

**CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM  
SUMMARY ANNUAL REPORT TO MEMBERS  
DECEMBER 31, 2018**

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](http://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, Vice-Chair  
Chad Chandler  
Janice Gaffney  
Robert Giddings  
Walter Moore, Chair

Billie Swazer  
James Walker  
Deirdre Waterman, Mayor  
Patrice Waterman  
John White

**Investment Managers**

Robinson Capital Management  
Attucks Asset Management  
Victory/Incore Capital  
GrayCo Alternatives  
First Eagle Asset Management  
Invesco  
Kennedy Capital Management  
Principal

Loomis, Sayles & Company  
Mesirov Financial  
Intercontinental  
Northern Trust Asset Mgmt  
Sawgrass Asset Mgmt.  
Systematic Financial  
WCM Investment Mgmt.  
Wellington Trust

**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

**Payroll Services Provider**  
ADP

**Other Service Providers**  
**IT Admin. Services Provider**  
ARK Technologies

**Medical Director**  
MES

**Portfolio Composition by Asset Class at December 31, 2018**

Domestic Equity	51.0%
International Equity	12.9%
Domestic Fixed Income	25.4%
Private Equity	2.6%
Real Estate	7.4%
Cash & Equivalents	.7%

**Total**                      **100.0%**

**2018 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	-4..8%	5.7%	4.5%	8.1%	9.1%

\*10-Year Returns are estimated by Dahab Associates

**Contact us at:**  
[memberservices@pontiacgers.org](mailto:memberservices@pontiacgers.org)

**Visit us at**  
[www.pontiacgers.org](http://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, 2018 valuation, based on the established funding objective, are summarized below:

**FISCAL YEAR BEGINNING JULY 1, 2020 EMPLOYER CONTRIBUTION RATES AS A % OF ACTIVE MEMBER PAYROLL**

**Contributions For**

Computed Employer Amount*	0.00%
Member Contributions	0.00%
Valuation Payroll	\$1,427,628

**Funded Status**

Valuation Assets	\$478,099,013
Actuarial Accrued Liabilities	\$262,283,618
% Funded	182.3%

**Participant Data**

Active Members	29
Retirees and Beneficiaries	1,123
Vested Inactive Members	118
Total Annual Benefits Paid	\$22,838,910
Average Annual Retirement Benefit	\$20,337
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	\$222,651

**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 15.60%. The actuarial assumed rate of health care inflation is 8.0% initial trend decreasing to a 4.5% ultimate trend rate. The trend assumption is reduced by 1% for post-Medicare coverage.

**ASSETS & LIABILITIES 2018**

**Net Plan Assets at December 31, 2017** **\$506,436,677**

**Assets**

Interest and Other Receivables	\$ 1,249,331
Short-term Investments	\$ 12,823,448
Long-term Investments	\$441,002,690
Total Assets	\$455,075,469

**Liabilities**

Accounts Payable and other Payables	\$ 901,549
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**Net Plan Assets at December 31, 2018** **\$454,173,920**

**Plan Year Change in Net Plan Assets** **(\$52,262,757)**

**Itemized Expenditures**

	<b>2018 Expenditures</b>	<b>2019 Adopted Budget</b>
Wages	\$272,988	\$266,252
Fringe Benefits	\$89,501	\$79,468
Pension Payments	\$22,838,910	\$20,672,000
\$400 Supplemental Payment	\$5,360,400	\$5,328,000
Bank Fees	\$195,210	\$240,000
Interest	\$21,253	\$20,000
Investment Mgmt.	\$2,622,770	\$2,600,000
Professional Train/Edu	\$84,628	\$75,000
Insurance	\$64,140	\$63,771
Other Professional Serv.	\$164,478	\$160,436
Rent	\$31,860	\$33,000
Equipment	\$12,275	\$14,600
Supplies/Postage	\$17,303	\$16,000
Other Admin. Exp.	\$44,785	\$38,500

**Soft Dollar Expenditures**

2018 Soft Dollar Expenditures \$63,812