

**CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED  
GROUP HEALTH AND INSURANCE TRUST (“PF VEBA”)**

**2014 Summary Annual Report**

*The Public Employee Retirement System Investment Act requires the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (“PF VEBA”) to prepare and issue a summary annual report and to publish and make available a list of all expenses paid by soft dollars annually. The following information is provided for the year 2014.*

The name of the system is the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust. The PF VEBA’s investment fiduciaries are:

Board of Trustees of the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust  
Gray & Company (consultant)  
The Bogdahn Group (consultant as of December 9, 2014)  
Bradford & Marzec, Inc.  
Pluscios Management  
Broadview Advisors  
LS Investment Advisors  
Bloomfield Capital  
Dodge & Cox  
Franklin Templeton

The name of the PF VEBA’s service providers are:

Sullivan Ward Asher & Patton, Matthew I. Henzi, legal advisor  
Rodwan Consultants, Sandra Rodwan, actuary  
Comerica Bank, custodian  
BeneSys, Inc., administrator  
Gray & Company, investment consultant  
The Bogdahn Group, investment consultant

The PF VEBA’s changes in net market value of plan assets on a plan-year basis:

	<u>12/31/2014</u>	<u>12/31/2013</u>
Assets:	\$39,511,196	\$39,003,224
Net Increase:	\$507,972	

As reported in the actuarial valuation for the annual period ending December 31, 2013, the PF VEBA’s valuation assets were \$36,229,622 and its actuarial accrued liabilities were \$41,845,124, which produced a funded ratio of 86.6%. The PF VEBA did not receive the required employer contribution for the calendar year beginning January 1, 2013. The actuary did not prepare a valuation for the period ending December 31, 2014.

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The PF VEBA’s investment performance net of fees on a rolling calendar year basis for the previous one, three, five, seven and ten year periods are:

1 year – 6.98% (gross)	6.71% (net)
3 year – 14.53% (gross)	13.11% (net)
5 year – 11.51% (gross)	10.40% (net)
10 year – 6.35% (gross)	6.54% (net – estimated)

The PF VEBA’s administrative and investment expenditures pursuant to the Standards of the Governmental Accounting Board, including, but not limited to, a list of all expenditures made with soft dollars and all expenditures for professional training and education, including travel expenditures, by or on behalf of System board members that are paid by the System are:

2014 list of expenditures:

Conversion Fee	\$0
Accounting Services	\$13,895
Actuary Services	\$13,000
Bank Fees / Custodial Fees	\$20,115
Computer Equipment	
Dental Insurance	
Insurance	\$1,000
Consulting fees	\$13,750
Investment Management Services	\$72,123
Legal Services	\$22,911
Life Insurance	
Long Term Disability Insurance	
Magazines/Periodicals	
Medical Insurance	\$2,122,813
Membership Dues	
Comerica Sweep Fees	
Office Equipment	
Office Supplies	
Optical/Hearing Insurance	
Other Professional Service	
Administrative	\$11,000
Postage	
Printing Fees	\$3,197
Refunds	
Registration	

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Social Security / Medicare - ER	
Document Storage Fees	\$403
Temporary Employees	
Training Expense	
Travel Expense	
Wages - Clerical	
Wages – Supervisor	
Workers Compensation Insurance	
Miscellaneous / Meetings / Phone	\$3,793
<b>TOTAL EXPENSES</b>	<b>\$2,298,000</b>

Soft dollars expenses totaling \$0 offset financial consulting fees by \$0.

The PF VEBA’s itemized budget containing all projected expenditures, including, but not limited to, expenditures for professional training and education, including travel expenditures, by or on behalf of System board members that are paid by the PF VEBA for 2015 are:

2015 proposed budget:

Actuarial Fees	\$13,000
Administrative Fees/BeneSys	\$12,000
Consulting Fees	Consultant - \$15,000 Auditor - \$7,800
Conference/Association Fees	MAPERS Dues -\$0 Conference/Trustee Meetings - \$0 Travel - \$0 Total: \$0
Custody Fees	Comerica - \$22,000
Insurance Fees	\$5,000
Investment Management Fees	\$80,000
Legal Fees	\$25,000
Postage and Printing	\$1,000
<b>TOTAL EXPENSES</b>	<b>\$180,800</b>

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The following information as provided in the PF VEBA's most recent annual actuarial valuation report:

1. The number of retirees and beneficiaries – 184
2. The number of inactive vested members – 137 (included in this number were 77 retirees who had either opted out of the VEBA or had not reached age 50).
3. The average annual retirement allowance – N/A
4. The total annual retirement allowances being paid – N/A
5. The valuation payroll – N/A
6. The employer's computed normal cost of benefits expressed as a percentage of valuation payroll is: N/A
7. The employer's total contribution rate expressed as a percentage of valuation payroll for FY 15/16 is \$529,837.
8. The weighted average of member contributions is: N/A
9. The actuarial assumed rate of investment return is: 7.5%
10. The actuarial assumed rate of long-term wage inflation is: N/A
11. The smoothing method utilized to determine the funding value of assets is: a 5 year smoothing
12. The amortization method and period utilized for funding the PF VEBA's unfunded actuarial accrued liability, if any: The amortization method is level dollars. The amortization period is 30 years.
13. The PF VEBA's actuarial cost method is commonly referred to as the: N/A since the plan has no active members and is closed to new hires.
14. Whether PF VEBA membership is open or closed to specific groups of employees: The PF VEBA is closed to new hires as a whole since police services were outsourced on July 31, 2011. Fire services were outsourced February 1, 2012.

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