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# City of Pontiac Police and Fire Retirement System

(a component unit of the City of Pontiac, Michigan)

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**Financial Report**  
**with Supplemental Information**  
**December 31, 2020**

# City of Pontiac Police and Fire Retirement System

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## **Independent Auditor's Report**

To the Board of Trustees  
City of Pontiac Police and Fire Retirement System

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the City of Pontiac Police and Fire Retirement System (the "Retirement System") as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Retirement System's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Pontiac Police and Fire Retirement System as of December 31, 2020 and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
City of Pontiac Police and Fire Retirement System

**Other Matter**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, 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.

*Plante & Morse, PLLC*

December 22, 2021

# City of Pontiac Police and Fire Retirement System

## Management's Discussion and Analysis

### Using This Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplemental information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

### Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior year:

	2020	2019
<b>Assets</b>	\$ 221,379,000	\$ 221,131,627
<b>Liabilities</b>	157,410	195,176
<b>Net Position - Restricted for pensions</b>	<b>\$ 221,221,590</b>	<b>\$ 220,936,451</b>
	2020	2019
<b>Additions</b>		
Net investment income	\$ 19,678,345	\$ 33,045,584
Contributions - Employer	1,835,294	2,133,428
Miscellaneous and litigation revenue	1,482	3,583
Total additions	21,515,121	35,182,595
<b>Deductions</b>		
Retiree pension and annuity benefits	20,864,910	20,587,103
General and administrative expenses	365,072	297,302
Total deductions	21,229,982	20,884,405
<b>Net Increase in Net Position Restricted for Pensions</b>	<b>\$ 285,139</b>	<b>\$ 14,298,190</b>

### Plan Contributions

Employer contributions were \$1,835,294 and \$2,133,428 in 2020 and 2019, respectively.

There were no employee contributions in 2020 and 2019. Prior to the plan closure effective March 1, 2012, active system employees were required to contribute 2.5 percent of applicable wages. As of March 1, 2012, there were no active plan members, resulting in minimal employee contributions for the year ended December 31, 2012 and no employee contributions in the subsequent years.

### Overall Fund Structure and Objectives

The City of Pontiac Police and Fire Retirement System (the "Retirement System") exists to pay benefits to its members and retirees. Active members earned service credit that entitles them to receive benefits in the future. Benefits currently being paid are significantly greater than contributions currently being received. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of investments.

# City of Pontiac Police and Fire Retirement System

## Management's Discussion and Analysis (Continued)

### **Asset Allocation**

The Retirement System has established asset allocation policies, which are expected to deliver more than enough investment income over a very long period of time to satisfy the obligations to pay the benefits promised to the members of the Retirement System. The following is a summary of the adopted asset allocation as of December 31, 2020:

Domestic equities	45.00 %
Domestic fixed income	18.00
International equities	12.00
International fixed income	5.00
Real estate	10.00
Other assets	10.00

### **Investment Results**

The year 2020 will be remembered because of COVID-19. For investors, the year will be remembered for the rollercoaster ride that the markets took. After a modest start to the 2020, the stock market plunged by over 33 percent in 23 trading days during February and March. The decline coincided with the spread of the pandemic across the globe and the resulting economic shutdowns. Governments and central banks introduced fiscal and monetary programs to soften the impact. The markets responded by recouping their losses in just under 100 trading days. The equity markets continued to rebound into the second half of the year, particularly after the announcement that a vaccine had been developed to treat COVID-19 in November. However, not all stocks fully participated in the recovery - growth stocks outperformed value stocks by a wide margin during the year (~30 percent). The fixed-income market also produced relatively good results as interest rates fell dramatically. Real estate was one asset class that struggled in 2020, as the stay-at-home orders impaired retail and office properties. In 2020, the S&P 500 gained 18.4 percent (large-cap stocks), the Bloomberg Barclays US Aggregate (U.S. fixed income) increased 7.5 percent, and the NCREIF Property Index (U.S. real estate) rose 1.6 percent.

The pension fund returned 10.60 percent for the year ended December 31, 2020 (gross return, measured using the time-weighted return on each component of the fund).

### **Plan Sponsor Financial Condition/Plan Update**

The City of Pontiac, Michigan (the plan sponsor) had experienced significant financial difficulty and, in 2013, was placed in receivership under Michigan Public Act 436 of 2012. On March 31, 2016, the State returned local control of the City of Pontiac, Michigan's operations to Mayor Deirdre Waterman and the Pontiac City Council.

### **Contacting the Retirement System's Management**

This financial report is intended to provide a general overview of the Retirement System's finances and investment results in relation to actuarial projections. It shows the Retirement System's accountability for the money it receives from employer and employee contributions. If you have questions about this report or need additional information, we welcome you to contact the Retirement System's office at 700 Tower Drive, Suite 300, Troy, MI 48098.

# City of Pontiac Police and Fire Retirement System

## Statement of Fiduciary Net Position

December 31, 2020

### Assets

Cash and cash equivalents	\$ 670,638
Investments:	
Short-term investment funds	9,137,685
U.S. government securities	19,207,646
Domestic stock	138,273,009
Corporate bonds	20,713,925
Real estate	18,247,038
U.S. government mortgage-backed securities	533,458
Limited partnership	14,271,008
Receivables:	
Accrued interest receivable	234,795
Due from City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust	89,798
Total assets	<u>221,379,000</u>

**Liabilities** - Accounts payable 157,410

**Net Position** - Restricted for pensions \$ 221,221,590

# City of Pontiac Police and Fire Retirement System

## Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2020

### Additions

Investment income (loss):	
Interest and dividends	\$ 3,493,505
Net increase in fair value of investments	16,810,886
Less investment-related expenses	<u>(626,046)</u>
Total investment income	19,678,345
Contributions - Employer	1,835,294
Miscellaneous and litigation revenue	<u>1,482</u>
Total additions	21,515,121

### Deductions

Benefit payments	20,864,910
General and administrative expenses	<u>365,072</u>
Total deductions	<u>21,229,982</u>

### Net Increase in Net Position

285,139

Net Position - Restricted for pensions - Beginning of year

220,936,451

Net Position - Restricted for pensions - End of year

\$ 221,221,590

December 31, 2020

### Note 1 - Significant Accounting Policies

#### ***Reporting Entity***

The City of Pontiac, Michigan (the "City") sponsors the City of Pontiac Police and Fire Retirement System (the "Retirement System") (a contributory single-employer retirement plan) that covers all eligible police and fire retirees of the City.

The financial statements of the Retirement System are also included in the combined financial statements of the City of Pontiac, Michigan as a fiduciary component unit. The assets of the pension trust fund include no securities of or loans to the City or any other related party.

#### ***Basis of Accounting***

The accounting policies of the Retirement System conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units.

The Retirement System's financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Methods Used to Value Investments***

Investments are reported at estimated fair value. 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. Securities not traded on a national or international exchange are based upon quoted prices for comparable instruments with similar yields and risk in active and inactive markets. Investments that do not have an established market value are valued at net asset value (NAV) as a practical expedient to estimate fair value.

### Note 2 - Pension Plan

#### ***Plan Administration***

The board of trustees administers the City of Pontiac Police and Fire Retirement System, a single-employer defined benefit pension plan that provides pensions for all permanent full-time public safety employees of the City of Pontiac, Michigan who were employed with the City on or before the time of the plan's partial termination on March 1, 2011. Benefit terms have been established by contractual agreements between the City of Pontiac, Michigan and the various employee union representations; amendments are subject to the same process.

Management of the Retirement System is vested in the board of trustees, which consists of five members - two members representing the City of Pontiac, Michigan, who shall be the mayor and director of finance; one policeman and one fireman with at least five years of credited service, elected by plan members; and one independent member voted by the four other trustees.

Note 2 - Pension Plan (Continued)

Partial Termination and Plan Closure

In 2011, a partial termination of the pension plan for police and fire employees was deemed to have occurred when the City contracted with the Oakland County sheriff for policing services. This resulted from the termination of active employee positions at the City under executive orders issued by the emergency manager. As of March 1, 2012, the City contracted with Waterford Township to provide fire services; as of that date, the plan no longer had any active employees. As a result, for the purpose of computing the actuarial determined contribution to the Retirement System from the City, the actuary is expressing the amount as a level dollar amount amortized on a closed basis, rather than as a level percentage of payroll.

Benefits Provided

The Retirement System provides retirement, disability, and death benefits. Employees may receive cost of living adjustments as a percentage of their base amounts, pursuant to the collective bargaining agreement or employment agreement in effect at their date of retirement. The benefit terms and the obligation to contribute to and maintain the Retirement System were established by city ordinance and negotiation with the employees' collective bargaining units.

Plan Membership

The following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	432
Inactive plan members not yet receiving benefits - Deferred	<u>120</u>
Total	<u><u>552</u></u>

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The Retirement System hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to make pension contributions based on the city ordinance, union contracts, and plan provisions; however, given that the plan is now closed, there are no longer any active members of the plan. The Retirement System's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2020, the City of Pontiac, Michigan's required and actual contribution was \$1,835,294. There were no contributions due from members during fiscal year 2020.

**December 31, 2020**

**Note 2 - Pension Plan (Continued)**

***Investment Policy***

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board’s adopted asset allocation policy as of December 31, 2020:

Asset Class	Target Allocation
Domestic equity	45.00 %
International equity	12.00
Domestic bonds	18.00
International bonds	5.00
Real estate	10.00
Other assets	10.00

***Rate of Return***

For the year ended December 31, 2020, the annual money-weighted rate of return, net of expenses on the Retirement System’s investments, was 9.62 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Net Pension Liability of the City***

The net pension liability of the City of Pontiac, Michigan has been measured as of December 31, 2020 and is composed of the following:

Total pension liability	\$ 244,097,813
Plan fiduciary net position	<u>(221,221,590)</u>
City’s net pension liability	<u>\$ 22,876,223</u>
Plan fiduciary net position as a percentage of the total pension liability	90.63 %

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of December 31, 2020. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement (there are no assumptions related to inflation and salary increases, as there was a partial termination and plan closure in 2011):

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that city contributions will be made at actuarially determined rates.

Based on those assumptions, the pension 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 pension liability.

December 31, 2020

**Note 2 - Pension Plan (Continued)**

**Mortality Assumptions**

As the plan is not large enough to have credible experience, the actuary has set the mortality assumptions to reflect general population trends. For healthy annuitants, the plan has utilized the Pub-S 2010 Mortality Table with generational improvements using scale MP-2020. For disabled annuitants, the plan is using the Pub-S 2010 Disabled Mortality with generational improvements using scale MP-2020. This is a change from prior year when the plan utilized the RP-2014 Blue Collar Mortality Table with generational improvements using scale MP-2019 for healthy annuitants and the RP-2014 Disabled Mortality Table with generational improvements using scale MP-2019 for disabled annuitants.

**Investment Rate of Return**

The long-term expected rate of return on pension plan 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return as of December 31, 2020 for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.12 %
International equity	6.67
Domestic bonds	2.37
International bonds	3.15
Real estate	3.29
Other assets	5.51

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City of Pontiac, Michigan, calculated using the discount rate of 7.5 percent, as well as what the City of Pontiac, Michigan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percentage Point Increase (8.5%)
Net pension liability of the City	\$ 47,504,537	\$ 22,876,223	\$ 2,136,852

***Benefit Changes***

During fiscal year 2015, the board approved to provide retirees a payment of an additional \$400 per month under Executive Order 308 to the members affected by the executive order for the period from September 2013 through August 2015. In August 2016, the \$400 per month supplement was extended from September 1, 2016 to August 30, 2017. During fiscal year 2017, the \$400 per month supplement was extended from September 1, 2017 to August 30, 2018. During fiscal year 2018, the \$400 per month supplement was extended through August 31, 2019. During fiscal year 2019, the \$400 per month supplement was extended through August 31, 2020. During fiscal year 2020, the \$400 per month supplement was extended through August 31, 2021.

**December 31, 2020**

**Note 2 - Pension Plan (Continued)**

***Pension Plan Reserves***

As of December 31, 2020, the plan's legally required reserves have been fully funded as follows:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employees made contributions; the plan maintains a record of the amount contributed by each employee.

The balances of the reserve accounts (required and actual reserves) at December 31, 2020 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 244,097,813	\$ 220,098,193
Employee reserve	1,123,397	1,123,397

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retirement System is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all allowable investments under Michigan Public Act 314 of 1965, as amended. The Retirement System's deposits and investment policies are in accordance with statutory authority.

The Retirement System's cash and investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Retirement System's deposits may not be returned to it. The Retirement System does not have a deposit policy for custodial credit risk. At year end, the Retirement System had \$492,682 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Retirement System believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Retirement System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**December 31, 2020**

**Note 3 - Deposits and Investments (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Retirement System’s investment policy restricts the average duration of an actively managed portfolio to not differ from the benchmark duration by more than 25 percent.

At December 31, 2020, the Retirement System had the following investments:

Investment	Carrying Value	Weighted- average Maturity (Years)
U.S. government agencies	\$ 13,156,810	0.47
U.S. government mortgage-backed securities	533,458	13.01
U.S. government treasury bonds	6,050,836	7.61
Corporate bonds	14,560,779	6.21
Corporate bond mutual fund	6,153,146	9.27
Total	<u>\$ 40,455,029</u>	

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Retirement System's investment policy limits investments rated in the top four major grades, as determined by Standard & Poor's or Moody's. As of December 31, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	S&P Rating
Corporate bonds	\$ 733,471	AA
Corporate bonds	6,347,469	A
Corporate bonds	7,479,839	BBB
Government agencies	8,077,263	AA
Corporate bond mutual fund	6,153,146	Not Rated
Total	<u>\$ 28,791,188</u>	

**Fair Value Measurements**

The Retirement System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Retirement System’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

**December 31, 2020**

**Note 3 - Deposits and Investments (Continued)**

The Retirement System has the following recurring fair value measurements as of December 31, 2020:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
<b>Assets</b>				
Equity securities - Common stock	\$ 74,001,316	\$ -	\$ -	\$ 74,001,316
Debt securities:				
U.S. government securities	-	19,207,646	-	19,207,646
U.S. government mortgage-backed securities	-	533,458	-	533,458
Corporate bonds	6,153,146	14,560,779	-	20,713,925
Total debt securities	6,153,146	34,301,883	-	40,455,029
Total	<u>\$ 80,154,462</u>	<u>\$ 34,301,883</u>	<u>\$ -</u>	114,456,345
Investments measured at NAV:				
Equities funds				64,271,693
Real estate funds				22,012,168
Limited partnerships				10,505,878
Total investments measured at NAV				<u>96,789,739</u>
Total assets				<u>\$ 211,246,084</u>

A total of \$6,416,682 of short-term investment funds recorded at amortized cost is not included in the fair value table above. There are no limitations or restrictions on withdrawals.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of debt securities at December 31, 2020 was determined primarily based on Level 2 inputs. The Retirement System estimates the fair value of these investments based on prices that have been evaluated by independent pricing services. Such evaluated prices may be determined by using inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The Retirement System did not have any investments valued based on Level 3 inputs.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented in the table below.

**Note 3 - Deposits and Investments (Continued)**

***Investments in Entities that Calculate Net Asset Value per Share***

The Retirement System holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equities fund	\$ 64,271,693	\$ -	Monthly	Up to 30 days
Real estate funds	22,012,168	1,223,046	Quarterly	10 days
Limited partnership funds	10,505,878	1,561,737	Quarterly	10 days
Total	<u>\$ 96,789,739</u>	<u>\$ 2,784,783</u>		

The equities fund includes investments in U.S. and non-U.S. publicly traded equities. The fair values of the investments in this fund have been estimated using net asset value per share of the investments.

The equity real estate class includes investments in funds whose objective is to acquire, develop, own, and operate a diversified portfolio of real estate investments. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The limited partnership class includes investments predominantly in private debt. The fair values of the investments in these funds have been estimated using net asset value per share of the investments.

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## Required Supplemental Information

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# City of Pontiac Police and Fire Retirement System

## Required Supplemental Information Schedule of Changes in the City's Net Pension Liability and Related Ratios

**Last Seven Fiscal Years**  
**(Schedule is Built Prospectively upon Implementation of GASB Statement No. 67)**

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Interest	\$ 17,278,079	\$ 17,523,601	\$ 17,768,283	\$ 18,015,944	\$ 18,142,691	\$ 17,667,136	\$ 17,801,885
Changes in benefit terms	627,852	666,543	464,793	765,616	780,417	1,179,108	-
Differences between expected and actual experience	1,610,674	(181,582)	(451,296)	(575,621)	2,964,382	4,777,253	67,662
Changes in assumptions	4,639,281	(556,186)	(434,944)	(606,903)	(2,147,637)	3,437,195	-
Benefit payments, including refunds	(20,864,910)	(20,587,103)	(20,631,416)	(21,170,946)	(21,688,683)	(19,751,254)	(19,581,140)
<b>Net Change in Total Pension Liability</b>	<b>3,290,976</b>	<b>(3,134,727)</b>	<b>(3,284,580)</b>	<b>(3,571,910)</b>	<b>(1,948,830)</b>	<b>7,309,438</b>	<b>(1,711,593)</b>
<b>Total Pension Liability - Beginning of year</b>	<b>240,806,837</b>	<b>243,941,564</b>	<b>247,226,144</b>	<b>250,798,054</b>	<b>252,746,884</b>	<b>245,437,446</b>	<b>247,149,039</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 244,097,813</b>	<b>\$ 240,806,837</b>	<b>\$ 243,941,564</b>	<b>\$ 247,226,144</b>	<b>\$ 250,798,054</b>	<b>\$ 252,746,884</b>	<b>\$ 245,437,446</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 1,835,294	\$ 2,133,428	\$ 2,412,557	\$ 1,773,627	\$ 2,041,923	\$ 2,327,949	\$ 901,797
Net investment income (loss)	19,678,345	33,045,584	(7,116,516)	28,866,568	18,343,180	1,600,942	15,235,786
Administrative expenses	(365,072)	(297,302)	(257,590)	(310,593)	(300,220)	(328,225)	(332,389)
Benefit payments, including refunds	(20,864,910)	(20,587,103)	(20,631,416)	(21,170,946)	(21,688,683)	(19,751,254)	(19,581,140)
Other	1,482	3,583	10,085	5,188	25,735	937	40,754
<b>Net Change in Plan Fiduciary Net Position</b>	<b>285,139</b>	<b>14,298,190</b>	<b>(25,582,880)</b>	<b>9,163,844</b>	<b>(1,578,065)</b>	<b>(16,149,651)</b>	<b>(3,735,192)</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>220,936,451</b>	<b>206,638,261</b>	<b>232,221,141</b>	<b>223,057,297</b>	<b>224,635,362</b>	<b>240,785,013</b>	<b>244,520,205</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 221,221,590</b>	<b>\$ 220,936,451</b>	<b>\$ 206,638,261</b>	<b>\$ 232,221,141</b>	<b>\$ 223,057,297</b>	<b>\$ 224,635,362</b>	<b>\$ 240,785,013</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 22,876,223</b>	<b>\$ 19,870,386</b>	<b>\$ 37,303,303</b>	<b>\$ 15,005,003</b>	<b>\$ 27,740,757</b>	<b>\$ 28,111,522</b>	<b>\$ 4,652,433</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	90.63 %	91.75 %	84.71 %	93.93 %	88.94 %	88.88 %	98.10 %
<b>Covered Payroll</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	-	-	-	-	-	-	-

## City of Pontiac Police and Fire Retirement System

### Required Supplemental Information Schedule of City Contributions

**Last Ten Fiscal Years  
Years Ended December 31**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 1,835,294	\$ 2,133,428	\$ 2,412,557	\$ 1,773,627	\$ 2,041,923	\$ 2,327,949	\$ 901,797	\$ 901,797	\$ 931,311	\$ 887,134
Contributions in relation to the actuarially determined contribution	1,835,294	2,133,428	2,412,557	1,773,627	2,041,923	2,327,949	901,797	2,176,862	-	438,244
<b>Contribution Excess (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,275,065</b>	<b>\$ (931,311)</b>	<b>\$ (448,890)</b>					
<b>Covered-employee Payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,141,128</b>					
<b>Contributions as a Percentage of Covered-employee Payroll</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>13.95 %</b>					

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of the City's year end of June 30, two and one-half years prior to the end of the fiscal year in which the contributions are reported. Contributions for the City's fiscal year ended June 30, 2020 were determined based on the actuarial valuation as of December 31, 2017. The most recent valuation is as of December 31, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	20 percent write-up
Salary increase	N/A
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation (for funding valuation only)
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	RP-2014 Blue Collar, with general improvements using MP-2019 scale
Other information	Cost of living adjustments are 2.0 percent of original pension amounts at retirement for certain plan members applied to years of retirement

## City of Pontiac Police and Fire Retirement System

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### Required Supplemental Information Schedule of Investment Returns

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**Last Six Fiscal Years**  
**(Schedule is Built Prospectively upon Implementation of GASB Statement No. 67)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	9.62 %	17.86 %	(4.19)%	14.25 %	9.86 %	0.38 %

## City of Pontiac Police and Fire Retirement System

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### Notes to Required Supplemental Information

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December 31, 2020

#### ***Benefit Changes***

During fiscal year 2015, the board approved to provide retirees a payment of an additional \$400 per month under Executive Order 308 to the members affected by the executive order for the period from September 2013 through August 2015. In August 2016, the \$400 per month supplement was extended from September 1, 2016 to August 30, 2017. During fiscal year 2017, the \$400 per month supplement was extended from September 1, 2017 to August 30, 2018. During fiscal year 2018, the \$400 per month supplement was extended through August 31, 2019. During fiscal year 2019, the \$400 per month supplement was extended through August 31, 2020. During fiscal year 2020, the \$400 per month supplement was extended through August 31, 2021.

#### ***Changes in Mortality Tables***

During fiscal year 2016, the Retirement System used the RP-2014 Blue Collar Mortality Table with generational improvements using scale MP-2016, as compared to the RP-2014 Blue Collar Mortality Table with generational improvements using scale MP-2015 used in fiscal year 2015. During fiscal year 2017, the Retirement System used the RP-2014 Blue Collar Table with generational improvements using scale MP-2017. During fiscal year 2018, the Retirement System used the RP-2014 Blue Collar Table with generational improvements using scale MP-2018. During fiscal year 2019, the Retirement System used the RP-2014 Blue Collar Table with generational improvements using scale MP-2019. During fiscal year 2020, the Retirement System used the Pub-S 2010 Mortality Table with generational improvements using scale MP-2020.