

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JULY 24, 2013**

A regular meeting of the Board of Trustees was held on Wednesday, July 24, 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 10:20 a.m.

TRUSTEES PRESENT

Koné Bowman, Vice Chairman
Janice Gaffney
Robert Giddings
Walter Moore
John Naglick, Secretary
Patrice Waterman (*arr. at 10:20 a.m.*)

TRUSTEES ABSENT

Shirley Barnett (*excused*)
Charlie Harrison, Chairman (*excused*)
Leon Jukowski, Mayor (*excused*)
Kevin Williams

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Christopher Kuhn, Gray & Company
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant
Dustin Blitchok, Oakland Press (*arrived at 10:15 a.m.*)
Larry Marshall, Retiree (*arrived at 10:20 a.m.*)
Billie Swazer, Retiree
Linda Watson, Retiree

REPORTS

Re: Legal

Ms. Billings reported that she submitted an application for an IRS Letter of Determination for the 420 Transfer to the Internal Revenue Service. She received acknowledgment that the IRS is in receipt of the application. The process now stands with the IRS.

Trustee Moore asked Ms. Billings to confirm the validity of the statement made that the 420 Transfer would not have covered healthcare costs over the past ten years.

Ms. Billings explained that the transfer of assets must comply with both the IRS requirements and state law. With respect to state law, in 1985 and 1990 the Attorney General issued opinions providing guidance to the statute which indicates that 50% of the earnings of the System over the actuarial rate of return of 7.5% can be used to fund retiree healthcare. Last year the available assets were over and beyond what was needed with \$14 million available. The year before, 2011, the System did not meet its actuarial return of 7.5% and would not have been able to transfer assets.

Trustee Moore asked if those assets could be used to fund retiree healthcare for multiple years.

Ms. Billings said that under IRS rules, the earnings could be used to fund multiple years. With respect to the state law requirements, that is one of the questions posed to the Attorney General. She noted that she met with State Representative Tim Griemel who agreed to present the Board's request for an opinion to the Attorney General asking for an expedited decision.

Trustee Moore asked Ms. Billings to confirm that the statement made by the City was not correct when they indicated that a 420 Transfer would not have provided the needed assets.

Ms. Billings stated that over the past five years the System may have had earnings which would not have funded a transfer under state law. However, when she met with the City Council Finance Subcommittee last fall, they discussed the fact that it appeared there would be sufficient earnings to fund a 420 Transfer.

Trustee Moore noted that 2008 and 2011 were bad performance years. He asked how the actuarial smoothing method affected the reporting of performance.

Ms. Billings indicated that smoothing is not used to measure the annual returns for a transfer.

Trustee Moore stated that the Mayor's and Emergency Manager's comments to the citizens have been misleading.

Trustee Naglick indicated that Emergency Manager Stampfler brought up the idea of using a 420 Transfer to fund retiree healthcare. However, based on the Attorney General's opinion the System is only able to use the assets to fund retiree healthcare on a year by year basis. The performance earnings cannot be carried over based on State Law. And, if a 420 Transfer is used the minimum cost requirement stated that healthcare coverage cannot be changed for a period of five years. If a 420 Transfer could not cover the costs the City could be faced with bankruptcy because they would be subject to the minimum cost requirement.

Vice Chairman Bowman stated that the most important question to ask the Attorney General is whether earnings can be used to fund retiree healthcare for multiple years if there are enough assets.

The meeting was called to order at 10:20 a.m.

PUBLIC DISCUSSION/UNION REPRESENTATION

Vice Chairman Bowman opened public discussion.

Retiree, Linda Watson asked what the invoices for AT&T and Comcast are for.

Ms. Arndt indicated that AT&T is for the phones and Comcast is for the internet. It was noted that the Comcast invoice covered a two-month period.

Ms. Watson also asked about salary increases for the Retirement Office Staff.

Trustee Moore stated that the staff received a 12% increase for the previous ten-year period.

Trustee Gaffney indicated that the information is contained in last month's minutes.

Ms. Watson also asked if there is a law that indicates when retiree healthcare is terminated whether a notice of termination has to be provided in advance of the termination.

Trustee Gaffney stated that she heard there is a law indicating that an official written notice has to be provided. However, she is not clear how far in advance.

Trustee Moore noted that the lawsuits are still pending with regard to retiree healthcare.

Trustee Gaffney stated that notice has to be given because you cannot have people going to the doctor because they have not received notice of termination.

Vice Chairman Bowman stated that healthcare companies cannot just stop providing coverage without providing a thirty to sixty day notice. He is not up on legal requirements but he believes that the City has to provide reasonable notice.

Trustee Waterman asked Trustee Naglick if he could provide the information.

Trustee Naglick stated that he plans to provide the information during the Secretary's report.

Retiree, Billie Swazer indicated that she heard a new law is being written to take the overage from the Retirement System.

Vice Chairman Bowman stated that the Federal Law cannot levy a fine or fee to retirees for healthcare. He questioned if this law is being conducted in the Federal Courts.

Ms. Swazer asked if the Retirement System will be providing a \$400 raise in the retirees' pension benefit to cover the cost of healthcare.

Trustee Naglick indicated that he will cover that topic under the Secretary's report. Under Public Act 314 a cost study is required.

AGENDA CHANGES

Ms. Zimmermann stated that because a cost study is required she asked Trustee Naglick to request that it be added to the agenda.

Vice Chairman Bowman stated that the Retirement System cannot pay for healthcare.

Trustee Moore asked if a copy of the cost study would be provided to the Board.

Ms. Billings stated that the cost study has to be presented to the Board and to the City Council seven days prior to implementation.

Trustee Giddings confirmed that it would include the Hospital retirees.

RESOLUTION 13-062 By Moore, Supported by Gaffney

Resolved, That the Board approve the City's request for a cost study to implement a \$400.00 per month increase to pension benefits for two years for all retirees of the System effective September 1, 2013.

Yeas: 6 – Nays: 0

Ms. Zimmermann indicated that she received an internet notice regarding a complimentary class covering the GASB updates, management changes based on the current legislative changes and data mining being held in Ann Arbor on August 20, 2013. She asked that the Board allow the Retirement Office Staff to attend.

Trustee Moore indicated that he would also like to attend.

RESOLUTION 13-063 By Giddings, Supported by Naglick

Resolved, That the Board approve the attendance of Trustee Moore and the Retirement Office Staff at the class being held in Ann Arbor, Michigan on August 20, 2013.

Yeas: 6 – Nays: 0

APPROVAL OF CONSENT AGENDA

- A. Approval of Minutes of Regular Meeting: May 29, 2013
- B. Approval of Minutes of Special Meeting: June 17, 2013
- C. Approval of Minutes of Regular Meeting: June 21, 2013
- D. Communications
 - 1. Correspondence from Sheryl Stubblefield Re: Resignation
 - 2. Correspondence from Ambassador Re: Market Updates
 - 3. Correspondence from AMBS Re: July 2013 Newsletter
 - 4. Correspondence from First Eagle Re: Client Statements & June 2013 Newsletter
 - 5. Correspondence from Gray & Company Re: Organizational Changes
 - 6. Correspondence from Kennedy Capital Re: Organizational Changes
 - 7. Correspondence from Mesirow Fund IV Re: Quarter 3 2013 Report to Partners (on file)
 - 8. Correspondence from Munder Re: June 2013 Performance
 - 9. Correspondence from Northpointe Re: June 2013 Performance Report
 - 10. Conferences:
 - a. 2013 Fall Conference – MAPERS – September 22-24, 2013
- E. Financial Reports
 - 1. Statement of Changes: June, 2013
 - 2. Accounts Payable: July, 2013
 - 3. Ratification of Capital Calls:
 - a. Mesirow Private Equity Fund VI \$120,000
- F. Applications for Retirement, Final Calculations, Refunds, Re-Examinations
 - 1. Remove from the Rolls
 - a. Josephine Gray (deceased 03-23-13)

2. Application for Service Retirement:
 - a. George Peck– Hospital 6 years, 6 months Age 60 Off Deferred
3. Final Benefit Calculations:
 - a. Robert Shelton #2714
 - b. Shanee Seay #2722
 - c. Meloney Bishop #2723
 - d. Eric Brimm #2724
 - e. George Peck #2742

Trustee Naglick indicated that there was an incomplete sentence “Trustee Naglick agreed that the only time a trustee” on page eleven of the June 21, 2013 that needs to be removed.

He also asked about the charges in Accounts Payable for Sullivan Ward and with regard to the Onyx litigation and questioned whether the Gray & Company charges were for one month.

Ms. Billings noted that she provides detailed backup for their invoices.

Ms. Zimmermann stated that the Gray & Company charges are for the second quarter of 2013 for the emerging manager large cap core portfolio and the Michigan based large cap value portfolio.

Trustee Giddings asked if the \$400.00 is to pay for retiree healthcare.

Trustee Naglick explained that the Emergency Manager asked that the Emergency Loan Board approve his request to set aside the City’s obligation for retiree healthcare and to give all GERS retirees in pay status a \$400.00 pay increase to supplement them with the healthcare cost. The Loan Board approved the Emergency Manager’s approach.

The City is currently waiting for the letter from the Emergency Loan Board confirming their decision. The Executive Order cannot be issued until the City receives the letter. They have to go through the same steps as City Council. Under Public Act 314 the Board needs a cost study to proceed.

Trustee Giddings asked if that goes through will all legal action being taken be dropped.

Trustee Moore stated that the legal action will not be dropped.

Vice Chairman Bowman stated that the decision will be made in the Courts.

Trustee Giddings indicated that the hospital members have a lot of money in the System and he needs the information for his members.

Trustee Moore stated that the \$400.00 is just an increase for the two-year period.

Vice Chairman Bowman stated that this is just a portion of what is happening.

Trustee Giddings indicated that a \$400.00 increase would be good for those hospital members on the low end.

Ms. Billings indicated that the IRS could have an issue if the increase was tied to healthcare.

Ms. Zimmermann questioned whether the cost study should include those members who come off deferred during the two-year period indicating that the cost study needs to be accurate.

Trustee Giddings stated that the same amount should be given to those coming off deferred.

Trustee Naglick stated that it would cost the System approximately \$12 million for the two-year period.

Trustee Moore noted that it is just another move by the Emergency Manager to use the Retirement System assets. Our pension money is being played with.

Vice Chairman Bowman stated that is why the pension systems in Detroit and Flint set aside money for legal action.

RESOLUTION 13-064 By Gaffney, Supported by Naglick
Resolved, That the Board approve the consent agenda for July 24, 2013 as amended.

Roll Call:

Vice Chair Bowman – yea

Trustee Moore - yea

Trustee Gaffney – yea

Trustee Naglick - yea

Trustee Giddings – yea

Trustee Waterman - yea

CONSULTANTS

Re: Gray & Company

Mr. Kuhn reviewed the updated market values as of July 16, 2013. He and Ms. Zimmermann worked on the rebalancing which indicated that \$14.82 million is needed to pay for projected benefits and expenses for the next six months. The cash account will be up to \$20 million when the rebalancing is completed.

Ms. Zimmermann noted that more assets will be needed if the \$400.00 per member pension benefit increase goes through.

Mr. Kuhn stated that the transition to WCM will be the next rebalancing trigger.

WCM negotiated the contract changes. However, they asked if the Board would make changes to the Investment Policy Statement which is normally revised in August of each year. They are asking that single issue parameter of 5% be increased to 10% under a new section for managers with concentrated portfolios.

Ms. Zimmermann asked if that is within the investment statutory limits.

Ms. Billings indicated that the System can only allocate 5% to a single issue but a manager can allocate more.

Trustee Giddings asked if other IPS's have this parameter.

Mr. Kuhn stated that over the last decade managers are moving to more concentrated portfolios. WCM typically has thirty issues in their portfolio. They have been as low as 22 issues.

Ms. Zimmermann said that she is just trying to be cautious.

Vice Chairman Bowman confirmed that Gray & Company is okay with this parameter.

Mr. Kuhn also indicated that WCM would also like the limit for U.S. issues to be increased from 10% to 15%. They are a global manager and have both international and U.S. issues in their portfolio.

Trustee Gaffney confirmed that these changes only apply to WCM not to all the managers in the System's portfolio.

Mr. Kuhn will bring the proposed changes to the Investment Policy Statement to the August meeting.

Trustee Naglick asked why the private equity numbers reported in the market value update are higher than the overall allocation.

Mr. Kuhn stated that he resets the numbers every six months. The allocation does not go over the committed capital but they do hope that the value of the investment will increase.

Trustee Naglick indicated that there is still a reporting issue with Grayco Alts with regard to the Parmenter investment. Parmenter is still using the original estimate which is not in compliance with GASB reporting. He indicated that the System requires their fair value reporting.

Trustee Moore asked whether the original appraisal had been updated.

Trustee Naglick indicated that an updated appraisal had not been done and the manager is using the original investment estimate.

Mr. Kuhn stated that the manager holds the investment at the original appraisal to save money on appraisal fees. He explained that the manager thinks that the original appraisal is the fair value. They may make some updates to the investment which may increase the valuation but feel that the original estimate is fairly stated.

Trustee Naglick explained that not paying for an appraiser raises accounting issues and indicates a deficiency in the System's internal controls and violates GASB. He recommended that Larry Gray twist the manager's arm.

Ms. Billings stated that she thought Mr. Gray had straightened out the issue and that it was a simple change in the contract.

Trustee Naglick indicated that it is more complicated than that.

Trustee Moore asked how the issue can be resolved.

Trustee Naglick stated that Mr. Gray needs to fix this.

Trustee Gaffney stated that this is an issue and the Board does not want issues reported in the System's audit reports.

Vice Chairman Bowman stated that certain private equity investments have hurt the System and the Board does not want to add accounting violations.

Mr. Kuhn referred to the Gray & Company press release. He noted that the firm has grown quite a bit during the last two years. The firm now has approximately forty employees.

Bob Hubbard and Yolanda Waggoner-Foreman have been appointed as co-Chief Investment Officers of the firm. They will be jointly responsible for firm's day-to-day management. In the past they were doing a lot of these things but reported up to Larry Gray.

Mr. Gray will remain as President of the firm focusing on the consulting and growth of the firm.

Peter Lupoff will become the Chief Investment Officer responsible for all the investment capabilities of the firm.

REPORTS

Re: Chairman

Vice Chairman Bowman told the Board that they should take note of what is happening in Detroit and Flint. The Board needs to be prepared because the changes are not over and are just beginning with the \$400.00 per month pension benefit increases and the Attorney General's opinion. There is no way to know what is looming on the horizon. He indicated that the Detroit Board set aside funds for legal fees. He suggested the book "The Art of War" as reading material for the Board.

Re: Secretary

Trustee Naglick reported that the Emergency Manager had planned to be at today's meeting to report under Public Discussion but he had a family matter that changed his plans.

The Emergency Loan Board approved his request to set aside healthcare for retirees for the next two years. He explained that retiree healthcare is not an obligation. A number of unions have agreed to set aside retiree healthcare including medical, dental, optical, life and disability insurance. The City is planning to send a letter.

Effective August 31, 2013 retirees will be eligible to buy insurance from Blue Cross/Blue Shield under a group policy. Medicare eligible retirees will pay \$362.00 per month and effective January 1, 2014 the premium will increase to \$384 per month. They will also be offering a lower priced plan for \$216.00 per month with higher deductible costs.

If you are a non-Medicare eligible retiree they have Glidpath plans that will mimic the Federal exchange rates. They offer Simply Blue 500, 1000, 1500 and 3000 through the City at group rates. Simply Blue 500 would cost an individual \$625.00 per month and Simply Blue 3000 would cost \$419.00. The family rates would be \$1,249.00 and \$1,866.00 for those two plans.

Vice Chairman Bowman noted that HAP and Aetna were not included in the bid and the members are being held captive by Blue Cross. Aetna is the largest carrier of insurance in the United States. There are alternatives to Blue Cross. Retirees can buy their own plan.

Trustee Naglick indicated that if the retirees stay with Blue Cross their premiums will be deducted from their pension benefit check.

Vice Chairman Bowman stated that there are niche groups out there that offer better rates.

Trustee Moore asked what will happen after two years.

Trustee Naglick said that will be a problem. He stated that with no active employees the City could face bankruptcy if they took back the healthcare obligation.

He asked if the Board would consider one meeting with MERS. They have a retiree pre-tax healthcare funding vehicle. He noted that the \$400.00 pension benefit increase would be taxed by the State of Michigan for those retirees who live in the State.

Vice Chairman Bowman asked Mr. Kuhn what is the funding level of MERS.

Mr. Kuhn stated that in July, 2012 MERS was 68% funded. They also use aggressive assumptions like a seven year smoothing method and an 8% actuarial rate of return.

Vice Chairman Bowman noted that in order to merge into a plan it has to be 70% funded.

It was noted that the regulation had been changed.

Trustee Naglick stated that if you look at the overall funding of MERS, it includes multiple pension systems with various funding levels.

Vice Chairman Bowman indicated that MERS is not as forthcoming with information.

Trustee Gaffney indicated that the healthcare issue is not for GERS Board, it is for the General VEBA Board.

Trustee Waterman asked the Board why there is a problem bringing them in.

Trustee Moore requested that they provide information prior to the meeting for the trustees to review. The trustees concurred that information must come in advance of a presentation.

There was Board discussion regarding the question of bringing MERS in for a presentation. The Board decided to hear the presentation from MERS at the next meeting.

Vice Chairman indicated that no one is against getting information or hearing what they have to say. It would help the Board make a more informed decision. However, that issue is more for the General VEBA Board.

Trustee Naglick stated that the VEBA Board has been disbanded. The City Council would be responsible to make the decision.

Trustee Gaffney stated that it was her understanding that the Board was on hiatus and that it was not disbanded. It was left in existence for auditing purposes. She wanted to clarify that it was not technically disbanded.

Re: Trustees/Committees

Personnel Committee

Trustee Gaffney told the Board that the Personnel Committee will be meeting to discuss the personnel policies, procedures and organizational chart.

Re: Administrator

Taveo Whitaker Cost Study

Ms. Zimmermann reported that there is a copy of the Taveo Whitaker cost study under Reports in the Board's packet.

Letter to Taxpayers

Ms. Zimmermann referred to the letter sent to the taxpayers from Mayor Jukowski along with a letter sent to the Oakland Press from Claudia Filler the President of the CPREA in response to the Mayor's letter.

Retiree Healthcare Issue

Ms. Zimmermann reported that the staff will have a mere thirty days to prepare for the \$400.00 monthly increase in the retirees' pension benefit and to setup the deductions for healthcare premiums.

It could also take a week for the City to receive the letter from the State. She wanted to make the Board aware of the short timeframe. Trustee Naglick just indicated public hearings are needed before enactment.

Trustee Gaffney stated that the retirees are concerned.

Ms. Zimmermann told the Board that the Retirement Office has received a number of calls regarding the healthcare issue.

Trustee Moore suggested that a letter be sent to the GERS members making them aware of the situation and the time constraint asking them to be patient and understanding.

Trustee Giddings was unclear whether it was the obligation of the Retirement System or the City to inform the members.

Trustees Gaffney and Moore felt that sending out a letter would be a courtesy from the Board.

Trustee Gaffney stated that people are scared. The Board needs to help the staff through this.

Trustee Naglick indicated that the Emergency Manager met with the Finance Subcommittee. The City can send out the letters and they are ready to go.

Trustee Moore said he would like to know how the early-outs granted by the Emergency Manager, essentially giving money away, has affected the Retirement System. The impact of what the City has done has not been presented fairly along with the impact to the retirees.

Vice Chairman Bowman stated that the Board needs to get their story out.

Trustee Moore stated that the early outs have impacted the System. The Board has an obligation and duty to paint the real picture. The only reason the Emergency Manager has done this is because the pension assets are there. The Board needs to let the members know the impact to the System.

Re: Legal (Continued)

IRS Letter of Determination Submission for an IRC Section 420 Transfer

Ms. Billings reported that an acknowledgement of the Board's request for an IRS Letter of Determination for an IRC Section 420 Transfer was received on June 11, 2013.

Ms. Zimmermann indicated that a copy of the acknowledgement is included in the Consent Agenda under Communications.

Request for Attorney General Opinion

Ms. Billings reported that she met with Tim Griemel and the Chairman to discuss obtaining an opinion from the Attorney General. Representative Griemel was receptive to the request and indicated that he would ask the Attorney General to expedite the matter.

IRS Letter of Determination Submission for Qualification Under IRC Section 401(a)

Ms. Billings reported that she is working on the IRS Letter of Determination submission. This is the letter submitted to the IRS every five years to insure that the Retirement Plan continues to be a qualified plan under the IRS guidelines.

Memorandum Regarding Calculation of Final Average Compensation

Ms. Billings reported that normally when a member retires their accrued sick bank payout is held until they retire and is included in their final average compensation calculation. However, the member is no longer being paid for their sick bank. The Board cannot make up that amount and include it in their FAC. She recommended that the Board notify the deferred vested members.

Trustee Gaffney confirmed that the actual member's estimated pension benefit will not go up. The members will not be compensated for their sick bank in their FAC.

Trustee Giddings indicated that many of the deferred members will not be expecting this.

Ms. Zimmermann indicated that the sick bank payout was not included in the estimate for those deferred members included in the partial plan termination. Up until this time, members who left service and deferred were paid for the accrued sick time when their pensions began. She asked if the Board would like her to draft a letter to notify the deferred members.

Trustee Moore noted that the letter should include that this is a result of the Emergency Manager's action.

Memorandum Regarding Tommy Goodman Calculation of Credited Service

Ms. Billings reported that Mr. Goodman requested that he receive credited service for the purpose of calculating his retirement benefit for the time he worked as a part-time employee.

He asked that he receive the same service credit in accordance with the action taken by the Board at a special meeting held on November 13, 2007 where they approved additional credited service for members Linda Chambers, Alvin Hardy and Leonard Smith.

On June 1, 2006 the City and the SAEA Union entered into a Memorandum of Understanding giving the Director of Human Resources the authority to determine a member's service years for the purpose of determining the member's final average compensation.

A grievance was filed on behalf of Linda Chambers and Leonard Smith to require the Retirement System to comply with the HR Director's order to include a portion of their part-time service with their full time credited service in order for them to be eligible for an early out. The arbitrator ruled that the GERS Board had to take the appropriate action to approve the retirement benefits for the stated members.

She provided the service credit details for Linda Chambers who had 11 years, 9 months of service credit and 11 years and 10 months of part-time service. Ms. Chambers received an additional 8 years and 8 months of service credit for a total of 20 years and 5 months of service credit.

Leonard Smith had 17 years and 5 months of service credit and 11 years and 7 months of part-time service. Mr. Smith received an additional 3 years and 1 month of service credit for a total of 20 years and 6 months of service credit.

Alvin Hardy went out on long-term disability in 2003 and came back in 2007 for one day and was terminated. At that time Mr. Hardy was awarded 2 years of service credit for his part-time service by the HR Director. His service credit in the System reflects 16 years of service credit.

She indicated that members were not given 100% credit for their part-time service.

There was discussion regarding Mr. Hardy's service credit and whether there was a break in service.

Trustee Gaffney indicated that long-term disability is not the same as workman's compensation.

Ms. Billings noted that Mr. Hardy did not have a break in service going from part-time to full-time.

Trustee Moore questioned how many "Mr. Goodmans" are out there.

Ms. Billings told the Board that Mr. Goodman was hired on October 14, 1985 as a program supervisor on a part-time basis. On April 8, 1996 he was promoted to full-time as a tel-a-van driver as a member of PMEA. On June 16, 2004 he became a member of SAEA. He continued to work for the City until September 17, 2011 when the Housing Commission separated from the City.

Mr. Goodman has between 12 to 15 years of service credit. He worked full-time from April 8, 1996 through June 16, 2004. However, there is indication based on payroll records that he worked on a part-time basis in 2002, 2003 and 2004.

She stated that the Board does not have the authority to grant credited service. The Human Resources Director would have to make the determination whether Mr. Goodman's part-time service would be included in his retirement service credit based on the CBA.

Trustee Moore was concerned that other members would want this same benefit.

Ms. Billings recommended that Mr. Goodman be notified that any adjustments to his service credit would have to come from the HR Director.

Former HR Director, Larry Marshall was asked for more information regarding the grievance and the granting of additional service credit to the members.

Mr. Marshall stated that historically there were old arbitration awards and a City Council Resolution that made the service credit determination for the stated members. The old records including 1980 MERC Hearing records would have to be reviewed.

Vice Chairman Bowman stated that this issue is for the City to resolve. Once the City makes the determination Mr. Goodman can come back to the Board. He directed Ms. Billings to send a letter to Mr. Goodman.

Remaining Membership in the Retirement System

Ms. Billings reported that this issue has not been resolved. She reached out to the Emergency Manager's attorney asking for a copy of the contracts to determine which employees are included in Executive Order S-29, so she can compare those with the list provided by Trustee Naglick.

This issue started with John Balint who was laid off by the City and brought back by the Emergency Manager under an employment agreement indicating that Mr. Balint is still a member of the GERS. This employee is not an independent contractor.

She reviewed the list indicating that Sherikia Hawkins, Clarissa Cayton, Janice Stewart, Larry Robinson and Rose Wilson were also previous City employees currently working under an employment contract.

Trustee Naglick stated that he will request that John Clark provide the employee contracts for the Board's review. In the Emergency Manager's two-year budget there is a specific line item noting that there will be no benefits for John Balint, Clarissa Cayton, Sherikia Hawkins, Rose Wilson, Larry Robinson or Janice Stewart.

Trustee Gaffney indicated that the Board should see the agreements before making any decisions.

Vice Chairman Bowman asked that Trustee Naglick provide access to the contracts and for Ms. Billings to follow up.

Trustee Naglick indicated that the Board can see the details on the City of Pontiac website under budget.

Trustee Moore stated that the System is semi-closed except for the employees at the District Court.

WCM Investment Management Agreement

Ms. Billings reported that WCM agreed to all of her changes. She brought two copies of the contract for the Vice Chairman's signature.

RESOLUTION 13-065 By Moore, Supported by Naglick

Resolved, That the Board ratify the Vice Chairman's signature on the WCM investment management agreement.

Yeas: 6 – Nays: 0

Robbins Geller Portfolio Monitoring Report

Ms. Billings reported that this is for the trustees' information.

Motley Rice Second Quarter 2013 Portfolio Monitoring Report

Ms. Billings reported that this is for the trustees' information.

RESOLUTION 13-066 By Waterman, Supported by Moore
Resolved, That the Board approve to move the action items up on agenda.

Yeas: 6 – Nays: 0

Re: Semi-Annual Rebalancing

Ms. Zimmermann requested that the Board approve the cash flow rebalancing plan as recommended by the consultant.

RESOLUTION 13-067 By Moore, Supported by Naglick

Resolved, That the Board approve the transfer of \$2,000,000 from Sawgrass large cap growth account; \$3,000,000 from the Systematic mid cap account; \$2,000,000 from the Kennedy small cap account; \$1,820,000 from the Loomis Sayles small cap account; \$2,000,000 from Gray large cap core (emerging) account; \$2,000,000 from Gray large cap value (Michigan) account and \$2,000,000 from Munder mid cap account to provide for benefits and operating expenses for the next six months.

Yeas: 6 – Nays: 0

Re: Revised Election Rules (Member-Trustee Ballot by Mail)

Ms. Zimmermann asked that the Board approve the updated election rules for the Member Trustee to reflect that it allows for balloting by mail.

Trustee Moore asked if an Election Oversight Committee should be appointed to review the policy.

Ms. Zimmermann explained that the policy now in place needs to be amended based on the Retirement Ordinance changes for Member Trustees.

Trustee Gaffney asked if the only change will be that the election can be conducted through the mail.

Trustee Moore asked why the Board received a draft of the policy.

Ms. Zimmermann explained that the red-line draft includes the change for balloting to be allowed through the mail.

RESOLUTION 13-068 By Gaffney, Supported by Waterman

Resolved, That the Board approve the election rules allowing balloting by mail for the Member Trustee position.

Yeas: 6 – Nays: 0

Re: Legal (Continued)

RESOLUTION 13-069 By Naglick, Supported by Gaffney
Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

Vice Chairman Bowman – yea	Trustee Moore - yea
Trustee Gaffney – yea	Trustee Naglick – yea
Trustee Giddings - yea	Trustee Waterman - yea

*The Board moved to closed session at 12:23 p.m.
Ms. Arndt, Mr. Kuhn, Mr. Blitchok, Mr. Marshall, Ms. Swazer and Ms. Watson left at 11:24 a.m.
The Board returned from closed session at 12:44 p.m.*

RESOLUTION 013-070 By Gaffney, Supported by Giddings
Resolved, That the Board direct legal counsel to revise the Craft settlement as discussed in closed session.

Yeas: 6 – Nays: 0

RESOLUTION 013-071 By Gaffney, Supported by Naglick
Resolved, That the Board approve the closed session minutes for June 21, 2013.

Yeas: 6 – Nays: 0

UNFINISHED BUSINESS

Re: Balint Letter of Employment – Refer to Legal

Re: Tommy Goodman Inquiry – Refer to Legal

Re: Executive Orders - (Refer to by Legal)

1. Order S-250: Non-Payment of Accrued Sick Time to Deferred Retirees
2. Order S-260: Non-Union Early Out & Close DB Plan to New Hires

Re: Remaining Members of GERS Determination – Refer to Legal

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

Re: Ethics Policy - Carry Forward

NEW BUSINESS

General Employees Retirement System
Regular Meeting
July 24, 2013

Re: Daniel Miller Request for Consideration (Information Only – Referred to Legal)

Re: Preston Thomas Request for Consideration (Information Only – Referred to Legal)

Re: Judges Retirement Eligibility (Board Confirmation Requested)

SCHEDULING OF NEXT MEETING

Special Meeting: August 27, 2013 @ 8:00 a.m. – Marriott at Centerpointe

Regular Meeting: August 28, 2013 @ 10:00 a.m. – Retirement Office

ADJOURNMENT

RESOLUTION 13-072 By Naglick, Supported by Waterman

Resolved, That the meeting be adjourned at 12:46 p.m.

Yeas: 6 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on July 24, 2013

Secretary, John Naglick

As recorded by Jane Arndt