St. Clair County Employees' Retirement System Summary Annual Report

Year Ending: December 31, 2025

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RETIREMENT BOARD OF TRUSTEES

Deborah Martin, Chairperson	Road Commission Employee
William Herpel, Vice Chairperson	Retiree
Geoffrey Donaldson, Trustee	St. Clair County Employee
Karen Farr, Trustee	Community Mental Health Employee
Karry Hepting, Trustee	St. Clair County Administrator
William Oldford, Trustee	Citizen
James Spadafore, Trustee	St. Clair County Employee
Timothy Ward, Trustee	Road Commission Board Member
David Vandenbossche, Trustee	St. Clair County Board of Commissioner



WHERE TO WRITE FOR INFORMATION:

St. Clair County Employee's Retirement System

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SUMMARY ANNUAL REPORT TO MEMBERS

DECEMBER 31, 2025

Dear Retirement System Members:

The Retirement System, which is managed by the Retirement Board of Trustees, is designed to help meet your financial needs due to disability, retirement or death. The Retirement Board's fiduciary responsibility is to oversee the general administration of the Retirement System and invest its assets. The Board retains professional advisors to assist in the fulfillment of these duties.

This summary report has been prepared to give you an overview of the Retirement Pension System and how it operates, which is governed by the provisions of the St. Clair County Retirement Ordinance and the Retirement Board's official rules and regulations. We hope you will find it useful and informative. As a summary cannot cover all the details of the System, additional information about the System, including the Retirement Ordinance, the actuarial valuation, and audited financials can be obtained from the St. Clair County Human Resource Office or accessed via the St. Clair County website at www.stclaircounty.org.

St. Clair County also provides postemployment health care benefits, which is separate from the Retirement System and managed by the County. Additional information regarding postemployment benefits can be found on the County website at www.stclaircounty.org in the St. Clair County Annual Comprehensive Financial Report and the 2025 Actuarial Report for Retirement Health Care.

Respectfully submitted,

Board of Trustees

St. Clair County Employees' Retirement System

INVESTMENT FIDUCIARIES

Dahab Associates

Garcia Hamilton Associates

International Farming Corporation

Morgan Stanley Real Estate

Pavilion Alternatives Group

Reams Asset Management

TA Realty

Walker & Dunlop Investment Partners—JCR Capital

WCM Investment Management

SERVICE PROVIDERS

Fifth Third Institutional Services

MedSource Services

Nyhart

Pension Benefit Information Research Services

Robbins, Geller, Rudman and Dowd

UHY LLP

VanOverbeke, Michaud & Timmony, PC

ACTUARIAL RESULTS SUMMARY

The Retirement System's financial objective is to accumulate the assets necessary to pay the promised benefits in an orderly manner. To accomplish this, contribution rates are established in a manner designed to keep those rates approximately level as a percentage of payroll or as a level dollar amount from year to year.

The Board of Trustees of the St. Clair County Employees' Retirement System provides for payment of the required employer contribution as described in Section 20m of Michigan Public Act No. 728.

To determine an appropriate employer contribution level for the ensuing year and to gauge how the System's funding is meeting this fundamental objective, an independent firm of actuaries and employee benefit consultants conducts annual actuarial valuations.

These valuations are based on the System's past experience, information about current participation and financial markets, and assumptions concerning the System's future demographic and economic activity.

It is generally recommended that actuarial assumptions be evaluated and reviewed every three to five years. An experience/assumption study was performed, presented and accepted by the Board of Trustees in 2024, to be applied beginning with the December 31, 2024 pension valuation report.

For 2025, the actuarial valuation was performed by Nyhart. The results are summarized on pages 5-8 of this annual report. Complete actuarial valuation reports for this and historical years can be reviewed via the St. Clair County website at www.stclaircounty.org.

ACTUARIAL METHODS

Name of plan

St. Clair County Employees Retirement System

Effective date

The plan was originally effective as of January 1, 1964.

Cost Method (CO)

Individual Entry Age Level Percent of Pay Cost Method

Amortization Method (CO)

Mental Health 15 year level dollar closed amortization of Unfunded Actuarial Accrued Liability

General County 15 year level dollar closed amortization of Unfunded Actuarial Accrued Liability

Road Commission 15 year level dollar closed amortization of Unfunded Actuarial Accrued Liability

Each subsequent year after an employer who has closed participation reaches a 15 year amortization period of their unfunded accrued liability, a new amortization base for any assumption changes, plan changes, or actuarial gain/loss will be set up which will be fully amortized in 15 years.

Asset Valuation Method

20% Phase-In Method: Expected actuarial value of assets, adjusted by 20% of the asset gain/(loss) from the previous five years. The asset gain/(loss) for a particular year is defined as the difference between the actual market value return and the expected actuarial value return. This method was first used for the December 31, 2005 valuation.

Interest Rates (CO)

7.00%

The interest rate is the expected long term rate of return on assets. This assumption is supported by the investment mix of the plan assets as of 12/31/2025.

Annual Pay Increases (FE)

Pay increase assumption applies to all groups and includes 2.25% inflation. Pay increases compounded with inflation are based on service as follows:

Service	Increase
1-2	8.00%
3	6.50%
4-5	5.25%
6-7	4.50%
8-10	4.00%
11-13	3.50%
14+	3.00%

The assumed annual pay increases are based on a study of actual experience for the plan during 2018-2023 as well as the employer's average target increase for a career employee. See the experience study report date August 15, 2024.

Mortality Rates (FE)

Healthy:

General and Mental Health: Pub-2010 General mortality table with generational improvements from 2010 based on the SOA Scale MP-2021

Sheriff: Pub-2010 Public Safety mortality table with generational improvements from 2010 based on the SOA Scale MP-2021

Road Commission: Pub-2010 Public Safety mortality table with generational improvements from 2010 based on the SOA Scale MP-2021

Disabled:

General and Mental Health: Pub-2010 Non-Public Safety Disabled Retiree mortality table with generational improvements from 2010 based on the SOA Scale MP-2021

Sheriff: Pub-2010 Public Safety Disabled Retiree mortality table with generational improvements from 2010 based on the SOA Scale MP-2021

Road Commission: Pub-2010 Public Safety Disabled Retiree mortality table with generational improvements from 2010 based on the SOA Scale MP-2021

Beneficiaries:

Pub-2010 General mortality table with generational improvements from 2010 based on the SOA Scale MP-2021

Mortality assumptions are set to reflect general population trends.

Marital Status and Ages (FE)

100% of Participants assumed to be married with female spouses assumed to be 3 years younger.

Payment Form Election (FE)

Single Life Annuity:	40%
50% Joint Life Annuity:	20%
100% Joint Life Annuity:	40%

Cost of Living Increases (FE)

None

FE indicates an assumption representing an estimate of future experience
CO indicates as assumption representing a combination of an estimate of future experience and observations of market data

PLAN PARTICIPATION

Participants	County General	Mental Health	Road Commission	Plan Total
Actives	235	102	19	356
Terminated Vested	74	45	10	129
Retirees & Beneficiaries	588	163	146	897
Total	897	310	175	1382
Retirement Benefits				
Average monthly benefit	1,901	1,831	2,057	1,913
Average annual benefit	22,812	21,972	24,684	22,956
Total monthly benefit	1,117,540	298,498	300,339	1,716,377
Total annual benefit	13,410,480	3,581,976	3,604,068	20,596,524

Participation

A county policeman, sheriff, or deputy sheriff who agrees to make required participant contributions shall become a participant on his/her date of hire.

The plan is closed to new hires for most of General County employees, Road Commission and Mental Health.

PLAN CHANGES

Changes since last valuation and key notes:

The Actuarial Equivalence Mortality Table was updated from the Pub-2010 General mortality table, blended 50% female and 50% male, projected to the valuation date for the year using the SOA MP improvement scale in effect for the previous valuation year to the Pub-2010 General mortality table, blended 50% female and 50% male, projected to 2030 using the SOA MP-2021 improvement scale.

This change resulted in a slight increase in the accrued liability and normal cost.

PLAN RESULTS

Total Plan Results	General County	Mental Health	Road Commission	Plan Total
Valuation Date				12/31/2025
For Fiscal Year Beginning				01/01/2027
Funded Position				
Entry Age Accrued Liability	226,591,330	71,413,709	47,530,550	345,535,589
Actuarial Value of Assets	197,472,942	63,551,639	40,553,786	301,578,367
Unfunded actuarial accrued liability	29,118,388	7,862,070	6,976,764	43,957,222
Funded Ratio - Actuarial Basis	87.1%	89.0%	85.3%	87.3%
Employer Contributions				
Total Normal Cost	2,503,599	1,018,482	178,609	3,700,690
Expected Participant Contributions	1,059,156	394,865	109,697	1,563,718
Net Normal Cost	1,444,443	623,617	68,912	2,136,972
Administrative Expenses	117,864	37,931	24,205	180,000
Amortization UAAL	4,569,559	982,884	966,704	6,519,147
Applicable Interest	650,645	174,256	112,315	937,216
Total Recommended Contribution	6,782,511	1,818,688	1,172,136	9,773,335
Estimated Fiscal Year Payroll	17,060,794	7,533,011	1,304,406	25,898,211
Recommended Contribution as a percentage of estimated payroll	39.8%	24.1%	89.9%	37.7%
Actuarial Value of Assets, 12/31/2024	192,464,178	61,552,703	40,786,837	294,803,718
Employer Contributions	5,544,882	1,362,000	888,000	7,794,882
Employee Contributions	1,135,979	426,602	135,758	1,698,339
Benefit Payments	-13,298,721	-3,519,977	-3,681,734	-20,500,432
Expenses	-114,756	-36,701	-24,319	-175,776
Investment Income	11,741,380	3,767,012	2,449,244	17,957,636
Actuarial Value of Assets, 12/31/2025	197,472,942	63,551,639	40,553,786	301,578,367

TOTAL PLAN FUNDED RATIO 87.3% - Actuarial Value Basis

TOTAL PLAN FUNDED RATIO 89.3% - Market Value Basis

INVESTMENT INFORMATION

PLAN INVESTMENT POLICY

The Retirement System is maintained to provide retirement benefits for the participants and their beneficiaries. The Retirement System is established in accordance with the laws of the State of Michigan whereby it operates and is controlled, as to its investments, by Act 314 and its amendments.

The Board of Trustees are authorized and permitted by the plan document and under Michigan law to engage the services of an investment manager(s), investment consultant and custodian and to set the direction for the investments. The Board requires that the investment manager(s), investment consultant and custodian comply with all applicable laws, rules and regulations. The investment manager will be given full discretion in managing the funds within the statement of investment policies, procedures and objectives.

PLAN INVESTMENT OBJECTIVES

The Board's attitude regarding Retirement System assets combines both growth of capital and appropriate risk-taking. The Board recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential of loss in purchasing power (due to inflation) are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of an appropriate level of risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and character of the Retirement System. The policies and restrictions contained in the Plan's Statement of Investment Policies, Procedures and Objectives should not impede the investment manager to attain the overall Retirement System objectives, nor should they exclude the investment manager from appropriate investment opportunities.

The Plan's overall investment objective is to earn an average, annual net return equal to the actuarial rate of return. The Plan is expected to outperform the Policy Index over three to five year rolling annualized time periods and a full market cycle.

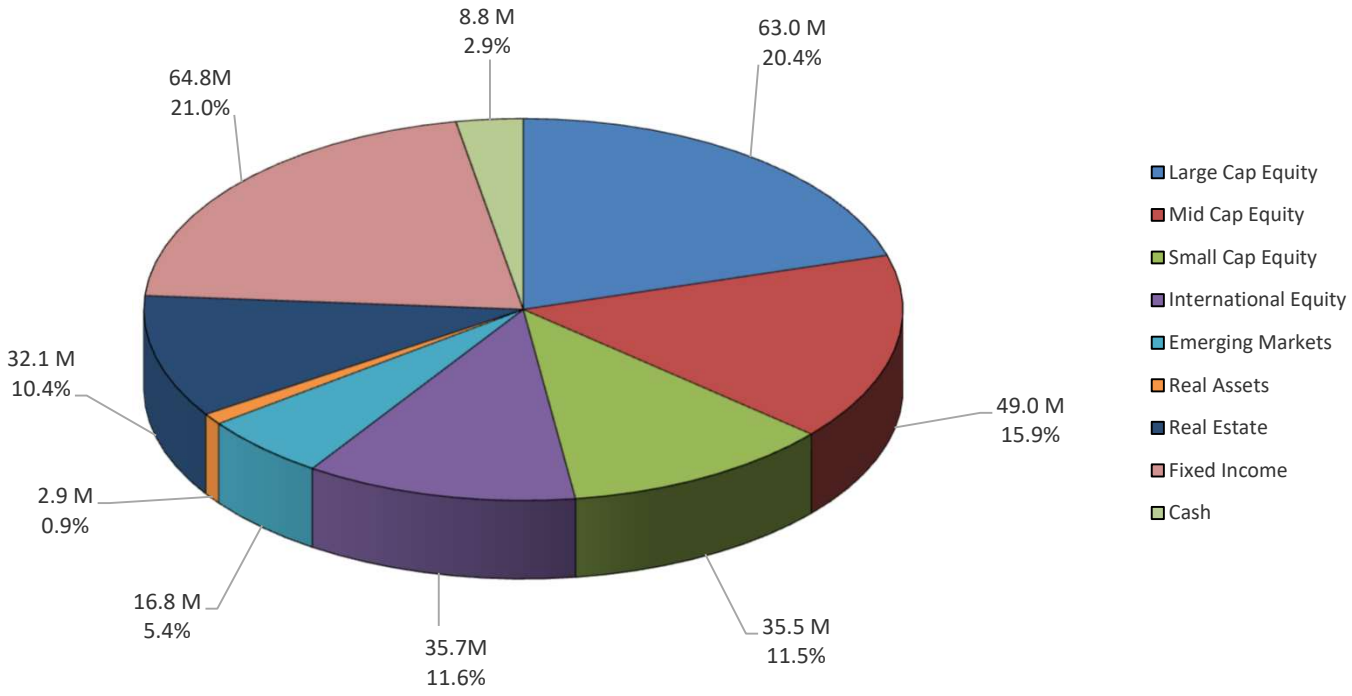
The Plan's objective is based on the expected returns under the strategic asset allocation policy. This asset allocation policy should result in normal fluctuation in the Plan's actual return, year to year. The expected level of volatility (return fluctuation) is appropriate given the Plan's current and expected tolerance for short-term return fluctuations. Appropriate diversification of Plan assets will reduce the Plan's investment return volatility.

ASSET CLASS ALLOCATION

ASSET ALLOCATION POLICY

The strategic asset allocation policy is consistent with the achievement of the Plan's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward/risk characteristics, correlation with other asset classes, manager roles, and fulfillment of the Plan's long-term financial needs. Conformance with P.A. 314 of 1965 and amendments thereof is also considered.

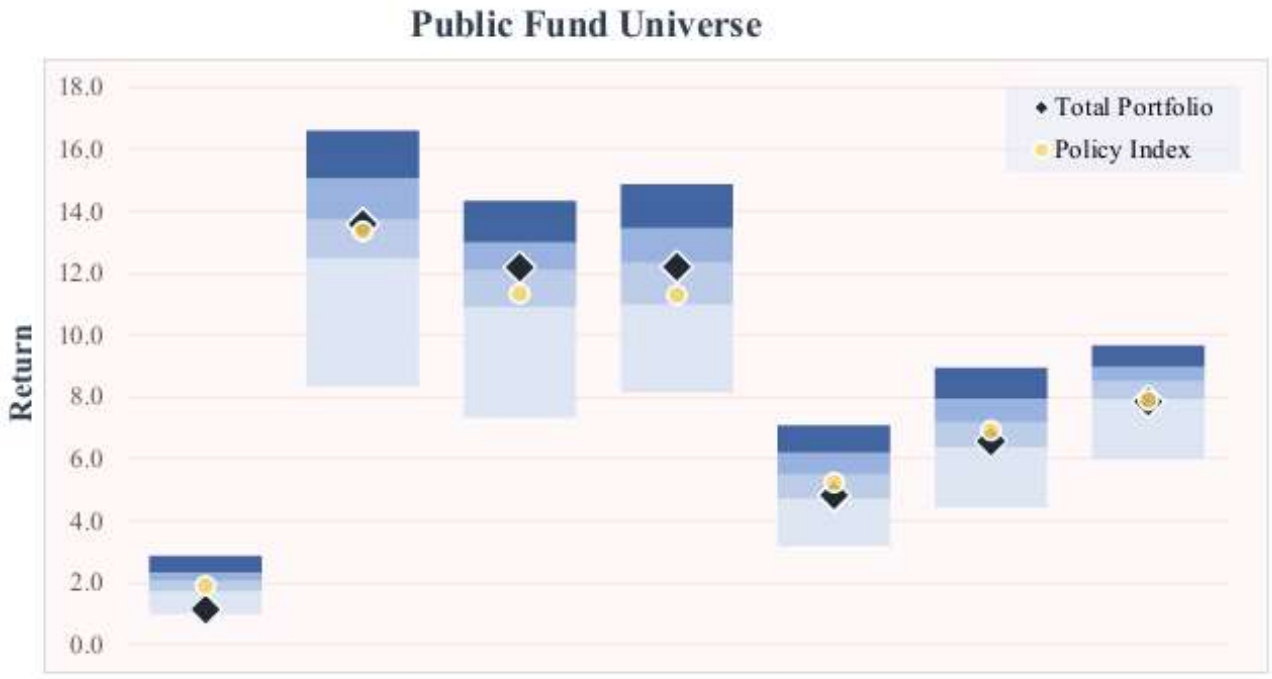
As of 12/31/2025



Asset Allocation Compliance

	Asset Allocation ($)	Current Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Target Allocation (%)
Large Cap Equity	63,037,822.00	20.4	10.0	30.0	20.0
Mid Cap Equity	49,029,121.00	15.9	0.0	25.0	15.0
Small Cap Equity	35,488,204.00	11.5	0.0	20.0	10.0
International Equity	35,717,128.00	11.6	0.0	20.0	10.0
Emerging Markets	16,791,556.00	5.4	0.0	10.0	5.0
Real Assets	2,914,566.00	0.9	0.0	7.0	5.0
Real Estate	32,088,502.00	10.4	10.0	20.0	15.0
Fixed Income	64,823,903.00	21.0	15.0	45.0	20.0
Cash	8,799,394.00	2.9	0.0	5.0	0.0
Total Fund	**308,690,196.00**	**100.00**	**-**	**-**	**100.00**

FUND PERFORMANCE



	1 Qtr	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	1.1	13.6	12.2	12.2	4.8	6.6	7.9

Comparative Performance

	QTR	1 YR	3 YR	5 YR	7 YR	10 YR	Inception	Inception Date
Total Fund	1.10	13.60	12.20	6.60	8.90	7.90	6.30	09/30/1998
Benchmark Policy Index	1.90	13.40	11.30	6.90	8.90	7.90	7.50	
Ranking Public Plans < $250 M	93	54	53	72	76	77	-	
Total Fund (Net of Fees)	1.10	13.30	11.90	6.20	8.50	7.40	6.00	09/30/1998

Financial Reconciliation Year to Date

	Market Value 01/01/2023	Net Cash Flow	Estimated Fees	Income	Net Investment Return	Market Value 12/31/2024
Total Fund	281,593,185	(10,193,788)	(734,721)	6,650,530	37,290,799	308,690,196

2025 Gross Trailing Return 13.6

2025 Net Trailing Return 13.3

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEFINED BENEFIT PLAN – PLAN DESCRIPTION

The St. Clair County Retirement System is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for eligible employees of St. Clair County, the St. Clair County Road Commission, and St. Clair County Community Mental Health Authority. Employees not in this plan are covered by a defined contribution plan. Effective January 1, 2016, the Plan is closed to all but the Sheriff deputies bargaining unit. The system is administered, managed and operated by a Board composed of 9 Trustees, the chairperson of the Board of Commissioners, or their appointee, a member of the Board of Commissioners, a member of the St. Clair County Road Commission Board, one appointed citizen, four elected employees of the retirement system and one retired member elected by the retired members. The benefit provisions are governed by Act No. 427 of the Michigan Public Acts of 1984, as amended. The plan may be amended by the County Board of Commissioners. The plan is audited within the scope of the audit of the basic financial statements. Separate audited financial statements are not issued. Additional financial information can be reviewed in the Annual Comprehensive Financial Report year ending 12/31/2025 using the 2025 Audit/ACFR link in the on the St. Clair County website at www.stclaircounty.org.

Summary of Significant Accounting Policies

Basis of Accounting -

The St. Clair County Retirement System utilizes the accrual basis of accounting and is reported within the County's reporting entity as a separate Pension Trust Fund. Contributions from employees are recognized in the period in which contributions are paid. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments -

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Contribution and Funding Policy -

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a level dollar amount designed to accumulate sufficient assets to pay benefits when due. During the year ended December 31, 2025, contributions totaling $9,493,221 ($7,794,882 employer and $1,698,339 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the Plan as of December 31, 2024. The required employer contributions were $5,323,177 for General County, $888,275 for the Road Commission, and $1,361,671 for the Community Mental Health Authority. Employee contributions represent 5.00%-8.00% of covered payroll, depending on the contract. The contribution requirement of a Plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the Plan are paid with retirement assets. The defined benefit Plan, excluding Sheriff Deputies, is closed to new-hires.

The required contribution rate was determined as part of the December 31, 2023 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included: (a) 7.00% net investment rate of return, and (b) projected salary increases of 2.25% to 7.00% per year, which includes pay inflation at 2.25%. There are no projected cost-of-living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the fair value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar on an open period, with a remaining amortization period as of December 31, 2024 of 15 years.

STATEMENT OF FIDUCIARY POSITION

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
PENSION FUND
December 31, 2025

	Basic Retirement System
Assets:	
Cash and cash equivalents	9,559,747
Investments, at fair value -	299,088,169
Receivables -	
Interest and dividends	172,401
Other	5,319
Total Assets	308,825,636
Liabilities:	
Accounts payable	97,044
Accrued liabilities	4,151
Total Liabilities	101,195
Net Position:	
Restricted for pension benefits	308,724,441
	308,724,441

CHANGES IN FIDUCIARY NET POSITION

ST. CLAIR COUNTY, MICHIGAN
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Basic Retirement System			
	Member Contributions	Employer Contributions	Pension Payments	Total
Additions:				
Contributions				
Member contributions	1,698,339	-	-	1,698,339
Employer contributions	-	7,794,882	-	7,794,882
Total contributions	1,698,339	7,794,882	-	9,493,221
Investment income				
Net depreciation in fair value of investments	-	30,839,625	-	30,839,625
Interest/Dividends	-	6,300,736	-	6,300,736
Less investment expense	-	(397,044)	-	(397,044)
Net investment income	-	36,743,317	-	36,743,317
Other	-	-	-	-
Total Additions	1,698,339	44,538,199	-	46,236,538
Deductions:				
Retirement payroll	-	-	20,426,932	20,426,932
Death benefits	-	73,500	-	73,500
Administration	-	175,776	-	175,776
Total Deductions	-	249,276	20,426,932	20,676,208
Net Increase (Decrease) before Transfers	1,698,339	44,288,923	(20,426,932)	25,560,330
Interfund Transfers In (Out):				
Retirees obligation	(2,726,213)	(356,265)	3,082,478	-
Interest	574,912	(29,822,465)	29,247,553	-
Net Decrease	(452,962)	14,110,193	11,903,099	25,560,330
				-
Net Position Restricted for Pension Benefits:				
Beginning of year	29,815,666	43,912,163	209,436,282	283,164,111
End of year	$ 29,362,704	$ 58,022,356	$ 221,339,381	$ 308,724,441

ADMINISTRATIVE & INVESTMENT EXPENSES

(YTD Activity through 12/31/2025

Expenditures	
Administration -	
Salaries and Fringes	154,931.58
Mileage and Travel	2,215.78
Food & Operating Supplies	138.00
Postage	5,974.33
Conferences and Training	800.00
Printing and Publishing	2,588.33
Miscellaneous	391.00
Professional Fees -	
Legal Services	6,526.20
Actuary Services	40,032.50
Deceased Member Services	-
Medical Director Services	3,900.00
Investment Fees -	
Custodial Services	29,742.66
Active Investment Managers *	220,360.09
Investment Consultant	95,000.00
Retirement Benefits -	
Retirement Payroll	20,426,931.54
Death Benefits	73,500.00
Total Expenditures	21,063,032.01

** Not inclusive of EFT expenses/fees*

BUDGETED EXPENDITURES

(Calendar Year Ending 12/31/2027)

Expenditures	
Administration -	
Salaries and Fringes	172,616.00
Mileage and Travel	4,000.00
Food & Operating Supplies	3,000.00
Postage	10,000.00
Conferences and Training	15,000.00
Printing and Publishing	3,000.00
Miscellaneous	1,500.00
Professional Fees -	
Legal Services	11,000.00
Actuary Services	41,300.00
Deceased Member Services	3,900.00
Medical Director Services	4,500.00
Miscellaneous Services	3,000.00
Investment Fees -	
Custodial Services	38,000.00
Active Investment Managers *	392,000.00
Investment Consultant	95,000.00
Retirement Benefits -	
Retirement Payroll	22,119,000.00
Employee Refunds - Principal	90,000.00
Employee Refunds - Interest	17,500.00
Death Benefits	56,000.00
Total Expenditures	23,080,316.00

** Not inclusive of EFT expenses/fees*