

CITY OF PONTIAC VEBA TRUST

FINANCIAL STATEMENTS
(With Required Supplementary Information)

December 31 and June 30, 2023



CITY OF PONTIAC VEBA TRUST

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INDEPENDENT AUDITOR'S REPORT

December 18, 2024

To the Board of Trustees
City of Pontiac VEBA Trust

Opinion

We have audited the financial statements of the City of Pontiac VEBA Trust (the "Trust"), a trust fund for postemployment benefits other than pensions of the City of Pontiac, Michigan (the "City"), which comprise the statements of fiduciary net position as of December 31 and June 30, 2023, and the related statements of changes in fiduciary net position for the six-month period ended December 31, 2023 and the year ended June 30, 2023, 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 Trust as of December 31 and June 30, 2023, and the changes in its fiduciary net position for the six-month period ended December 31, 2023 and the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits 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 Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Trust is included in the annual comprehensive financial report of the City. The accompanying financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the City as of December 31 and June 30, 2023, and the changes in its financial position for the six-month period ended December 31, 2023 and the year ended June 30, 2023, in accordance with U.S. GAAP. Our opinion is not modified with respect to this matter.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management for the Financial Statements

The Trust'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 Trust'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 Trust's internal control. Accordingly, no such opinion is expressed.
- 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust'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 8 and the postemployment information on pages 31 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.

GJC CPAs & Advisors

Detroit, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31 and June 30, 2023

This section of the annual report of the City of Pontiac VEBA Trust (the “Trust”) presents management’s discussion and analysis of the Trust’s financial performance during the six-month period ended December 31, 2023 and the year ended June 30, 2023. Please read it in conjunction with the Trust’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Overall Fund Structure and Objectives

The Trust has been established to pay health care benefits to all eligible retirees of the City of Pontiac, Michigan (the “City”), pursuant to a settlement agreement (the “Settlement Agreement”) entered into by the City of Pontiac Retired Employees Association (the “CPREA”) and the City. Any excess of contributions over benefits paid will allow for additional funding to increase investment income to a level where the Trust will generate adequate earnings to pay future benefits. The public markets represent the primary source of investments.

The Trust was created as a result of the Settlement Agreement reached in a lawsuit filed by the CPREA against the City, which principally sought to restore retiree health care that had been reduced or eliminated by a series of Orders issued by the City’s Emergency Manager in 2011. On April 4, 2017, the bargaining parties announced that a tentative settlement had been reached in the litigation with regard to retiree health care. In October 2018, the Settlement Agreement was approved by the presiding federal Judge. The Settlement Agreement provides, among other stipulations, that a Trust would be created to provide retiree health care benefits for all eligible City retirees. The Trust is a voluntary employees’ beneficiary association (“VEBA”). Eligible VEBA members include City of Pontiac retirees and vested deferred retirees, as well as their eligible spouses and dependents, who are eligible for health insurance coverage at the time the Emergency Manager Orders were issued, December 22, 2011, and do not include any retirees who retired or vested after the date of those Orders. The Settlement Agreement also provided that the existing City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (the “Police and Fire VEBA”) would merge into the VEBA. The Settlement Agreement further provided that the Trust would be funded by utilizing certain overfunded assets from the City of Pontiac General Employees’ Retirement System (the “Old GERS”). Additionally, the City was required to make an initial contribution of \$4.25 million. Lastly, the City is required to make contributions in an amount no greater than \$1.5 million annually, in the event the VEBA is determined to have an unfunded liability by its actuary. In March 2021, the Internal Revenue Service issued a favorable determination letter. Some assets from the Old GERS were transferred to the Trust during the years ended June 30, 2023 and 2022. The Old GERS retained approximately \$60 million (one-half of which would be transferable to the Trust pursuant to the Settlement Agreement) while the CPREA and the City continue negotiations concerning revisions to the Settlement Agreement that could affect retiree pension and health care benefits, as well as other matters concerning the operation of the Trust.

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

December 31 and June 30, 2023

FINANCIAL HIGHLIGHTS (CONTINUED)**Overall Fund Structure and Objectives (continued)**

Further, the Trust began providing retiree health care benefits to eligible retirees during the year ended June 30, 2022. In December 2023, the Police and Fire VEBA, the VEBA, and the City fully executed a Merger Agreement, effective December 31, 2023, to merge the Police and Fire VEBA into the VEBA. Some assets from the Police and Fire VEBA were transferred into the VEBA during the six-month period ended December 31, 2023. The remainder of those assets were transferred from the Police and Fire VEBA in January 2024.

Asset Allocation

The Trust 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 Trust. The following is a summary of the adopted asset allocation as of December 31 and June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	60 %
Fixed income securities	25
Real assets	10
Private equity	5
Cash	-0-
	<u><u>100 %</u></u>

Investment Results

As recently as summer 2023, about 80 percent of economists were calling for a U.S. recession to commence by late 2023 or early 2024. The recession prediction began formulating in early 2022, supported by historically reliable macro indicators. These, along with the initiating by the Federal Reserve (the “Fed”) of one of the most aggressive inflation-fighting tightening regimes ever, resulted in a 28 percent stock market correction over the last nine months of 2022. When the recession failed to materialize, stock averages reversed course in the first half of 2023, although most of the gains were concentrated in only a handful of large tech stocks hyped up on artificial intelligence prospects.

More recently, predictions of a recession have been pared back and replaced with talk of a “soft landing”, despite continuing ominous precursors. History has shown that it is extremely dangerous to reason that “this time, it’s different”.

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

December 31 and June 30, 2023

FINANCIAL HIGHLIGHTS (CONTINUED)

Investment Results (continued)

Fully recognizing this, the Trust's management would like to point out that there are a couple of different situations in this cycle that may help explain how such a widely anticipated recession has been canceled or at least postponed. First, thanks to direct government stimulus during COVID-19, the U.S. had accumulated massive amounts of excess savings. Also, throughout 2023, savings as a percentage of disposable income remained above levels prior to COVID-19. Second, liquidity still remains plentiful, as the Fed still holds a relatively large balance sheet and the federal government, through already-passed legislation, such as the Inflation Reduction Act, puts more money into the economy.

Vast amounts of liquidity remaining in the economy are being fueled by large amounts of government deficit spending and past stimulus, which has somewhat offset a very combative Fed, since rate hikes are less effective if economic participants do not need to borrow as much as usual. These unique government-induced liquidity surpluses may have served to prevent or delay an economic contraction so far, but have come at the cost of higher inflation for all.

After a down year in 2022 — in fact, 2022 was just one of five years in the last 100 years in which both U.S. stock (S&P 500) and U.S. Treasuries finished in the red — the markets staged a strong rebound in 2023. While 2023 did not seem to feel like a positive year, given all the recession talk, the S&P 500 climbed 26.3 percent, led by large cap tech, with the Russell 1000 Growth Index up 42.7 percent.

For the six-month period ended December 31, 2023, the Trust's portfolio returned 4.5 percent gross of fees (in the 73rd percentile of the Public Funds Universe), and 4.3 percent net of fees, behind the target return of 6.5 percent. For the year ended June 30, 2023, the Trust's portfolio returned 7.5 percent gross of fees (in the 75th percentile of the Public Funds Universe), and 7.0 percent net of fees, ahead of the target return of 6.5 percent. Risk characteristics for the portfolio and its components are calculated quarterly using appropriate statistical methodologies.

Moving into 2024, uncertainty around an economic slowdown or recession remains. As the economy slows due to the ever-increasing bite of higher interest rates, the real question is, how will this affect earnings the first half of 2024, and can corporate America adjust to the slowing growth environment. However, combating that headwind is a tailwind from the Fed. At the Fed's December 2023 meeting, Chair Jerome Powell and the Fed signaled a move to a more neutral stance, implying there will be interest rate cuts in 2024 in the equity and fixed income markets. So, despite the potential near-term earnings slowdown, 2024 is shaping up to be a decent year driven by (1) ongoing disinflation, (2) the pivot globally in monetary policy from tightening to loosening, and (3) the potential for resilient earnings throughout 2024 as corporate America may be prepared for a mild economic slowdown.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**December 31 and June 30, 2023****OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains the Trust's financial statements, which consist of the statements of fiduciary net position and the statements of changes in fiduciary net position (presented on pages 9 and 10). These financial statements report information about the Trust as a whole using accounting methods similar to those used by private-sector employee benefit plans. The statements of fiduciary net position include all of the Trust's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's increases and decreases in the Trust's net position are accounted for in the statements of changes in fiduciary net position, under the accrual basis of accounting.

These financial statements report the Trust's net position and how it has changed. Net position represents the difference between the Trust'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 Trust's financial health, or position. Over time, increases or decreases in the Trust's net position may be affected by several variables, such as contributions, investment performance, participant benefits during the current year, insurance premiums, and Trust administrative expenses.

The notes to the financial statements, which begin on page 11, explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS OF THE TRUST AS A WHOLE

Table 1
Condensed Statements of Fiduciary Net Position
December 31, 2023, June 30, 2023, and June 30, 2022

	<u>December 31, 2023</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Assets:			
Investments	\$ 105,297,152	\$ 67,248,580	\$ 66,074,855
Other assets	7,397,010	43,186,825	44,595,412
Total Assets	112,694,162	110,435,405	110,670,267
Liabilities	<u>277,713</u>	<u>213,572</u>	<u>172,028</u>
Net Position Restricted for Postemployment Benefits Other than Pensions	<u>\$ 112,416,449</u>	<u>\$ 110,221,833</u>	<u>\$ 110,498,239</u>

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

December 31 and June 30, 2023

FINANCIAL ANALYSIS OF THE TRUST AS A WHOLE (CONTINUED)

Table 2
Condensed Statements of Changes in Fiduciary Net Position
For the Six-Month Period Ended December 31, 2023 and
the Years Ended June 30, 2023 and 2022

	<u>December 31, 2023</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Additions:			
Employer contributions	\$ -0-	\$ -0-	\$ 119,425,585
Interest and dividend income	1,198,144	1,417,217	526,990
Net realized and unrealized appreciation in fair value of investments	<u>6,234,493</u>	<u>2,249,327</u>	<u>-0-</u>
Total Additions	<u>7,432,637</u>	<u>3,666,544</u>	<u>119,952,575</u>
Deductions:			
Net realized and unrealized depreciation in fair value of investments	-0-	-0-	8,243,604
Opt-out benefit payments	20,000	200,000	-0-
Insurance premiums	4,836,788	3,195,286	585,400
Administrative expenses	<u>381,233</u>	<u>547,664</u>	<u>625,332</u>
Total Deductions	<u>5,238,021</u>	<u>3,942,950</u>	<u>9,454,336</u>
Change in Net Position Restricted for Postemployment Benefits Other than Pensions	2,194,616	(276,406)	110,498,239
Net Position Restricted for Postemployment Benefits Other than Pensions, Beginning of Period	<u>110,221,833</u>	<u>110,498,239</u>	<u>-0-</u>
Net Position Restricted for Postemployment Benefits Other than Pensions, End of Period	<u>\$ 112,416,449</u>	<u>\$ 110,221,833</u>	<u>\$ 110,498,239</u>

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the funds it holds. If you have any questions about this report or need additional financial information, contact the Trust's office at 700 Tower Drive, Suite 300, Troy, Michigan 48098.

CITY OF PONTIAC VEBA TRUST

STATEMENTS OF FIDUCIARY NET POSITION

December 31 and June 30, 2023

	December 31, 2023	June 30, 2023
Assets:		
Investments, at fair value or net asset value (Note C):		
Money market funds	\$ 2,113,186	\$ 1,278,072
U.S. government obligations	4,571,494	3,418,275
U.S. agency and mortgage-backed securities	510,617	498,205
U.S. collateralized mortgage obligations	4,700,007	4,705,423
Corporate bonds and notes	5,194,094	5,458,009
Corporate asset-backed securities	312,179	326,323
Collateralized mortgage obligations	1,582,978	1,859,928
Common stocks	28,218,206	16,229,226
Foreign stocks	1,639,073	981,620
Registered investment companies	37,530,627	18,194,887
Commingled funds	5,800,344	5,625,233
Private equity funds	13,124,347	8,673,379
	105,297,152	67,248,580
Other assets:		
Receivable from City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (Note A)	-0-	38,997,371
Equity in City of Pontiac pooled cash (Note C)	3,820,000	3,840,000
Cash (Note C)	3,438,040	225,620
Accrued interest receivable	138,970	123,834
	7,397,010	43,186,825
	112,694,162	110,435,405
Liabilities:		
Administrative expenses payable	171,237	84,355
Payable from brokers (net of receivables)	106,476	129,217
	277,713	213,572
	Net Position Restricted for Postemployment Benefits Other than Pensions	Net Position Restricted for Postemployment Benefits Other than Pensions
	\$ 112,416,449	\$ 110,221,833

See notes to financial statements.

CITY OF PONTIAC VEBA TRUST

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

**For the Six-Month Period Ended December 31, 2023
and the Year Ended June 30, 2023**

	December 31, 2023	June 30, 2023
Additions:		
Interest and dividend income	\$ 1,198,144	\$ 1,417,217
Net realized and unrealized appreciation in fair value of investments	6,234,493	2,249,327
Total Additions	7,432,637	3,666,544
Deductions:		
Opt-out benefit payments (Note A)	20,000	200,000
Insurance premiums	4,836,788	3,195,286
Administrative expenses	381,233	547,664
Total Deductions	5,238,021	3,942,950
Change in Net Position Restricted for Postemployment Benefits Other than Pensions	2,194,616	(276,406)
Net Position Restricted for Postemployment Benefits Other than Pensions, Beginning of Period	110,221,833	110,498,239
Net Position Restricted for Postemployment Benefits Other than Pensions, End of Period	\$ 112,416,449	\$ 110,221,833

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31 and June 30, 2023

NOTE A — DESCRIPTION OF THE TRUST

Reporting Entity

The City of Pontiac, Michigan (the “City”) has established the City of Pontiac VEBA Trust (the “Trust”), an irrevocable group health and insurance trust fund for health, optical, and dental insurance benefits, as a result of a settlement of a class action lawsuit brought by the City of Pontiac Retired Employees Association (the “CPREA”) against the City. The CPREA and the City entered into a settlement agreement (the “Settlement Agreement”), which provided for the creation of the Trust, among other stipulations, and which was approved by the presiding Court in 2018. All such benefits are paid out of the Trust. The Trust was created as a voluntary employees’ beneficiary association (“VEBA”) trust. The associated plan is a single-employer benefit plan administered by BeneSys, Inc. which performs the Trust’s accounting function.

In December 2023, the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (the “Police and Fire VEBA”), which has provided health benefits to the City’s Police Department and Fire Department retirees, the VEBA, and the City fully executed a Merger Agreement, effective December 31, 2023, in accordance with the terms set forth in the Settlement Agreement. The Settlement Agreement provided, among other stipulations, that the Police and Fire VEBA would merge into the VEBA. Effective January 1, 2024, all Police and Fire VEBA members were automatically enrolled into the VEBA. Between December 28, 2023 and January 8, 2024, all Police and Fire VEBA assets were transferred into the Trust. The Police and Fire VEBA will continue to meet in 2024 to conduct post-merger wind-up activity, which principally consists of reviewing and approving the final audit report for the Police and Fire VEBA. As of June 30, 2023, the total net position in the Police and Fire VEBA was \$38,997,371, which has been recorded as a receivable on the Trust’s financial statements as of June 30, 2023.

The City prepares and files an annual comprehensive financial report which includes, among other components, a reporting of the audited financial statements of the VEBA as a fiduciary trust fund for postemployment benefits other than pensions (“OPEB”).

The Trust changed its fiscal year-end from June 30 to December 31, effective July 1, 2023.

Trust Administration

Management of the Trust is vested in the Board of Trustees (the “Board”), which consists of seven members. Three of the trustees are elected by eligible members of the VEBA, as follows:

- One of these three trustees is elected by eligible VEBA members who are also members of the City of Pontiac Police and Fire Retirement System (the “PFRS”).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE A — DESCRIPTION OF THE TRUST (CONTINUED)

Trust Administration (continued)

- One of these three trustees is elected by eligible VEBA members who are also members of the City of Pontiac General Employees' Retirement System (the "GERS").
- One of these three trustees is elected by all eligible VEBA members.

Two of the trustees are chosen by the Mayor of the City of Pontiac. One trustee is chosen by Pontiac City Council. These six trustees choose the seventh trustee.

Eligibility

The Board established a Retiree Group Health and Insurance Plan (the "Plan") for eligible retirees and their spouses and dependents. Eligibility was established by Section 2 of the Settlement Agreement. Membership consists of those retirees and vested deferred retirees, and their eligible spouses and dependents, who were eligible for health insurance coverage from the City as of December 22, 2011.

As of December 31 and June 30, 2023, there were 702 and 486 participants, respectively, in the Plan.

Contributions

The Plan's basic benefits are funded by contributions as set forth in the Settlement Agreement. The contributions include the City's initial contribution to the VEBA of \$4,250,000. Contributions also include the excess GERS assets, as specifically defined in the Settlement Agreement (i.e., the assets above 130 percent of the GERS' liability as of March 30, 2021). Lastly, the Settlement Agreement provides that the City will make contributions to the VEBA in an amount no greater than \$1,500,000 annually, in the event ongoing actuarial valuation reports evidence that the VEBA has an unfunded liability.

Benefits

The Board selected initial health programs to provide comprehensive health benefits, including doctor and hospital services and prescription drug coverage. These programs will be subject to review and may be changed or replaced by the Board from time to time as may be prudent to serve the purposes specified in the trust agreement into the future. Premiums for those health benefits are paid for entirely by the Trust assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE A — DESCRIPTION OF THE TRUST (CONTINUED)

Benefits (continued)

Additionally, class members have the option of terminating their right to receive any health care benefits from the Trust in exchange for a one-time payment of \$20,000. Once a class member begins receiving benefits from the Trust, that class member forfeits the option to receive the \$20,000 payment. Any class member who exercises this option, however, will forever lose the right to receive any and all health, dental, vision and prescription drug health care coverage from the Trust.

Administrative Expenses

Administrative expenses are paid from the Trust's assets.

Tax-Exempt Status

The Trust initially received a favorable determination letter, dated August 10, 2020 and effective March 23, 2020, from the Internal Revenue Service ("IRS") that recognized the Trust as an entity that qualifies as a VEBA under sections 501(a) and 501(c)(9) of the Internal Revenue Code ("IRC"). The Trust received a new favorable determination letter, dated September 7, 2023 and effective November 15, 2022, from the IRS recognizing the Trust as an entity that qualifies as a VEBA under sections 501(a) and 501(c)(9) of the IRC and is exempt from federal return filing requirements.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Trust's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus.

Contributions

Employer contributions are recorded in the period that is required by the Settlement Agreement.

Participant Distributions

Participant distributions are recorded when paid.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Trust'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 Trust'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 period.

Fair Value Measurements

The Trust 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 Trust utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Trust 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

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 Trust 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.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, June 30, 2023 to conform to classifications used as of, and for the six-month period ended, December 31, 2023.

NOTE C — DEPOSITS AND INVESTMENTS

The Trust's assets are held and invested in accordance with an investment policy statement. The investment policy statement outlines the goals and investment objective of the Trust and is intended to provide guidelines for the investment and management of the Trust's assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Allocation Policy

The investment policy statement regarding the allocation of invested assets is established and may be amended by the Board. The investment policy statement pursues an investment strategy that preserves and enhances the real purchasing power of the Trust’s assets. The objective for all the investment assets is accomplished utilizing equities, fixed income investments, alternative investments, and cash equivalents in a mix which is conducive to participation in rising markets, while allowing for protection in falling markets.

The adopted asset allocation policy as of December 31 and June 30, 2023 is as follows:

	<u>Target Allocation</u>	<u>Allocation Range</u>	
		<u>Minimum</u>	<u>Maximum</u>
Equities	60 %	50 %	65 %
Fixed income securities	25	20	30
Real assets	10	7	10
Private equity	5	-0-	8
Cash	-0-	-0-	5
	<u>100 %</u>		

CITY OF PONTIAC VEBA TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value

The Trust's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31 and June 30, 2023 are 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>	
December 31, 2023				
Assets:				
Investments at fair value:				
Money market funds	\$ 2,113,186	\$ -0-	\$ -0-	\$ 2,113,186
U.S. government obligations		4,571,494		4,571,494
U.S. agency and mortgage-backed securities		510,617		510,617
U.S. collateralized mortgage obligations		4,700,007		4,700,007
Corporate bonds and notes		5,194,094		5,194,094
Corporate asset-backed securities		312,179		312,179
Collateralized mortgage obligations		1,582,978		1,582,978
Common stocks	28,218,206			28,218,206
Foreign stocks	1,639,073			1,639,073
Registered investment companies	37,530,627			37,530,627
	Total Investments at Fair Value	\$ 69,501,092	\$ -0-	\$ 86,372,461
Investments measured at net asset value:				
Commingled funds				5,800,344
Private equity funds				13,124,347
	Total Investments Measured at Net Asset Value			18,924,691
	Total Investments			\$ 105,297,152

CITY OF PONTIAC VEBA TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value (continued)

	<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>	
June 30, 2023				
Assets:				
Investments at fair value:				
Money market funds	\$ 1,278,072	\$ -0-	\$ -0-	\$ 1,278,072
U.S. government obligations		3,418,275		3,418,275
U.S. agency and mortgage-backed securities		498,205		498,205
U.S. collateralized mortgage obligations		4,705,423		4,705,423
Corporate bonds and notes		5,458,009		5,458,009
Corporate asset-backed securities		326,323		326,323
Collateralized mortgage obligations		1,859,928		1,859,928
Common stocks	16,229,226			16,229,226
Foreign stocks	981,620			981,620
Registered investment companies	18,194,887			18,194,887
	<u>\$ 36,683,805</u>	<u>\$ 16,266,163</u>	<u>\$ -0-</u>	<u>52,949,968</u>
Total Investments at Fair Value				
Investments measured at net asset value:				
Commingled funds				5,625,233
Private equity funds				8,673,379
				<u>14,298,612</u>
Total Investments Measured at Net Asset Value				
				<u>\$ 67,248,580</u>
Total Investments				

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)**Investments Measured at Net Asset Value**

The Trust 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 and emerging markets publicly traded equities, as well as investments in limited partnerships that invest in publicly traded equities. The fair values of these investments have been estimated using the NAV per share of the Trust’s ownership interest in partners’ capital or of the investments.

Additional information as of December 31 and June 30, 2023 about the nature and risk of the Trust’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>
December 31, 2023			
Commingled funds	\$ 5,800,344	Daily/monthly	2-30 days
Private equity funds	<u>13,124,347</u>	Monthly/quarterly	10-90 days
	<u>\$ 18,924,691</u>		
June 30, 2023			
Commingled funds	\$ 5,625,233	Daily/monthly	2-30 days
Private equity funds	<u>8,673,379</u>	Monthly/quarterly	10-90 days
	<u>\$ 14,298,612</u>		

There are no unfunded commitments to acquire additional units of these investments as of December 31 or June 30, 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)**Deposit and Investment Risks**

The Trust'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 Trust's deposits may not be returned to the Trust. State of Michigan (the "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 Trust's carrying amount of deposits of \$3,820,000 and \$3,840,000 as of December 31 and June 30, 2023, respectively, are maintained in the City's pooled cash account maintained by the City Treasurer. In accordance with the City's investment policy and the Michigan Public Pension Investment Act 314 of 1965, as amended, all deposits are uncollateralized and are held in the City's name. The City evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an accepted estimated risk level are used as depositories. In addition, the City's investment policy places concentration limits on the total amount deposited with a single financial institution. Due to the dollar amounts of cash deposits in the City's pooled cash account and the limits of Federal Depository Insurance Corporation ("FDIC") insurance, the Trust's management believes it is impractical to obtain FDIC insurance for all bank deposits.

As of December 31 and June 30, 2023, the Trust's carrying amount of deposits and bank balances, other than the balances in the City's pooled cash account, are as follows:

	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Carrying amount of deposits	\$ 3,438,040	\$ 225,620
Total bank balances	<u>\$ 3,707,098</u>	<u>\$ 358,152</u>
Uninsured and uncollateralized bank balances	<u>\$ 3,207,098</u>	<u>\$ 108,152</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Custodial Credit Risk (continued)

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Trust 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. The custodial credit risk information is presented in the following schedule.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust's investment policy places no restrictions greater than what is allowed under applicable statutes.

CITY OF PONTIAC VEBA TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Credit Risk (continued)

The Trust's investments in debt securities as of December 31 and June 30, 2023 are rated as follows:

	<u>Money Market Funds</u>	<u>U.S. Government Obligations</u>	<u>U.S. Agency and Mortgage- Backed Securities</u>	<u>U.S. Collateralized Mortgage Obligations</u>	<u>Corporate Bonds and Notes</u>	<u>Corporate Asset- Backed Securities</u>	<u>Collateralized Mortgage Obligations</u>	<u>Total</u>
December 31, 2023								
Moody's rating:								
Aaa-mf	\$ 2,113,186	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,113,186
A1					891,158			891,158
A2					440,687			440,687
A3					1,181,509			1,181,509
Aa2					40,435			40,435
Aa3					64,448			64,448
Aaa		4,291,547	510,617		29,593	243,046	1,451,790	6,526,593
Baa1					1,215,753			1,215,753
Baa2					1,052,261			1,052,261
Baa3					244,907			244,907
Unrated		279,947		4,700,007	33,343	69,133	131,188	5,213,618
	<u>\$ 2,113,186</u>	<u>\$ 4,571,494</u>	<u>\$ 510,617</u>	<u>\$ 4,700,007</u>	<u>\$ 5,194,094</u>	<u>\$ 312,179</u>	<u>\$ 1,582,978</u>	<u>\$ 18,984,555</u>

CITY OF PONTIAC VEBA TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

Credit Risk (continued)

	<u>Money Market Funds</u>	<u>U.S. Government Obligations</u>	<u>U.S. Agency and Mortgage- Backed Securities</u>	<u>U.S. Collateralized Mortgage Obligations</u>	<u>Corporate Bonds and Notes</u>	<u>Corporate Asset- Backed Securities</u>	<u>Collateralized Mortgage Obligations</u>	<u>Total</u>
June 30, 2023								
Moody's rating:								
Aaa-mf	\$ 1,278,072	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,278,072
A1					873,161			873,161
A2					432,573			432,573
A3					1,156,260			1,156,260
Aa2					39,988			39,988
Aa3					64,191			64,191
Aaa		3,418,275	498,205		29,596	239,425	1,423,336	5,608,837
Baa1					1,348,702			1,348,702
Baa2					1,021,685			1,021,685
Baa3					261,493			261,493
Unrated				4,705,423	230,360	86,898	436,592	5,459,273
	<u>\$ 1,278,072</u>	<u>\$ 3,418,275</u>	<u>\$ 498,205</u>	<u>\$ 4,705,423</u>	<u>\$ 5,458,009</u>	<u>\$ 326,323</u>	<u>\$ 1,859,928</u>	<u>\$ 17,544,235</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

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 Trust's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the practice of the Trust to manage this risk by purchasing a mix of short-term and long-term investments.

As of December 31 and June 30, 2023, the Trust's money market funds have weighted average maturities of 39 days and nine days, respectively. Maturities of the Trust's other debt securities as of December 31 and June 30, 2023 are as follows:

	<u>Maturity Dates</u>				<u>Total</u>
	<u>One Year or Less</u>	<u>One to Five Years</u>	<u>Five to Ten Years</u>	<u>More than Ten Years</u>	
December 31, 2023					
U.S. government obligations	\$ -0-	\$ 1,807,635	\$ 1,545,913	\$ 1,217,946	\$ 4,571,494
U.S. agency and mortgage-backed securities		510,617			510,617
U.S. collateralized mortgage obligations				4,700,007	4,700,007
Corporate bonds and notes	197,696	1,978,741	1,592,623	1,425,034	5,194,094
Corporate asset-backed securities		312,179			312,179
Collateralized mortgage obligations				1,582,978	1,582,978
	<u>\$ 197,696</u>	<u>\$ 4,609,172</u>	<u>\$ 3,138,536</u>	<u>\$ 8,925,965</u>	<u>\$ 16,871,369</u>
June 30, 2023					
U.S. government obligations	\$ -0-	\$ 1,432,301	\$ 947,343	\$ 1,038,631	\$ 3,418,275
U.S. agency and mortgage-backed securities		498,205			498,205
U.S. collateralized mortgage obligations				4,705,423	4,705,423
Corporate bonds and notes	257,913	2,159,770	1,562,352	1,477,974	5,458,009
Corporate asset-backed securities		326,323			326,323
Collateralized mortgage obligations				1,859,928	1,859,928
	<u>\$ 257,913</u>	<u>\$ 4,416,599</u>	<u>\$ 2,509,695</u>	<u>\$ 9,081,956</u>	<u>\$ 16,266,163</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE C — DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risks (continued)

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 Trust does not have any exposure to foreign currency risk as of December 31 or June 30, 2023.

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 Trust is prohibited by the Michigan Public Employee Retirement System Investment Act from investing in more than five percent of the outstanding obligations of any one issuer or investing more than five percent of the Trust's assets in the obligations of any one issuer. The Trust places no limit on the amount it may invest in any one issuer. As of December 31 and June 30, 2023, there were no investments that exceeded five percent or more of the Trust's total investments, other than investments in registered investment companies, similar pooled investments, or investments issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises.

NOTE D — POSTEMPLOYMENT BENEFITS

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2023
Inactive plan members or beneficiaries currently receiving benefits	702
Inactive plan members entitled to, but not yet receiving, benefits	197

In 2011, the City's then Emergency Manager issued a series of Executive Orders that reduced or eliminated retiree health care. The CPREA filed suit against the City to, among other matters, require the City to restore its provision of retiree health care benefits. A Settlement Agreement was reached, which defined eligibility for membership in the Trust. Membership is defined as those retirees and deferred vested retirees who were eligible, or deferred eligible, for health insurance in the City of Pontiac as of December 22, 2011. As such, the Plan is effectively closed for active or new participants.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE D — POSTEMPLOYMENT BENEFITS (CONTINUED)**Employees Covered by Benefit Terms (continued)**

The Settlement Agreement also provided that eligible members could opt out of membership in the Trust in exchange for a one-time payment of \$20,000.

Net OPEB Asset

The net OPEB asset of the Trust has been measured as of December 31, 2023 and is comprised of the following:

Total OPEB liability	\$ 64,404,945
Plan fiduciary net position	<u>112,416,449</u>
City Net OPEB Asset	<u><u>\$ (48,011,504)</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 174.55%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.5 percent
Health care cost trend rate:	7.25 percent, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for pre-65 retirees, and reset to an initial rate of 5.5 percent, decreasing by 0.25 percent annually to an ultimate rate of 4.5 percent for post-65 retirees
Employer funding policy:	Pay-as-you-go cash basis, with future benefit payments being paid out of the Trust; no additional employer contributions are expected to be made to the Trust
Investment rate of return:	6.5 percent

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE D — POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (continued)

Mortality assumptions for retired PFRS members and their spouses and dependents who are covered by the VEBA were as follows:

- General retirees and deferred vested employees — Society of Actuaries (“SOA”) Pub-2010 Headcount-Weighted Public Safety Mortality Table, fully generational, using scale MP-2021
- Disabled retirees — SOA Pub-2010 Headcount-Weighted Disabled Public Safety Mortality Table, fully generational, using scale MP-2021
- Surviving spouses — SOA Pub-2010 Headcount-Weighted Contingent Survivor Mortality Table, fully generational, using scale MP-2021

Mortality assumptions for retired PFRS members and their spouses and dependents who not are covered by the VEBA, as well as retired GERS members and their spouses and dependents, were as follows:

- Healthy GERS retirees — SOA Pub.H-2010 General Mortality Table, fully generational, using scale MP-2021
- Healthy PFRS retirees — SOA Pub.H-2010 Public Safety Mortality Table, fully generational, using scale MP-2021
- Disabled GERS retirees — SOA Pub.H-2010 Disabled General Mortality Table, fully generational, using Scale MP-2021
- Disabled PFRS retirees — SOA Pub.H-2010 Disabled Public Safety Mortality Table, fully generational, using scale MP-2021
- Beneficiaries — SOA Pub.H-2010 Contingent Survivor Mortality Table, fully generational, using scale MP-2021

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE D — POSTEMPLOYMENT BENEFITS (CONTINUED)**Actuarial Assumptions (continued)**

The best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equities	5.60 %
International equities	9.20
Domestic bonds	3.10
International bonds	2.50
Alternative assets	5.51

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. Based on the assumptions used, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB asset of the Trust, calculated using the discount rate of 6.5 percent, as well as what the Trust's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	<u>One Percent Decrease (5.5 Percent)</u>	<u>Current Discount Rate (6.5 Percent)</u>	<u>One Percent Increase (7.5 Percent)</u>
Net OPEB asset	\$ (41,364,308)	\$ (48,011,504)	\$ (53,541,488)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31 and June 30, 2023

NOTE D — POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the Trust, calculated using the health care cost trend rate of 7.25 percent, as well as what the Trust’s net OPEB asset would be if it were calculated using a health care cost trend rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>One Percent Decrease (6.25 Percent)</u>	<u>Current Health Care Cost Trend Rate (7.25 Percent)</u>	<u>One Percent Increase (8.25 Percent)</u>
Net OPEB asset	\$ (53,373,334)	\$ (48,011,504)	\$ (41,670,336)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

**For the 30 Months Ended December 31, 2023
(Ultimately Building to Ten Years)**

<u>Year Ended</u>	<u>Money- Weighted Rate of Return, Net of Investment Expense</u>
June 30, 2022	(6.98) %
June 30, 2023	3.33
December 31, 2023 (1)	6.61

(1) – For the six-month period ended December 31, 2023

CITY OF PONTIAC VEBA TRUST

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

**For the 30 Months Ended December 31, 2023
(Ultimately Building to Ten Years)**

	<u>Year Ended June 30</u>		<u>Six-Month Period Ended December 31, 2023</u>
	<u>2022</u>	<u>2023</u>	
Changes in Total OPEB Liability:			
Interest	\$ 6,302,330	\$ 4,371,821	\$ 4,262,181
Differences between expected and actual experience	(7,334,838)	-0-	5,261,016
Changes in actuarial assumptions	(10,481,223)	-0-	(7,341,521)
Benefit payments, including refunds	(4,974,321)	(5,540,082)	(6,593,686)
	<u>(16,488,052)</u>	<u>(1,168,261)</u>	<u>(4,412,010)</u>
Total OPEB Liability, Beginning of Period	<u>86,473,268</u>	<u>69,985,216</u>	<u>68,816,955</u>
	<u>69,985,216</u>	<u>68,816,955</u>	<u>64,404,945</u>
Changes in Plan Fiduciary Net Position:			
Employer contributions	119,425,585	-0-	-0-
Net investment income (loss)	(7,716,614)	3,666,544	7,432,637
Benefit payments	-0-	(200,000)	(20,000)
Insurance premiums	(585,400)	(3,195,286)	(4,836,788)
Administrative expenses	(625,332)	(547,664)	(381,233)
	<u>110,498,239</u>	<u>(276,406)</u>	<u>2,194,616</u>
Plan Fiduciary Net Position, Beginning of Period	<u>-0-</u>	<u>110,498,239</u>	<u>110,221,833</u>
	<u>110,498,239</u>	<u>110,221,833</u>	<u>112,416,449</u>
	<u>\$ (40,513,023)</u>	<u>\$ (41,404,878)</u>	<u>\$ (48,011,504)</u>
Ratio Information:			
Plan fiduciary net position as a percentage of total OPEB liability	157.89%	160.17%	174.55%

Contributions to the City of Pontiac VEBA Trust are not based on a measure of pay; therefore, no covered payroll information is presented.

The total OPEB liability as of the beginning of the period includes the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (the "Police and Fire VEBA") OPEB liability as of December 31, 2020, as well as the City of Pontiac OPEB liability as of June 30, 2019 for retired members of the City of Pontiac General Employees Retirement System and the City of Pontiac Police and Fire Retirement System who are not covered by the Police and Fire VEBA.

CITY OF PONTIAC VEBA TRUST

SCHEDULES OF CITY OF PONTIAC CONTRIBUTIONS (UNAUDITED)

**For the 30 Months Ended December 31, 2023
(Ultimately Building to Ten Years)**

	<u>Year Ended June 30</u>		<u>Six-Month Period Ended December 31, 2023</u>
	<u>2022</u>	<u>2023</u>	
Actuarially determined contribution	\$ 4,974,321	\$ -0-	\$ -0-
Contributions in relation to actuarially determined contribution	<u>85,450,811</u>	<u>-0-</u>	<u>-0-</u>
Contribution Excess	<u><u>\$ (80,476,490)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

Contributions to the City of Pontiac VEBA Trust are not based on a measure of pay; therefore, no covered payroll information is presented.

The following valuation dates, methods, and assumptions were used:

Valuation date:	December 31, 2023
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar
Remaining amortization period:	30 years