

**PROPOSED ORDINANCE AMENDMENT TO
CITY OF PONTIAC
REESTABLISHED GENERAL EMPLOYEES' RETIREMENT SYSTEM**

Ordinance No. 2490

AN ORDINANCE TO AMEND THE CITY OF PONTIAC REESTABLISHED GENERAL EMPLOYEES' RETIREMENT SYSTEM TO IMPLEMENT CHANGES REQUIRED BY THE SECOND AMENDMENT OF AND SUPPLEMENT TO THE SETTLEMENT AGREEMENT WITH THE CITY OF PONTIAC RETIRED EMPLOYEES ASSOCIATION.

The City of Pontiac ordains:

Section 1. Amendment.

That the City of Pontiac Reestablished General Employees' Retirement System (the "Retirement System") is hereby amended to read as follows:

- a. Section 92-202 of the Retirement System is amended to add the following new definitions:

Residual GERS Assets means 50% of the funds remaining in GERS as of the date of the secondary transfer provided for in Section 92-203(b), valued as of the date of transfer and subject to market fluctuations until the date of transfer.

Second Amended CPREA Settlement means the Second Amendment of and Supplement to the Settlement Agreement, which was executed by the City and the City of Pontiac Retired Employees Association on June 25, 2025, and which was given final approval by the court on December 11, 2025.

- b. Section 92-203 of the Retirement System is amended in its entirety to read as follows:

**SECTION 92-203
TRANSFER OF ASSETS / ASSUMPTION OF LIABILITIES AND
OBLIGATIONS**

- (a) Initial Transfer of Assets and Liabilities. As soon as administratively feasible after the Effective Date, the GERS Assets shall be transferred to or assumed by, and become assets of the Retirement System.

All obligations and liabilities of the GERS existing on the Effective Date, including continuation of payments and accrual of benefits, are hereby

assumed by and made obligations and liabilities of the Retirement System upon transfer of the GERS Assets to the Retirement System.

The assets and obligations so transferred to and assumed by the Retirement System shall be charged to or credited to the various accounts of the Retirement System according to the purposes for which they existed under the GERS.

Benefits provided under this Retirement System are meant to replace the benefits which would have otherwise been available to the Members and Beneficiaries had the GERS not terminated (and had its assets not been transferred to and liabilities assumed by the Retirement System). In no event shall a Member or Beneficiary receive duplicative benefits under both the GERS and the Retirement System.

- (b) Secondary Transfer of Residual Assets. Within 15 days of Court approval of the Second Amended CPREA Settlement, the Residual GERS Assets shall be transferred to or be assumed by, and become assets of the Retirement System.
- c. Section 92-217 of the Retirement System is amended to add a new subsection (i) to read as follows:
 - (i) Enhanced Benefit.
 - (1) Prospective Enhanced Benefit. Effective as of the first day of the month following the month of Court approval of the Second Amended CPREA Settlement, the Retirement System shall pay a monthly Enhanced Benefit during each calendar year in which the Retirement System meets the Funding Threshold.
 - (2) Retroactive Enhanced Benefit. Within 30 days of the secondary transfer of Residual GERS Assets described in Section 92-203 (except as otherwise provided in the Second Amended CPREA Settlement), the Retirement System shall pay a Retroactive Enhancement to each eligible Retirant, provided the Retirant is alive on the date of payment. If the Retirant dies prior to payment of the Retroactive Enhancement, the Retroactive Enhancement shall be paid to the Retirant's surviving designated beneficiary, if any. If the Retirant dies prior to payment of the Retroactive Enhancement and there is no such surviving designated beneficiary, the Retroactive Enhancement shall be paid to the Retirant's legal representative. If the Retroactive Enhancement payment is not accepted (i.e., cashed or deposited) by the payee within one year of the date of transmission of the payment to the payee, it shall become null and void and shall revert to the Retirement System.

(3) Definitions Relating to Enhanced Benefit.

(i) *Base Enhanced Benefit* means a monthly stipend calculated as follows:

(I) In the case of a Retirant who has elected/elects his/her Retirement Allowance in a form of benefit that *does not* provide for a survivor annuity benefit (*i.e.*, either the “regular” Retirement Allowance or Option 1 as described in Section 92-221), the Base Enhanced Benefit means a monthly stipend of \$400; or

(II) In the case of a Retirant who has elected/elects his/her Retirement Allowance in a form of benefit that *does* provide for a survivor annuity benefit (*i.e.*, Options 2, 3, 4, or 5 as described in Section 92-221), the Base Enhanced Benefit means a monthly stipend for the Retirant’s lifetime which is equal to the Base Enhanced Benefit under clause (I) above, actuarially reduced in the same manner as the Retirant’s Retirement Allowance based upon the selected form of benefit, applying the actuarial factor determined as of the Retirant’s annuity starting state. Following such a Retirant’s death, the Retirant’s beneficiary shall receive a monthly stipend equal to the monthly stipend payable during the Retirant’s lifetime (calculated per the previous sentence) multiplied by the survivorship percentage applicable to the selected form of benefit (*i.e.*, 100% or 50%). In the event that a Retirant elected/elects Option 4 or 5 and the Retirant’s beneficiary predeceases the Retirant, the Retirant shall thereafter receive the full monthly stipend described in clause (I) above for the remainder of the Retirant’s lifetime.

In the case of a Retirant for whom the Retirement System is unable, after engaging in the process set forth in the Second Amended CPREA Settlement, to determine which survivor annuity benefit a Retirant selected, and/or the actuarially-appropriate reduction(s) for the survivor annuity benefit said Retirant selected, (A) the actuarial reduction factor applicable to the Base Enhanced Benefit payable for the Retirant’s lifetime shall be deemed to be .90000 (90%), and (B) the survivorship percentage applicable to the Retirant’s beneficiary shall be deemed to be 75%

Notwithstanding the foregoing, all payments made to survivor annuity beneficiaries shall be adjusted as (and only if) necessary to comply with the minimum distribution incidental benefit (MDIB) requirements of IRC section 401(a)(9)(G) and Treasury Regulation section 1.401(a)(9)-6(b).

(ii) *Enhanced Benefit* means a monthly stipend for eligible Retirants, and where applicable for their beneficiaries. A Retirant is eligible to receive the Enhanced Benefit during a given calendar year if the Retirant is receiving a Retirement Allowance from the Retirement System as of January 1 of the calendar year in which the monthly Enhanced Benefit is payable. The amount of the Enhanced Benefit shall be equal to the highest 25% increment (*i.e.*, 100%, 75%, 50%, 25%, or 0%) of the Base Enhanced Benefit that can be paid for a calendar year where the Retirement System meets the Funding Threshold.

(iii) *Enhanced Benefit Annual Valuation* means an annual valuation prepared for the Retirement System by its actuary for a calendar year ending on December 31 using the same actuarial assumptions that were utilized in the March 31, 2021 final valuation for GERS, except that the presumed rate of return to be utilized by the Retirement System actuary shall be 6.0%. The purpose of the Enhanced Benefit Annual Valuation is to determine whether an Enhanced Benefit is payable during a calendar year and in what amount. For purposes of calculating the Enhanced Benefit Annual Valuation for years prior to the secondary transfer of Residual GERS Assets described in Section 92-203(b), the Retirement System's assets shall be deemed to include the Residual GERS Assets (based on current market value as of the time when the Enhanced Benefit Annual Valuation is performed). Such valuation is not to be tied to or related to any other valuation (or actuarial assumptions used therein) prepared by the Retirement System's actuary for any other purpose (including but not limited to Public Act 314 of 1965).

(iv) *Funding Threshold* means, for a given calendar year, the threshold at which the Retirement System will remain at least 130% funded under the most recent Enhanced Benefit Annual Valuation if the Enhanced Benefit is paid monthly. (It is anticipated that the most recent Enhanced Benefit Annual Valuation for a particular year will be based upon the calendar year two years prior to the calendar year for which the Enhanced Benefit is being evaluated.) For purposes of clarity, the Enhanced Benefit Annual Valuation shall be analyzed to determine the highest 25% increment (*i.e.*, 100%, 75%, 50%, 25%, or 0%) of the Base Enhanced Benefit at which the Enhanced Benefit can be paid where the Retirement System meets the Funding Threshold.

(v) *Retroactive Enhancement* means a lump sum intended to retroactively fulfill the Enhanced Benefit payments described in paragraph (1) above for the period beginning February 1, 2022 (or, if later, the date on which the Enhanced Benefit would have commenced to the

Retirant/Retirant's beneficiary). The Retroactive Enhancement shall be equal to the aggregate amount of the Enhanced Benefit that would have been paid to the Retirant (and, if applicable, the Retirant's beneficiary) beginning on the later of (I) February 1, 2022 or (II) the date on which the Enhanced Benefit would have commenced under paragraph (1) above, and ending on the first of the month which contains the earliest of (I) Court approval of the Second Amended CPREA Settlement, (II) the Retirant's death, or (III) if, and only if, the Retirant elected an optional form of benefit with a survivor annuity benefit (*i.e.*, Options 2, 3, 4, or 5 as described in Section 92-221), the beneficiary's death. The Retroactive Enhancement is not subject to any earnings, interest, or net present value adjustment.

Section 2. Severability.

If any section, or provision of this Ordinance shall be declared to be unconstitutional, void, illegal, or ineffective by any Court of competent jurisdiction, such section, clause or provision declared to be unconstitutional, void or illegal shall thereby cease to be a part of this Ordinance, but the remainder of the Ordinance shall stand and be in full force and effect.

Section 3. Repealer.

All Ordinances or parts of Ordinances in conflict herewith are hereby repealed only to the extent necessary to give this Ordinance full force and effect.

Section 4. Publication.

The Clerk shall publish this Ordinance in a newspaper of general circulation.

Section 5. Effective Date.

This Ordinance shall be effective immediately upon adoption by the City Council, except to the extent that the Second Amended CPREA Settlement Agreement requires otherwise.

I hereby certify that the foregoing is a true copy of the Ordinance as passed by the City Council of the City of Pontiac at a regular Council Meeting held in the City Council Chambers in said City on the _____ day of _____, 2026.

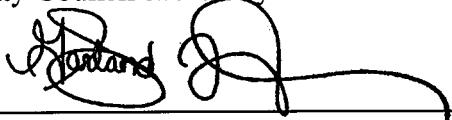
Garland S. Doyle, City Clerk

I hereby certify this ordinance was brought for a first reading at a meeting of the City Council of the City of Pontiac on the 16th day of December 2025.



Garland Doyle, City Clerk

I further hereby certify this ordinance was adopted at a second reading of the ordinance by the City Council of the City of Pontiac on the 13th day of January 2026.



Garland Doyle, City Clerk

***The effective date immediately upon Adoption by City Council ***