

**CITY OF PONTIAC POLICE AND
FIRE RETIREE PREFUNDED GROUP
HEALTH AND INSURANCE TRUST**

**Financial Statements and
Supplementary Information as of
December 31, 2023
Together with
Independent Auditor's Report**

**CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED GROUP HEALTH AND
INSURANCE TRUST**

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INDEPENDENT AUDITOR'S REPORT

August 22, 2024

To the Board of Trustees of the
City of Pontiac Police and Fire Retiree Prefunded Group
Health and Insurance Trust:

Opinion

We have audited the accompanying financial statements of the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (the Trust), which comprise the statement of fiduciary net position as of December 31, 2023, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust as of December 31, 2023 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, 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 City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Responsibilities of Management for the Financial Statements (Continued)

Management is also responsible for maintaining a current Trust instrument, including all Trust amendments; administering the Trust; and determining that the Trust's transactions that are presented and disclosed in the financial statements are in conformity with the Trust's provisions, including maintaining sufficient records with respect to each of the retirees, to determine the benefits due or which may become due to such retirees.

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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and 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.
- 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 City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, 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, who 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 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.

CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED GROUP HEALTH AND INSURANCE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 supplementary 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 supplementary 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:

	<u>2023</u>	<u>2022</u>
Assets	\$ -	\$ 38,435,789
Liabilities	<u>-</u>	<u>1,528,193</u>
Net Position – Restricted for other postemployment benefits	<u>\$ -</u>	<u>\$ 36,907,596</u>
	<u>2023</u>	<u>2022</u>
Additions:		
Investment income (loss), net	\$ 4,172,197	\$ (6,075,914)
Other income	<u>15,002</u>	<u>2,380</u>
Total additions	<u>4,187,199</u>	<u>(6,073,534)</u>
Deductions:		
Retirees' health premiums, net of retiree contribution	3,850,013	4,705,967
General and administrative expenses	<u>160,644</u>	<u>94,821</u>
Total deductions	<u>4,010,657</u>	<u>4,800,788</u>
Net Increase (Decrease) in Net Position – Restricted for other postemployment benefits	<u>\$ 176,542</u>	<u>\$ (10,874,322)</u>
Transfer of Trust Assets Due to Merger	<u>\$ (37,084,138)</u>	<u>\$ -</u>

Trust Contributions

Employer contributions recognized were \$0 for 2023 and 2022.

Retiree Health Benefits and Employee Contributions

Total retiree health benefits paid were \$3,850,013 and \$4,705,967 in 2023 and 2022, respectively, prior to the application of the portion of benefits to be paid by retirees. There were no retiree contributions in 2023 and 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overall Fund Structure and Objectives

The City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (the Trust) existed to pay health care benefits to members retiring on or after August 22, 1996. 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 capital markets represent the primary source of investments.

On April 4, 2017, the City of Pontiac, Michigan announced that a tentative settlement had been reached with regard to retiree health care. In October 2018, the federal judge in the case approved the tentative settlement. The settlement agreement, once approved by various parties, including the Michigan Association of Public Employees (MAPE) and the Internal Revenue Service (IRS), among others, would provide retiree health care benefits to all eligible City of Pontiac, Michigan retirees via the creation of a new voluntary employees' beneficiary association (VEBA). This new VEBA, legally named City of Pontiac VEBA Trust, will be funded by utilizing certain overfunded assets from the City of Pontiac General Employees' Retirement System and this Trust. In March 2021, the IRS issued a favorable determination. Effective December 31, 2023, the Board of Trustees approved the merger of the Trust into the City of Pontiac VEBA Trust. As a result, all net assets were transferred from the Trust on that date.

Asset Allocation

The Trust had established asset allocation policies, which were 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 Trust. The following is a summary of the target asset allocation through December 31, 2023:

Domestic equity	52.50 %
International equity	12.50
Domestic bonds	15.00
International bonds	5.00
Alternative assets	15.00

Investment Results

Interest rates increased throughout 2023 as a result of a variety of activities. China continues to face economic challenges, and renewed conflicts in the Middle East and continued conflict in Ukraine weighed on performance. However, the US Federal Reserve Bank has signaled it remains committed to fighting inflation through keeping rates consistent. The unemployment rate remained consistent throughout 2023. International stocks have experienced strong returns due to a weakening US Dollar. Growth sectors significantly outpaced value sectors during the year, and 2023 closed with positive performance in both US and international equity markets.

The equity markets surged throughout 2023. The S&P 500 large cap stock index improved by 26.3 percent for the year ended December 31, 2023. The fixed income markets were broadly higher for the year. The Bloomberg Barclays U.S. Treasury Inflation Protected Notes (U.S. fixed income) improved by 3.9 percent, and the Bloomberg Barclays U.S. Aggregate (U.S. fixed income) improved by 5.5 percent for the year ended December 31, 2023. International markets improved due to a weakening USD which acted as a tailwind to international performance. The MSCI EAFE Index (international equity) improved by 18.2 percent for the year ended December 31, 2023. The Trust improved by 14.84 percent for the year ended December 31, 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Contacting the Trust's Management

This financial report is intended to provide a general overview of the Trust's finances and investment results in relation to actuarial projections. It shows the Trust'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 Trust's office at 700 Tower Drive, Suite 300, Troy, MI 48098.

**CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED GROUP
HEALTH AND INSURANCE TRUST**

**STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023**

ASSETS

CASH \$ -

INVESTMENTS:

Short-term investment funds -

Common stocks -

Real estate investment trusts -

Mutual funds -

Limited partnerships -

ACCRUED INTEREST AND DIVIDENDS -

DUE FROM CITY OF PONTIAC POLICE AND FIRE RETIREMENT SYSTEM -

Total assets -

LIABILITIES

ACCOUNTS PAYABLE -

DUE TO CITY OF PONTIAC, MICHIGAN -

Total liabilities -

NET POSITION - Restricted for other postemployment benefits \$ -

The accompanying notes are an integral part of these statements.

**CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED GROUP
HEALTH AND INSURANCE TRUST**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

ADDITIONS:

INVESTMENT INCOME:

Interest and dividends	\$ 619,899
Net appreciation in fair value of investments	<u>3,630,330</u>

4,250,229
<u>(78,032)</u>

Less: Investment expenses

Total investment income, net

4,172,197

OTHER INCOME

15,002

Total additions

4,187,199

DEDUCTIONS:

RETIREES' HEALTH PREMIUMS, NET OF RETIREE CONTRIBUTIONS
GENERAL AND ADMINISTRATIVE EXPENSES

3,850,013
160,644

Total deductions

4,010,657

NET INCREASE IN NET POSITION

176,542

TRANSFER OF TRUST ASSETS DUE TO MERGER

(37,084,138)

NET POSITION - Restricted for other postemployment benefits -
beginning of year

36,907,596

NET POSITION - Restricted for other postemployment benefits -
end of year

\$ -

The accompanying notes are an integral part of these statements.

CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED GROUP HEALTH AND INSURANCE TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. DESCRIPTION OF THE TRUST

The following description of the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust's (the Trust) benefits is provided for general information purposes only. A detailed description of benefits can be found in the Trust's actuarial report.

Effective December 31, 2023, the Board of Trustees approved the merger of the Trust into the City of Pontiac VEBA Trust. As a result, all net assets were transferred from the Trust on that date.

General

The City of Pontiac, Michigan (the City) established an irrevocable prefunded group health and insurance trust fund for health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City of Pontiac, Michigan and retired on or after August 22, 1996 with at least ten years of service as of the date their employment with the City separated, and their spouses and qualified dependents. During 2013, the Board of Trustees passed a resolution to expand membership to retirees who retired prior to August 22, 1996. The pre-August 22, 1996 retirees were covered by the Trust effective September 1, 2013 through April 1, 2014. All such benefits are paid out of the Trust. The Trust was created as an Internal Revenue Code 501(c)(9) Trust (VEBA). This is a single-employer benefit plan administered by the City of Pontiac Police and Fire Retirement System. The Retirement System performs the Trust's accounting function.

A partial termination of the Trust has occurred, and as such, the Trust is effectively closed for active or new participants.

Management of the Trust is vested in the board of trustees, which consists of five members – two trustees are elected by the membership, two sit by virtue of their position, and one is appointed by the other trustees.

Trust Sponsor Financial Condition

In October 2018, the federal judge in a case between the City of Pontiac Retired Employees Association (CPREA) and the City of Pontiac, Michigan approved a tentative settlement agreement with regard to retiree health care, as a result of litigation which occurred between the two parties. The settlement agreement, once approved by various parties, including the Michigan Association of Public Employees (MAPE) and the Internal Revenue Service (IRS), among others, would provide retiree health care benefits to all eligible City of Pontiac, Michigan retirees via the creation of a new voluntary employees' beneficiary association (VEBA). This new VEBA will be funded by utilizing certain overfunded assets from the City of Pontiac General Employees' Retirement System and the Trust. In March 2021, the IRS issued a favorable determination. Effective December 31, 2023, the Board of Trustees approved the merger of the Trust into the City of Pontiac VEBA Trust. As a result, all net assets were transferred from the Trust on that date.

1. DESCRIPTION OF THE TRUST (Continued)

Contributions

Effective September 1, 2021, retirees were no longer required to contribute for medical, dental, or vision premiums. Therefore, there were no retiree contributions during the year ended December 31, 2023. The Trust hired an independent actuary for the purpose of determining a recommended employer contribution, which if paid on an ongoing basis, would provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. No employer contribution revenue was recorded in the current year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Trust's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Cash

The Trust maintains its cash in bank demand deposit accounts. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) and at times may exceed federally insured limits.

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 sale 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.

General and Administrative Expenses

All general and administrative expenses are paid by the Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Policy

The Trust's policy with regard to the allocation of invested assets is established and may be amended by the Trust's board by a majority vote of its members. It is the policy of the Trust's 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 Trust'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 Trust board's adopted asset allocation policy through December 31, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	52.50%
International equity	12.50
Domestic bonds	15.00
International bonds	5.00
Alternative assets	15.00

Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 14.84 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2023.

Short-term investment funds, common stocks, real estate investment trusts and mutual funds are valued using Level 1 inputs at the quoted closing price reported on the active market on which the individual securities are traded.

The Trust invests in certain limited partnerships that are valued using Level 2 inputs based on the Trust's proportionate share of members' equity of the funds, which are measured at fair value at December 31, 2023.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust's management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

Investment in Entities that Calculate Net Asset Value per Share

The Trust held 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.

As of December 31, 2023, all investments were transferred to the City of Pontiac VEBA Trust.

4. POSTEMPLOYMENT BENEFITS

Employees Covered by Benefit Terms

The following members were covered by the benefits terms:

Date of member count	December 31, 2023
Inactive plan member or beneficiaries currently receiving benefits	266
Inactive plan members entitled to but not yet receiving benefits	42

As of December 31, 2023, there were no active employees.

During 2011, a partial termination of the pension plan for police and fire employees was deemed to have occurred. This resulted from the termination of various active employee positions at the City under executive orders issued by the emergency manager. The impact of membership composition is reflected above, with the impact of the funded status of the Trust being demonstrated below.

In addition, effective March 1, 2012, the remaining fire employees ceased to be employees of the City. As such, the Trust is effectively closed for active or new participants.

Net OPEB Liability

Effective December 31, 2023, the trust assets were transferred to the City of Pontiac VEBA Trust. As a result of the merger, the Trustees determined that the OPEB liability of the Trust as of December 31, 2023 would be valued at the City of Pontiac VEBA Trust.

5. INCOME TAX STATUS

The Trust obtained its latest determination letter on October 19, 2021, in which the Internal Revenue Service stated that the Trust, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Trust's administrator believes that the Trust is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

The Trust is exempt from federal and state income taxes under Section 501(c)(9) of the Internal Revenue Code.

6. RISKS AND UNCERTAINTIES

The Trust invests in various investment securities. Investment securities are exposed to various market risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position. The risks associated with cash and investments 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 Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk. Through December 31, 2023, the Trust had no significant concentrations of credit risk.

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 Trust's investment policy does not restrict investment maturities. Through December 31, 2023, the Trust was invested in mutual funds that invest in several bonds with various maturities.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Trust has no investment policy that would further limit its investment choices. Through December 31, 2023, the Trust was invested in mutual funds that invest in several bonds with various credit quality ratings.

7. PLAN TERMINATION

The trustees shall allocate and distribute the assets of the Trust in accordance with the applicable provisions of the Trust. Effective December 31, 2023, the Trust was merged into the City of Pontiac VEBA Trust. The transferred net assets have been recognized in the accounts of the City of Pontiac VEBA Trust as of December 31, 2023, at their balances previously carried by the Trust. A summary of net assets transferred at December 31, 2023 is as follows:

Cash	\$	566,813
Investments		36,401,671
Accrued interest and dividends		21,156
Due from City of Pontiac Police and Fire Retirement System		156,270
Accounts payable		(56,581)
Due to City of Pontiac		<u>(5,191)</u>
Total net assets transferred	\$	<u>37,084,138</u>

CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED GROUP HEALTH AND INSURANCE TRUST

Schedule I

**SCHEDULE OF CHANGES IN THE NET OPEB (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)
LAST SEVEN FISCAL YEARS
FOR THE YEARS ENDED DECEMBER 31:**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:							
Interest	\$ -	\$ 2,745,353	\$ 2,188,092	\$ 2,812,830	\$ 2,857,872	\$ 2,983,381	\$ 2,890,913
Differences between expected and actual experience	-	(494,950)	8,704,264	(8,263,788)	(1,140,426)	(2,597,547)	3,832,503
Changes in assumptions	-	-	6,134,492	-	(3,059,994)	(2,409,464)	551,988
Benefit payments, including refunds	<u>(3,850,013)</u>	<u>(4,705,967)</u>	<u>(3,239,940)</u>	<u>(2,530,663)</u>	<u>(2,614,513)</u>	<u>(2,304,955)</u>	<u>(1,887,615)</u>
Net Change in Total OPEB Liability	(3,850,013)	(2,455,564)	13,786,908	(7,981,621)	(3,957,061)	(4,328,585)	5,387,789
Transfer of total OPEB liability due to merger	(38,246,569)	-	-	-	-	-	-
Total OPEB Liability - beginning of year	<u>42,096,582</u>	<u>44,552,146</u>	<u>30,765,238</u>	<u>38,746,859</u>	<u>42,703,920</u>	<u>47,032,505</u>	<u>41,644,716</u>
Total OPEB Liability - end of the year	<u>\$ -</u>	<u>\$ 42,096,582</u>	<u>\$ 44,552,146</u>	<u>\$ 30,765,238</u>	<u>\$ 38,746,859</u>	<u>\$ 42,703,920</u>	<u>\$ 47,032,505</u>
Trust Fiduciary Net Position:							
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,073,975	\$ -
Net investment income (loss)	4,172,197	(6,075,914)	7,043,169	3,023,527	6,263,203	(2,848,439)	4,508,528
Administrative expenses	(160,644)	(94,821)	(94,449)	(46,032)	(49,079)	(55,482)	(95,449)
Benefit payment, including refunds	(3,850,013)	(4,705,967)	(3,239,940)	(2,530,663)	(2,614,513)	(2,304,955)	(1,887,615)
Other	<u>15,002</u>	<u>2,380</u>	<u>15,628</u>	<u>161,792</u>	<u>3,081</u>	<u>29,049</u>	<u>845</u>
Net Change in Trust Fiduciary Net Position	176,542	(10,874,322)	3,724,408	608,624	3,602,692	(1,105,852)	2,526,309
Transfer of trust assets due to merger	(37,084,138)	-	-	-	-	-	-
Trust Fiduciary Net Position - beginning of year	<u>36,907,596</u>	<u>47,781,918</u>	<u>44,057,510</u>	<u>43,448,886</u>	<u>39,846,194</u>	<u>40,952,046</u>	<u>38,425,737</u>
Trust Fiduciary Net Position - end of year	<u>\$ -</u>	<u>\$ 36,907,596</u>	<u>\$ 47,781,918</u>	<u>\$ 44,057,510</u>	<u>\$ 43,448,886</u>	<u>\$ 39,846,194</u>	<u>\$ 40,952,046</u>
Net OPEB (Asset) Liability - ending	<u>\$ -</u>	<u>\$ 5,188,986</u>	<u>\$ (3,229,772)</u>	<u>\$ (13,292,272)</u>	<u>\$ (4,702,027)</u>	<u>\$ 2,857,726</u>	<u>\$ 6,080,459</u>
Trust Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	87.67%	107.25%	143.21%	112.14%	93.31%	87.07%

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Schedule will be built prospectively from GASB Statement No. 74 adoption until 10 full years are presented.

The accompanying notes are an integral part of these schedules.

**SCHEDULE OF OPEB CONTRIBUTIONS (UNAUDITED)
LAST TEN FISCAL YEARS
FOR THE YEARS ENDED DECEMBER 31:**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,480	\$ 287,012	\$ 529,837	\$ 5,079,102	\$ 3,919,277
Contributions in relation to the actuarially determined contribution	-	-	-	-	<u>2,925,244</u>	-	-	-	-	-
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ <u>2,925,244</u>	\$ <u>(82,480)</u>	\$ <u>(287,012)</u>	\$ <u>(529,837)</u>	\$ <u>(5,079,102)</u>	\$ <u>(3,919,277)</u>

Based on the City's fiscal year ended June 30.

Amount shown as contributions for 2013 relate to contributions due during 2012 and 2011 that were received in 2013.

Amount shown as contributions for 2019 relate to the court judgment against the City for 2012 contributions, which was partially received in 2019.

Notes to schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal, level percent of salary
Amortization method	Level dollar
Remaining amortization period	27 years
Asset valuation method	Market value
Inflation	2.50 percent
Health care cost trend rates	7.00 percent decreasing 0.5 percent per year to an ultimate rate of 4.50 percent for 2028 and later years
Investment rate of return	6.50 percent
Mortality	Various SOA Pub-2010 headcount-weighted tables fully generational using Scale MP-2021

**CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED GROUP HEALTH
AND INSURANCE TRUST**

Schedule III

**SCHEDULE OF OPEB INVESTMENT RETURNS (UNAUDITED)
LAST SEVEN FISCAL YEARS
FOR THE YEARS ENDED DECEMBER 31:**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	14.84%	(12.82)%	16.77%	7.19%	18.42%	(6.82)%	12.43%

Schedule will be build prospectively from GASB Statement No.74 adoption until 10 full years are presented.

CITY OF PONTIAC POLICE AND FIRE RETIREE PREFUNDED GROUP HEALTH AND INSURANCE TRUST

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION DECEMBER 31, 2023

Changes in Assumptions

In 2017, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.10 percent to 6.50 percent.

In 2018, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.50 percent to 6.90 percent.

In 2019, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.90 percent to 7.50 percent and mortality table from the SOA RPH-2006 Total Dataset Mortality Table fully generational with SS 2018 improvement scale to various SOA Pub-2010 Headcount-weighted tables fully generational using Scale MP-2019.

In 2021, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.50 percent to 6.50 percent. Additionally, the mortality table was updated from the SOA Pub-2010 Headcount-weighted tables fully generational using Scale MP-2019 to various SOA Pub-2010 Mortality tables fully generational using Scale MP-2021. Finally, health care trend rates have been updated to an initial rate of 7.50 percent decreasing by 0.50 percent annually to an ultimate rate of 4.50 percent for pre-65 retirees, and reset to an initial rate of 6.50 percent decreasing by 0.50 percent annually to an ultimate rate of 4.50 percent for post-65 retirees.