

**CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM  
SUMMARY ANNUAL REPORT TO MEMBERS  
DECEMBER 31, 2015**

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  
Jane Arndt  
Shirley Barnett  
Koné Bowman  
Janice Gaffney

Robert Giddings, Chair  
Walter Moore  
Nevrus Nazarko, Sectary  
Dierdre Waterman, Mayor  
Patrice Waterman

**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 Capital  
Brandywine Global  
Sawgrass Asset Mgmt.  
Systematic Financial  
WCM Investment Mgmt.

**Legal Counsel**

Sullivan, Ward, Asher & Patton, P.C  
**Investment Consultant**  
Gray & Company

**Auditor**

Plante & Moran

**Actuary**

Nyhart  
**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, 2015**

Domestic Equity	58.6%
International Equity	15.7%
Domestic Fixed Income	19.9%
Global Fixed Income	1.9%
Private Equity	3.0%
Cash	.9%

**Total**                      **100.0%**

**2015 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	-0.88%	8.88%	7.57%	10.67%	6.24%

\*10-Year Returns are estimated by Gray & Company.

**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, 2015 valuation, based on the established funding objective, are summarized below:

### FISCAL YEAR BEGINNING JULY 1, 2017 EMPLOYER CONTRIBUTION RATES AS A % OF ACTIVE MEMBER PAYROLL

#### Contributions For

Computed Employer Amount*	0.00%
Member Contributions	0.00%
Valuation Payroll	\$1,528,731

#### Funded Status

Valuation Assets (Smoothed Market Value)	\$417,151,476
Actuarial Accrued Liabilities	\$252,615,769
% Funded	165.1%

#### Participant Data

Active Members	30
Retirees and Beneficiaries	1106
Vested Inactive Members	213
Total Annual Benefits Paid	\$28,052,593
Average Annual Retirement Benefit	\$25,364
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	7.5%
Projected Salary Increases	5.6% - 9.4%
- Includes Inflation at	4.5%

Employer's Normal Cost\* \$301,489

## 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 actuarial assumed rate of investment return for the year ended December 31, 2015 was 8.2%. The System is closed to all non-MAPE employees hired after April 1, 2013.

\*In 2013, the Employer's Normal Cost calculation was changed from a level % of payroll to a level dollar. The Employer's Contribution Amount as a % of payroll is 0.00%. The Employer's Normal Cost as a % of valuation payroll is 19.72%.

## ASSETS & LIABILITIES 2015

**Net Plan Assets at December 31, 2014** **\$491,726,795**

#### **Assets**

Interest and Other Receivables	\$ 1,091,845
Short-term Investments	\$ 14,420,713
Long-term Investments	\$444,544,218
Total Assets	\$460,056,776

#### **Liabilities**

Accounts Payable and other Payables	\$ 714,422
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**Net Plan Assets at December 31, 2015** **\$459,342,354**

**Plan Year Change in Net Plan Assets** **(\$ 32,384,441)**

#### Itemized Budget

	2015 <u>Expenditures</u>	2016 <u>Adopted Budget</u>
Wages	\$267,841	\$262,218
Fringe Benefits	\$85,348	\$84,918
Pension Payments	\$28,052,593	\$27,000,000
Bank Fees	\$136,004	\$265,000
Interest	\$22,428	\$25,000
Investment Mgmt.	\$2,521,925	\$2,600,000
Professional Train/Edu	\$72,793	\$80,000
Insurance	\$62,846	\$63,194
Other Professional Serv.	\$238,949	\$248,000
Rent	\$32,335	\$32,000
Equipment	\$3,778	\$3,600
Supplies/Postage	\$14,968	\$15,000
Other Admin. Exp.	\$34,203	\$35,950

#### **Soft Dollar Expenditures**

2015 Soft Dollar Expenditures \$239,433.42