

**CITY OF PONTIAC GENERAL EMPLOYEES' RETIREMENT SYSTEM  
SUMMARY ANNUAL REPORT TO MEMBERS  
DECEMBER 31, 2014**

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**

Charlie Harrison, Chairman  
Jane Arndt  
Shirley Barnett  
Koné Bowman  
Janice Gaffney  
Robert Giddings

Dierdre Waterman, Mayor  
Walter Moore  
Nevrus Nazarko, Secretary  
Patrice Waterman  
Kevin Williams

**Investment Managers**

Robinson Capital Management  
Gray & Company Emerging MoM  
Gray & Company Michigan MoM  
GrayCo Alternatives  
First Eagle Asset Management  
Invesco  
Kennedy Capital Management

Loomis, Sayles & Company  
Mesirow Financial  
Munder Capital  
Peritus Asset Management  
Sawgrass Asset Mgmt.  
Systematic Financial  
WCM Investment Mgmt.

**Legal Counsel**

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

**Auditor**

Plante & Moran

**Actuary**

Rodwan Consulting  
**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, 2014**

Domestic Equity	57.0%
International Equity	15.6%
Domestic Fixed Income	21.5%
Private Equity	2.6%
Cash	3.3%

**Total**            **100.0%**

**2014 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	6.52%	13.52%	10.73%	6.38%	6.86%

\*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, Rodwan Consulting, 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, 2014 valuation, based on the established funding objective, are summarized below:

### FISCAL YEAR BEGINNING JULY 1, 2016 EMPLOYER CONTRIBUTION RATES AS A % OF ACTIVE MEMBER PAYROLL

#### Contributions For

Computed Employer Amount*	0.00%
Member Contributions	0.00%
Valuation Payroll	\$1,478,241

#### Funded Status

Valuation Assets (Smoothed Market Value)	\$413,418,482
Actuarial Accrued Liabilities	\$270,139,151
% Funded	153.0%

#### Participant Data

Active Members	31
Retirees and Beneficiaries	1122
Vested Inactive Members	230
Total Annual Benefits Paid	\$27,484,975
Average Annual Retirement Benefit	\$24,496
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\* \$260,613

## 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, 2014 was 11.67%. 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 17.63%.

## ASSETS & LIABILITIES 2014

**Net Plan Assets at December 31, 2013** **\$490,472,887**

#### **Assets**

Interest and Other Receivables	\$ 2,154,155
Short-term Investments	\$ 25,237,882
Long-term Investments	<u>\$465,253,468</u>
Total Assets	\$492,645,505

#### **Liabilities**

Accounts Payable and other Payables	<u>\$ 918,710</u>
-------------------------------------	-------------------

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

**Plan Year Change in Net Plan Assets** **\$ 1,253,908**

#### Itemized Budget

	<b>2014 Expenditures</b>	<b>2015 Adopted Budget</b>
Wages	\$195,148	\$287,779
Fringe Benefits	\$63,139	\$78,849
Pension Payments	\$27,484,975	\$26,643,313
Bank Fees	\$220,526	\$232,000
Interest	\$95,164	\$25,000
Investment Mgmt.	\$2,654,383	\$2,600,000
Professional Train/Edu	\$51,396	\$60,000
Insurance	\$38,078	\$38,000
Other Professional Serv.	\$262,872	\$283,796
Rent	\$32,070	\$28,976
Equipment	\$2,737	\$2,476
Supplies/Postage	\$15,972	\$13,600
Other Admin. Exp.	\$60,560	\$25,097

#### **Soft Dollar Expenditures**

2014 Soft Dollar Expenditures \$110,363.01