

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS
(With Supplementary Information)

December 31, 2021

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITOR’S REPORT

July 29, 2022

To the Board of Trustees
City of Pontiac General Employees’ Retirement System

Opinion

We have audited the financial statements of the City of Pontiac General Employees’ Retirement System (the “System”), a pension trust fund of the City of Pontiac, Michigan (the “City”), which comprise the statement of fiduciary net position as of December 31, 2021, and the related statement of changes in fiduciary net position for the year then ended, as well as the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the System as of December 31, 2021, and the changes in its fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“U.S. GAAS”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter — Reporting Entity

As discussed in Note A, the System is included in the annual comprehensive financial report of the City. The accompanying financial statements present only the System and do not purport to, and do not, present fairly the financial position of the City as of December 31, 2021, and the changes in its financial position for the year then ended, in accordance with U.S. GAAP. Our opinion is not modified with respect to that matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management for the Financial Statements

The System's management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. *Reasonable assurance* is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS:

- We exercise professional judgment and maintain professional skepticism throughout the audit.
- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and we design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

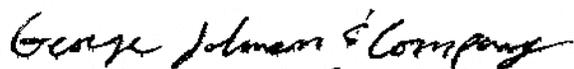
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the financial statements.
- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis on pages 4 through 9 and the pension information on pages 29 through 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2021

This section of the annual report of the City of Pontiac General Employees' Retirement System (the "System") presents management's discussion and analysis of the System's financial performance during the plan year that ended on December 31, 2021. Please read it in conjunction with the System's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Overall Fund Structure and Objectives

The System exists to pay benefits to its members and retirees. Active members earn service credit that entitles them to receive benefits in the future. As a result of the System's funding status, there are no actuarially required contributions, which has resulted in benefit payments exceeding contributions. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of investments.

Asset Allocation

The System has established asset allocation policies that are expected to deliver sufficient investment income over a long period of time to satisfy the obligations to pay the benefits promised to the members of the System. The following is a summary of the adopted asset allocation as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities	50 %
Domestic fixed income	25
International equities	5
Emerging markets	5
Real estate	10
Private equities	5
	<u>100 %</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

December 31, 2021

FINANCIAL HIGHLIGHTS (CONTINUED)

Investment Results

The year 2021 was another unprecedented year for the financial markets. Following the outsized volatility of 2020, risk assets continued to climb in the second year of the COVID-19 pandemic, supported by historic corporate earnings growth and robust economic activity. The year was not without uncertainty, however, as a confluence of concerns arose in tandem with the upbeat equity performance. Because consumer spending accounts for more than two-thirds of gross domestic product, investors spent much of 2021 trying to make sense of a mixed bag of good and bad news for Americans. While consumer confidence surveys show that Americans have not yet returned to pre-pandemic levels of optimism, their activity suggests otherwise. Buoyed by massive stimulus and the emergence of commission-free trading, the influence of individual investors helped lift U.S. equities, but also gave rise to the controversial meme stock craze and increased volatility. The vaccine optimism, as well as prospects for additional fiscal stimulus from the (newly Democrat-led) federal government, inspired a strong start to the year for stocks tied to the economic reopening.

Inflationary concerns rattled bond markets in 2021 and inspired central banks around the globe to adopt a less accommodative policy stance as the year progressed. Despite the growing concerns about supply chain bottlenecks and building price pressures, the Federal Reserve continued to maintain its stance that inflation would prove “transitory.” After small hiccups in May and June, equities continued their steady ascent throughout the summer, with the S&P 500 Index advancing for seven straight months through August, even in spite of a new coronavirus variant, termed Delta. But as summer turned into fall, concerns about elevated price pressures continued to mount. By the Federal Reserve’s September meeting, market participants were expecting the central bank to begin scaling back its pandemic-era bond purchases by the end of 2021, reducing a key source of liquidity from financial markets. The Federal Reserve also began to alter its posture on the inflation issue, with policymakers gradually changing their characterization of rising prices from “transitory” to “persistent.”

The Labor Department’s monthly non-farm payrolls report showed steady job growth throughout 2021, while the unemployment rate dropped to a post-pandemic low of 4.2 percent by year-end, pointing to an ongoing recovery. The year ended with the Consumer Price Index rising at the fastest clip on an annual basis since the early 1980’s to an annual rate of 5.4 percent.

The S&P 500 Index returned 28.7 percent for the year, the Barclay’s U.S. Aggregate Index returned negative 1.5 percent, the NCREIF ODCE (real estate) returned 22.1 percent, the MSCI EAFE Index (developed markets international stocks) returned 11.8 percent, and the MSCI Emerging Markets Index returned negative 2.2 percent. The total gain for the System was 15.93 percent for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

December 31, 2021

FINANCIAL HIGHLIGHTS (CONTINUED)

Plan Sponsor Financial Condition and Update

The settlement agreement which was reached in the retiree healthcare litigation was approved by the court in 2018. In March 2021, the Internal Revenue Service approved the City of Pontiac's (the "City") request to terminate the existing System, effective March 31, 2021, establish the City of Pontiac Reestablished General Employees' Retirement System (the "Reestablished System"), effective April 1, 2021, which will be 130 percent funded, and transfer the excess assets to a newly created trust, the City of Pontiac VEBA Trust (the "VEBA Trust"), to provide the funding for retiree healthcare. In the first quarter of 2022, transfers were made to the Reestablished System and the VEBA Trust in compliance with the terms of the settlement agreement. The Reestablished System will be significantly less overfunded.

The System is currently overfunded and no employer contributions are required at this time. Should a contribution to the System be required in the future, there is uncertainty regarding the City's ability to make contributions to the System.

Effective April 1, 2013, the System was closed to all new hires except those hired pursuant to the Michigan Association of Public Employees ("MAPE") collective bargaining agreement with the City. In July 2022, MAPE approved a tentative agreement that would close the Reestablished System to all new hires, effective July 1, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains the System's financial statements, which consist of the statement of fiduciary net position and the statement of changes in fiduciary net position (presented on pages 10 and 11). These financial statements report information about the System as a whole using accounting methods similar to those used by private-sector pension plans. The statement of fiduciary net position includes all of the System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's increases and decreases in the System's net position are accounted for in the statement of changes in fiduciary net position, under the accrual basis of accounting.

These financial statements report the System's net position and how it has changed. Net position represents the difference between the System's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure the System's financial health, or position. Over time, increases or decreases in the System's net position may be affected by several variables, such as contributions, investment performance, participant distributions during the current year due to retirements, terminations, and System administrative expenses.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

December 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The notes to the financial statements, which begin on page 12, explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS OF THE SYSTEM AS A WHOLE

Table 1
Condensed Statements of Fiduciary Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Investments	\$ 596,130,689	\$ 548,903,680
Other assets	<u>3,642,384</u>	<u>1,870,949</u>
Total Assets	599,773,073	550,774,629
 Liabilities	 <u>785,225</u>	 <u>875,253</u>
Net Position		
 Restricted for		
 Pensions	<u>\$ 598,987,848</u>	<u>\$ 549,899,376</u>

The assets reported above include some assets which were transferred out of the pension trust after December 31, 2021. The market value of assets held within the System and the Reestablished System was reported to be approximately \$438 million as of June 30, 2022.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

December 31, 2021

FINANCIAL ANALYSIS OF THE SYSTEM AS A WHOLE (CONTINUED)

Table 2

Condensed Statements of Changes in Fiduciary Net Position
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Additions:		
Net appreciation in fair value of investments	\$ 81,034,133	\$ 60,369,392
Other income	3,744,577	4,865,927
Total Additions	<u>84,778,710</u>	<u>65,235,319</u>
Deductions:		
Participant benefit payments	26,890,294	27,500,762
Administrative expenses	799,944	652,449
Transfers to City of Pontiac	8,000,000	-0-
Total Deductions	<u>35,690,238</u>	<u>28,153,211</u>
Change in Net Position Restricted for Pensions	49,088,472	37,082,108
Net Position Restricted for Pensions, Beginning of Year	<u>549,899,376</u>	<u>512,817,268</u>
Net Position Restricted for Pensions, End of Year	<u>\$ 598,987,848</u>	<u>\$ 549,899,376</u>

The net position reported above includes some assets which were transferred out of the pension trust after December 31, 2021.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

December 31, 2021

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the System's finances and to demonstrate the System's accountability for the funds it holds. If you have any questions about this report or need additional financial information, contact the System's office at 2201 Auburn Road, Suite B, Auburn Hills, Michigan 48326.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2021

Assets:

Investments, at fair value or net asset value (Note C):

Common stocks	\$ 280,091,838
Corporate bonds	33,407,549
Government bonds	34,685,605
Municipal and provincial bonds	31,736,573
Government agency notes	13,169,430
U.S. government mortgage-backed securities	17,701,813
Residential and other asset-backed securities	3,203,823
Short-term investments	29,248,498
International equities	16,700,773
Private equity funds	10,551,947
Commingled funds:	
Domestic	23,621,134
International	40,421,830
Real estate funds	61,589,876

Total Investments	<u>596,130,689</u>
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Other assets:

Cash and cash equivalents	2,489,943
Accrued interest receivable	1,010,419
Other receivables	142,022

Total Other Assets	<u>3,642,384</u>
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Total Assets	599,773,073
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Liabilities:

Accounts payable and other liabilities	<u>785,225</u>
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Net Position Restricted for Pensions (Note B)	<u><u>\$ 598,987,848</u></u>
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See notes to financial statements.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2021

Additions:

Investment income:

Net appreciation in fair value of investments	\$ 81,034,133
Interest and dividends	<u>7,008,155</u>

Total Investment Income	88,042,288
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Less: Investment expenses	<u>(3,305,541)</u>
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Net Investment Income	84,736,747
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Miscellaneous income	<u>41,963</u>
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Total Additions	<u>84,778,710</u>
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Deductions:

Participant benefit payments	26,890,294
Administrative expenses	799,944
Transfers to City of Pontiac	<u>8,000,000</u>

Total Deductions	<u>35,690,238</u>
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Change in Net Position Restricted for Pensions	49,088,472
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Net Position Restricted for Pensions, Beginning of Year	<u>549,899,376</u>
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Net Position Restricted for Pensions, End of Year	<u><u>\$ 598,987,848</u></u>
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See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A — DESCRIPTION OF THE SYSTEM

Reporting Entity

The City of Pontiac, Michigan (the “City”) sponsors and administers the City of Pontiac General Employees’ Retirement System (the “System”), a contributory single-employer retirement plan. The financial statements of the System are also included in the financial statements of the City as a pension trust fund. The assets of the pension trust fund include no securities of, or loans to, the City or any other related party.

System Administration

The System’s Board of Trustees (the “Board”) administers this single-employer defined benefit pension plan that provides pensions for substantially all permanent full-time general employees of the City, except police and fire employees. Benefit terms have been established by contractual agreements between the City and the various employee union representatives.

The Board consists of 11 members, as follows:

- A member of the Pontiac City Council (the “City Council”) to be selected by the City Council
- The mayor of the City
- The finance director of the City
- Three citizen appointees
- Three member trustees, one elected by active employees and two elected by active, deferred, and retired members
- One retiree trustee elected by retirees
- One hospital member (who may be a deferred vested member or a retired member) of the System who was formerly employed by Pontiac General Hospital, elected via an election conducted by the hospital with the assistance of the retirement office

Establishment of New Plans

In March 2021, the Internal Revenue Service (“IRS”) approved the City’s request to terminate the existing System, to establish a new plan, the City of Pontiac Reestablished General Employees’ Retirement System (the “Reestablished System”), which will be 130 percent funded, and to transfer the excess assets to a newly created voluntary employees’ beneficiary association (“VEBA”), the City of Pontiac VEBA Trust (the “VEBA Trust”), to provide funding for retiree health care. The Reestablished System will continue to provide the same level of benefits as the existing System. Transfers were made to the Reestablished System and the VEBA Trust in the first quarter of 2022, in compliance with the terms of the settlement agreement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE A — DESCRIPTION OF THE SYSTEM (CONTINUED)

Contributions

Article 9, Section 24 of the State of Michigan (the "State") Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by System members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of System members are established in accordance with City ordinances, union contracts, and plan provisions. For the year ended December 31, 2021, the active members were not required to contribute to the System. The City is required to contribute at an actuarially determined rate. In accordance with the actuary's recommendation, the City was not required to make a contribution to the System during the current year.

Pension Benefits

The System provides retirement benefits, as well as death and disability benefits. Employees may receive cost of living adjustments as a percentage of their retirement allowance, pursuant to the collective bargaining agreement or employment agreement in effect at their date of retirement. The obligation to contribute to and maintain the System was established by City ordinance and negotiation with the employees' collective bargaining units.

In 2013, Ordinance No. 2300 was passed and, because of this, the retirees received a \$400 per month temporary increase in pension benefits, which was slated to expire on August 31, 2015. Subsequently, the City passed the following ordinances to extend payment of this benefit increase:

- Ordinance No. 2327, extending the increase through August 31, 2016
- Ordinance No. 2337, extending the increase through August 31, 2017
- Ordinance No. 2346, extending the increase through August 31, 2018
- Ordinance No. 2356, extending the increase through August 31, 2019
- Ordinance No. 2369, extending the increase through August 31, 2020
- Ordinance No. 2377, extending the increase through August 31, 2021
- Ordinance No. 2385, extending the increase through December 31, 2021
- Ordinance No. 2389, extending the increase through December 31, 2022

Ordinances No. 2385 and No. 2389 extend the temporary increase through December 31, 2021 and 2022, respectively, or when the VEBA Trust begins providing health care benefits to retirees, whichever comes first.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE A — DESCRIPTION OF THE SYSTEM (CONTINUED)

System Participants

The number of System participants as of December 31, 2021 is as follows:

Retirees and beneficiaries	1,035
Vested inactive members	97
Vested active members	<u>26</u>
	<u>1,158</u>

The System is closed to all new hires after April 1, 2013, except for those new hires who are hired under the Michigan Association of Public Employees ("MAPE", representing the 50th District Court employees) collective bargaining agreement.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan document. Administrative expenses are financed through investment earnings.

Net Position Restricted for Pensions

Net position restricted for pensions includes the following reserves:

Retiree Reserve

The retiree reserve is computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments. The reserve is funded by actuarially determined transfers from the City.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Restricted for Pensions (continued)

Employee Reserve

The employee reserve is credited as employee contributions are received throughout the year; the System maintains a record of the amount contributed by each employee and credits interest annually at a rate of four percent. Balances are returned to employees who terminate before vesting in the System. For those who stay until retirement, the balances are transferred into the retiree reserve.

The reserve balances as of December 31, 2021 are as follows:

Retiree reserve	\$ 260,261,565
Employee reserve	151,851

Investments

The System's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market value are reported at estimated fair value, as determined by the System's management. These estimates are determined using audited financial statements issued by the private equity companies, commingled funds, or partnerships in which such investments are held, adjusted by management as deemed appropriate, based on known circumstances.

There are inherent limitations in any estimation technique. Because of the inherent uncertainty of valuations, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Dividend income is recognized based on the ex-dividend date, and interest income is recognized on the accrual basis as earned. All realized gains and losses on investments are recognized at the point of sale and are included in investment income. Purchases and sales of investments are recorded as of the trade date, which is the date when the transaction is initiated. Net appreciation and depreciation include gains and losses on investments bought and sold, as well as held, during the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The System uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The System utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the System applies assumptions that market participants would use in pricing an asset or liability, including an assumption about market risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the System has the ability to access
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Michigan Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The System is allowed to invest in the following:

- Bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States
- Repurchase agreements
- Bankers' acceptances of United States banks
- Commercial paper rated within the two highest classifications that mature no more than 270 days after the date of purchase
- Obligations of the State or its political subdivisions that are rated as investment grade
- Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan

The System is also authorized by Michigan Public Act 314 of 1965, as amended ("Act 314"), to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the System's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The System has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Michigan Public Act 196 of 1997 has authorized investment in all allowable investments under Michigan Public Act 347 of 2012, as amended. The System's deposits and investment policies are in accordance with statutory authority.

Investment Allocation Policy

The System's policy in regard to the allocation of invested assets is established, and may be amended, by the Board by a majority vote of its members. It is the Board's policy to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The System's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Allocation Policy (continued)

The adopted asset allocation policy as of December 31, 2021 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities:	
All cap	14 %
Large cap	10
Mid cap	15
Small cap	11
International equities	5
Emerging markets equities	5
Fixed income:	
Core	25
Real estate	10
Private equities	5
	<u>5</u>
	<u><u>100 %</u></u>

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value

The System's fair value hierarchy for those assets measured on a recurring basis as of December 31, 2021 is summarized as follows:

	<u>Fair Value Measurements</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Assets:				
Investments at fair value:				
Common stocks	\$ 280,091,838	\$ -0-	\$ -0-	\$ 280,091,838
Corporate bonds		33,407,549		33,407,549
Government bonds		34,685,605		34,685,605
Municipal and provincial bonds		31,736,573		31,736,573
Government agency notes		13,169,430		13,169,430
U.S. government mortgage- backed securities		17,701,813		17,701,813
Residential and other asset-backed securities		3,203,823		3,203,823
Short-term investments	29,248,498			29,248,498
International equities	16,700,773			16,700,773
Private equity funds			10,551,947	10,551,947
	<u>\$ 326,041,109</u>	<u>\$ 133,904,793</u>	<u>\$ 10,551,947</u>	<u>470,497,849</u>
Investments measured at net asset value:				
Commingled funds:				
Domestic				23,621,134
International				40,421,830
Real estate funds				61,589,876
				<u>125,632,840</u>
				<u>\$ 596,130,689</u>

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at Net Asset Value

The System holds shares or interests in investment assets for which the fair value of the investments is measured on a recurring basis using net asset value (“NAV”) per share (or its equivalent) of the assets as a practical expedient. Investments in commingled funds consist of funds that invest primarily in domestic, international, and emerging markets publicly traded equities, as well as an investment in a limited partnership that invests in international publicly traded equities. Investments in real estate funds consist of partnerships and separate account insurance contracts that invest primarily in commercial real estate. The fair values of these investments have been estimated using the NAV per share of the System’s ownership interest in partners’ capital or of the investments.

Additional information as of December 31, 2021 about the nature and risk of the System’s investments that calculate NAV per share as a practical expedient is as follows:

	<u>Net Asset Value</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Commingled funds:			
Domestic	\$ 23,621,134	Daily/monthly	10 days
International	40,421,830	Daily/monthly	10 days
Real estate funds	<u>61,589,876</u>	Monthly/quarterly	10-180 days
	<u><u>\$ 125,632,840</u></u>		

There are no unfunded commitments to acquire additional units of these investments as of December 31, 2021.

Deposit and Investment Risks

The System’s deposits and investments are subject to certain types of risk, as discussed below:

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System’s deposits may not be returned to it.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Custodial Credit Risk (continued)

Deposits (continued)

State statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business and having a place of business in the State that are also members of a federal or national insurance corporation.

The System does not have a deposit policy for custodial credit risk. As of December 31, 2021, the System had no bank deposits (certificates of deposit, checking accounts, or savings accounts) that were uninsured or uncollateralized. The System continues to evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the entity, and are held by either the counterparty, or the counterparty's trust department or agent, but not in the entity's name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System's investment policy limits investments in domestic fixed income securities so that the overall quality rating of each high-grade portfolio must be BBB or an equivalent rating. For domestic equity investments, the securities must be the equivalent of Standard & Poor's A1 or Moody's P-1. Ratings are not required for U.S. treasuries or certain money market funds.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Credit Risk (continued)

The System's investments in debt securities as of December 31, 2021 for which credit risk disclosures are required were rated as follows:

	<u>Corporate Bonds</u>	<u>Government Bonds</u>	<u>Municipal and Provincial Bonds</u>	<u>Government Agency Notes</u>	<u>Residential and Other Asset- Backed Securities</u>	<u>Short-Term Investments</u>	<u>Total</u>
Moody's rating:							
Aaa	\$ 157,907	\$ 32,329,394	\$ 1,460,717	\$ 10,300,789	\$ 1,651,654	\$ -0-	\$ 45,900,461
Aa	971,980		3,503,172	457,203	271,058		5,203,413
A	14,413,212		561,505				14,974,717
Baa	16,972,785				217,580		17,190,365
Caa					182,889		182,889
Unrated	891,665		26,211,179	2,411,438	880,642	29,248,498	59,643,422
	<u>\$ 33,407,549</u>	<u>\$ 32,329,394</u>	<u>\$ 31,736,573</u>	<u>\$ 13,169,430</u>	<u>\$ 3,203,823</u>	<u>\$ 29,248,498</u>	<u>\$ 143,095,267</u>

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income or debt security investments will vary unfavorably as a result of a change in interest rates. The System's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturities of the System's debt securities as of December 31, 2021 for which interest rate risk disclosures are required are as follows:

	<u>Maturity Dates</u>				<u>Total</u>
	<u>One Year or Less</u>	<u>One to Six Years</u>	<u>Six to Ten Years</u>	<u>More than Ten Years</u>	
Corporate bonds	\$ 2,720,227	\$ 15,963,365	\$ 6,213,840	\$ 8,510,117	\$ 33,407,549
Government bonds	8,452,806	17,421,868	4,524,943	4,285,988	34,685,605
Municipal and provincial bonds	1,734,712	21,320,088	8,681,773		31,736,573
Government agency notes	457,203	7,278,225	5,434,002		13,169,430
U.S. government mortgage- backed securities	42,728	54,039	1,505	17,603,541	17,701,813
Residential and other asset-backed securities		1,662,571	217,580	1,323,672	3,203,823
	<u>\$ 13,407,676</u>	<u>\$ 63,700,156</u>	<u>\$ 25,073,643</u>	<u>\$ 31,723,318</u>	<u>\$ 133,904,793</u>

Foreign Currency Risk

Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System restricts the amount of investments in foreign currency-denominated investments to 10 percent of total System investments. As of December 31, 2021, the only type of investment that was subject to foreign currency risk was international equities.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Foreign Currency Risk (continued)

The System's exposure to foreign currency risk in international equities as of December 31, 2021 is summarized as follows:

<u>Country</u>	<u>Currency</u>	<u>Amount</u>
Australia	Australian dollar	\$ 539,200
Denmark	Danish krone	967,085
Europe	Euro	2,186,144
Hong Kong	Hong Kong dollar	1,369,252
Japan	Japanese yen	1,155,742
Sweden	Swedish krona	1,063,741
Switzerland	Swiss franc	2,113,894
United Kingdom	British pound	613,100
		<u>\$ 10,008,158</u>

For the year ended December 31, 2021, the System had a total foreign currency translation loss of \$42,171 related to international equities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an entity's investments with a single issuer. Other than obligations issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises, the System is prohibited by Act 314 from investing in more than five percent of the outstanding obligations of any one issuer or investing more than five percent of the System's assets in the obligations of any one issuer.

As of December 31, 2021, there were no investments that exceeded five percent or more of the System's total investments, other than investments in mutual funds, similar pooled investments, or investments issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises.

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on System investments, net of expenses, was 15.69 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE D — NET PENSION ASSET

The components of the net pension asset of the City as of December 31, 2021 are as follows:

Total pension liability	\$ 270,854,065
Plan fiduciary net position	<u>598,987,848</u>
City Net Pension Asset	<u><u>\$ (328,133,783)</u></u>
Plan fiduciary net position as a percentage of total pension liability	221.15%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	Two percent
Salary increases:	3.6 percent to 7.4 percent average, including wage inflation of 2.5 percent
Investment rate of return:	Six percent, net of System investment expense, including inflation

Mortality assumptions were as follows:

- Actives — The Pub-2010 Amount-Weighted, General, Employee, Male and Female tables, with future mortality improvements projected generationally to 2030, using scale MP-2019

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE D — NET PENSION ASSET (CONTINUED)**Actuarial Assumptions (continued)**

- Healthy retirees — 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 percent
- Disabled retirees — The Pub-2010 Amount-Weighted, General, Disabled Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030, using scale MP-2019

The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

The best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2021 (see the discussion of the System's investment allocation policy) are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equities:	
All cap	9.13 %
Large cap	9.15
Mid cap	10.64
Small cap	8.97
International equities	6.57
Emerging markets equities	11.82
Fixed income:	
Core	2.18
Real estate	6.80
Private equities	13.06

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE D — NET PENSION ASSET (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the City, calculated using the discount rate of six percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (five percent) or one percentage point higher (seven percent) than the current rate:

	<u>One Percent Decrease (Five Percent)</u>	<u>Current Discount (Six Percent)</u>	<u>One Percent Increase (Seven Percent)</u>
Net pension asset	\$ (300,840,375)	\$ (328,133,783)	\$ (351,032,476)

NOTE E — CONTINGENCIES

The settlement agreement which was reached in the retiree healthcare litigation was approved by the court in 2018. In March 2021, the IRS approved the City's request to terminate the existing System, effective March 31, 2021, establish the Reestablished System, effective April 1, 2021, which will be 130 percent funded, and transfer the excess assets to the VEBA Trust to provide the funding for retiree healthcare. In the first quarter of 2022, transfers were made to the Reestablished System and the VEBA Trust in compliance with the terms of the settlement agreement. The Reestablished System will be significantly less overfunded.

Effective April 1, 2013, the System was closed to all new hires except those hired pursuant to the MAPE collective bargaining agreement with the City. In July 2022, MAPE approved a tentative agreement that would close the Reestablished System to all new hires, effective July 1, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

**For the Eight Years Ended December 31, 2021
(Ultimately Building to Ten Years)**

<u>Year Ended December 31</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
2014	6.80 %
2015	(0.80)
2016	7.79
2017	15.31
2018	(4.63)
2019	19.61
2020	13.19
2021	15.69

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

**SCHEDULES OF CHANGES IN CITY OF PONTIAC NET PENSION ASSET
AND RELATED RATIOS (UNAUDITED)**

**For the Eight Years Ended December 31, 2021
(Ultimately Building to Ten Years)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Changes in Total Pension Liability:				
Service cost	\$ 279,188	\$ 301,489	\$ 324,671	\$ 255,665
Interest	19,973,828	19,232,034	17,944,933	17,598,425
Changes in benefit terms	-0-	5,407,365	-0-	10,658,814
Differences between expected and actual experience	(2,538,358)	(23,548,601)	5,189,027	871,705
Changes in actuarial assumptions	-0-	9,124,140	15,686,953	-0-
Benefit payments, including refunds of member contributions	(27,494,450)	(28,052,593)	(27,119,534)	(26,916,912)
	<u>(9,779,792)</u>	<u>(17,536,166)</u>	<u>12,026,050</u>	<u>2,467,697</u>
Change in Total Pension Liability	(9,779,792)	(17,536,166)	12,026,050	2,467,697
Total Pension Liability, Beginning of Year	279,931,726	270,151,934	252,615,768	264,641,818
	<u>270,151,934</u>	<u>252,615,768</u>	<u>264,641,818</u>	<u>267,109,515</u>
Total Pension Liability, End of Year	270,151,934	252,615,768	264,641,818	267,109,515
Changes in Plan Fiduciary Net Position:				
Net investment income (loss)	29,515,688	(3,414,613)	34,606,547	67,868,606
Participant benefit payments, including refunds of member contributions	(27,494,450)	(28,052,593)	(27,119,534)	(26,916,912)
Administrative expenses	(784,783)	(954,593)	(683,083)	(696,340)
Other changes	17,453	37,358	5,748	29,291
	<u>1,253,908</u>	<u>(32,384,441)</u>	<u>6,809,678</u>	<u>40,284,645</u>
Change in Plan Fiduciary Net Position	1,253,908	(32,384,441)	6,809,678	40,284,645
Plan Fiduciary Net Position, Beginning of Year	490,472,887	491,726,795	459,342,354	466,152,032
	<u>491,726,795</u>	<u>459,342,354</u>	<u>466,152,032</u>	<u>506,436,677</u>
Plan Fiduciary Net Position, End of Year	491,726,795	459,342,354	466,152,032	506,436,677
City of Pontiac Net Pension Asset, End of Year	\$ (221,574,861)	\$ (206,726,586)	\$ (201,510,214)	\$ (239,327,162)
Ratio Information:				
Plan fiduciary net position as a percentage of total pension liability	182.02%	181.83%	176.14%	189.60%
Covered employee payroll	\$ 1,478,241	\$ 1,528,731	\$ 1,540,472	\$ 1,450,352
City of Pontiac net pension asset as a percentage of covered payroll	(14,989.09)%	(13,522.76)%	(13,081.07)%	(16,501.32)%

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

**SCHEDULES OF CHANGES IN CITY OF PONTIAC NET PENSION ASSET
AND RELATED RATIOS (UNAUDITED) (CONTINUED)**

**For the Eight Years Ended December 31, 2021
(Ultimately Building to Ten Years)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Changes in Total Pension Liability:				
Service cost	\$ 242,405	\$ 233,616	\$ 219,594	\$ 251,497
Interest	17,725,816	17,384,038	16,988,197	16,433,760
Changes in benefit terms	3,470,936	3,402,001	3,277,435	-0-
Differences between expected and actual experience	1,839,373	1,139,898	(2,528,619)	(6,037,890)
Changes in actuarial assumptions	-0-	-0-	40,406,912	-0-
Benefit payments, including refunds of member contributions	(28,199,310)	(28,114,053)	(27,500,762)	(26,890,294)
Change in Total Pension Liability	(4,920,780)	(5,954,500)	30,862,757	(16,242,927)
Total Pension Liability, Beginning of Year	267,109,515	262,188,735	256,234,235	287,096,992
Total Pension Liability, End of Year	262,188,735	256,234,235	287,096,992	270,854,065
Changes in Plan Fiduciary Net Position:				
Net investment income	(23,328,559)	87,449,329	65,127,780	84,736,747
Participant benefit payments, including refunds of member contributions	(28,199,310)	(28,114,053)	(27,500,762)	(26,890,294)
Administrative expenses	(781,967)	(691,928)	(652,449)	(799,944)
Transfers to City of Pontiac	-0-	-0-	-0-	(8,000,000)
Other changes	47,079	-0-	107,539	41,963
Change in Plan Fiduciary Net Position	(52,262,757)	58,643,348	37,082,108	49,088,472
Plan Fiduciary Net Position, Beginning of Year	506,436,677	454,173,920	512,817,268	549,899,376
Plan Fiduciary Net Position, End of Year	454,173,920	512,817,268	549,899,376	598,987,848
City of Pontiac Net Pension Asset, End of Year	\$ (191,985,185)	\$ (256,583,033)	\$ (262,802,384)	\$ (328,133,783)
Ratio Information:				
Plan fiduciary net position as a percentage of total pension liability	173.22%	200.14%	191.54%	221.15%
Covered employee payroll	\$ 1,427,628	\$ 1,391,765	\$ 1,349,022	\$ 1,294,948
City of Pontiac net pension asset as a percentage of covered payroll	(13,447.84)%	(18,435.80)%	(19,480.96)%	(25,339.53)%

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF CITY OF PONTIAC CONTRIBUTIONS (UNAUDITED)

For the Ten Years Ended December 31, 2021

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to Actuarially Determined Contribution</u>	<u>Contribution Deficiency</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2012	\$ -0-	\$ -0-	\$ -0-	\$ 2,742,912	-0 %
2013	-0-	-0-	-0-	1,574,964	-0-
2014	-0-	-0-	-0-	1,478,241	-0-
2015	-0-	-0-	-0-	1,528,731	-0-
2016	-0-	-0-	-0-	1,540,472	-0-
2017	-0-	-0-	-0-	1,450,352	-0-
2018	-0-	-0-	-0-	1,427,628	-0-
2019	-0-	-0-	-0-	1,391,765	-0-
2020	-0-	-0-	-0-	1,349,022	-0-
2021	-0-	-0-	-0-	1,294,948	-0-

The following valuation dates, methods, and assumptions were used to determine contribution rates:

Valuation date:	Actuarially determined contribution rates are calculated as of December 31; the most recent valuation is as of December 31, 2021
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar
Remaining amortization period:	30 years (open basis)
Asset valuation method:	Five-year smoothed market
Inflation:	2.5 percent

CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF CITY OF PONTIAC CONTRIBUTIONS (UNAUDITED) (CONTINUED)

For the Ten Years Ended December 31, 2021

Salary increases:	3.6 percent to 7.4 percent, including inflation
Investment rate of return:	Six percent, net of System investment expense, including inflation
Retirement age:	Age-based table of rates that are specific to the type of eligibility condition
Mortality rates:	The Pub-2010 Amount-Weighted, General, Employee, Male and Female tables, with future mortality improvements projected generationally to 2030, using scale MP-2019