

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MARCH 26, 2014**

A regular meeting of the Board of Trustees was held on Wednesday, March 26, 2014 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 10:11 a.m.

TRUSTEES PRESENT

Jane Arndt
Koné Bowman, Vice Chair
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore (*By Phone*)
Deirdre Waterman, Mayor (*arr. at 10:21 am*)
Patrice Waterman
Kevin Williams

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Laurance Gray, Gray & Company
Deborah Munson, Interim Executive Director
Tommy Goodman, Deferred Retiree
Larry Marshall, Retiree (*arr. at 10:22 am*)
Gloria Miller, Retiree (*arr. at 10:28 am*)
Billie Swazer, Retiree
Debra Woods, Retiree

TRUSTEES ABSENT

Shirley Barnett (*excused*)
Nevrus Nazarko (*excused*)

PUBLIC DISCUSSION/UNION REPS

Chairman Harrison opened the meeting to public discussion.

Retiree, Billie Swazer questioned whether issues that were discussed in committee meetings were being brought to the Board. She stated that she would like issues being addressed in committee meetings to be addressed during the regular meeting.

Chairman Harrison stated that the Sub-Committee brings action items to the full Board.

Chairman Harrison indicated that Ms. Swazer (and the public at large) hears the same information at the same times as the full Board.

Deferred Retiree, Tommy Goodman told the Board that he would like to get the information regarding his request for an early retirement.

Ms. Billings told the Board that she has been working on Mr. Goodman's service credit issue.

AGENDA CHANGES

Miss Munson asked that her request to attend the 2014 Spring MAPERS Conference be added to the Consent Agenda.

RESOLUTION 14-026 By Bowman, Supported by Williams
Resolved, That the Board approve the addition of Miss Munson's attendance at the 2014 Spring MAPERS Conference to be added to the Consent Agenda.

Yeas: 8 – Nays: 0

APPROVAL OF CONSENT AGENDA

- A. Approval of Minutes of Special Meeting: February 25, 2014
- B. Approval of Minutes of Regular Meeting: February 26, 2014
- C. Communications:
 - 1. Correspondence from Ambassador Re: March 2014 Market Update
 - 2. Correspondence from Ambassador Re: March 2014 Status Update
 - 3. Correspondence from First Eagle Re: February 2014 Client Statement
 - 4. Correspondence from Larry Marshall Re: FOIA Request
 - 5. Correspondence from Piedmont Investment Advisors Re: 2013 Market Review
 - 6. Conferences:
 - a. Protecting Securities Portfolios Against Fraud – BLB&G – March 31 – April 1
 - b. Portfolio Concepts and Management – IFEBP – May 5 – 8
 - c. International Investing and Emerging Markets – IFEBP – July 28 - 30
 - d. Investment Innovation & the Global Future of Retirement – P&I – June 22 – 24
 - e. Mid-Sized Retirement & Healthcare – UNC: June 8 – 11
 - f. Pension & Financial Services Conference – NASP – June 23 - 25
 - g. Deborah Munson request to attend 2014 Spring MAPERS Conference
- D. Financial Reports:
 - 1. Statements of Changes: February 2014
 - 2. Accounts Payable: March 2014
 - 3. Ratification of Capital Calls:
 - a. GrayCo PE Capital Call \$37,931.00
- E. Applications for Retirement, Final Calculations, Refunds, Re-examinations
 - 1. Remove from the Rolls:
 - a. James Davenport (deceased 02/21/14): Option II Benefit of \$1,708.59 (+\$400) to Denise Davenport
 - b. Naim Sahyoun (deceased 03/02/14): Option V Benefit of \$389.33 (+\$400) to Joseph Sahyoun
 - c. Rudell Williams (deceased 03/09/14)
 - 2. Applications for Service Retirement:
 - 3. Final Benefit Calculations:
 - a. Cameron North #2753
 - b. Carol McCrary #2748
 - c. Jihad Slim #2747
 - 4. Request for Refund of Accumulated Contributions:

Trustee Waterman indicated that beneficiary social security numbers were left on the benefit calculations of Jihad Slim and Carol McCrary. She asked that those be removed.

RESOLUTION 14-027 By Gaffney, Supported by Waterman
Resolved, That the Board approve the consent agenda for March 26, 2014 as amended.

Yeas: 8 – Nays: 0

CONSULTANTS

Re: Gray & Company

Mr. Gray reviewed the flash report ending February 28, 2014. He noted that the February, 2014 performance was slightly off.

Kennedy Capital has been going through a bit of a dry spell but they believe in their people, their process and their philosophy. There is not enough under performance to be concerned.

Trustee Gaffney noted their long-term outstanding performance.

Chairman Harrison stated that Kennedy is looking to diversify the fund's portfolio with small cap growth. They want to move some of our small cap core assets into small cap growth.

Mr. Gray stated that they are currently looking at Kennedy's request to diversify. They would like to prepare a full write up and perform due diligence before bringing it to the Board. They are suggesting a slight tweak to the asset allocation. It is such a small amount that it may not make a difference. They should be ready to present the information to the Board at next month's meeting.

Retiree, Gloria Miller arrived at 10:28 a.m.

The total Plan performance for February 28, 2014 was 3.46%. Most managers underperformed for this period. He provided the total Plan values as of September 30, 2013 at \$469.9 million, \$490.1 million as of December 31, 2013; \$491.5 million as of February 28, 2014 and \$493.0 million as of March 21, 2014.

The managers feel that there will be a correction in the market. With only a 5% correction to date, they are looking at a larger correction.

Compared to the 220 other public funds, this Fund could put themselves in a more sheltered position to eliminate the potential for down performance in the market.

He indicated that McGladery should be able to issue an unqualified opinion for the GrayCo Alternatives investment. He indicated that they are working on the amendment to the agreement to comply with the audit period required by our auditors - Plante & Moran – working under Michigan law which requires our audit to be completed no later than June 30 of each year.

Miss Munson indicated that the Board had previously resolved to schedule an educational sessions conducted by Gray & Company on the asset liability study, derivatives and convertible bonds and the investment policy statement. This has been on the agenda for quite some time. She asked when the Board would like to hold these sessions.

Chairman Harrison told the Board that the sessions need to be put on the agenda and the dates and times need to be determined. Fixed income manager Ambassador needs to come in and provide a report to the Board. Preparing for the end of quantitative easing and its effect on the fixed income portfolio also needs to be addressed.

Trustee Moore has also asked for an overview of the Investment Policy Statement. He suggested that Miss Munson coordinate this with Gray & Company and send out potential dates and times to the Board.

Mr. Gray reported that their global equity manager is looking at a minor tweaking of their asset allocation. They are expecting better performance going forward. They are not look at anything other than their emerging markets exposure in their portfolio.

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REPORTS

Re: Chairman - None

Re: Trustees/Committees

Personnel Committee

Trustee Gaffney stated that the Committee put together an RFP for the Third Party Administrator and the Executive Director position. They are looking at what is the best direction for the health of the Fund and the retirees. It may be to hire a new director or a TPA or a combination of both. They do not have a particular target. They will consider the responses. The sub-committee will make a full presentation to the Board once the information has been received and reviewed.

Trustee Moore told the Board a they also decided to inform the membership of the System about the proposal through a written communication.

Miss Munson noted that the communication went out on March 25, 2014.

Finance Committee

Trustee Moore told the Board that the focus of the last meeting centered on the issue of money that was due to the City from the Retirement System and from the Retirement System to the City.

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Miss Munson noted that the issue is regarding sick and vacation liability.

Trustee Moore noted that both sides owe money. The City was asked to provide backup for the charges. He explained that the Finance Director has indicated that the City's records are not in order. Miss Munson's records are impeccable. They are asking for an additional payment of \$16,000.00 which represents amounts paid out for sick and vacation payouts for employees who

were terminated from the City, but the Sub-Committee feels that the System has paid it's fair share.

The Sub-Committee continued their discussion about putting together a solid budget, information technology and trustee education.

Trustee Deirdre Waterman arrived at 11:47 a.m.

Miss Munson pointed out that in the Trustees package, the remaining amount due to the City was listed on the monthly accounts payable sheet.

Chairman Harrison noted that the Finance Director came in blindly requesting payment and was told that the System requires documentation before they can use System assets. The Attorney has made that pretty clear.

Ms. Billings indicated that Retirement System assets can only be used to pay for System benefits and expenses.

Trustee Deirdre Waterman noted that since the Finance Director was unable to attend the meeting he is keeping her apprised of the situation. They have found some issues where due diligence is needed. She thanked the Board for their recent payment.

Re: Executive Director

June, 2014 Board Meeting

Miss Munson asked if the Board would like to reschedule their meeting scheduled for June 25, 2014 as a number of Trustees will be unavailable.

Chairman Harrison recommended rescheduling the meeting to ensure that there will be a quorum.

The Board directed Miss Munson to contact the Trustees in order to schedule another date.

Option II Election Letter – Active Employees

Miss Munson reported that a letter went out to active employees regarding their Option II beneficiary election. A few forms have been returned.

ADP

Miss Munson indicated the ADP had contacted her and indicated that they will no longer support the payroll software she is currently using. The System will need to migrate to ADP's new product as soon as possible, but not later than December 31, 2014. The Retirement Office will be required to change to their updated software product.

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Fiduciary/Dishonesty Insurance

Miss Munson reported that only one carrier Chubb would provide a quote for the policy. The other companies declined to quote for different reasons, but most had to do with the System's connection with the City.

Trustee Deirdre Waterman asked that a copy of the fiduciary liability insurance policy be forwarded to her.

Trustee Moore questioned what the fiduciary/dishonest insurance covers and whether the Board is currently covered.

Ms. Billings explained that fiduciary liability insurance covers the Trustees for breach of their fiduciary duty. Dishonesty insurance is for the employees in the event assets are embezzled. Miss Munson stated that the System currently does not have dishonesty insurance.

Northern Trust Management of GrayCo Investment Assets

Miss Munson reported that Northern Trust's performance reporting for the Gray and Company investments should be in place for March reporting. However, Northern Trust has indicated it may be delayed until April.

Chairman Harrison noted that Northern Trust will now be responsible for the performance reporting of all of the Gray and Company investments.

Miss Munson stated that Northern Trust will provide the same type of reports for the Gray and Company investments that the Board receives for their other investments.

Chairman Harrison noted that the Board will receive separate reports going forward.

GrayCo Audit

Miss Munson reminded the Trustees at the last meeting that they had asked her to contact Beth Bialy of Plante & Moran regarding the Grayco Alternatives audit.

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Miss Munson indicated that Ms. Bialy had indicated that Plante & Moran was not involved in the discussions of the GrayCo audit opinion and that the issue needed to be resolved between the two GrayCo Alternatives auditors – McGladrey and Deloitte.

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Mr. Gray indicated that the issue between McGladrey and Deloitte has been resolved.

Invesco Fund VI

Miss Munson reported that the Invesco Fund VI contracts were never forwarded and had requested that they be sent to legal as well as the consultant.

Ms. Billings stated that she received the contracts on March 21, 2014.

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UNFINISHED BUSINESS

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

Re: Electronic Agendas

Miss Munson indicated that some Trustees are still receiving hard copies of the agenda packet. She noted that the Trustees can request a change through the Retirement Office.

Re: Personnel Policies – Refer to Personnel Committee

Re: Schedule Special Education Session/Ambassador Presentation – Refer to Consultant

Re: Fiduciary/Dishonesty Insurance

Trustee Giddings recommended that the Board explore other options to obtain dishonesty insurance. He noted that the Board may be able to find companies through other public pension systems and associations.

Trustee Bowman indicated that he works in the insurance industry and that most companies have to work with companies they are affiliated with financially troubled entities. The System should look for other insurers.

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Since this is not coverage that we have ever had, Trustee Giddings did not feel there was a rush to obtain it but that there should be coverage based on good business practice. He suggested referring the issue to the Finance Committee.

Trustee Bowman told the Board that he is an alternate on the Finance Committee and if an expert in the industry is needed he would be happy to attend a meeting.

Chairman Harrison concurred with Mr. Bowman's assessment and indicated that he would be happy to step back from a meeting so Trustee Bowman could lend his expertise.

NEW BUSINESS

Re: Executive Director Advertisement – GFOA

Miss Munson indicated that in order to advertise in Pensions & Investment Magazine the system will have to pay for the advertising. The cost to run the RFP is \$1,000.00 for seven lines and the cost to run the job posting is \$1,500.00. That includes being posted on their website for thirty days.

It will cost \$230.00 to post the job on the IFEBP website and \$300.00 to post the RFP. And, the cost to advertise with the GFOA is \$150.00.

She asked for an advertising budget of \$2,500.00.

Trustee Waterman indicated that she was in favor of advertising in these publications since this is a one-time deal.

Trustee Gaffney stated that it is a reasonable cost based on the viewership of these publications. The advertising will be directed specifically at applicants for both the RFP and Executive Director position.

Trustee Moore indicated that he agrees with Trustees Waterman and Gaffney since this is a one-time deal.

The Board determined that Miss Munson would require an advertising budget of approximately \$3,000.00.

A resolution was brought forward by Trustee Deirdre Waterman and was supported by Trustee Patrice Waterman to approve a \$3,000.00 advertising budget for the publishing and posting of the Third Party Administrator RFP and the Executive Direction position.

After further Board discussion, the resolution was amended to increase the amount from \$3,000.00 to \$4,000.00.

RESOLUTION 14-028 By D. Waterman, Supported by P. Waterman
Resolved, That the Board approve a \$4,000.00 advertising budget for the publishing and posting of the Third Party Administrator RFP and the Executive Direction position.

Yeas: 9 – Yeas: 0

Re: Notice to Members re: RFP for Third Party Administrator – Refer to Personnel Sub Committee

Re: Legal

IRS Letter of Determination Submission for an IRC Section 420 Transfer

Ms. Billings provided an overview of the timeline with regard to the 420 Transfer and the IRS Letter of Determination. Ms. Billings also provided a detailed review of the Ordinance Amendments required by the IRS Letter of Determination.

Trustee Moore asked how Court employees would fit into the 420 scenario.

Ms. Billings stated that they would have to be vested.

Trustee Moore also asked if the employees would be vested from day one.

Ms. Billings stated that it could be an issue if the Court employees' union was not in agreement.

Trustee Patrice Waterman said that providing healthcare for fifteen employees of the City was brought up at the TAB Meeting. She also questioned whether these employees could also be added into the Retirement System.

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Ms. Billings stated that she would have to do a more thorough review of what authority the TAB Board has.

Trustee Moore stated that the Retirement System is not technically closed as he understands it even if there is an Executive Order.

Trustee Arndt also noted that the Retirement System is not closed. It is still open to the Court employees and their contract is in place until 2016.

Chairman Harrison stated that it appears that the City is looking to provide healthcare to their employees.

There was Board discussion whether amendments can be made to Executive Orders.

Trustee Deirdre Waterman stated that as she understands it, Executive Orders cannot be changed for a period of one year after the Emergency Manager's departure.

Ms. Billings stated that she will review the issue.

Trustee Deirdre Waterman indicated that the TAB Board can only act on items coming through City Council.

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Ms. Billings told the Board that the amendments have to be adopted by May 1, 2014.

Mr. Gray left at 12:00 p.m.

Request for Attorney General Opinion

Ms. Billings reported that there is nothing new to report. She is still waiting for the Attorney General's opinion.

Trustee Moore suggested reaching out directly to State Senator Jim Marleau's office.

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FOIA Request and Response

Ms. Billings reported that the System received a FOIA from a class action Attorney inquiring about the System's portfolio monitoring of securities litigation holdings. This information is for the Trustees' information.

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Robbins Geller February 2014 Portfolio Monitoring Report

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

Robbins Geller memorandum re: Class-Wide Presumption of Reliance under Attach:

Halliburton Co. v. Erica P. John Fund

Ms. Billings reported that the Supreme Court is reviewing the "fraud on the market theory" as it has been challenged by the Halliburton Company.

RESOLUTION 14-029 By Williams, Supported by Gaffney

Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

Trustee Arndt – yea	Chairman Harrison - yea
Vice Chair Bowman – yea	Trustee Moore - yea
Trustee Gaffney – yea	Trustee Deirdre Waterman - yea
Trustee Giddings – yea	Trustee Patrice Waterman – yea
	Trustee Williams - yea

*The Board moved to closed session at 12:15 p.m.
 Mr. Goodman, Ms. Miller, Mr. Marshall, Ms. Swazer and Ms. Woods left at 12:15 p.m.
 The Board returned from closed session at 12:40 p.m.*

RESOLUTION 014-030 By Gaffney, Supported by P. Waterman
 Resolved, That the Board approve the closed session minutes for February 26, 2014.

Yeas: 9 – Nays: 0

RESOLUTION 014-031 By Moore, Supported by Bowman
 Resolved, That the Board deny the request from disability retiree Mavis Herring for the System to pay for transportation to her medical re-exam appointment which is required as part of the disability verification process.

Yeas: 9 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: Wednesday, April 23, 2014 @ 10:00 a.m. – Retirement Office

ADJOURNMENT

RESOLUTION 14-032 By Moore, Supported by Bowman
 Resolved, That the meeting be adjourned at 12:44 p.m.

Yeas: 9 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on March 26, 2014

As recorded by Jane Arndt