

The summary below reflects 2022 actual and the 2023 budgeted itemized expenditures for GERS and REGERS on a combined basis.

	<u>2022 Actual</u>	<u>2023 Budget</u>
Wages	\$ 230,844	\$ 288,172
Fringe Benefits	\$ 49,062	\$ 77,757
Pension Payments	\$ 21,343,276	\$ 22,000,000
\$400 Supplemental Payment	\$ 414,000	\$ 0
Bank Fees	\$ 197,947	\$ 156,091
Investment Mgmt.	\$ 2,327,315	\$ 2,248,000
Professional Train/Edu	\$ 47,064	\$ 90,000
Insurance	\$ 46,852	\$ 51,292
Other Professional Ser	\$ 199,456	\$ 201,000
Rent	\$ 29,410	\$ 34,500
Equipment	\$ 12,151	\$ 12,360
Supplies/Postage	\$ 18,323	\$ 16,500
Other Admin. Exp.	\$ 11,100	\$ 44,000
Transfer to the VEBA	\$ 76,096,372	\$ 0

Soft Dollar Expenditures

2022 Soft Dollar Expenditures \$ 28,224

REGERS Investment Portfolio Composition by Asset Class at December 31, 2022

Domestic Equity	51.4%
International Equity	9.2%
Domestic Fixed Income	23.2%
Private Equity	1.7%
Real Estate	11.4%
Cash & Equivalents	3.1%
Total	100.0%

2022 Investment Performance

	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>
Net of Fees	-12.3%	4.9%	5.7%	7.3%	7.7%

The 12.3% net investment loss in 2022 is attributable to the high level of volatility in capital markets during the year.

**CITY OF PONTIAC REESTABLISHED GENERAL EMPLOYEES' RETIREMENT SYSTEM SUMMARY ANNUAL REPORT
DECEMBER 31, 2022**

The City of Pontiac Reestablished General Employees' Retirement System ("REGERS") provides post employment income for eligible retirees and vested former employees. For eligible active employees, REGERS provides income for financial needs in the event of death or disability. REGERS is funded by the City and managed by an 11-member Board of Trustees which consists of City officials, retirees, vested former employees, active employees and Pontiac citizens.

The Board's fiduciary responsibilities include supervising the general administration of REGERS and investing its assets. The Board retains staff and professional advisors to assist in fulfilling these duties. REGERS' primary financial objective is to prudently invest and accumulate assets necessary to timely pay promised benefits. The Board worked with its investment consultant to develop an Investment Policy Statement ("IPS") governing the investment of assets. Investment managers hired by the Board invest REGERS assets under the provisions of the IPS.

This summary report provides a brief overview of REGERS which is governed by the provisions of the City's charter, the City's retirement ordinance, laws of the State of Michigan, the Internal Revenue Code and rules and regulations enacted by the Board. Additional information and more detailed reports are available in the Retirement Office or you may visit www.pontiacgers.org.

Investment Fiduciaries

Board of Trustees

Sheldon Albritton, Chairman	William Parker, Jr.
Robert Giddings, Vice-Chairman	Billie Swazer
James Walker	Tim Greimel
James Miriani	Patrice Waterman (Term started 4/26/2022)
Lisa King	John White
Darin Carrington (Term ended 8/5/2022)	Walter Moore (Term ended 4/25/2022)

Investment Managers

American Realty	Principal
Attucks Asset Management	Robinson Capital
First Eagle Asset Management	Sawgrass Asset Mgmt.
GrayCo Alternatives	Terra Cap Mgmt.
Intercontinental	UBS Trumbull
Invesco	Victory
Kennedy Capital Management	WCM Investment Mgmt.
Loomis, Sayles & Company	Wellington Trust
Mesirow Financial	Xponance
Northern Trust Asset Mgmt.	

Other Service Providers

Actuary -Gabriel,Roeder, Smith	IT Administrator -Ark Technologies
Auditor -George Johnson & Company	Legal Counsel -Asher Kelly
Custodian of Assets -Northern Trust	Medical Director -CoreVisory
Investment Consultant - Dahab Associates	Payroll Service Provider - ADP

SUMMARY OF AUDITED FINANCIAL STATEMENTS

George Johnson & Company (“GJC”) is an independent auditing firm who completed audits of the financials statements of the City of Pontiac General Employees’ Retirement System (“GERS”) and REGERS for the year ending December 31, 2022. The audits were conducted in accordance with generally accepted auditing standards. GJC found that financial statements of GERS and REGERS were fairly presented in accordance with generally accepted accounting principles. The summary of 2022 audited financial statements below reflects GERS and REGERS net plan assets on a combined basis as of December 31, 2022 and the change in combined GERS and REGERS net plan assets for year ending December 31, 2022.

Net Plan Assets at December 31, 2021	\$598,987,848
 <u>December 31, 2022</u>	
Assets	
Interest and Other Receivables	\$ 1,580,537
Short-term Investments	\$ 19,730,894
Long-term Investments	<u>\$ 413,128,164</u>
Total Assets	\$ 434,439,595
Liabilities	
Accounts Payable and other Payables	<u>\$ 1,146,705</u>
 Net Plan Assets at December 31, 2022	 \$ 433,292,890
 2022 Change in Net Plan Assets	 \$ -165,694,958

In 2021, the IRS approved a plan to terminate GERS and to transfer funds from the GERS trust to the REGERS trust and to fund a trust (the “VEBA”) to cover the City’s retiree medical obligations. In 2022, \$443,006,450 was transferred from GERS to REGERS and another \$76,096,373 was transferred from GERS to the VEBA. REGERS assumed all GERS obligations for benefit payments. Net plan assets reflected above for year end 2022 include REGERS trust assets totaling \$382,236,834 and the remaining GERS trust assets totaling \$51,056,056. GERS and REGERS trust assets can only be used to pay benefit payments and for further funding of the VEBA.

Net plan assets of GERS and REGERS fell \$165,694,958 in 2022 as follows:

Transfer to VEBA	\$ 76,096,373
Net Investment Losses	\$ 67,208,398
Member Benefit Payments	\$ 21,757,276
Administrative Expenses	<u>\$ 632,912</u>
Total	\$165,694,958

In addition to the \$76,096,373 transferred from GERS to the VEBA in 2022, \$8,000,000 was transferred from GERS to the VEBA in 2021.

To determine the City’s required contributions and REGERS’ funded percentage, an independent actuarial firm conducts annual valuations. Among other factors, the actuarial valuations consider census and demographic data, historical experience with salaries, retirement rates, mortality and disability, and assumptions regarding future actuarial trends and capital market returns. The Board confirms that the City has provided the required sponsor contributions as required by law. The funded percentage is a measure of assets (the “Valuation Assets”) divided by the Actuarial Accrued Liability. The Actuarial Accrued Liability is the present value of future benefit payments attributable to past Member service. The results of the December 31, 2022 actuarial valuation are summarized below:

**FISCAL YEAR 2024 SPONSOR
REQUIRED CONTRIBUTIONS IN DOLLARS AND AS A PERCENTAGE OF
VALUATION PAYROLL, DEC. 31, 2022 FUNDED STATUS AND OTHER
INFORMATION**

<u>Required Contributions</u>	
Computed Sponsor Amount	\$0, 0% of Valuation Payroll
Member Contributions	\$0, 0% of Valuation Payroll
Valuation Payroll	\$1,013,588
<u>Funded Status</u>	
Valuation Assets	\$482,607,029
Actuarial Accrued Liability	\$251,459,094
Funded Percentage	191.9%**
<u>Other Information</u>	
Active Members	17
Retirees and Beneficiaries	1,017
Vested Inactive Members	88
Total Annual Benefits Paid	\$21,343,276
Average Annual Retirement Benefit	\$20,987
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5-Year Smoothed Market Value
Investment Rate of Return	6.0%
Projected Salary Increases	3.6% - 7.4%
Includes Inflation at	2.5%
Sponsor’s Normal Cost	\$1,236,415
Sponsor’s Normal Cost as % Valuation Payroll	121.9%
Actuarial Assumed Healthcare Inflation	7.5% initial rate grading down at .5% per year to 4.5% ultimate rate. Medicare assumption the same except for 6.5% initial rate.

**** 171.6% considering only REGERS assets**

The actuarial valuation report for the year ending December 31, 2022 indicates that the report was completed by independent actuaries using reasonable actuarial assumptions and in adherence to applicable standards of practice. REGERS was previously closed to new hires except for new hires in the MAPE employee group. With the closure of REGERS to MAPE new hires in 2022, REGERS is now closed to all new hires.