cent per annum credited to him upon his written request for such refund. Should such an individual again become employed by the city, village or municipality as a policeman or fireman he shall, within 1 year following his reemployment, repay to the retirement system the amount previously withdrawn by him together with simple interest at 2 per cent per year.

38.559 Revenues and accumulations of an adequate reserve. [M.S.A. 5.3375(9)]

Sec. 9. Revenues and accumulations of an adequate reserve:

(1) The contributions of a member to the retirement system shall be 5 per cent of the salary paid to him by the city, village or municipality. The officer or officers responsible for making up the payroll shall cause the contributions provided for in this paragraph to be deducted from the salary of each member on each and every payroll for each and every payroll period so long as he remains an active member in the employ of the city, village or municipality and each of said amounts when deducted shall be paid into the funds of the retirement system. The members' contributions provided for herein shall be made notwithstanding that the minimum salary provided for by law shall be changed thereby. Every member shall be deemed to consent and to agree to the deductions made and provided for herein and shall receipt for his full salary and payment of his salary less said deduction which shall be a full and complete discharge and acquittance of all claims and demands for the services rendered by such member during the period covered by such payment, except as to benefits provided by this retirement system.

(2) For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable hereunder, the said city, village or municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semi-annually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or which might be payable on account of service performed and to be performed by active members and pensions being paid retired members and beneficiaries: Provided, That the appropriations to be made by the said city, village or municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries: Provided further, That in no event shall the amount of such appropriation in any fiscal year be less than 10 per cent of the aggregate pays received during the said fiscal year by members of the retirement system unless by actuarial determination it is satisfactorily established that a lesser percentage is needed. All such deductions and appropriations shall be payable to the treasurer of said city, village or municipality and by him to be paid into the retirement system hereunder. Except in cities which are subject to the 15 mill tax limitation as provided by article 10, section 21 of the state constitution, the amount required by taxation to meet the appropriations to be made by cities, villages and municipalities under the provisions of this act shall be in addition to any tax limitation imposed upon tax rates in such cities, villages and municipalities by charter provisions or by state law.

(3) If, at the beginning or during any fiscal year, it has been satisfactorily determined by the retirement board that the accumulated funds of the retirement system plus the city's, village's or municipality's contribution of 10 per cent of the aggregate pays received during the said fiscal year by members of the retirement system plus members' contributions of 5 per cent of payroll, be insufficient to pay all pensions and other benefits due and payable in said year out of funds of the retirement system, then all pensions and other benefits payable shall be prorated for the remainder of the fiscal year by the board.

(4) Any clerical, legal, actuarial, or medical expenses required by the board, or any other necessary expense for the operation of the retirement system, shall be provided for by the city, village or municipality.

(5) All pensions allowed and payable to retired members and beneficiaries under the provisions of Act No. 345 of the Public Acts of 1937, as amended, being sections 38.551 to 38.562, inclusive, of the Compiled Laws of 1948, shall become obligations of and be payable from the funds of the retirement system.

(6) The right of any person to a pension, to the return of contributions, any optional benefits, any other right accrued or accruing to any member or beneficiary under the provisions of this act and the moneys belonging to the retirement system shall be unassignable and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever, except as is specifically provided in this act.

38.561 Referendum; township or charter township. [M.S.A. 5.3375(11)]

Sec. 11. At any time after this act shall become effective, any city, village or municipality having a paid or part paid fire or police department, may come under the provisions of this act and create a pension board hereunder by submitting the same to the electors of any such city, village or municipality at any regular or special election for adoption, in the manner provided by law for amending charters: Provided, That this act shall not become effective until the beginning of the next succeeding fiscal year after such adoption of the provisions of this act by any city, village or municipality: Provided further, That where no provision is made in the charter of the city, village or municipality for amending said charters, this act may be submitted for adoption in accordance with any law authorizing the amending of the charters of cities: Provided further, That in case of a township or charter township, this act shall be submitted to the qualified electors of such township or townships by the township board on the filing of a petition requesting the submission, signed by 10 per cent of the registered and qualified electors in such township or charter township, at any general election or special election called for that purpose by the township board, in accordance with the laws of this state, and this act shall be in force and effect

in any such township or charter township if a majority of the electors voting on such proposition, as determined by the canvass of votes cast, shall vote in favor thereof.

38.562 Membership of retirement system; inclusions, exclusions. [M.S.A. 5.3375(12)]

Sec. 12. (1) The membership of the retirement system created by the city, village or municipality so affected by this act shall include all policemen and firemen employed by the city, village or municipality. Any policeman or fireman, who is a member of the retirement system, (1) who is transferred from the classification of a policeman or fireman to a civilian position within the police or fire department or (2) who is transferred from the police or fire department of the city, village or municipality to another department of the city, village or municipality by an officer or body of such city, village or municipality authorized to make such transfer, shall continue a member of this retirement system covering policemen and firemen, and shall be subject to all provisions of said retirement system: Provided, That in event the officers and employees of the department to which said individual is transferred are now or may be hereafter covered by an annuity pension, or retirement system to which the said city, village or municipality makes contributions and said individual so transferred becomes entitled to membership in said system, he shall thereupon cease to be a member of this policemen and firemen retirement system.

(2) The membership of the retirement system shall not include (1) volunteer firemen, (2) privately employed policemen and firemen, (3) persons temporarily employed during emergencies, nor (4) civilian employees of the police and fire departments, except as provided in subsection (1) of this section.

This act is ordered to take immediate effect.

Approved March 30, 1951.

[No. 17.]

AN ACT to amend section 45 of Act No. 172 of the Public Acts of 1929, entitled as amended "An act to revise the laws relating to the making, approving, filing, recording, altering and vacating of plats; to require the recording of plats on subdivided properties; to provide for reserving easements for utilities in vacated streets and alleys; to provide penalties for the violation thereof; and to repeal certain acts," being section 560.45 of the Compiled Laws of 1948.

The People of the State of Michigan enact:

Section amended.

Section 1. Section 45 of Act No. 172 of the Public Acts of 1929, being section 560.45 of the Compiled Laws of 1948, is hereby amended to read as follows:

560.45 Register of deeds; plat book and plat file, official record. [M.S.A. 26.475]

Sec. 45. The register of deeds upon receipt of a plat from the auditor general, shall fasten the plat in a book of the proper size for such paper so that it shall not be folded, which book shall be strongly bound, having rigid covers, or the plat may be filed in a plat file having drawers or compartments which will contain not more than 50 sheets of plats each, without folding, in which case each drawer or compartment shall be given a book number and each plat sheet a page number and, whichever used, provided at the expense of the county. The copy so fastened or filed shall be held and taken to be a record of the plat, with like effect as if the plat had been transcribed by the register of deeds in a book in his office.

Approved April 5, 1951.

EXHIBIT - 6

City of Dearborn Heights
Police and Fire Retirement System
Annual Actuarial Valuation Report
July 1, 2022



Table of Contents

Section	Page
Transmittal Letter	
Section A – Valuation Results	
Funding Objective	1
Employer Contributions	1
Present Value of Future Benefits and Accrued Liability	2
Development of Funding Value of Retirement System Assets	3
Estimated Market Rates of Return	4
Derivation of Actuarial Gain (Loss)	5
Bonus Funds	6-10
Comments, Recommendation, and Conclusion	11
Other Observations	12
Section B – Summary of Benefit Provisions and Valuation Data	
Summary of Benefit Provisions Evaluated or Considered	1-3
Active Members Age and Service Schedules	4-5
Inactive Members Schedule	6
DROP Members Schedule	7
Retirees and Beneficiaries	8
Section C – Assumptions and Methods	
Actuarial Assumptions and Methods	1-5
Section D – Financial Reporting	
Schedule of Funding Progress and Risk Measures	1
Schedule of Employer Contributions	2
Summary of Actuarial Methods and Assumptions	3
Section E – Risk Disclosures	
Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution	1-3



April 22, 2022

Board of Trustees
City of Dearborn Heights
Police and Fire Retirement System
Dearborn Heights, Michigan

**Re: City of Dearborn Heights Police and Fire Retirement System Actuarial Valuation as of July 1, 2022
Actuarial Disclosures**

Dear Board Members:

The results of the July 1, 2022 annual actuarial valuation of the City of Dearborn Heights Police and Fire Retirement System are presented in this report.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the System only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the System's funding progress, and to determine the employer contribution for the fiscal year ending June 30, 2023. This report should not be relied upon for any other purpose described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in Section C of this report. This report includes risk metrics on pages D-1 and E-2 but does not include a more robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment. A discussion of various risk factors is included in Section E of this report.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The findings in this report are based on data and other information through June 30, 2021. The valuation was based upon information, furnished by the City, concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the City.

This report was prepared using assumptions adopted by the Board. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. Additional information about the actuarial assumptions is included in the section of this report entitled Actuarial Assumptions and Methods.

This report was prepared using our proprietary valuation model and related software, which in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report was prepared during the recent and still-developing COVID-19 pandemic, which is likely to influence demographic and economic experience, at least in the short term. Results in this report are developed based on available data without adjustment. We will continue to monitor these developments and their impact on the Retirement System. Actual experience will be reflected in each subsequent report, as experience emerges.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the City of Dearborn Heights Police and Fire Retirement System as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

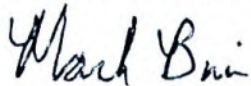
Mark Buis and Francois Pieterse are Members of the American Academy of Actuaries (MAAA). These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

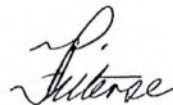
Gabriel, Roeder, Smith & Company will be pleased to review this valuation with the Board of Trustees and to answer any questions pertaining to the valuation.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY



Mark Buis, FSA, EA, FCA, MAAA



Francois Pieterse, ASA, FCA, MAAA

MB/FP:ah

2035



SECTION A

VALUATION RESULTS

Funding Objective

The funding objective of the Retirement System is to establish and receive contributions, expressed as level percents of active member payroll that will accumulate assets during each member's working years which, together with investment income, will be sufficient to pay promised benefits after retirement.

Employer Contributions

The Retirement System is supported by member contributions, City contributions and investment income from Retirement System assets.

Employer Contributions, which satisfy the funding objective, are determined by the annual actuarial valuation and are sufficient to:

- (1) Cover the actuarial present value of benefits allocated to the current year by the actuarial cost method described in Section C (the normal cost); and
- (2) Finance over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (the unfunded actuarial accrued liability).

Computed employer contributions for the fiscal year beginning July 1, 2022 are shown below.

Contributions	Fiscal Year Beginning July 1,	
	2021	2022
Number Active ⁽¹⁾	109	119
Payroll	\$8,738,736	\$9,701,136
Projected Payroll	9,000,898	9,992,171
Total Normal Cost Rate	24.28 %	24.23 %
Employee Contribution Rate	5.50 %	5.56 %
Net Employer Normal Cost Rate	18.78 %	18.67 %
Employer Normal Cost (Dollars)	\$1,690,369	\$1,865,538
Amortization Payment ⁽²⁾	3,431,142	3,321,397
Net City Contribution	\$5,121,511	\$5,186,935
Estimated Percent of Pay Contribution	56.90 %	51.91 %

⁽¹⁾ Data as of one year prior to the valuation date. Liabilities and normal costs were "rolled-forward" from July 1, 2021 to July 1, 2022. Estimated payroll shown above includes only active members who have not applied for DROP.

⁽²⁾ Amortization payment based on a 16-year amortization of Unfunded Accrued Liability as of July 1, 2022 and 17-year amortization of the Unfunded Accrued Liability as of July 1, 2021.

Present Value of Future Benefits and Accrued Liability as of July 1, 2022

	June 30,	
	2021	2022
A. Accrued Liability		
1. For retirees and beneficiaries (including supplemental)*	\$ 203,160,805	\$ 210,403,058
2. For vested terminated members	184,493	197,548
3. For present active members		
a. Value of expected future benefit payments	50,346,041	55,816,575
b. Value of future normal costs	21,030,921	23,310,991
c. Active member accrued liability: (a) - (b)	29,315,120	32,505,584
4. Total accrued liability	232,660,418	243,106,190
B. Present Assets (Funding Value)	189,729,340	203,310,745
C. Unfunded Accrued Liability: (A.4) - (B)	42,931,078	39,795,445
D. Funding Ratio: (B) / (A.4)	81.5%	83.6%

* Accrued Liability for retirees and beneficiaries includes all DROP balances and liability for current DROP members.

Development of Funding Value of Retirement System Assets as of July 1, 2022

Year Ended June 30:	2021	2022	2023	2024	2025	2026
A. Funding Value Beginning of Year	\$183,432,218	\$183,199,008				
B. Market Value End of Year	174,001,218	223,553,864				
C. Market Value Beginning of Year	184,521,448	174,001,218				
D. Non-Investment Net Cash Flow	(9,374,086)	(8,302,822)				
E. Investment Income						
E1. Market Total: B - C - D	(1,146,144)	57,855,468				
E2. Amount for Immediate Recognition (7.0%)	12,512,162	12,533,332				
E3. Amount for Phased-In Recognition: E1-E2	(13,658,306)	45,322,136				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 x E3	(2,731,661)	9,064,427				
F2. First Prior Year	(856,779)	(2,731,661)	\$ 9,064,427			
F3. Second Prior Year	914,678	(856,779)	(2,731,661)	\$ 9,064,427		
F4. Third Prior Year	2,469,835	914,678	(856,779)	(2,731,661)	\$ 9,064,427	
F5. Fourth Prior Year	(3,167,359)	2,469,837	914,680	(856,780)	(2,731,662)	\$9,064,428
F6. Total Recognized Investment Gain	(3,371,286)	8,860,502	6,390,667	5,475,986	6,332,765	9,064,428
G. Preliminary Funding Value End of Year: A + D + E2 + F6	183,199,008	196,290,020				
H. Expected Contributions for Following Year	5,176,085	5,676,820				
I. Expected Disbursements for Following Year	11,256,857	12,169,164				
J. Expected Earnings for Following Year	12,611,104	13,513,069				
K. Funding Value of Assets for Following Year	189,729,340	203,310,745				



Estimated Market Rates of Return

Year Ending June 30	Contributions	Investment Earnings	Benefit Payments	Market Value End of Year	Estimated Market Rate of Return
2012	\$2,858,205	\$ (3,264,616)	\$ 8,841,703	\$ 139,675,324	(2.24) %
2013	2,862,144	19,880,949	7,674,113	154,744,304	14.48
2014	3,743,857	29,676,159	9,746,166	178,418,154	19.56
2015	3,971,083	3,274,965	9,941,395	175,722,807	1.87
2016	3,499,733	(4,993,699)	10,514,502	163,714,339	(2.90)
2017	3,525,391	23,401,866	12,380,171	178,261,425	14.69
2018	4,170,973	15,991,505	12,922,605	185,501,298	9.20
2019	4,268,798	8,144,637	13,393,285	184,521,448	4.50
2020	4,710,606	(1,146,144)	14,084,692	174,001,218	(0.64)
2021	6,064,517	57,855,468	14,367,339	223,553,864	34.06

Derivation of Actuarial Gain (Loss) for the Year Ending June 30, 2022

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) and sizable year to year fluctuations are common.

(1) UAL* at start of year	\$ 42,931,078
(2) Normal cost	2,426,099
(3) Actual contributions	6,064,517
(4) Interest accrual	2,877,831
(5) Expected UAL before changes	42,170,491
(6) Change due to actuarial assumptions/methods	0
(7) Change from revised benefits	0
(8) Expected UAL after changes	42,170,491
(9) Actual UAL at end of year	39,795,445
(10) Gain (loss): (8) - (9)	2,375,046
(11) Gain (loss) as a percent of actuarial accrued liabilities at start of year	1.0 %

* *Unfunded accrued liability.*

Reconciliation of Total Bonus Funds July 1, 2022

A. Fund Balance Beginning of Year	\$ 3,652,623
B. Distributions During Year	943,677
C. Unadjusted Fund Balance End of Year	2,708,946
D. Average Balance: $(A + C) \times .5$	3,180,785
E. Estimated Market Rate of Return for Prior Plan Year	34.06%
F. Accrued Interest: $D \times E$	1,083,375
G. Fund Balance End of Year with Interest	3,792,321
H. Rate of Return in Excess of 9%, Up to 1%	1.00%
I. Market Value of Total Fund as of July 1, 2021	223,553,864
J. Excess Earnings	2,235,539
K. Excess Earnings Allocated to Bonus Funds	2,235,539
L. Total Fund Balance End of Year: $G + K$	6,027,860

Firefighters Bonus Fund

	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
A. Fund Balance Beginning of Year	\$ 1,565,861	\$ 1,439,817	\$ 1,231,874
B. Distributions During Year	192,184	199,366	242,931
C. Unadjusted Fund Balance End of Year	1,373,677	1,240,451	988,943
D. Average Balance: (A + C) x .5	1,469,769	1,340,134	1,110,409
E. Estimated Market Rate of Return for Prior Plan Year	4.50%	(0.64)%	34.06%
F. Accrued Interest: D x E	66,140	(8,577)	378,205
G. Fund Balance End of Year with Interest	1,439,817	1,231,874	1,367,148
H. Computed Excess Earnings Contribution	-	-	745,063
I. Pensions Paid in Prior Plan Year	2,304,339	2,474,126	3,081,733
J. Average Monthly Pensions in Prior Plan Year: I / 12	192,028	206,177	256,811
K. Max. Fund Balance After Excess Earnings Contrib.: 10 x J	1,920,283	2,061,772	2,568,111
L. Maximum Excess Earnings Contribution*	-	-	745,063
M. Fund Balance End of Year: G + L	1,439,817	1,231,874	2,112,211

* The Excess Earnings Contribution in any year cannot cause the Bonus Fund to have a balance in excess of 10 times the total average monthly pension benefit payments paid in the previous year to retirees covered by the Bonus Fund (see Line K).

Police Command Bonus Fund

	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
A. Fund Balance Beginning of Year	\$ 1,187,079	\$ 969,786	\$ 676,859
B. Distributions During Year	264,755	287,641	287,641
C. Unadjusted Fund Balance End of Year	922,324	682,145	389,218
D. Average Balance: (A + C) x .5	1,054,702	825,966	533,039
E. Estimated Market Rate of Return for Prior Plan Year	4.50%	(0.64)%	34.06%
F. Accrued Interest: D x E	47,462	(5,286)	181,553
G. Fund Balance End of Year with Interest	969,786	676,859	570,771
H. Computed Excess Earnings Contribution	-	-	831,918
I. Pensions Paid in Prior Plan Year	3,246,243	3,451,659	3,543,514
J. Average Monthly Pensions in Prior Plan Year: I / 12	270,520	287,638	295,293
K. Max. Fund Balance After Excess Earnings Contrib.: 10 x J	2,705,203	2,876,383	2,952,928
L. Maximum Excess Earnings Contribution*	-	-	831,918
M. Fund Balance End of Year: G + L	969,786	676,859	1,402,689

* The Excess Earnings Contribution in any year cannot cause the Bonus Fund to have a balance in excess of 10 times the total average monthly pension benefit payments paid in the previous year to retirees covered by the Bonus Fund (see Line K).

Police Patrol Bonus Fund

	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
A. Fund Balance Beginning of Year	\$ 540,662	\$ 428,243	\$ 292,191
B. Distributions During Year	133,739	133,739	145,528
C. Unadjusted Fund Balance End of Year	406,923	294,504	146,663
D. Average Balance: (A + C) x .5	473,793	361,374	219,427
E. Estimated Market Rate of Return for Prior Plan Year	4.50%	(0.64)%	34.06%
F. Accrued Interest: D x E	21,320	(2,313)	74,737
G. Fund Balance End of Year with Interest	428,243	292,191	221,400
H. Computed Excess Earnings Contribution	-	-	310,476
I. Pensions Paid in Prior Plan Year	1,588,584	1,588,584	1,746,341
J. Average Monthly Pensions in Prior Plan Year: I / 12	132,382	132,382	145,528
K. Max. Fund Balance After Excess Earnings Contrib.: 10 x J	1,323,820	1,323,820	1,455,284
L. Maximum Excess Earnings Contribution*	-	-	310,476
M. Fund Balance End of Year: G + L	428,243	292,191	531,876

* The Excess Earnings Contribution in any year cannot cause the Bonus Fund to have a balance in excess of 10 times the total average monthly pension benefit payments paid in the previous year to retirees covered by the Bonus Fund (see Line K).

Pre-2001 Retiree Bonus Funds

	6/30/2020	6/30/2021	6/30/2022
A. Fund Balance Beginning of Year	\$1,930,054	\$1,735,581	\$1,451,699
B. Distributions During Year	275,135	273,650	267,577
C. Unadjusted Fund Balance End of Year	1,654,919	1,461,931	1,184,122
D. Average Balance: (A + C) x .5	1,792,487	1,598,756	1,317,911
E. Estimated Market Rate of Return from Prior Plan Year	4.50%	(0.64)%	34.06%
F. Accrued Interest: D x E	80,662	(10,232)	448,880
G. Fund Balance End of Year with Interest	1,735,581	1,451,699	1,633,002
H. Excess Earnings	-	-	348,082
I. Total Fund Balance End of Year: G + H (Max. 15 x J.2.)*	1,735,581	1,451,699	1,981,084
J. Maximum Disbursement for Following Fiscal Year			
1. Total Annual Benefit Payments for Prior Year Pre-7/2001 Retirees	3,283,795	3,210,922	3,103,041
2. Maximum Total Annual Distribution: (J.1. / 12)	273,650	267,577	258,587

* The maximum fund balance is 15 times the prior year's average monthly gross benefit distributions.



Comments, Recommendation, and Conclusion

Comment 1: Contribution requirements increased from the prior year, from \$5,121,511 to \$5,186,935. Increases were primarily due to:

- Increase in the Employer's Normal Cost Requirement due to an increase in membership and payroll;
- Increase in the money available to pay bonuses from the bonus fund;
- More members retiring/entering the drop than expected; and
- Larger pay increases than expected.

Most of these increases were offset by favorable investment performance.

Comment 2: The market value rate of investment return on System assets for the year ending June 30, 2021, 34.06%, was above the long term assumed level of 7.0%. However, under the asset valuation method, only a portion of investment gains and losses are recognized in any one year. As a result, the rate of return recognized in this valuation was lower than 34.06% and differences between the market value of assets and funding value of assets will be recognized in future years. If the market value of assets were used (instead of funding value of assets), the estimated employer contribution would have been approximately \$2.8 million (instead of \$5,186,935) and the funded status would have been about 95.6% (instead of 83.6%).

Comment 3: Based on projected benefit payments and assuming the long-term discount rate of 7.0%, the bonus funds are expected to be depleted in about six years. Some groups' bonus funds might be depleted sooner than that.

Comment 4: There were no changes in benefits or eligibility conditions since the last valuation.

Comment 5: Under Public Act 202 of the State of Michigan, Michigan municipalities will be required to report liabilities under new uniform assumption guidelines. While the current guidelines are currently only for reporting purposes (and not funding), City governments will be encouraged to use these new assumptions for funding. The recommendations include the following:

- Investment return no higher than 6.85%;
- Assumed wage inflation no lower than 3.0%;
- Mortality assumption that uses a version of the Pub-2010 table with mortality improvement projected generationally using scale MP-2020; and
- Amortization period no longer than 17 years for Pension Plans and 27 years for Retiree Health Plans.

For efficiency in compliance, we will continue producing this information for inclusion with the annual GASB valuation.

Conclusion: The City's contribution to the City of Dearborn Heights Police and Fire Retirement System for the fiscal year beginning July 1, 2022 has been computed to be \$5,186,935.

Other Observations

General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 7.0% on the actuarial value of assets), it is expected that:

- 1) Employer normal cost amounts as a percentage of payroll will remain approximately level year to year;
- 2) The unfunded actuarial accrued liability will be fully amortized after 16 years; and
- 3) The funded status of the plan will increase gradually towards a 100% funded ratio.

Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets. Unless otherwise indicated, with regards to any funded status measurements presented in this report:

- 1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations;
- 2) The measurement is inappropriate for assessing the need for or the amount of future employer contributions; and
- 3) The measurement would produce a different result if the market value of assets were used instead of the actuarial value of assets, unless the market value of assets is used in the measurement.

SECTION B

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

Summary of Benefit Provisions Evaluated or Considered as of June 30, 2022

Service Retirement

Eligibility:

Police: 25 years of service and age 50 (prior to age 50 with City approval). Effective July 1, 2009, 25 years of service.

Police Command: 25 years of service and age 50 (prior to age 50 with City approval). Effective July 1, 2009, 25 years of service.

Fire: 25 years of service and age 50 (prior to age 50 with City approval). Age 55 with 20 years of service.

Benefit Amount:

Police: 2.8% of AFC for first 25 years of service, plus 5% of AFC at 25 years of service, plus 1% of AFC for years of service in excess of 25.

Police Command: 2.8% of AFC for first 25 years of service, plus 5% of AFC at 25 years of service, plus 1.5% of AFC for years of service in excess of 25 (but not more than 30) with a maximum benefit of 82.5% of AFC.

Fire: 2.8% of AFC for first 25 years of service, plus 5% of AFC at 25 years of service, plus 1.5% of AFC for years of service in excess of 25 (but not more than 30) with a maximum benefit of 82.5% of AFC.

Compulsory Retirement

Age 65 or, if requested by the City, age 60.

Average Final Compensation (AFC)

Police: The average of five years of highest compensation in the last 10 years of service. Effective July 1, 2004, the average of three years of highest compensation in the last 10 years of service. Effective July 1, 2009, the average of three years of highest compensation in all of the years of service.

Police Command: Effective July 1, 2005, the average of three years of highest compensation in the last 10 years of service. Effective July 1, 2009, the average of three years of highest compensation in all of the years of service.

Fire: The average of three years of highest compensation in the last 10 years of service. Effective July 1, 2011, the average of three years of highest compensation in all of the years of service.

For Police and Police Command: AFC may include up to 75 unused sick days in lieu of a lump sum distribution. Effective July 1, 2009, AFC may include up to 125 unused sick days, up to 240 hours of compensatory time, and up to 244 hours of vacation time in lieu of a lump sum distribution. For those hired on or after July 1, 2011, no sick time, compensatory time, or vacation time may be included in AFC.

For Fire: AFC may include up to 41 and 2/3 days of twenty-four (24) hour unused sick days in lieu of a lump sum distribution. For those hired prior to July 1, 2011, compensatory time up to 240 hours may be included in AFC. For those hired on or after July 1, 2011, AFC may include up to 240 hours of sick time, compensatory time, or vacation time.



Summary of Benefit Provisions Evaluated or Considered as of June 30, 2022

Normal Form of Payment

Accrued Normal Retirement Benefit payable for life, with 60% continuing to the eligible spouse upon death of participant. Alternatively, member may elect an actuarially equivalent 100% or 50% survivor benefit.

Vesting

Eligibility:

Termination of employment with 10 or more years of credited service.

Annual Benefit:

Accrued Normal Retirement benefit at date of termination payable upon application on or after the date the member would have been eligible to retire had employment continued.

Duty Disability Retirement

Eligibility:

No minimum service requirement.

Annual Benefit:

Prior to age 55, benefit is 50% of AFC.

On or after attainment of age 55, Accrued Normal Retirement Benefit is payable based on years of service including credit for the period of receipt of a disability pension.

Non-Duty Disability Retirement

Eligibility:

5 years of service.

Annual Benefit:

Accrued Normal Retirement Benefit if disability occurs after age 55. Otherwise, 1% of AFC times years of service prior to age 55, increasing to 2% of AFC times years of service at disability date upon attainment of age 55.

Pre-Retirement Duty Death Benefit

Eligibility:

No minimum service requirement.

Annual Benefit:

An amount equal to that paid under the provisions of the Workers' Compensation Act payable to the spouse, children and/or dependents. This benefit continues during the lifetime of these recipients until the remarriage of the spouse, the attainment of age 18 of a child (or marriage, if earlier), or for as long as the Board determines the need exists in the case of other dependents.



Summary of Benefit Provisions Evaluated or Considered as of June 30, 2022

Pre-Retirement Non-Duty Death Benefit

A member with 25 or more years of service may name a beneficiary to receive the 100% survivor benefit which would have been payable had the member retired the day before death.

If a member dies with at least 15 years of service and has not elected an option, the surviving spouse receives the benefit the member would have received had the member retired the day before death, elected the 100% option and nominated the spouse as beneficiary.

If a member with less than 15 years of service dies, salary deductions with interest (not to exceed 2% per annum) will be paid to the designated beneficiary, if any, or to the estate.

Annuity Withdrawal

Fire, Police and Police Command may, at retirement, elect to receive a partial or total refund of the member's total contributions (without interest). If such refund is elected, the member's retirement allowance is reduced actuarially using factors based upon the GA83 Male Mortality Table and interest equal to the PBGC interest rate in effect on July 1, or on last preceding the retirement date.

Workers' Compensation Offset

Any benefits payable from the retirement system may be reduced for benefits paid under the Workers' Compensation Act.

Member Contributions

Police – 5% of salary.

Police Command – 3% of salary.

Fire – 5% of salary, effective August 1, 2007.

Fire – 7% of salary, effective July 1, 2017.

Deferred Retirement Option Plan (DROP)

Eligibility – Effective January 11, 2007 for Police Officers and August 21, 2007 for Firefighters: Eligible for Normal Retirement or 25 years of service.

Benefit – 100% of the member's accrued benefit at the date of DROP is deposited into an account that receives 5% compound interest annually while the member remains an active member. No member contributions are made while in the DROP and no additional retirement benefits are earned.

Employer contributions will include payroll of DROP participants and are not credited to members' accounts. Members may remain in the DROP for a maximum of 60 months (Effective July 1, 2009, 84 months for Police and Police Command) at which time they begin receiving the benefit accrued to the date of DROP into the program and elect an option of distribution of the DROP account (full lump sum, partial lump sum, rollover, lifetime annuity, leave funds in system).

After an employee attains thirty years of service, the allowed DROP participation period will be reduced by one month for every month beyond 30 years of service.



Police and Fire Active Members as of July 1, 2021 by Attained Age and Years of Service

Attained Age	Years of Service on Valuation Date						Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	No.	Valuation Payroll
20-24	10						10	\$ 561,813
25-29	24	4					28	1,613,795
30-34	8	13	1				22	1,758,471
35-39	7	10	6	5			28	2,454,529
40-44	3	5	4	7	6		25	2,455,919
45-49		1	2	2			5	485,421
50-54		1					1	88,631
Totals	52	34	13	14	6	0	119	\$ 9,418,579

While not used in the financial computations, the following group averages are computed and shown because of their general interest. The amounts shown above do not include DROP members.

Age:	34.4 years
Service:	7.3 years
Annual Pay:	\$79,148

Police and Fire Active Members Three-Year Summary

	As of July 1st of the Indicated Year		
	2021	2020	2019
Active Members	119	109	109
Valuation Payroll	\$ 9,418,579	\$ 8,484,210	\$ 8,368,542
Average Compensation	\$ 79,148	\$ 77,837	\$ 76,776
Average Age (yrs.)	34.4	34.6	34.7
Average Service (yrs.)	7.3	7.4	7.6

**Police and Fire
Inactive Members as of July 1, 2021
Tabulated by Attained Age**

Attained Age	No.	Estimated Deferred Allowance
39	1	\$28,930
Totals	1	\$28,930

**Police and Fire
DROP Members as of July 1, 2021
Tabulated by Attained Age**

Attained Age	Totals	
	No.	DROP Payment
42	1	\$ 88,830
46	4	335,056
47	2	207,845
48	3	254,352
50	2	160,559
52	1	83,310
53	1	72,036
54	2	181,008
56	1	75,304
Totals	17	\$ 1,458,300

Average Age at DROP: 46.7 years
Average Age as of 2021: 49.5 years

Police and Fire

Retirees and Beneficiaries as of July 1, 2021

Tabulated by Attained Age

Attained Age	Totals	
	No.	Annual Allowances
46	1	\$ 91,855
47	2	81,725
48	3	114,844
50	4	331,396
51	6	338,072
52	11	742,274
53	6	300,730
54	8	505,181
55	13	890,412
56	8	603,949
57	6	386,249
58	12	798,591
59	7	436,181
60	10	597,647
61	3	185,439
62	10	696,191
63	3	106,171
64	1	6,024
65	7	514,372
66	5	221,255
67	11	509,695
68	5	167,523
69	6	278,221
70	5	226,786
71	7	302,629
72	10	404,829
73	9	308,224
74	5	121,130
75	3	103,926
76	3	98,976
77	10	260,944
78	5	183,506
79	11	324,121
80 and over	41	930,096
Totals	257	\$12,169,164

Average Age at Retirement: 47.5 years

Average Age as of 2021: 67.3 years

SECTION C

ASSUMPTIONS AND METHODS

Actuarial Assumptions

Rationale: The rationale for the assumptions used in this valuation is provided in the Review of System Experience for the period July 1, 2014 through July 1, 2019, and dated March 25, 2020.

The rate of investment return (net of expenses) used was 7.0% per year, compounded annually. This assumption is used to discount the value of future payments.

No specific price inflation is required to perform this valuation. The price inflation assumption used to evaluate the investment return assumption is 2.25%.

The rates of salary increase used are in accordance with the following table.

This assumption is used to project a member's current salary over his or her future working lifetime.

Sample Ages	Base (Economic)	Merit and Longevity	Annual Rate of Salary Increase
20	3.00 %	2.00 %	5.00 %
25	3.00	2.00	5.00
30	3.00	2.00	5.00
35	3.00	1.50	4.50
40	3.00	1.00	4.00
45	3.00	0.50	3.50
50	3.00	0.00	3.00
55	3.00	0.00	3.00
60	3.00	0.00	3.00

Actuarial Assumptions

The mortality table used to evaluate death before and after retirement in this valuation of the System were:

- **Healthy Pre-Retirement:** The Pub-2010, Amount-Weighted, Safety, Employee, Male and Female tables, and future mortality improvements projected using scale MP-2019.
- **Healthy Post-Retirement:** The Pub-2010, Amount-Weighted, Safety, Healthy Retiree, Male and Female tables, and future mortality improvements projected using scale MP-2019.
- **Disability Retirement:** The Pub-2010, Amount-Weighted, Safety, Disabled Retiree, Male and Female tables, and future mortality improvements projected using scale MP-2019.

Sample Attained Ages	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Future Life		Future Life		Future Life	
	Expectancy (Years)*		Expectancy (Years)*		Expectancy (Years)*	
	Men	Women	Men	Women	Men	Women
40	49.24	51.78	46.15	48.29	44.23	46.44
45	44.06	46.58	40.92	43.00	39.25	41.41
50	38.88	41.39	35.76	37.77	34.30	36.41
55	33.75	36.24	30.69	32.65	29.44	31.54
60	28.71	31.15	25.79	27.73	24.75	26.94
65	23.80	26.10	21.17	23.07	20.39	22.59
70	19.04	21.13	16.86	18.66	16.33	18.45
75	14.52	16.34	12.91	14.56	12.58	14.53
80	10.29	11.83	9.47	10.94	9.34	10.94

* Life expectancy in future years is determined by the fully generational MP-2019 projection scale. The sample values shown are for individuals with the indicated attained ages in 2022.

The rates of retirement are used to measure the probability of eligible members retiring during a given year and are shown below.

In the first year that an individual is eligible to participate in the DROP, 90% of such members were assumed to elect the DROP and 10% are assumed to retire (not elect the DROP).

Retirement Eligibility	Police and Police Command	Fire
1st year eligible	50 %	50 %
2nd year eligible	25	25
3rd year eligible	25	25
4th year eligible	25	25
5th year eligible	100	100

Actuarial Assumptions

Rates of separation from active membership are used to measure the probabilities of members remaining in employment. These rates do not apply to members eligible to retire and do not include separation on account of death or disability.

Police and Police Command			Fire		
Sample Ages	Percent of Active Members Separating within the Next Year		Sample Ages	Percent of Active Members Separating within the Next Year	
	Male	Female		Male	Female
20	10.0 %	16.7 %	20	8.2 %	13.7 %
25	6.6	10.0	25	5.4	8.2
30	4.6	6.6	30	3.8	5.4
35	3.3	4.6	35	2.7	3.8
40	1.9	3.3	40	1.5	2.7
45	1.1	1.9	45	0.9	1.5
50	0.3	1.1	50	0.2	0.9
55	0.0	0.3	55	0.0	0.2
60	0.0	0.0	60	0.0	0.0

Sample rates of becoming disabled are as follows:

Sample Ages	Percent of Active Members Becoming Disabled within the Next Year	
	Male	Female
25	0.17 %	0.12 %
30	0.22	0.21
35	0.30	0.31
40	0.44	0.46
45	0.66	0.68
50	1.09	1.11
55	1.88	1.80
60	2.72	1.90

Actuarial Cost Method

An actuarial cost method is a procedure for allocating the actuarial present value of pension plan benefits to time periods. The method used for this valuation is known as the individual entry-age actuarial cost method and has the following characteristics.

- (i) The annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate to the value of the member's pension at time of retirement.
- (ii) Each annual normal cost is a constant percentage of the member's year by year projected compensation.

The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's compensation between the entry age of the member and the assumed exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability.

Asset Valuation Method

Valuation Assets used for funding purposes are derived as follows: prior year valuation assets are increased by contribution and expected investment income and reduced by refunds, benefit payments and expenses. To this amount is added 20% of the difference between expected and actual investment income for each of the previous five years.

Miscellaneous and Technical Assumptions

Marriage Assumption:	90% of participants are assumed to be married for purposes of death benefits. In each case the male was assumed to be 3 years older than the female.
Pay Increase Timing:	Beginning of year.
Decrement Timing:	Decrements of all types are assumed to occur beginning of year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age of nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of the benefit payable.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Service Credit Accruals:	It is assumed that members accrue one year of service credit per year.
Active Member Group Size:	The number of active members was assumed to remain constant.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
Adjustments:	Age and Service Retirement Present Values were adjusted by 15% for all groups to account for annuity withdrawal and the additional amount included in the AFC due to unused sick time, uniform allowance, compensatory time and vacation time for all groups.

SECTION D

FINANCIAL REPORTING

Schedule of Funding Progress and Risk Measures

Actuarial Valuation Date July 1,	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2 – 1)	Funded Ratio (Percent) (1)/(2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll
2002	\$ 98,858,861	\$ 90,946,241	\$ (7,912,620)	108.70 %	\$ 9,651,854	(81.98) %
2003	92,930,343	91,993,127	(937,216)	101.02	9,650,586	(9.71)
2004	98,965,335	94,151,970	(4,813,365)	105.11	9,406,277	(51.17)
2005	113,426,227	103,382,549	(10,043,678)	109.72	9,693,623	(103.61)
2006	122,582,685	108,484,408	(14,098,277)	113.00	9,818,415	(143.59)
2007	131,679,408	114,822,112	(16,857,296)	114.68	10,421,556	(161.75)
2008	139,106,447	120,395,854	(18,710,593)	115.54	10,344,194	(180.88)
2009	143,886,459	130,566,593	(13,319,866)	110.20	10,401,824	(128.05)
2010	137,586,060	136,780,310	(805,750)	100.59	10,512,186	(7.66)
2011	139,124,010	153,317,413	14,193,403	90.74	8,126,002	174.67
2012	140,277,195	165,132,570	24,855,375	84.95	6,378,919	389.65
2013	141,640,217	170,563,168	28,922,951	83.04	5,668,970	510.20
2014	147,161,177	178,027,424	30,866,247	82.66	6,016,818	513.00
2015	161,610,610	184,191,055	22,580,445	87.74	5,645,905	399.94
2016	173,126,280	196,234,325	23,108,045	88.22	6,125,062	377.27
2017	175,728,005	203,367,058	27,639,053	86.41	6,231,722	443.52
2018	181,941,875	210,838,913	28,897,038	86.29	6,749,977	428.11
2019	187,645,667	217,620,547	29,974,880	86.23	7,517,870	398.72
2020	189,174,833	228,681,604	39,506,771	82.72	8,368,542	472.09
2021	189,729,340	232,660,418	42,931,078	81.55	8,484,210	506.01
2022	203,310,745	243,106,190	39,795,445	83.63	9,418,579	422.52

This information is presented in draft form for review by the System's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the System's financial statements.

Schedule of Employer Contributions

Fiscal Year Beginning July 1,	Computed Dollar Contribution	Actual Annual Contribution
2011	\$ 2,025,227	\$ 2,025,227
2012	2,368,862	2,368,862
2013	2,585,170	2,585,170
2014	2,822,883	2,822,883
2015	2,343,614	2,343,614
2016	2,511,017	2,511,017
2017	2,935,919	2,935,919
2018	3,178,635	3,178,635
2019	3,509,641	3,509,641
2020	4,681,467	4,681,467
2021	5,121,511	N/A
2022	5,186,935	N/A

This information is presented in draft form for review by the City's auditor. Please let us know if there are any items the auditor changes so that we may maintain consistency with the City's financial statements.

Summary of Actuarial Methods and Assumptions

Valuation Date	July 1, 2022
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Pay, 16 years, Closed
Asset Valuation Method	Market Value with 5-year smoothing of gains and losses
Principal Actuarial Assumptions:	
Net Investment Return	7.0%
Projected Salary Increases	3.0% to 5.0%
Payroll Growth	3.0%
Cost-of-Living Adjustments	Provided through Bonus Funds; certain Police Patrol members will receive a Cost-of-Living Adjustment outside of the Bonus Funds.

SECTION E

RISK DISCLOSURES

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The computed contribution rate shown on page A-1 may be considered as a minimum contribution rate that complies with the Board's funding policy. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Ratio of the market value of assets to total payroll	23.8	21.4	19.9	24.0
Ratio of actuarial accrued liability to payroll	28.0	26.5	26.6	25.1
Ratio of actives to retirees and beneficiaries	0.4	0.5	0.4	0.5
Ratio of net cash flow to market value of assets	(4.7)%	(4.9)%	(5.4)%	(2.8)%

Ratio of Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 10.0 times the payroll, a return on assets 5% different than assumed would equal 50% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

Ratio of Actuarial Accrued Liability to Payroll

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 20 times the payroll, a change in liability 2% other than assumed would equal 40% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

Duration of Actuarial Accrued Liability

The duration of the actuarial accrued liability may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, a duration of 10 indicates that the liability would increase approximately 10% if the assumed rate of return were lowered 1%.

Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.



April 22, 2022

Ms. Linda Lewis
Pension Administrator
City of Dearborn Heights
6045 Fenton Street
Dearborn Heights, Michigan 48127

Dear Ms. Lewis:

Enclosed are 25 copies of the July 1, 2022 actuarial valuation report. We look forward to meeting with you and the Retirement Board to discuss the valuation report.

If you have any questions, please call me.

Sincerely,
Gabriel, Roeder, Smith & Company

A handwritten signature in black ink, appearing to read "F. Pieterse". The signature is fluid and cursive, with a large initial "F" and a stylized "P".

Francois Pieterse, ASA, FCA, MAAA

FP:ah

Enclosure

EXHIBIT - 7

Section 10.1. - General Powers.

The City shall have the power to assess taxes and levy and collect rents, tolls and excises. The annual ad valorem tax levy shall not exceed 8.5 mills of the value of all real and personal property in the City as equalized by the State, exclusive of any levy required for the payment of principal and interest on outstanding bonds of the City and exclusive of any levy authorized by statute to be made beyond the Charter tax rate limitation. In addition to any tax authorized by the foregoing provisions of this section, the City shall have the power to levy an additional ad valorem tax in an amount not to exceed one (1) mill for fifteen (15) years, the first year of levy to be 1986, for the purpose of paying any of the City's contractual obligations to the Central Wayne County Sanitation Authority, including specifically the City's share of the cost of new clean-air facilities. (Amended by electors on 7-30-85)

In addition to all other taxes that the City is authorized to levy under this Charter, the City shall have the power to levy 2 mills of the assessed valuation of all real and personal property in the city as equalized by the State, to be used exclusively for police and fire protection.

In addition to any tax authorized by the foregoing provisions of this section, the City shall have the power to levy an additional ad valorem tax in an amount not to exceed 0.95 mills of the assessed valuation of all real and personal property in the City as equalized by the State, the first year of levy to be 2013, to be used exclusively for the operation of the City's libraries.

(Amended by electors on 8-6-74; amended by electors on 7-30-85; amended by electors 11-5-13)

State Law reference— Mandatory that Charter provide for annually levying and collecting taxes, MCL 117.3(g).