

**CITY OF PONTIAC MICHIGAN
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**

A regular meeting of the Board of Trustees was held on Wednesday, July 27, 2022 at City of Pontiac General Employees' Retirement System, 2201 Auburn Rd, Suite B, Auburn Hills, MI 48326. The meeting was called to order at 8:50 A.M.

TRUSTEES PRESENT

Darin Carrington, Secretary
Robert Giddings, Vice-Chair
Tim Greimel, Mayor
Lisa King
James Miriani
William Parker Jr., City Council
Billie Swazer
Patrice Waterman
James Walker
John White

TRUSTEES ABSENT

Sheldon Albritton, Chairman, Excused

OTHERS

Linda Watson, Retiree
Cynthia Billings-Dunn, Asher Kelly
Michael Nicholas, George Johnson
David Eshshaki, George Johnson
David Lee, Dahab Associates
Steven Roth, Dahab Associates
Deborah Munson, Executive Director
Xiaotian Xue, Executive Assistant

AGENDA CHANGES: NONE

2021 AUDITED FINANCIAL STATEMENTS PRESENTATION

Michael Nicholas; David Eshshaki, George Johnson

Mr. Nicholas provided a background on the firm. Mr. Nicholas reported that the audit has been completed for the year ended December 31, 2021, which was conducted in accordance with generally accepted auditing standards in the United States of America and an unmodified opinion on the financial statements will be issued. The objective of the audit was to obtain reasonable, although not absolute, assurance about whether the financial statements were free from material misstatement. He stated that the audit team utilized risk assessment sampling and their understanding of internal controls to focus the audit efforts. The scope was the same as described both in engagement communications letter and the Audit Plan Summary provided to management prior to the start of the audit. The records and information requested were available for audit, and full cooperation from management was received.

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Mr. Nicholas pointed out that the key audit areas were focused on investments, participant data, benefit payments that were paid during the year, and administrative expenses. He reported certain items that were required under professional standards to discuss briefly with the Board: Note B to the financial statements contains significant accounting policies and practices used by the System; the most sensitive estimates contained in the financial statements are the total pension liability, which was actuarially calculated, and the estimated fair value of certain investments not recorded at quoted market prices. They took note of the key factors and assumptions which were used to develop both sets and values and consider them to be reasonable in relation to the financial statements taken as a whole. There were no disclosures in the financial statements that considered to be significantly sensitive; there were no changes in accounting principles during the year and there were no material misstatements identified during the course of the audit. He continued that there were no unrecorded misstatements; there were no disagreements with management on any financial or reporting matters or auditing procedures that the audit team felt might modify either the financial statements or the opinion that they expect to issue. They are not aware of any consultations that management had with other independent public accountants since they were engaged to perform services for the System, nor are they aware of any situations where management reached out to other independent public accountants to get an opinion on how to apply generally accepted accounting principles for any particular types of transaction. There were no major issues that were discussed with management before they were retained to conduct the audit and there were no significant issues or difficulties that occurred during the audit. Upon approval of these draft financial statements by the Board, audit work will be completed bringing audit procedures up to date in real time. As part of which, the audit team will get a required representation letter from management before issuing the signed audit. There was no discussion we had with management concerning any alternative methods of accounting treatments or unusual transactions.

Mr. Eshaki reviewed the financial comparison of 2021 vs. 2020 in the financial statements. The total assets increased from \$549M to \$596M, a growth of around 9%, which trends consistently with the major market performance in 2021. The equity investments portfolio performed very well; the reduction of the portfolio was due to the transfer of \$8M to the City of Pontiac in December 2021. Other assets increased about \$1.7M primarily due to the fluctuation in cash on hand resulting from pending transactions. The net appreciation represented very strong overall growth of about 14% on the average of investment balance. The other income, net of investment expenses was down about \$1M primarily due to the increase of investment management fee of around \$900K. Benefit payments and administrative expenses were business as usual for the System. The participant benefit payments increased ~ 4% from the 2020 amount, but - overall - the amount being paid is relatively consistent with those of the last couple of years.

Mr. Nicholas reviewed the internal control over financial reports, including definitions under professional standards as to what constitutes a material weakness, the significant deficiency and control deficiency. He indicated that – since the System is not subject to SEC reporting – they are not required to give an opinion on internal control: management is responsible for opining on internal control. However, as indicated earlier, no matters occurred which they would consider to be material weaknesses or other matters which would have to be reported to the Board.

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Mr. Nicholas reviewed the draft financial statement with the Trustees and noted that the report format is different from that of previous years due to the new standard audit format which applies to all entities.

Trustee White asked about the increase of the administrative expenses of around \$140K.

Mr. Eshhaki responded that there was a moderate increase in this category which includes expenses for actuarial services, accounting services, personnel, supplies, insurance, etc.

Trustee Waterman asked for an overview of the System.

Mr. Nicholas responded that 2021 was a very robust year for the System due to a sizable increase from investment returns.; The System was very healthy by 2021, given that the actual asset value when compared to pension liabilities was over 200%. He also noted that there were no required City contributions in 2021.

Miss Munson noted that the System's gross income was ~\$84M in 2021 and - after deducting benefit payments, administrative expenses and the transfer to City of Pontiac - the System had net income of ~\$50M, which was a very good year of the System.

RE: 2021 Audited Financial Statements

RESOLUTION 22-055 By Swazer, Supported by Waterman

Resolved, That the Board approves to receive and file the 2021 Audited Financial Statements as presented by George Johnson Company, and, further Resolved that the Board directs the Executive Director to provide a copy of the 2021 Audited Financial Statements to the Pontiac City Council.

Yeas: 10 – Nays: 0

CONSENT AGENDA

RE: Approval of the Minutes of the Regular Board Meeting held on June 22, 2022

RESOLUTION 22-056 By Swazer, Supported by Parker

Resolved, That the Board approves and ratifies actions described in the Consent Agenda for July 22, 2022.

Yeas: 10 – Nays: 0

REPORTS: NONE

EXECUTIVE DIRECTOR REPORT: NONE

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UNFINISHED BUSINESS: NONE

NEW BUSINESS: NONE

LEGAL REPORT: NONE

PUBLIC COMMENT: NONE

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Regular Meeting: Wednesday, August 31, 2022, 8:45 a.m.

RESOLUTION 22-057 By Swazer, Supported by White

Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 9:26 A.M.

Yeas: 10 – Nays: 0

I certify that the forgoing are the true and correct minutes of the meeting of the Reestablished General Employees' Retirement System held on July 27, 2022.
As recorded by Xiaotian Xue, reviewed and edited by Legal Counsel and the Executive Director