

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MAY 29, 2013**

A regular meeting of the Board of Trustees was held on Wednesday, May 29, 2013 at the Pontiac General Employees' Retirement System Office located at 2201 Auburn Road, Suite B, Auburn Hills, Michigan 48326. The meeting was called to order at 10:05 a.m.

TRUSTEES PRESENT

Shirley Barnett
Koné Bowman
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore
John Naglick, Secretary
Sheryl Stubblefield

TRUSTEES ABSENT

Leon Jukowski, Mayor (*absent*)
Patrice Waterman (*excused*)
Kevin Williams (*excused*)

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Laurence Gray, Gray & Company
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant
Dustin Blitchok, Oakland Press
Carol Czechowski, Retiree
Claudia Filler, Retiree (President, CPREA)
Steve Manning, Retiree (*arrived at 10:08 a.m.*)
Gloria Miller, Retiree (*arrived at 11:12 a.m.*)
Ruth Ramsey, Retiree (*arrived at 10:10 a.m.*)
Billie Swazer, Retiree
Joyce Turner, Retiree (*arrived at 10:07 a.m.*)
Linda Watson, Retiree
Valerie Wimms, Retiree (*arrived at 10:07 a.m.*)

PUBLIC DISCUSSION/UNION REPRESENTATION

Retiree, Linda Watson expressed her concerns regarding the three employees from the City who are currently Trustees on the Board especially after recent comments made by the Mayor in the newspaper. She questions his fiduciary duty and responsibility to the Retirement System. She would like to see all three Trustees removed from the Board. If these Trustees cannot be objective she would like them to abstain from voting on any financial-related issues.

She indicated that she is referring to Trustees Jukowski, Naglick and Stubblefield.

Retiree, Billie Swazer commended the Board and acknowledged Judge Chabot for maintaining the Board's composition. She feels that the Board is doing a good job and would like to see the money stay in the System.

Retiree and CPREA President, Claudia Filler echoed Ms. Swazer's comments. She also acknowledged that Judge Chabot has again prevented the City from reorganizing the Board. Attorney, Ayanna Hatchett has a written order from the Court that the Board will remain an eleven-member Board.

AGENDA CHANGES

Ethics Policy

Trustee Naglick questioned whether the draft of the Ethics Policy discussed at the last meeting should have been carried forward under Unfinished Business.

Chairman Harrison indicated that the Ethics Policy will be added under Unfinished Business. He noted that Trustee Gaffney spent a lot of time drafting the Ethics Policy.

Cost Study – Arthur Brown and Vida Owusu-Agyei

Ms. Zimmermann distributed a copy of a cost study providing service credit for the temporary time for vested member Arthur Brown and non-vested member Vida (Twum) Owusu-Agyei.

Trustee Moore questioned why Ms. Owusu-Agyei was referred to as a former non-vested member.

Darlene Jones from Rodwan Consulting stated that prior to receiving the additional service credit; Ms. Owusu-Agyei was not vested.

Trustee Naglick left at 10:13 a.m.

RESOLUTION 13-042 By Moore, Supported by Gaffney

Resolved, That the Board approve the addition of the Cost Study for the Temporary Service Credit for Arthur Brown and Vida Owusu-Agyei to the Agenda.

Yeas: 7 – Nays: 0

APPROVAL OF CONSENT AGENDA

- A. Approval of Minutes of Regular Meeting: April 24, 2013
- B. Approval of Minutes of Special Meeting: May 4, 2013
- C. Communications
 - 1. Correspondence from Sandra K. Moore Re: Using Retiree Funds for Healthcare
 - 2. Correspondence from Carol Czechowski Re: Section 420 Transfer Question
 - 3. Correspondence from First Eagle Re: April, 2013 Performance Summary Statement
 - 4. Correspondence from Gray & Company Re: Market Overview April, 2013
 - 5. Correspondence from Kennedy Capital Re: Small Cap Core Letter Q1 2013
- D. Financial Reports
 - 1. Statement of Changes: April, 2013
 - 2. Accounts Payable: May, 2013
 - 3. Ratification of Capital Calls:
 - a. Mesirow PE \$100,000
- E. Applications for Retirement, Final Calculations, Refunds, Re-Examinations
 - 1. Remove from the Rolls
 - a. Ian Keith (deceased 04-09-13): survivor benefit of \$1,829.61/mo. to Nancy Keith
 - 2. Application for Service Retirement:

- | | | |
|------------------------------------|---------------------|--------|
| a. Michele Aylsworth-Allen – NOMC | 5 years, 9 months | Age 55 |
| b. Pearline Benton – PPFDA | 22 years, 6 months | Age 60 |
| c. Bethany A. Walker – MAPE | 29 years, 9 months | Age 50 |
| d. Sheryl Stubblefield – Non-union | 7 years, 1 month | Age 49 |
| e. Benilda Macandog – NOMC | 2 years, 6 months | Age 65 |
| f. Sherrie White – NOMC | 21 years, 11 months | Age 60 |
| g. Diana Deplanche – Teamsters | 16 years, 0 months | Age 59 |
| h. Lynne M. Prybys – NOMC | 4 years, 10 months | Age 60 |
| i. Pamela G. Fladger – Non-union | 13 years, 8 months | Age 52 |
| j. Kimberly Demopoulos – NOMC | 12 years, 3 months | Age 55 |
3. Final Benefit Calculations:
- | | | |
|----------------------------|-------|--------------------------|
| a. Jan Eagan | #2708 | Not previously on agenda |
| b. Michele Aylsworth-Allen | #2709 | Not previously on agenda |
| c. Pearline Benton | #2727 | |
| d. Benilda Macandog | #2730 | |
| e. Sherrie White | #2731 | |
| f. Lynne Prybys | #2733 | |
| g. Kimberly Demopoulos | #2735 | |
4. EDROS
- | | |
|------------------------|--------------------------|
| a. Crossman / Thrasher | Not previously on agenda |
| b. Young / Young | |
5. Disability Re-Examinations
- | |
|--------------------|
| a. David Daves |
| b. William Baldwin |
| c. William Kellar |
| d. Vickie Crivea |

Trustee Giddings noted a correction on page fourteen of the minutes with regard to the roll call vote. He indicated that the minutes did not reflect that he had returned to the meeting to participate in that vote.

RESOLUTION 13-043 By Moore, Supported by Gaffney
 Resolved, That the Board approve the consent agenda for May 29, 2013 as amended.

Yeas: 7 – Nays: 0

Trustee Naglick returned at 10:16 a.m.

CONSULTANTS

Re: Rodwan Consulting – 2012 Actuarial Valuation

Ms. Jones presented the findings of the 2012 Actuarial Valuation to the Board.

There was a slight decrease in the investment returns during 2012 which were not as great as expected due to the smoothing of losses from 2008 which should drop off on next year's valuation. This is similar to other retirement systems.

Chairman Harrison asked if the smoothing method is expected to change.

Ms. Zimmermann indicated that the Chairman is referring to the IASB changes.

Ms. Jones told the Board that right now the smoothing method is determined by the Board.

The recognized rate of return was 2.2% versus the actuarial assumption of 7.5%. Due to the smoothing the System only realized one-fifth of the performance returns earned during 2012 due to the negative returns in 2011 and in 2008 based on the smoothing. The System is still almost 150% funded.

Trustee Moore asked why the System experienced a loss.

Ms. Jones explained the smoothing method as the phased in recognition of the market's gains and losses. The System could have good returns all year but experience losses at the end of the year. You do not want the actuarial valuation to sway with the market swings so the gains and losses are balanced out over a five-year period. The System experienced positive returns in 2012 but only realized one-fifth of the gains with four-fifths of the gains lost because the System is still recovering from the losses in 2008 and 2011.

Chairman Harrison indicated that next year the losses from 2008 will drop off. These were the System's largest losses. The recognized rate of return should go up when those drop off.

Ms. Billings noted that the System had a gain in 2012 and exceeded the actuarial rate of return of 7.5%.

Ms. Jones explained that the purpose of the actuarial valuation is to determine the System's funded position and whether contributions are needed. Because the System is so well funded no contributions have been needed since 2006.

Trustee Bowman questioned if contributions were needed would the City be able to make their obligated contribution.

Trustee Giddings indicated that in 2006 the Hospital and City pension assets were combined which increased the funded ratio. This was done in order to eliminate the City's contribution obligation to the System.

Ms. Jones told the Board that the System's current funded ratio is 149.1%. As of December 31, 2012, the smoothed value of assets was \$369.6 million and the market value of assets was \$423.5 million. The market value of assets is the true value of the System. There is a \$60 million difference which is greater than the smoothed value results.

The overall experience of the System realized a loss based on the smoothing. There were no benefit provision changes used for the valuation and no changes in assumptions or the actuarial cost method used for this valuation.

Participant data indicated a decline of thirty active members from 2011. Most of these members were moved to inactive vested status and will be entitled to a pension at age fifty-five or sixty. There was a small increase in the number of retired members from 1,118 to 1,121. There will be a significant increase of retired members in 2013 due to the number of early retirements allowed since December, 2012.

The normal cost was computed to be 19.81% of active payroll. This is the amount that would be needed in order to fund one year of benefits for retirees. The excess of the funding value of assets over the UAAL was amortized over a thirty year period and was applied as a temporary funding credit to offset the normal employer cost which means that no City contributions are required. However, if a period of prolonged losses occurred the System could be over 100% funded but require contributions from the City.

Ms. Billings asked if that is assuming there are active employees currently earning a benefit.

Ms. Zimmermann pointed out that an Executive Order was executed which has closed the Plan. She recommended that the Board order a cost study in order to determine the impact to the System.

Ms. Jones told the Board that the contribution rate is currently zero.

Trustee Moore questioned the impact of closing the Plan.

Ms. Jones indicated that when a Plan is closed there is normally an associated cost. The Board may look at an alternate funding method. There will be no new members to keep the Plan going. However, the System has sufficient assets to keep the Plan going. Not every plan adopts new funding methods.

Chairman Harrison stated that the Board would need the actuary to determine if there is any associated cost.

Trustee Naglick stated that despite the Emergency Manager wanting to close the Plan, MAPE is not in agreement so the Plan has not been closed to date.

Trustee Bowman noted that most members are under the impression that the Plan has been closed. He questioned whether it was premature of the Emergency Manager to close the Plan without determining the cost. He stated that the Board should discuss this issue in length because it was not the Board's decision. If the Plan becomes underfunded it would fall back to the taxpayers to make contributions.

Trustee Moore stated that it would be beneficial if this issue were to become a future agenda item.

Chairman Harrison stated that there are still a number of moving parts with regard to the closing of the Plan.

Trustee Moore stated that this should issue should be kept on the agenda as an information item.

Ms. Billings told the Board that this could be an education item.

Ms. Jones stated that she has not received anything in writing or in general from the City regarding the closing of the Plan. In general, it would not be appropriate to use the percent of payroll as a funding method if the Plan is closed.

Ms. Billings indicated that the System would use a level dollar amount as its funding method.

Ms. Jones stated that she has no idea whether the percent of payroll method or a level dollar amount would require a contribution from the City.

Trustee Bowman asked if it would change the funding ratio.

Ms. Jones explained that if the Plan moves to an aggregate funding method it would not create a funding level only a dollar amount. It would be more appropriate to use the current method in conjunction with GASB.

As of December 31, 2012 the actuarial accrued liabilities were \$247.9 million with \$369.6 million allocated to funding leaving a funding credit of \$121.6 million. She indicated that this amount is amortized over a 30 years. There are no contributions needed for the fiscal year beginning July 1, 2014.

Chairman Harrison stated that prior to 2006 the needed contribution amounts were low. The contributions needed over the past twenty years have totaled less than \$4 million.

Ms. Jones stated that the investment income prior to 2008 has sustained the high funding level.

Chairman Harrison asked if any of Rodwan's clients are this well funded.

Ms. Jones stated that none of their forty to fifty clients are funded as well as this System.

Trustee Moore asked about the valuation assumptions.

Ms. Jones explained that valuation assumptions include benefit provision changes that could cause a blip in the pension liability and not just changes based on the market.

She told the Board that each member is valued separately for both the numbers and results. The total accrued liability for retired members is \$219.6 million; for vested terminated members it is \$17.1 million and for present active members is \$11.1 million.

For a lot of retirement systems that liability would be a problem. They would need actives to pay for the retiree liability.

This System is unlike social security which needs active members to fund the liability. That is why the System needs investment advisors to make sure things are kept on track.

She reviewed the history of assets and accrued liabilities pointing out that the funding ratio in 2000 was 173.5%. Each year the System uses the funding credit and you would assume that it would decline or go away in thirty years. Still being 149% funded after funding pension benefits for thirty years is a credit to the investment managers and the Board.

Chairman Harrison stated that barring any catastrophe the losses from 2008 should drop off and the funding ratio should increase.

Ms. Jones reviewed their comments and conclusions. Comment one describes the experience based on the long-term assumptions, the recognized rate of return, the smoothed funding value of assets and the funded ratio as of December 31, 2012.

Comment two reports that the number of active members decreased from 87 to 57 during the last year.

Comment Three recommends the difference between the present value of future benefits payable to current retirees and beneficiaries be transferred to the Reserve for Retired Benefit Payments so the assets allocated is equal to the retiree liability as of December 31, 2012.

Their conclusion is that the actuarial accrued valuation assets exceed the actuarial accrued liabilities, so no contributions are required for the fiscal year beginning July 1, 2014.

Pages ten through seventeen provide the benefit provision information and the actuarial assumptions and methods used for the valuation.

She provided an overview of the historical schedule of pensions being paid. The current annual pensions paid totals \$19,471,805 with an average pension benefit of \$17,370.00.

The Board adopted the funding policy and the benefits have been prefunded. There are enough assets to keep the System's benefits going.

Trustee Moore stated that he would like to see the City and Hospital retiree data separated.

Trustee Naglick stated that Trustee Giddings has brought up the fact that the Hospital supplied the overfunding to the Plan in 2003 when the two Funds were combined.

Trustee Giddings acknowledged that when the Funds were merged in 2003 it created the overfunding.

Trustee Moore indicated that he does not believe that the only reason the System was overfunded was due to the Hospital assets. The System made good investments which added to the overfunding.

Trustee Naglick stated that the Board should see where the overfunding came from.

Trustee Giddings stated that the Hospital retirees have their own money in the System. The Hospital also put in money for those members they assumed would retire.

Chairman Harrison asked if Ms. Jones can provide that breakdown of information. He also noted that at one time Hospital members were City employees.

Trustee Giddings told the Board that Hospital employees did not have good union representation. They looked for salary increases instead of pension increases. Hospital retirees do not have healthcare and they take issue with money being taken out of the System to fund City retirees' healthcare benefits.

Trustee Moore indicated that the Hospital members have a legitimate concern.

Trustee Barnett stated that at one time the Hospital Fund was almost 300% funded.

Chairman Harrison indicated that the Board understands what went on with the funds.

Trustee Moore told the Board that the same thing went on during the City Council meeting when the Mayor made his comments about young nurses who only worked for two years and left with their assets.

Trustee Giddings told the Board that he was the CFO of the Hospital. The City was putting money into the System and as CFO he put money in back in 1987 when times were hard.

Chairman Harrison stated that this is a moot point because they are dealing with one pot of money. The actuary is going to separate the data going forward. He told the Board that the City is trying to take credibility away from the System.

Trustee Giddings indicated that if the Hospital assets were separated it would reduce the funding.

Trustee Moore stated that whether a member worked at the Hospital or at the City everyone is getting their pension benefit.

Ms. Jones confirmed that she will separate the Hospital pensions on a separate page going forward.

RESOLUTION 13-044 By Gaffney, Supported by Bowman

Whereas, The responsibility for the direction and operation of the City of Pontiac General Employees' Retirement System and for making effective the provisions thereof are vested in the Board of Trustees; and

Whereas, The pension provisions provide that an actuarial valuation shall be made at the close of each fiscal year for the purpose of establishing the financial condition of the Retirement System and as a check on its current operating experience, and that the Secretary shall prepare each year

the annual report of the Board to be submitted to the City Council showing among other things, a statement of assets, liabilities and reserves certified by the actuary; and

Whereas, The pension provisions further provide that an annual determination shall be made of the actuarial reserve requirements or the several annuities and benefits prescribed, to be financed in addition to interest and other income accruing to the Retirement System by contributions by the members and by the City; and

Whereas, The actuary has computed the pension reserves and contributions necessary for the July 1, 2014 through June 30, 2015 fiscal year and has presented the Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System as of December 31, 2012 to the Retirement Board;

Now, Therefore, Be it Resolved, That the Report of the Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System as of December 31, 2012 be accepted by the Retirement Commission and be placed on file; and

Be It Further Resolved, That the City contribution requirements of covered member payroll for the period contained on page 4 thereof, and the City dollar contribution and payment schedule requirement contained on page 4 thereof is hereby certified to the City Council as the amount necessary for the July 1, 2014 through June 30, 2015 fiscal year appropriation by the City Council to finance the pension reserves of the City of Pontiac General Employees' Retirement System; and

Be It Further Resolved, That the annual transfers recommended on page 9 thereof be authorized; and

Be It Further Resolved, That a copy of this resolution be provided to the actuary and copies of this resolution and the report of the Sixty-Sixth Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System be provided to the City Council.

Yeas: 8 – Nays: 0

Re: Gray & Company

Mr. Gray congratulated the Board and told them that this System is in an enviable position. Being 149% funded is remarkable.

He reviewed the capital markets headlines. Fixed income has been in one of the most interesting periods in history. Bonds have been in a bull market for over thirty years which has been his entire investment career. However, interest rates will be creeping up.

Chairman Harrison stated that dealing with institutional funds is different. The Board looks at the Fund's asset allocation long term. When the consultant predicts that certain investment areas will not perform well, it is prudent for the Board to do something or leave it alone and ride it out.

Mr. Gray noted that the Board is looking at long-term investments. Gray & Company would be derelict in their fiduciary duty if they did not recommend changes to the fixed income portfolio and problems came up.

Gray & Company was a little early on having the System reposition their fixed income allocation, but it has not harmed the performance. Even fixed income manager Bill Gross was early in adjusting Pimco's portfolio.

He told the Board that Ambassador was brought in as an intermediate fixed income manager. Core fixed income manager Munder Capital shortened their duration in anticipation of rising interest rates. High yield manager Peritus is more aligned with the stock market. This Plan is flexible. They can drill a lot deeper into the portfolio. He pointed out that retail investors are investing in bonds now which is the wrong place to be.

The Central Bank and Bernanke continues to pump \$85 billion into the economy in order to keep inflation low and in an attempt to decrease the unemployment rate to 6.5%. It is rumored that they will be cutting that soon.

Chairman Harrison stated that the \$85 billion is being used to buy up toxic mortgages.

Mr. Gray explained that not all of the \$85 billion is invested in toxic mortgages. The U.S. is tied at the hip with most of the other countries. There are a lot of side effects to inflation and they are continuing to watch it, trying to stay ahead. All managers are trying to provide good returns.

He stated that they are trying to set realistic expectations. The performance has swung back from before 2007-2008 when the Plan reached \$500 million. As of December 31, 2012 the total Plan value was \$424.2 million and as of March 31, 2013 it was \$451.4 million. The System realized good returns in equities from January through March, 2013. However, the markets are overdue for a correction. The markets seem to ignore the fact that unemployment rates in some countries are at 40% for twenty- to thirty-year olds

He also noted that as of April 30, 2013 the total Plan value was \$455 million and as of May 24, 2013 it was \$461.6 million.

Mr. Gray told the Board that as the stimulus is taken away there will be a negative impact on fixed income. They are already seeing slightly negative quarterly numbers for fixed income index funds prior to the renewal of the stimulus.

Chairman Harrison questioned whether the System was ahead of the curve by providing their fixed income managers some flexibility.

Mr. Gray provided an overview of the total Plan performance as of April 30, 2013 with monthly performance of 1.26%; year-to-date performance of 9.13% and one-year performance of 13.07% versus the policy index of 15.09%. He explained that the policy index is a benchmark and does not reflect the risk attributed to the index funds. The portfolio is designed to capture market upside but not the downside.

Mr. Gray reviewed performance by asset class.

The Gray Emerging Manager Large Cap allocation is comprised of woman and minority-owned managers.

The Gray Michigan Large Cap Value asset allocation is comprised of Michigan-centric managers. Large cap is the most efficient asset class. These managers are trying to exploit inefficiencies which is difficult. Many investors are moving to indexing. They are looking at the risk. It is hard to outperform the index. They are seeing this drift down to mid cap with investors moving to index funds in that asset class.

Loomis Sayles and Kennedy Capital have been two exceptional managers that have provided phenomenal returns.

A change needs to be made to Artio and there is action required. Chris Kuhn has the information ready for the Board.

International equity manager First Eagle's performance was respectable. However, they saw their portfolio impacted due to the price of gold.

Peritus Asset Management is the System's high yield manager. This asset class behaves more like the stock market. Their one-year performance returns are 14.97%.

They are most concerned with the fixed income portion of the System's portfolio. They are staying on top of this asset allocation.

The System's allocation to private equity had some mistakes with Onyx and Nexos hurting the performance. This negative performance is being reversed with the current managers Mesirow, Invesco and GrayCo Alts which are providing better and better performance numbers. He noted that Wilbur Ross manages the Invesco portfolio.

He told the Board that the portfolio had done very well especially considering the global headwinds. However, this market may not continue for the long run. It may be prudent for the Board to look at indexing. They can also look at the asset allocation (especially downside risk); maintain what they have, or Gray & Company could design something more conservative.

Trustee Naglick stated that Mr. Kuhn is working on an asset liability study for the Fund. This will match up the investments based on when the members will be retiring. He provided this study for the Police & Fire System which was impressive. Because that System is not as well funded they could not make any changes.

Mr. Gray indicated that Mr. Kuhn is still working on this System's asset liability study.

Chairman Harrison stated that he is looking forward to getting back to business as usual. The Board started looking at replacing Artio last fall as well as a number of other investment issues.

The manager review meeting scheduled for February was also canceled and needs to be rescheduled.

Mr. Gray told the Board that the asset liability study looks at the ages of retirees with a lot of the members being older the data is quite interesting.

Trustee Naglick indicated that he is a CPA. When the auditors issue their opinion during their audit of financial statements there are three classes that can be used. Unqualified which is a clean audit, qualified when there is an exception or adverse when there is misstated or inaccurate information.

He told the Board that the audit for GrayCo Alts was issued a qualified opinion because Parmenter is not reporting their investments on a fair value basis. If this was a bigger position it could change the System's audited opinion to qualified versus unqualified.

Mr. Gray told the Board that part of the problem was that they did not look at the manager's SEC regulations which indicates a manager has 180 days not 120 days to provide their audited financial statements. This creates a problem when providing their audit. They will have to put together something in writing changing the time period.

Trustee Naglick asked how this relates to the qualified opinion.

Mr. Gray stated that this occurred because they did not want to miss their deadline to provide their audited financial statement.

Ms. Billings indicated that there should not be a problem changing the agreement with GrayCo Alts.

Trustee Naglick confirmed that the Limited Partnership Agreement would be changed to 180 days.

Chairman Harrison and Ms. Billings both noted that there is no problem or legal issue with regard to changing the Limited Partnership Agreement or with the audited financial statements.

Mr. Gray noted that Parmenter and Edgewater are posting positive returns in the high teens for the year. These investments are not experiencing a J curve. He is very proud to report that he recently introduced this investment vehicle to some other public funds.

Ms. Jones indicated that Gray & Company is waiting on data from Rodwan Consulting for the asset liability study. The data should be available after the MAPERS Conference.

Ms. Billings left at 11:39 a.m.

Trustee Moore asked what the value of having an asset liability study is.

Chairman Harrison explained that an asset liability study will provide the Board with a better strategy for the portfolio going forward. Since this is an institutional fund, the Board cannot move investments around like an individual investor. The Board will discuss this in depth during the presentation.

Ms. Billings returned at 11:41 a.m.

REPORTS

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Working Session

Ms. Zimmermann indicated that the Board has scheduled an investment working session for Monday, June 17, 2013. She questioned whether it should be a full day session starting at 10:00 a.m.

VISA Bill

Ms. Zimmermann reported that she received questions from Trustee Naglick regarding the breakdown of the VISA Bill. She explained that the bill included the furniture and necessities needed to start up the new office. She was able to outfit the entire office with used and new furniture for under \$10,000.00.

Trustee Barnett recommended that Ms. Zimmermann buy wall clocks for the Retirement Office.

Ms. Zimmermann stated that she is looking for clocks and additional chairs for the office.

Deferred Benefit Statements

Ms. Zimmermann reported that the deferred member benefit statements were mailed to the members.

Cost Study – Vida Owusu-Agyei and Arthur Brown

Ms. Zimmermann reported that the cost study reflects the Union's approval to allow these two members' temporary time used toward their retirement service credit.

Petty Cash Fund Request

Ms. Zimmermann requested that the Board authorize the Retirement Office to setup a small petty cash fund in the amount of \$50.00 to pay for office necessities such as toilet tissue and paper towels.

There was discussion regarding the amount of the petty cash fund or whether a VISA card should be issued for these types of expenditures.

Predatory Lenders

Trustee Gaffney told the Board that in New York predatory lenders are targeting retirees' pension benefits. Apparently, this is legal in Michigan based on research by Ms. Zimmermann.

She would like the Board to send out a communication to make sure that the members know what they are risking. This is one of the concerns of the CPREA. However, she felt that the communication would be more appropriate coming from this body.

Trustee Moore agreed that a letter should be sent to the members.

Trustee Giddings suggested the Oakland Press publish this information as a public service.

Trustee Gaffney stated that she is not sure how prevalent this is in Michigan.

Ms. Zimmermann noted that as she researched articles online a number of ads for these lenders popped up.

RESOLUTION 13-045 By Gaffney, Supported by Barnett
Resolved, That the Board authorize the Retirement Office to send out a letter warning retirees on the risk of predatory lenders.

Yeas: 8 – Nays: 0

Meeting break at 12:03 p.m.

Meeting resumed at 12:35 p.m.

Re: Legal

IRS Letter of Determination Submission for an IRC Section 420 Transfer

Ms. Billings reported that on May 24, 2013 she submitted an application for an IRS Letter of Determination for a 420 Transfer. They requested an expedited review of the System's request because the Emergency Manager is looking to terminate healthcare benefits for retirees effective July 1, 2013.

Trustee Naglick asked if the 420 Transfer would cover retiree healthcare for older Police & Fire members.

Ms. Billings stated that retiree healthcare benefits can only be provided for members of this System.

Trustee Naglick also asked if Hospital retirees would be eligible for healthcare benefits.

Ms. Billings stated that retired Hospital members would be eligible if there was a prior provision in place for their healthcare benefits. The letter was sent to the IRS to determine whether this is a viable solution. There is a specific process just for a 420 Transfer. Every year the System submits a letter to the IRS in order to receive their Letter of Determination which indicates that this is a qualified plan which provides tax benefits for the System.

Trustee Naglick confirmed that if a 420 Transfer was approved and the City took the transfer, the healthcare benefits could not be changed and the City could not spend less than what it is currently spending for the next five years.

He noted that this could be an issue for the City if the System cannot fund healthcare for the entire period.

Ms. Billings stated that the law is ambiguous which is why the System would need approval from the IRS and the Attorney General to make sure both are legal.

Trustee Giddings questioned whether the plan to raise pension benefits includes the Hospital members.

Chairman Harrison questioned whether the City is proposing a raise for the Hospital retirees too.

Trustee Moore stated that the City cannot just provide this benefit for one group.

Trustee Naglick agreed and stated that this it is also his opinion.

Trustee Naglick stated that the Emergency Manager submitted a proposal to the State with his intentions to terminate retiree healthcare benefits. The City Council also submitted their proposal to the State.

UNFINISHED BUSINESS

Re: Owusu-Agyei (Twum)/Brown Service Credit Issue – Refer to Reports

Re: Balint Letter of Employment – Carry Forward

Ms. Billings reported that Trustee Naglick submitted a list of employees that are eligible for pension benefits. She requires contract information for eight of the employees on the list.

Trustee Naglick indicated that Deborah Munson receives the City's payroll report each month. There are currently seventy-five employees with more than half employed at the District Court that are members of MAPE. Some of the employees on the list are part-time at the senior center, some are full-time and some have employment contracts with the City.

He noted that John Balint's employment contract specifically states that he is a member of GERS. Some employees receive no benefits, he has an employment contract and some

employees do not have contracts. He recommended that Ms. Billings send a letter to the Emergency Manager's attorney.

Ms. Billings indicated that it is more appropriate to send a letter to the Emergency Manager's Attorney rather than to his client.

Re: Tommy Goodman Inquiry – Tabled

Re: GrayCo Alts Audit

Trustee Naglick asked if the 180 day reporting period is going to be a problem.

Mr. Gray indicated that on a rotating basis everything should work out.

Re: Executive Orders

Order S-250: Non-Payment of Accrued Sick Time to Deferred Retirees

Ms. Zimmermann reported that Ms. Billings is looking into this issue.

Order S-254: Repeal Amendment to GERS Board Composition (Information Only)

Ms. Zimmermann reported that this repeals the Order to change the composition of the Board.

Order S-260: Non-Union Early Out & Close DB Plan to New Hires

Ms. Zimmermann reported that this Order provides early outs to non-union employees and closes the Plan to new hires.

Trustee Naglick stated that the Plan is not closed. MAPE currently has a multi-year contract and has not agreed to close the Plan.

Ms. Zimmermann stated that for all intents and purposes the Plan is closed.

Trustees Gaffney and Stubblefield asked if the Court hires new people whether they would be part of the Pension System and whether the Board should spend money to get this information from the actuary.

Trustee Moore indicated that he would like the Board educated on the process or changes to the Plan if it is closed.

Chairman Harrison stated that there is no reason why the Board should not to get the information from the actuary.

Trustee Moore felt that the System should not authorize an expenditure if it is not necessary. He asked who would pay for the cost study.

Trustee Naglick indicated that the City would pay for the cost study.

Order S-263: Non-Union Early Out – City Only

Re: Manager Review Rescheduling

Chairman Harrison asked if the Board should pick back up with the manager review session.

Trustee Giddings recommended that the managers could be moved down as a group with those slotted for February being scheduled for August, etc.

Chairman Harrison stated that moving the managers down would only be a six month lag in the managers' performance reporting.

He asked if only those managers that need to be interviewed should come in. In 2014 the manager review meetings could resume on the normal schedule.

The Board deferred to the Investment Consultant to provide a list of managers for the August, 2013 meeting.

Re: Remaining Members of GERS Determination – Refer to Legal (Carry Forward)

Re: Staff Compensation and Succession

Chairman Harrison indicated that an email will be sent to those Trustees appointed to the Personnel Subcommittee.

Trustee Stubblefield asked how Trustees are put on committees.

There was discussion on how Trustees are appointed to committees. There have been a number of ad hoc committees including the Office Relocation Committee and the Brokerage Committee.

The Retirement Administrator will provide a list of committees to the Trustees.

It was determined that Trustees are appointed by the Chairman. If a Trustee would like to serve on a committee they should submit an email to the Retirement Administrator.

Trustee Naglick asked if the Committee Meetings are subject to the Open Meetings Act requirement.

Ms. Billings indicated that she will have to look at that provision.

Trustee Moore opined that all committee meetings are open. He referred to his time as an Oakland County Commissioner.

Chairman Harrison indicated that normally if the number of people on the committee is less than a quorum they are not subject to the Open Meetings Act.

Trustee Giddings indicate that the Committee conducts the discussion and reports to the Board. The Board makes the final decision.

Re: Accrued Sick and Vacation Time

Ms. Zimmermann reported that when the Retirement Office separated from the City the Police & Fire System was paid for the Retirement Office staff’s accrued sick and vacation time. The City owes this System for its portion of the accrued time.

Trustee Naglick indicated that the City was charged by the GERS Plan for compensation when it was used or it would have been circular.

Ms. Billings agreed that the City only billed the System for the time used or it would be circular.

Re: Section 420 Transfer – Retiree Healthcare – Refer to Legal

NEW BUSINESS

Re: Agenda Protocol Draft

Ms. Zimmermann presented a draft of the agenda protocol.

There was Board discussion with regard to the draft.

Trustee Moore confirmed that if an item is of an urgent nature, it will be listed under New Business on the agenda.

RESOLUTION 13-046 By Stubblefield, Supported by Gaffney
Resolved, That the Board approve the Agenda Protocol Process.

Yeas: 8 – Nays: 0

RESOLUTION 13-047 By Gaffney, Supported by Bowman
Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

Trustee Barnett – yea	Chairman Harrison – yea
Trustee Bowman – yea	Trustee Moore - yea
Trustee Gaffney – yea	Trustee Naglick - yea
Trustee Giddings - yea	Trustee Stubblefield - yea

*The Board moved to closed session at 1:22 p.m.
Ms. Arndt, Mr. Blitchok, Ms. Filler, Ms. Miller, Ms. Swazer and Ms. Watson left at 1:22 p.m.
The Board returned from closed session at 1:38 p.m.*

RESOLUTION 013-048 By Moore, Supported by Gaffney
Resolved, That the Board authorize Ms. Zimmermann to attend the settlement conference on June 5, 2013 in the Onyx matter.

Yeas: 8 – Nays: 0

RESOLUTION 013-049 By Gaffney, Supported by Moore
Resolved, That the Board authorize the Chairman to sign the settlement agreement in the Craft matter.

Yeas: 8 – Nays: 0

RESOLUTION 013-050 By Moore, Supported by Gaffney
Resolved, That the Board approve the closed session minutes for April 24, 2013.

Yeas: 8 – Nays: 0

RESOLUTION 013-051 By Gaffney, Supported by Moore
Resolved, That the Board approve the closed session minutes for May 4, 2013.

Yeas: 8 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: June 26, 2013 @ 10:00 a.m. – Retirement Office, 2201 Auburn Road, Suite B, Auburn Hills, Michigan

ADJOURNMENT

RESOLUTION 13-052 By Gaffney, Supported by Bowman
Resolved, That the meeting be adjourned at 1:40 p.m.

Yeas: 8 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on May 29, 2013

Secretary, John Naglick

As recorded by Jane Arndt