

**CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY ANNUAL REPORT TO MEMBERS
DECEMBER 31, 2016**

Dear Retirement System Member:

The Retirement System, which is managed by the Retirement Board, is designed to help you meet your financial needs should you become disabled, retire or die.

The Retirement Board's fiduciary responsibility to you is to supervise the general administration of the System and to invest its assets. Our Board retains professional advisors to assist in fulfilling these duties.

We have prepared this summary report to give you a brief overview of the Retirement System and how it operates. We hope you will find it useful and informative. However, a summary cannot cover all the details of the System, which is governed by the provisions of the City's charter, the City's Retirement Ordinance, State of Michigan Statutes, the IRC and the Retirement Board's official rules and regulations. Additional information and more detailed reports about the System's operations are available in the Retirement Office or you may visit www.pontiacgers.org.

Respectfully Submitted,

The Board of Trustees
City of Pontiac General Employees' Retirement System

Investment Fiduciaries of the System

Board of Trustees

Sheldon Albritton
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Koné Bowman
Janice Gaffney
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Billie Swazer
Deirdre Waterman, Mayor
Patrice Waterman
Kevin Williams, Vice-Chair

Investment Managers

Robinson Capital Management
Attucks Emerging Manager-of-Managers
Attucks Michigan Manager-of-Managers
GrayCo Alternatives
First Eagle Asset Management
Invesco
Kennedy Capital Management

Loomis, Sayles & Company
Mesirow Financial
Victory/Incore Capital
Brandywine Global
Sawgrass Asset Mgmt.
Systematic Financial
WCM Investment Mgmt.

Legal Counsel

Sullivan, Ward, Asher & Patton, P.C
Investment Consultant
Dahab Associates

Auditor

Plante & Moran

Actuary

Gabriel, Roeder, Smith & Co
Custodian of Assets
Northern Trust

Other Service Providers

Payroll Services Provider
ADP

IT Admin. Services Provider
ARK Technologies

Medical Director
MES

Portfolio Composition by Asset Class at December 31, 2016

Domestic Equity	54.6%
International Equity	15.4%
Domestic Fixed Income	21.7%
Global Fixed Income	3.8%
Private Equity	2.9%
Cash & Equivalents	1.6%

Total **100.0%**

2016 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	7.8%	4.4%	9.5%	8.5%	5.9%

*10-Year Returns are estimated by Dahab Associates

Contact us at:

memberservices@pontiacgers.org

Visit us at

www.pontiacgers.org

SUMMARY RESULTS OF ACTUARIAL VALUATION

Your 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 that is designed to keep those rates approximately level as a certain dollar amount from year to year. The Board of Trustees of the City of Pontiac General Employees' Retirement System confirms that the System provides for the payment of the required employer contribution as described in Section 38.1140m of Michigan Public Act No. 314 as amended. 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 your System's past experience, information about current participation, financial markets and assumptions concerning the System's future demographic and economic activity. The results of the December 31, 2016 valuation, based on the established funding objective, are summarized below:

FISCAL YEAR BEGINNING JULY 1, 2018 EMPLOYER CONTRIBUTION RATES AS A % OF ACTIVE MEMBER PAYROLL

Contributions For

Computed Employer Amount*	0.00%
Member Contributions	0.00%
Valuation Payroll	\$1,540,472

Funded Status

Valuation Assets (*Market Value)	\$466,143,339
Actuarial Accrued Liabilities	\$264,736,702
% Funded	176.1%

Participant Data

Active Members	31
Retirees and Beneficiaries	1089
Vested Inactive Members	201
Total Annual Benefits Paid	\$21,881,039
Average Annual Retirement Benefit	\$20,093
Weighted Average of Member Contrib.	\$0

Accounting Disclosures

Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5-Year Smoothed Market Value

Actuarial Assumptions

Investment Rate of Return	7.0%
Projected Salary Increases	3.6% - 7.4%
- Includes Inflation at	2.5%
Employer's Normal Cost	\$239,124

*Actuarial Value of Assets was Reset to Market Value as of December 31, 2016

ACTUARY'S OPINION

It is the actuary's opinion that the contribution rates recommended in the most recent actuarial report are sufficient to meet the System's financial objective. The Board of Trustees confirms that the System has received the required employer contributions for the years shown above. The System is closed to all non-MAPE employees hired after April 1, 2013. The Employer's Contribution Rate as a % of valuation payroll is 0.00%. The Employer's Normal Cost as a % of valuation payroll is 15.52%. The actuarial assumed rate of health care inflation is 8%.

ASSETS & LIABILITIES 2016

Net Plan Assets at December 31, 2015 **\$459,342,354**

Assets

Interest and Other Receivables	\$ 1,142,866
Short-term Investments	\$ 16,118,951
Long-term Investments	<u>\$449,694,123</u>
Total Assets	\$466,955,940

Liabilities

Accounts Payable and other Payables	<u>\$ 803,908</u>
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Net Plan Assets at December 31, 2016 **\$466,152,032**

Plan Year Change in Net Plan Assets **\$ 6,809,678**

Itemized Expenditures

	2016 Expenditures	2017 Adopted Budget
Wages	\$220,628	\$236,563
Fringe Benefits	\$79,998	\$57,099
Pension Payments	\$27,119,534	\$25,666,668
Bank Fees	\$199,566	\$235,000
Interest	\$22,230	\$25,000
Investment Mgmt.	\$2,399,737	\$2,600,000
Professional Train/Edu	\$58,095	\$70,000
Insurance	\$62,530	\$62,750
Other Professional Serv.	\$161,582	\$183,000
Rent	\$32,555	\$33,000
Equipment	\$3,400	\$3,400
Supplies/Postage	\$19,381	\$15,600
Other Admin. Exp.	\$44,911	\$35,694

Soft Dollar Expenditures

2016 Soft Dollar Expenditures	\$99,932
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