

**CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY ANNUAL REPORT TO MEMBERS
DECEMBER 31, 2011**

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 and the Retirement Board's official rules and regulations. Additional information about the System and its financial operation is available in the Retirement Office.

Respectfully Submitted,

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

Charlie Harrison, Chairman
Shirley Barnett
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Mayor, Leon Jukowski

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Rodwan Consulting

Legal Counsel
Sullivan, Ward, Asher & Patton, P.C.

Custodian of Assets
Northern Trust

Investment Consultant
Gray & Company

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 percentage of payroll 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 20 m of Michigan Public Act No. 728.

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, Rodwan Consulting, conducts annual actuarial valuations.

These valuations are based on your System's past experience, information about current participation and financial markets, and assumptions concerning the System's future demographic and economic activity. The results of the December 31, 2011 valuation, based on the established funding objective, are summarized below:

FISCAL YEAR BEGINNING JULY 1, 2013
EMPLOYER CONTRIBUTION RATES
AS A PERCENTAGE OF ACTIVE MEMBER PAYROLL

Contributions For

Computed Employer Rate	0.00%
Member Contributions	0.00%

FUNDED STATUS

\$ MILLIONS

Actuarial accrued liabilities	\$ 249.7
Applied assets (smoothed market value)	383.3
% Funded	153.5%

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.

SUMMARY OF CURRENT ASSET INFORMATION

REVENUES & EXPENDITURES		
	<u>2011</u>	<u>2010</u>
Market Value – January 1	\$419,879,234	\$405,193,572
Revenues		
Contributions (reinstated members)	23,083	
Net securities lending income	158,866	133,370
Gross investment income (loss)	(391,095)	57,319,301
Miscellaneous	81,465	138,373
Total	<u>(\$127,681)</u>	<u>\$57,591,044</u>
Expenditures		
Benefit payments & refunds	21,037,340	20,624,034
Other expenses	433,714	420,578
Administrative & investment expenses	2,980,906	2,914,778
Total	<u>(\$24,451,960)</u>	<u>\$23,959,390</u>
Market Value – December 31	<u>\$395,299,593</u> =====	<u>\$419,879,234</u> =====

The Board of Trustees confirms that the System has received the required employer contributions for the years shown above.

The System had no "soft dollar" expenses for investment consulting.

The market rate of return on System assets net of expenses for the year ended December 31, 2011 was (1.36%).

Portfolio Composition by Asset Class at December 31, 2011

Domestic Equity	58%
International Equity	8%
Domestic Fixed Income	21%
Private Equity	9%
Cash	4%
Total	100.0%

Investment Fiduciaries of the System

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

Gray & Company	Kennedy Capital Management
Ambassador Capital	Loomis Sayles
Artio Capital Management	Mesirow Financial
First Eagle Asset Management	Munder Capital Management
GrayCo Alt Partners	Nexus Capital
Gray Emerging Large Cap Core	Onyx Capital
Gray Michigan Large Cap Value	Peritus Asset Management
Invesco	Sawgrass Asset Management