

City of Pontiac RGERS Reestablished General Employees' Retirement System

Annual Actuarial Valuation Report
December 31, 2023



Table of Contents

Section	Page	Item
<i>Introduction</i>		
A	1-3	Executive Summary
	4	Risk Measures
B	1	Computed Contributions
	2-3	Determination of Unfunded Actuarial Accrued Liability
	4	Development of Experience Gain/(Loss)
C	1-2	Summary of Benefit Provisions
	3	Reported Financial Information
	4	Development of Valuation Assets
	5	Retired Life Data
	6	Inactive Member Data
D	7	Active Member Data
	1	Valuation Methods
	2-5	Actuarial Assumptions Used for the Valuation
	6	Miscellaneous and Technical Assumptions
E	7-8	Glossary
	1	Schedule of Funding Progress
	2	Schedule of Employer Contributions
	3	Low-Default-Risk Obligation Measure





October 23, 2024

Retirement Board
City of Pontiac Reestablished General Employees' Retirement System
Pontiac, Michigan

Dear Board Members:

Submitted in this report are the results of the December 31, 2023 actuarial valuation of the liabilities, funded position and contribution requirements associated with benefits provided by the City of Pontiac Reestablished General Employees' Retirement System (RGERS). The purpose of the valuation was to measure the System's funding progress and determine the employer contribution for the 2025-2026 fiscal year. This report should not be relied upon for any other purpose. This report may be provided to parties other than the Retirement Board only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The valuation was based upon the actuarial assumptions and methods adopted by the Retirement Board, and information furnished by the Retirement System including System benefits, financial transactions, individual members, terminated members, retirees and beneficiaries. Data was checked for internal and year to year consistency, but was not audited by us. As a result, we are unable to assume responsibility for the accuracy or completeness of the data provided.

One of the Board's goals is to reduce the System's investment risk. Based upon the System's asset allocation as of December 31, 2023, no change was made to the current investment return assumption (6.0% net of investment expenses). However, this report also includes a valuation of the System using a 4.5% investment return assumption to illustrate the impact on System liabilities and funding percent of increasing the allocation of System assets to lower risk investments.

Future actuarial measurements may differ significantly from those presented in this report due to such factors as experience differing from that anticipated by actuarial assumptions, changes in plan provisions, actuarial assumptions/methods or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. This valuation assumes the continuing ability of the plan sponsor to make any contributions necessary to fund this plan. A determination of the plan sponsor's ability to make any necessary contributions in the future is beyond the scope of our expertise and was not performed by GRS.

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 using assumptions adopted by the Board. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. The combined effect of the assumptions is expected to have no significant bias (i.e., not significantly optimistic or pessimistic).

This report was prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, this report is complete and accurate and the valuation was conducted in accordance with standards of practice prescribed by the Actuarial Standards Board in compliance with the applicable State statutes. Louise Gates and James Anderson are independent of the plan sponsor and are Members of the American Academy of Actuaries (MAAA) who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. It is our opinion that the actuarial assumptions used for the valuation produce results which are reasonable.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Louise M. Gates, ASA, FCA, MAAA



James D. Anderson, FSA, EA, FCA, MAAA



SECTION A

EXECUTIVE SUMMARY

Executive Summary

1. Computed Employer Contributions – Fiscal Year Beginning July 1, 2025

The computed City contributions are as follows:

**Computed Employer
Contributions**

\$0

2. Reasons for Change

There are three general reasons why contributions change from one valuation to the next. The first is a change in the benefits or eligibility conditions of the plan. The second is a change in the valuation assumptions used to predict future occurrences. The third is the difference during the year between the plan's actual experience and what the assumptions predicted. This report reflects a change in benefit formulas for MAPE members. There were no changes in valuation assumptions.

3. System Experience

For the year ended December 31, 2023, System experience was overall unfavorable. The net investment return during 2023 was higher than long term expectations. However, the market value smoothing techniques used in this valuation of the System recognize both past and present investment experience. As a result, the recognized rate of return on System assets during calendar year 2023 was 3.58%. This unfavorable experience was offset in part by more retiree deaths during calendar year 2023 than anticipated by actuarial assumptions. Additional information related to System assets is shown on pages C-3 and C-4 of this report.

4. Reserve Transfers

In accordance with Ordinance Section 92-39(6) we have calculated the actuarial liability for retired members. The market value of assets held in the Retiree Reserve on the valuation date was not available at the time this report was issued. As a result, we are unable to determine if a transfer to the Retiree Reserve is required. Once the value of the Retiree Reserve is available, the System should complete the table below and implement any necessary transfers.

Retiree Liability	\$ 231,634,885
Retiree Reserve	
Difference	



5. System Funded Percent

The System's funding percent based on the actuarial value of assets held in the RGERS trust as of December 31, 2023 is shown on pages B-2 and B-3. As of December 31, 2022, the funding percent was 171.6% measured on the same basis. If the market value of assets were used for this measurement (and a 6% discount rate) as of December 31, 2023 the result would be a funding percent of 163.1%.

Unless otherwise indicated, a funding status measurement presented in this report is based upon the System's actuarial accrued liability and the actuarial value of System assets. It is important to note that the funding status measurement presented in this report is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations and the need for or the amount of future employer contributions.

6. Other

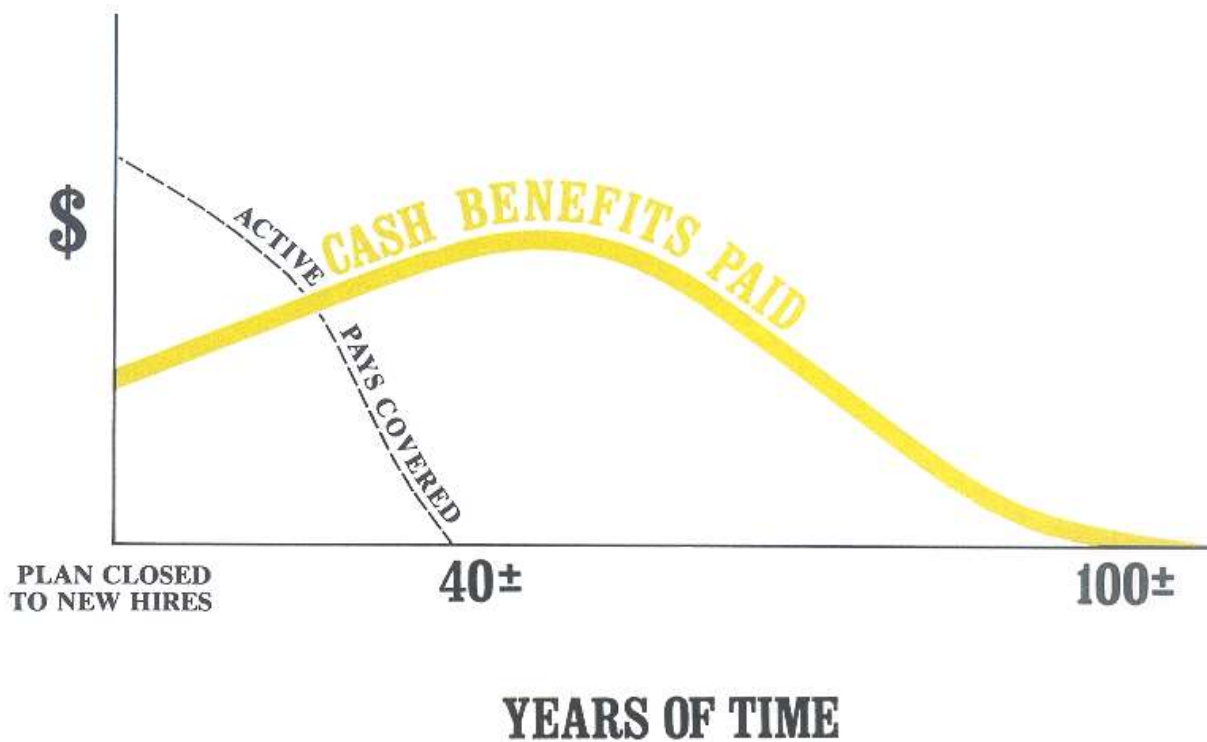
On April 23, 2023, a tentative agreement was reached between the City of Pontiac and the City of Pontiac Retired Employees Association (CPREA) related to the disposition of assets held within the GERS trust. For the purpose of determining City contribution requirements and the RGERS funding percent, this valuation reflects only the value of assets held in the RGERS trust and the benefit provisions in effect on the valuation date. Once the agreement is finalized, the RGERS valuation will reflect any assets that are transferred from the GERS trust to the RGERS trust and the value of the "enhanced benefits" payable to eligible retirees.

One of the Board's goals is to reduce the System's investment risk. Based upon the System's asset allocation as of December 31, 2023, no change was made to the current investment return assumption (6.0% net of investment expenses). However, this report also includes a valuation of the System liabilities using a 4.5% investment return assumption to illustrate the impact of a lower risk investment portfolio on System liabilities and funding percent. If the RGERS liabilities were measured using a 4.5% discount rate and the market value of assets held in the RGERS trust, the System's funding percent would be 142.2% as of the valuation date.

In December 2021, a revision to Actuarial Standard of Practice No. 4 was made that requires all pension plans (including governmental pension plans) to calculate and disclose the plan's liability using a "low default risk obligation measure." This disclosure is included in Section E of this report and will not affect City contributions or the System's funding status.



A CLOSED PENSION PLAN



A plan becomes closed when no new hires are admitted to active membership. The persons covered by the plan at the time of closing continue their normal activities and continue to be covered by the plan, until the last survivor dies.

CASH BENEFITS LINE. After a pension plan becomes closed, the usual pattern is for cash benefits to continue to increase for decades of time. Eventually the cash benefits will peak, and then gradually decrease over more decades of time, ultimately to zero. The last cash benefit is likely to occur a century after the time the plan is closed.

The precise amounts of cash benefits cannot be known now, and must be estimated by assumptions of future experiences in a variety of financial risk areas.

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the actuarial 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 actuarial 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 System'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 actuarial 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 actuarial 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 actuarial 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.



SECTION B

VALUATION RESULTS

Computed Employer Contribution for the Fiscal Year Beginning July 1, 2025

Contributions for	Expressed as Dollar Amounts
A. Normal Cost of Benefits	
Age & Service	\$ 123,909
Disability	14,500
Death-in-service	1,615
Total Normal Cost	140,024
 B. Member Contributions	 0
 C. Administrative Expense	 947,180
 D. Employer Normal Cost	 1,087,204
 E. UAL Credit*	 (12,808,216)
 F. Total Employer Contribution (D+E)	 0

* *Unfunded Accrued Liabilities (UAL) were amortized over a period of 30 years using level dollar financing.*

The employer contribution for the City's 2025-2026 budget year shown above, was based upon a 6.0% discount rate. If the employer contribution was developed using a 4.5% discount rate, the employer contribution for the 2025-2026 budget year would still be \$0.



Determination of Unfunded Actuarial Accrued Liability Using an Investment Return Assumption of 6.00% as of December 31, 2023

A. Accrued Liability		
1. For retirees and beneficiaries	\$	231,634,885
2. For vested and other terminated members		6,738,805
3. For present active members		
a. Value of expected future benefit payments		5,328,815
b. Value of future normal costs		811,275
c. Active member accrued liability: (a) - (b)		4,517,540
4. Total accrued liability		242,891,230
B. Valuation Assets		424,431,880
C. Unfunded Accrued Liability: (A.4) - (B)		(181,540,650)
D. Funding Ratio: (B) / (A.4)		174.7%

The valuation assets shown above were based upon the RGERS financial statements as of December 31, 2023 and are shown in detail on pages C-3 and C-4 of this report. The market value of assets held in the GERS trust as of December 31, 2023 was reported to be \$56,779,870. Based upon the information provided to GRS, as of the issue date of this report, the disposition of the GERS assets is not yet known. As a result, we have calculated the System's funding ratio (shown above) using the assets in the RGERS trust.

Determination of Unfunded Actuarial Accrued Liability Using an Investment Return Assumption of 4.50% as of December 31, 2023

A. Accrued Liability		
1. For retirees and beneficiaries	\$	265,164,642
2. For vested and other terminated members		8,729,473
3. For present active members		
a. Value of expected future benefit payments		6,936,565
b. Value of future normal costs		1,336,258
c. Active member accrued liability: (a) - (b)		5,600,307
4. Total accrued liability		279,494,422
B. Valuation Assets		424,431,880
C. Unfunded Accrued Liability: (A.4) - (B)		(144,937,458)
D. Funding Ratio: (B) / (A.4)		151.9%

The valuation assets shown above were based upon the RGERS financial statements as of December 31, 2023 and are shown in detail on pages C-3 and C-4 of this report. The market value of assets held in the GERS trust as of December 31, 2023 was reported to be \$56,779,870. Based upon the information provided to GRS, as of the issue date of this report, the disposition of the GERS assets is not yet known. As a result, we have calculated the System's funding ratio (shown above) using the assets in the RGERS trust.



Development of Experience Gain/(Loss) Period Ended December 31, 2023

Actual experience will never (except by coincidence) exactly match assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below.

(1) UAAL at start of period	\$ (180,091,877)
(2) Normal cost for period	1,131,582
(3) Actual contributions ⁽¹⁾	66,634
(4) Interest accrual on (1), (2) and (3)	(10,773,564)
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	(189,800,493)
(6) Change from plan provisions	392,210
(7) Assumption changes	0
(8) Expected UAAL after changes: (5) + (6) + (7)	(189,408,283)
(9) Actual UAAL at end of period	(181,540,650)
(10) Gain/(loss): (8) - (9)	(7,867,633)
(11) Appoximate Portion of Gain/(Loss) due to Investments	(10,160,763)
(12) Appoximate Portion of Gain/(Loss) due to Liabilities (10) - (11)	2,293,130

⁽¹⁾ Reported asset transfers from GERS to RGERS.



SECTION C

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

Summary of Benefit Provisions as of December 31, 2023

Regular Retirement

Employee Group	Eligibility [^]		Benefit Multiplier [^]	Post Retirement Adjustments ⁺
	Age	Years of Service		
Teamsters #214	50 55 60	with 30 or with 25 or with 10	2.50%	2.00% of original retirement income for 18 years
MAPE -hired after 6/30/16	60 Any	with 10 or with 30	2.00%	2.50% of original retirement income for 14 years
-hired before 7/1/16	50 55	with 25 or with 10	2.50%	
PPFDA	50 60	with 25 or with 10	2.25%	2.00% of original retirement income for 18 years
SAEA	50 60	with 25 or with 10	3.00%/2.50%/1.00%	2.00% of original retirement income for 18 years
AFSCME #2002/PPMA	50 60	with 25 or with 10	2.50%	2.00% of original retirement income for 18 years
Non-Union	50 55 60	with 25 or with 20 or with 10	2.50%	2.00% of original retirement income for 18 years
PMEA			2.00%	2.00% of original retirement income for 14 years
Hospital	55 60	with 25 or with 10	2.00%	Not eligible

⁺ *Varies by retirement date.*

[^] *Varies by retirement date and/or hire or other effective date. For SAEA the 3.0% multiplier applies to the first 20 years of service, 2.5% for the next 5 years and 1% thereafter.*



Summary of Benefit Provisions as of December 31, 2023

Eligibility	Amount
DEFERRED RETIREMENT	
10 or more years of service, benefit begins at age 60 (age 55 for MAPE if hired before 7/1/16); or with 25 or more years of service, benefit begins at age 55 (age 50 for MAPE if hired before 7/1/16).	Computed as a regular retirement but based upon service and final average earnings at termination date.
DUTY DEATH-IN-SERVICE	
No age or service requirements.	Payable upon expiration of workers compensation to the survivors of a member who died in the line of duty. Same amount that was paid by worker's compensation to widow, dependent widower, children under 18 and dependent parents.
NON-DUTY DEATH-IN-SERVICE	
10 years of service.	Computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election provided the member has an Option II election form on file with the Retirement Office.
DUTY DISABILITY	
No age or service requirements.	Computed as a regular retirement benefit. Upon termination of worker's compensation additional service credit is granted for period in receipt of worker's compensation and benefit is recomputed. Minimum benefit prior to voluntary retirement age is the greater of a) 15% of final average earnings, or b) an amount equal to worker's compensation benefit.
NON-DUTY DISABILITY	
10 or more years of service.	Same as a regular retirement, with a minimum benefit of 15% of final average earnings.
MEMBER CONTRIBUTIONS	
None	

The Retirement System is closed to all new City employees except for new employees of the MAPE employment group.



Reported Financial Information at Market Value Year Ended December 31, 2023

Revenue and Disbursements

	<u>RGERS</u>	<u>GERS</u>
Market Value of Assets Beginning of Year:	\$382,228,293	\$51,056,059
Audit Adjustment	8,540	
Revenues:		
a. Member contributions		
b. Employer contributions		
c. Net investment income	36,077,268	5,796,927
d. Transfer in	66,634	
e. Total	36,143,902	5,796,927
Disbursements:		
a. Pension benefits	21,314,055	0
b. Administrative expenses	947,180	6,560
c. Transfer out	0	66,556
d. Other	0	0
e. Total	22,261,235	73,116
Market Value of Assets End of Year:	\$396,119,500	\$56,779,870

Assets as of December 31, 2023

	<u>RGERS</u>		<u>GERS</u>
a. Cash and Short Term ⁽¹⁾	\$ 9,650,643	a. Cash and Short Term ⁽¹⁾	\$ 6,153,917
b. Interest and Dividends	843,551	b. Interest and Dividends	236,969
c. Fixed Income	86,880,046	c. Fixed Income	17,182,508
d. Equities	249,710,375	d. Equities	33,206,476
e. Real Estate	49,034,885	e. Real Estate	-
Total	\$ 396,119,500	Total	\$ 56,779,870

⁽¹⁾ Includes receivables and pre-paid amounts and accounts payable.



Development of Valuation Assets

	RGERS	GERS
A. Funding Value Beginning of Year	\$431,550,971	
B. Market Value End of Year	396,119,500	\$56,779,870
C. Market Value Beginning of Year	382,228,293	51,056,059
D. Audit Adjustment	8,540	
E. Non-Investment Net Cash Flow	(22,194,601)	(73,116)
F. Investment Income		
F1. Market Total: B – C – D – E	36,077,268	5,796,927
F2. Assumed Rate (I)	6.00%	
F3. Amount for Immediate Recognition I * (A + D + E / 2)	25,227,733	
F4. Amount for Phased-In Recognition: F1-F3	10,849,535	
G. Phased-In Recognition of Investment Income		
G1. Current Year: F4 / 5	2,169,907	
G2. First Prior Year	(12,330,670)	
G3. Second Prior Year	0	
G4. Third Prior Year	0	
G5. Fourth Prior Year	0	
G6. Total Recognized Investment Gain	(10,160,763)	
H. Funding Value End of Year: A + D + E + F3 + G6	\$424,431,880	\$56,779,870
I. Corridor		
Upper limit: 120% x B	475,343,400	N/A
Lower limit: 80% x B	316,895,600	N/A
J. Final Asset Value:	\$424,431,880	\$56,779,870
Recognized Rate of Return - Funding Value Basis	3.58%	N/A
Recognized Rate of Return - Market Value Basis	9.72%	

Note: Items G-J apply to the smoothed RGERS assets only. The GERS assets are based on market value.



Retirees and Beneficiaries as of December 31, 2023 Tabulated by Retirement Type

Age	Age and Service		Death-in-Service Survivor		Disability		Totals	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
20 - 24			1	\$ 24,703			1	\$ 24,703
25 - 29	1	\$ 2,579					1	2,579
30 - 34	2	8,681			1	\$ 10,937	3	19,618
35 - 39								
40 - 44	5	27,520	1	48,484	2	18,552	8	94,556
45 - 49	10	116,037	1	12,115	1	13,130	12	141,282
50 - 54	22	414,394			1	6,581	23	420,975
55 - 59	26	662,147	1	15,093	1	27,929	28	705,169
60 - 64	113	1,910,991	1	17,176	3	36,497	117	1,964,664
65 - 69	138	3,611,554			9	171,667	147	3,783,221
70 - 74	215	5,472,128	2	69,367	15	320,012	232	5,861,507
75 - 79	164	3,865,909	5	140,228	4	101,038	173	4,107,175
80 - 84	112	1,749,826	3	66,838	6	60,598	121	1,877,262
85 - 89	66	1,192,019	1	8,916	4	52,638	71	1,253,573
90+	47	769,603	3	24,649	4	27,547	54	821,799
Totals	921	\$19,803,388	19	\$427,569	51	\$847,126	991	\$21,078,083

Valuation Division	Number	Total Pension Benefits
General	645	\$ 18,101,490
Hospital	346	2,976,593



Inactive Members as of December 31, 2023 Tabulated by Attained Age

Inactive members included in the valuation and their estimated annual pension benefits are summarized in the table below. An inactive member is a person who has left covered employment after becoming eligible for a retirement benefit, but has not yet applied for a retirement allowance.

Valuation Division	Number of Members	Estimated Benefits
General	78	\$640,543
Hospital	9	9,387
Total	87	\$649,930

Active Members as of December 31, 2023 by Age and Years of Service

Age	Years of Service on Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
30-34	2							2	\$ 83,075
35-39	1	1						2	89,024
40-44					1			1	48,069
45-49						1		1	63,066
50-54			1	1	2			4	255,465
55-59		1						1	63,066
61							1	1	53,102
62					1			1	49,691
66			1					1	80,350
Totals	3	2	2	1	4	1	1	14	\$ 784,908

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Service: 14.4 years
Annual Pay: \$ 56,065

The chart above includes 5 non-union employees and 9 MAPE employee members of the System.



SECTION D

ACTUARIAL METHODS, ACTUARIAL ASSUMPTIONS AND GLOSSARY

Valuation Methods

The Individual Entry-Age Actuarial Cost Method is a method for determining the normal cost and the allocation of benefit values between service rendered before and after the valuation date. It has the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains/(losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Financing Unfunded Actuarial Accrued Liabilities - As of the valuation date, System assets exceed System Actuarial Accrued Liabilities resulting in a funding surplus. This surplus was amortized over an open 30-year period using a level dollar amortization method.

Valuation Assets - The funding value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be lower than market value. During periods when investment performance is less than the assumed rate, funding value of assets will tend to be greater than market value. The funding value of assets is unbiased with respect to market value. At any time, it may be either greater or less than market value. The funding value of assets is not permitted to deviate from the market value of assets by more than 20%.

Actuarial Assumptions Used in the Valuation

Investment Return: 6.00% per year net of investment expenses. The assumed real rate of investment return is in excess of either wage or price inflation. Considering a wage inflation assumption of 2.5% and a price inflation assumption of 2.0%, the 6.00% nominal return translates into a real rate of investment return of 3.50% over wage inflation and 4.00% over price inflation. This assumption was first used for the December 31, 2020 valuation.

Pay Projections: These assumptions are used to project current pays to those upon which benefits will be based. The base economic assumption was first used for the December 31, 2016 valuation.

Sample Ages	Annual Rate of Pay Increase for Sample Ages		
	Base (Economic)	Merit & Longevity	Total
20	2.50%	4.90%	7.40%
25	2.50	3.70	6.20
30	2.50	2.90	5.40
35	2.50	2.10	4.60
40	2.50	1.60	4.10
45	2.50	1.40	3.90
50	2.50	1.30	3.80
55	2.50	1.10	3.60
60	2.50	1.10	3.60

Mortality: The mortality tables shown below were first used in the December 31, 2020 valuation.

- **Pre-Retirement:** The Pub-2010 Amount-Weighted, General, Employee, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.
- **Healthy Post-Retirement:** The Pub-2010 Amount-Weighted, General, Healthy Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019 with male and female rates scaled by 95%.
- **Disability Retirement:** The Pub-2010 Amount-Weighted, General, Disabled Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

Sample Ages	Future Life Expectancy Years*					
	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Men	Women	Men	Women	Men	Women
50	37.91	40.03	34.50	37.33	24.87	27.40
55	33.18	35.19	29.97	32.71	21.78	24.32
60	28.54	30.42	25.58	28.16	18.95	21.43
65	24.01	25.73	21.34	23.71	16.29	18.46
70	19.56	21.10	17.28	19.40	13.65	15.34
75	15.19	16.57	13.48	15.31	11.03	12.24
80	10.89	12.15	10.07	11.58	8.55	9.43

* The life expectancies are based on ages in calendar year 2023 and life expectancies in future years are determined by the generational MP-2019 projection scale.

Rates of Disability: These rates represent the probabilities of active members becoming disabled.

Sample Ages	Percent Becoming Disabled within Next Year
	All Members
20	0.42%
25	0.42
30	0.45
35	0.51
40	0.67
45	0.92
50	1.36
55	2.20

All disabilities were assumed to be non-duty disabilities.



Rates of Separation from Active Membership: The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in City employment.

Sample Ages	Completed Years of Service	<u>% of Active Members Separating within Next Year</u> All Members
ALL	0	20.00%
	1	18.00%
	2	15.00%
	3	12.00%
	4	10.00%
25	5 & Over	7.00%
30		6.00%
35		4.75%
40		3.50%
45		2.40%
50		1.50%
55		1.00%
60		1.00%
65		1.00%

Rates of Retirement: These rates are used to measure the probabilities of an eligible member retiring during the next year.

Percent of Active Members Retiring within One Year	
All Members	
Ages	%
50	35%
51	30
52	25
53	25
54	25
55	25
56	25
57	50
58	50
59	50
60	20
61	25
62	30
63	30
64	25
65	50
66	100

Eligibility for retirement benefits is shown in Section C of this report.



Miscellaneous and Technical Assumptions

<i>Administrative Expense</i>	The normal cost contribution includes a contribution for administrative expenses and was first used in the December 31, 2020 valuation of the System.
<i>Benefit Service</i>	Exact fractional service is used to determine the amount of benefit payable.
<i>Death While Active Member</i>	It was assumed that death during active employment was non-duty related.
<i>Decrement Operation</i>	Disability and withdrawal decrements do not operate during retirement eligibility.
<i>Decrement Timing</i>	Decrement of all types are assumed to occur mid-year.
<i>Eligibility Testing</i>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<i>Incidence of Contributions</i>	Contributions (if any) are assumed to be received continuously throughout the year.
<i>Liability Adjustments</i>	<p>Liabilities were loaded by 0.5% to account for contingencies including potential benefits payable to future retirees eligible under Public Act 88 of 1961 (the Reciprocal Act) and terminated individuals who became vested based upon plan termination provisions.</p> <p>In addition, for active members, normal retirement liabilities were loaded by 3% and terminated vested liabilities were loaded by 1% to account for the member's right to use lump sum payments for unused sick leave at retirement. These liability loads were first used in the December 31, 2020 valuation of the System.</p>
<i>Normal Form of Payment</i>	The normal form of benefit is a straight life annuity.
<i>Pay Increase Timing</i>	Beginning of the year.
<i>Service Credit Accruals</i>	It is assumed that members accrue one year of service credit per year in the future.

Glossary

Actuarial Accrued Liability - The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.” Under the actuarial cost method used the “AAL” differs somewhat from the value of future payments based on benefits earned as of the valuation date.

Accrued Service - The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Assumptions - Estimates of future plan experience with respect to rates of mortality, disability, retirement, investment income and salary increases. Decrement assumptions (rates of mortality, separation and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate appropriate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method - A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the normal costs to be paid in the future and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

Actuarial Equivalent - Benefits whose actuarial present values are equal.

Actuarial Present Value - The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization - Paying off an interest-bearing liability by means of periodic contributions of interest and principal, as opposed to a lump sum payment.

Experience Gain (Loss) - A measure of the difference between actual experience and experience anticipated by a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost - The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” An amortization payment toward the unfunded actuarial accrued liability is in addition to the normal cost.



Glossary

Reserve Account - An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability - The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

Valuation Assets - The value of current plan assets recognized for valuation purposes.

SECTION E

OTHER FINANCIAL DISCLOSURES

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Accrued Liability (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Percent (a) / (b)	Valuation Payroll (c)	UAAL as a % of Valuation Payroll [(b) – (a)] / (c)
12/31/2002@	\$393,214,033	\$235,422,367	\$ (157,791,666)	167.0 %	\$20,039,136	--
12/31/2003	394,367,065	247,396,857	(146,970,208)	159.4	20,807,612	--
12/31/2004	394,807,254	258,365,787	(136,441,467)	152.8	21,320,477	--
12/31/2005	391,409,757	260,103,260	(131,306,497)	150.5	16,751,815	--
12/31/2006	409,983,490	266,457,429	(143,526,061)	153.9	14,996,753	--
12/31/2007	433,028,186	257,940,349	(175,087,837)	167.9	N/A	--
12/31/2008	416,678,512	261,497,756	(155,180,756)	159.3	N/A	--
12/31/2009	405,193,572	255,720,207	(149,473,365)	158.5	N/A	--
12/31/2010	399,573,669	253,866,554	(145,707,115)	157.4	N/A	--
12/31/2011	383,349,729	249,739,988	(133,609,741)	153.5	N/A	--
12/31/2012	369,621,671	247,968,743	(121,652,928)	149.1	N/A	--
12/31/2013	396,857,874	279,931,726	(116,926,148)	141.8	N/A	--
12/31/2014	413,418,482	270,139,151	(143,279,331)	153.0	N/A	--
12/31/2015#	417,151,476	252,615,769	(164,535,707)	165.1	1,528,731	--
12/31/2016#@	466,143,339	264,736,702	(201,406,637)	176.1	1,540,472	--
12/31/2017@	478,026,270	267,204,399	(210,821,871)	178.9	1,450,352	--
12/31/2018	478,099,013	262,283,618	(215,815,395)	182.3	1,427,628	--
12/31/2019	489,107,377	256,329,118	(232,778,259)	190.8	1,391,765	--
12/31/2020#	507,799,642	287,191,975	(220,607,667)	176.8	1,349,022	--
12/31/2021#	525,498,150	270,948,948	(254,549,202)	193.9	1,294,948	--
12/31/2022	482,607,029	251,459,094	(231,147,935)	191.9	1,013,588	--
12/31/2023@	424,431,880	242,891,230	(181,540,650)	174.7	784,908	--

Results for the 2007-2015 valuations were prepared by previous actuarial firms and are shown here for comparison.

Assumption/method change.

@ Plan provision changes.



Schedule of Employer Contributions

Valuation Date December 31,	Fiscal Year Beginning July 1,	Actuarially Computed Employer Contribution ¹
2002 ²		\$49,456
2003	2005	49,163
2004	2006	0
2005	2007	0
2006	2008	0
2007	2009	0
2008	2010	0
2009 ²	2011	0
2010	2012	0
2011	2013	0
2012	2014	0
2013	2015	0
2014	2016	0
2015 ³	2017	0
2016 ³	2018	0
2017 ²	2019	0
2018	2020	0
2019	2021	0
2020 ³	2022	0
2021 ³	2023	0
2022	2024	0
2023 ²	2025	0

¹ For years prior to 2016, information was provided by the Retirement System. Contribution amounts for valuation years 2007-2015 were prepared by prior actuaries.

² Plan provision change

³ Assumption/method change

Low-Default-Risk Obligation Measure

Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDRM). The rationale that the ASB cited for the calculation and disclosure of the LDRM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

The ASB believes that the calculation and disclosure of this measure provides **appropriate, useful information for the intended user regarding the funded status of a pension plan**. The calculation and disclosure of this additional measure is **not intended to suggest that this is the “right” liability measure** for a pension plan. However, the ASB does believe that **this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date**.

Comparing the Accrued Liabilities and the LDRM

One of the fundamental financial objectives of the City of Pontiac Reestablished General Employees’ Retirement System is to finance each member’s retirement benefit over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of the System is set equal to the expected return on the System’s diversified portfolio of assets (referred to sometimes as the investment return assumption). Effective with the December 31, 2023 valuation of the System, the investment return assumption is 6.00%.

The LDRM is meant to approximately represent the lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDRM is very dependent upon market interest rates at the time of the LDRM measurement. The lower the market interest rates, the higher the LDRM, and vice versa. The LDRM results presented in this report are based on the entry age actuarial cost method and discount rates based upon the December 2023 Treasury Yield Curve Spot Rates (end of month). The 1-, 5-, 10- and 30-year rates follow: 4.96%, 4.06%, 3.94% and 4.15%. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligation.

The difference between the two measures (Valuation and LDRM) is one illustration of the savings the sponsor anticipates by taking on risk in a diversified portfolio.

Accrued Liabilities as of December 31, 2023 Using Alternate Discount Rates

Valuation Rate (6.00%)	LDRM (Spot Rates)
\$242,891,230	\$288,399,951

