

**CITY OF PONTIAC, MICHIGAN  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
DECEMBER 2, 2015**

A regular meeting of the Board of Trustees was held on Wednesday, December 2, 2015 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 10:04 a.m.

**TRUSTEES PRESENT**

Sheldon Albritton  
Jane Arndt  
Shirley Barnett  
Koné Bowman  
Janice Gaffney (*arrived at 10:09 a.m.*)  
Robert Giddings  
Charlie Harrison, Chairman  
Walter Moore  
Nevrus Nazarko  
Deirdre Waterman (*arrived at 10:10 a.m.*)  
Patrice Waterman

**OTHERS PRESENT**

Cynthia Billings, Sullivan Ward Asher & Patton  
Kurt Lofters, Gray & Company  
Cecelia M. Carter, Executive Director  
Leonard Briscoe, Retiree (*arrived at 11:48 a.m.*)  
Billie Swazer, Retiree  
Linda Watson, Retiree

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*Chairman Harrison opened the meeting at 10:04 a.m.*

**PUBLIC COMMENT** - None

**AGENDA CHANGES**

Ms. Carter requested the two new retirements listed on the agenda (Hardaway and Schmidt) be removed from the consent agenda pending legal review. She also requested Thomas Lewis Jr.'s retirement suspension be removed from the consent agenda as Mr. Lewis has come to the office to update his address and collect his last pension check.

Later in the meeting, it was determined the Board would add the cost study extending the \$400.00 temporary increase for information purposes under New Business.

**RESOLUTION 15-093** By Nazarko, Supported by P. Waterman

Resolved, That the Board approved the requested agenda changes to remove the retirement applications for Hurticene Hardaway and Charmaine Schmidt pending legal review and the direct deposit suspension for Thomas Lewis, Jr. from the consent agenda.

Yeas: 9 – Nays: 0

**APPROVAL OF CONSENT AGENDA**

A. Approval of the Minutes of the Regular Board Meeting held October 28, 2015

B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: November 10, 2015

<b>TOTAL PENSION PAYROLL</b>	\$4,333,049.94
- ATTRIBUTABLE TO PENSION	\$2,077,149.54
- ATTRIBUTABLE TO COLA	\$2,255,900.40

Staff PPE November 7<sup>th</sup> & 21<sup>st</sup>

<b>TOTAL STAFF PAYROLL</b>	\$ 22,124.48
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C. Communications:

1. Ruling gives Sandusky back \$4,900 per month Penn State Pension (November 13, 2015)
2. Ex-Vernon Official may be on the hook for \$3.4 Million in Pension Overpayments (November 21, 2015)
3. Correspondence from GERS Executive Director to City Administrator (October 29, 2015)
4. U.S. Dept. of Commerce, Economic & Statistics Administration (Due December 31, 2015)
5. Opal Public Funds Summit (Scottsdale, AZ) January 13-15, 2016

D. Financial Reports:

1. Gray & Company SEC Update (November 20, 2015) & AUA (October 31, 2015)
2. October 2015 Accounts Payable
3. November 2015 Accounts Payable
4. Attucks Asset Management Manager of Manager Report – Emerging Manager & Michigan LCV – October 31, 2015

E. Private Equity / Capital Calls & Distributions

1. Mesirow Financial PE Fund IV – Distribution - \$100,000 – November 18, 2015

F. Applications for Retirement, Final Calculations, Refunds, Re-examinations

1. New Retirements

Ret No.	Name	Years/Months of Service	Union	Age	Retirement Option	Effective Date	Monthly Benefit
2785	Visniski, Stephen M.	21 – 4	Local 2002	60	Option II	01.01.2016	

*Emergency Manager Order S-307 as amended July 2015: Retiree is eligible for the temporary \$400.00 per month supplemental benefit until sunset date of September 1, 2016.*

***Bold type entry indicates Reciprocal Service Credit with another eligible agency or municipality.***

2. Terminated Retirements (Deaths)

Ret No.	Name	Date of Death	If Beneficiary Member Name	Benefit Amount	Union or Dept.
782	Dunn, Marjorie	10.18.2015	Dunn, Robert James		SAEA
700944	Parker, Carol	11.03.2015	Parker, Herbert		PPMA
701022	Freeman, Carolyn	09.18.2015	Freeman, Marvin		Local 2002
1865	Agelink, Myrna	11.11.2015			Non-Union Court
774	Nicholson, Emma	10.24.2015			Hospital
1288	Ridley, Dawn	10.29.2015			Hospital
1279	O'Dea, Loren	10.14.2015			Hospital

3. Continued Retirements -- none

4. Pop-Up Continued Retirements - none

*When beneficiary precedes Retirant in death, the monthly benefit “pops up” to what would have been the monthly Regular benefit amount (plus applicable COLA).*

5. Recalculated Retirements - none

6. Suspended Retirements - none

7. Refunds of Employee Contributions

Ret No.	Member's Name	Date of Death/ Termination	Beneficiary	Gross Distribution
16302	Chatman, Sandra Laverne	07.28/1990	Darrin Chatman LaTanya Chatman Laqunda Chatman Dianne Chatman	

*Member died prior to making application for retirement, employee contributions plus interest paid to named beneficiary*

Trustee Giddings noted his comment under the Finance Subcommittee with regard to the review of the Actuarial RFP was not included in the minutes. At the October 28, 2015 meeting he indicated the RFP was not reviewed by the Finance Committee. The RFP was handed out at the end of the meeting and there was no time to review it because the meeting ran long. He requested the minutes be amended to reflect his comment.

He also noted at the October 28, 2015 meeting he asked about the Summary Annual Report and was told that it is in process. He is concerned that his comment was not included in the minutes and the SAR was not included in this month's consent agenda.

He stated that in the System's 2012 Management Letter, Plante & Moran noted not issuing the SAR within the fiscal year is a significant error. He also questioned whether this is a requirement under Public Act 314. He read the Plante & Moran letter stating this is a requirement under Federal Law.

Ms. Billings stated Federal Law pertains to private pension systems. She has reviewed Public Act 314 and it is not a requirement. She will contact Beth Bialy at Plante & Moran to ask whether it will affect the System's audit findings.

Trustee Moore felt the System would be in compliance if the SAR process was completed by the end of the month.

Trustee Bowman noted the minutes recorded under the Investment Consultant Resignation Plan of Action did not reflect his comment requesting a copy of the RFP for each member of the Board before it is sent out along with a copy of each RFP that is submitted.

Trustee Moore stated the final RFP is approved by the Board and any amendments would be reflected in the final version.

Trustee Bowman stated there is nothing that prohibits Trustees from receiving copies of the documentation.

Trustee Gaffney noted the RFP will be provided prior to the Board meeting. She also suggested that when the RFP's come into the Retirement Office a copy can be made available for Trustee review.

Trustee Deirdre Waterman asked if the RFP's can be digitized for submission.

Ms. Carter indicated she requests RFP's be submitted on a flash drive or a CD in addition to the needed hard copies. A copy of the submitted RFP's will be kept in the Retirement Office for the Trustees' review.

Trustee Giddings questioned whether there are specific guidelines defined by the Department of Labor that need to be followed when constructing the Investment Consultant RFP. He recommended the auditor be consulted to review the RFP to insure compliance.

There was continued discussion regarding the Summary Annual Report.

Trustee Giddings felt the report should be sent out after the information is made available.

Ms. Billings reported that she consulted with the System's representative at Plante Moran and was advised that Plante Moran no longer references a deadline for the SAR in the Management Letter because PA 314 does not impose a deadline on SARs.

Chairman Harrison indicated there should not be a problem completing the process in January, 2016 once the Executive Director has verified the numbers.

Trustee Giddings stated he questioned whether the Board had approved the cost study for the extension of the \$400.00 temporary increase based on the requirements of Public Act 314 at the October 28, 2015 meeting.

Ms. Billings indicated Trustee Nazarko had pointed out that the cost study should be received and filed by the Board. She told the Board, the cost study should be presented to the Board for informational purposes.

She also explained there is no penalty under Public Act 314 for not providing the cost study to the Board. She clarified that unlike ERISA which specifically provides for monetary penalties, PA 314 does not set forth monetary penalties; rather, trustees have a fiduciary obligation to comply with PA 314.

Chairman Harrison recommended the supplemental valuation for the extension of the \$400.00 temporary increase be added under New Business.

Trustee Giddings questioned why the Opal Public Fund Summit West Conference recorded in the consent agenda notes both Board and Staff. Trustee Bowman asked why staff was added. There was discussion regarding the addition of staff to the conference information. It was determined the notation of staff be removed.

**RESOLUTION 15-094** By Moore, Supported by Nazarko  
Resolved, That the Board approve adding the Supplemental Valuation under New Business and approve the consent agenda for December 2, 2015 as amended.

Yeas: 11 – Nays: 0

## **CONSULTANTS**

### **Re: Gray & Company – Investment Consultant Report**

Kurt Lofters reviewed the third quarter 2015 performance report and provided a review of the capital markets noting some of the issues that may have affected market performance.

The beginning market value of the Fund for the quarter was \$492.9 million. After \$7.1 million in pension payments and -\$31.5 million in gross performance the ending market value was \$454.2 million.

There has been a lot of red ink in 2015. Year-to-date performance net of fees through September 30, 2015 was -6.52% and -0.97% year-to-date. Performance improved during October, 2015 with positive year-to-date performance of 0.93%.

Trustee Moore asked if high yield manager Peritus Asset Management's negative performance has affected portfolio performance.

Mr. Lofters noted high yield manager Peritus was terminated and global fixed income manager Brandywine was hired to replace them in the fixed income portfolio.

Mr. Lofters reported at the end of October, 2015 the Fund's total Plan value was \$471.7 million. However, the five-year performance as of September 30, 2015 was 8.58%. The Plan's funding ratio at December 31, 2014 was 153%.

## **REPORTS**

### **Re: Chairman**

Chairman Harrison reminded the Board that revisions need to be made under Agenda Changes. If a Trustee has questions or feels a change should be made to the agenda, please contact the Executive Director prior to the meeting.

### **Re: Trustees/Committees**

#### Personnel Subcommittee

Trustee Gaffney reported the Personnel Committee did not meet in November, 2015.

#### Finance Subcommittee

Trustee Moore deferred the Finance Subcommittee report to Ms. Carter.

Ms. Carter reported the Committee met on December 1, 2015.

The Committee reviewed the third quarter unaudited financials.

There was a second reading of the 2016 Budget.

Mr. Lofters provided the investment portfolio review.

Gray & Company reported \$5.564 billion in assets under advisement.

Ms. Carter reported she knows a fixed income manager that would provide an educational session on BDC's to the Board.

Trustee Giddings asked if the manager could provide an agenda for the session.

Ms. Carter reported the System received a \$100,000.00 distribution from Mesirow Fund IV.

The October, 2015 and November, 2015 accounts payables were reviewed.

The Committee reviewed the renewal of the crime/dishonesty insurance policy.

The correspondence sent to the City Administrator regarding the COLA Calculation Review Policy was reviewed.

The U.S. Department of Commerce annual survey was noted to the Committee.

The questions from the vendor service provider search for an actuary were reviewed. They are also on the agenda for the Board's review.

There were questions regarding two new retirement applications with regard to survivor beneficiaries.

There was discussion over Hospital deferred member Sandra Chatman who is now deceased. Her children were located and Ms. Chatman's employee contributions with interest were divided equally between her four children. The sum was approximately \$10,000.

#### Ad Hoc Investment Consultant Search Subcommittee

Trustee Moore deferred the Ad Hoc Committee report to Ms. Carter.

Ms. Carter reported the Committee has met twice, on November 3, 2015 and December 1, 2015.

The Committee has reviewed how to approach the search for a new investment consultant. The transition date was also discussed. In order to provide adequate time for the process, the transition should occur at quarter-end, particularly June 30, 2016 for the new consultant to transition responsibilities on July 1, 2016.

The Committee has reviewed an RFP shell document without the scope of work included.

The Mayor brought to the December 1<sup>st</sup> meeting an RFP for Investment Consultant services prepared by Oakland County (MI). The RFP's will be reviewed to combine pertinent information.

In order to meet a transition date of June 30, 2016, the RFP should be issued in February, 2016.

Chairman Harrison noted in order to move forward the information needs to be made available to the Board members. The Committee would like to make the changes at the end of or beginning of a quarter. The information will be provided to the Board prior to the meeting.

Trustee Giddings commented about Trustee Deirdre Waterman being an alternate on the Committee. Chairman Harrison stated Trustee Deirdre Waterman wanted to be at the committee meeting; Ms. Billings had advised him that if Trustee D. Waterman was to attend the committee meeting a quorum could be established and the meeting would then become a public meeting subject to the Open Meetings Act and posting Notice of the meeting. Therefore, he rationalized a Committee member would have to be removed in order to avoid a quorum. He pointed out this would have been the only Committee without City representation. Hence, he made the decision to make Trustee Deirdre Waterman a Committee member and remove another member from the Committee.

Trustee Bowman stated as long as the committee is not voting on an issue the number of members can exceed the quorum per the Open Meeting Act. He asked that question of Michael VanOverbeke at the MAPERS Conference.

Ms. Billings indicated it would not be a violation of the Open Meetings Act provided the meeting was open to the public, minutes were taken and the meeting dates were posted.

Chairman Harrison stated the Committees have always operated with less than a quorum.

Trustee Gaffney stated she would have concerns holding an open meeting when preparing an RFP.

**Re: Executive Director**

Ms. Carter reported some twenty retired members filed tax withholding change forms with the Retirement Office to change their tax withholding for the November pension check due to the November, 2015 COLA payment and simultaneously filed a tax withholding change form to be effective December 1 for the December pension check.

The December, 2015 pension benefit check will be paid on December 9, 2015. The next pension benefit check will be paid on January 27, 2016. Ms. Carter reminded the Board and the public attendees that timeframe represented a 7 week stretch.

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**UNFINISHED BUSINESS**

**Re: Actuarial Services – Request for Proposal**

Ms. Carter reported the Service Provider RFP for the Actuary was issued November 2, 2015.

She distributed copies of vendor questions regarding the Actuarial RFP including replies to the Board.

There was discussion regarding the document.

Trustee Giddings raised questions on the COLA calculations and how the responsibility fell to the auditor to review the 2015 calculations. This responsibility is being relinquished back to the actuary. He asked whether the former actuary should be audited and suggested the Board should confirm and obtain a copy of their liability insurance. The new actuary would not be liable for calculations done by the former actuary. He also noted the System could recover any liability from the former actuary that is noted after the audit.

Trustee Nazarko indicated the issue could be raised when the Board interviews the new candidates. He also asked that the proposals be provided to the Board members one week in advance of the interviews.

Trustee Arndt questioned the response to the vendor question regarding administrative support under Section 6.1. The prospective respondent noted that in Section 6.3 it speaks to calculations of individual benefit applications including final calculations for new retirements, optional survivor benefit calculations and Domestic Relations Orders. She noted the response read that the actuary would be responsible for all future retirement benefit calculations. She told the Board that benefit calculations are processed using the database software and wanted to insure the processing of benefit calculations would continue to be the responsibility of the Retirement Staff.

Ms. Carter indicated it was the desire of several Board members to have all future calculations reviewed by the actuary.



Set Date for Review and Selection / Set Date for Interviews

The date for the review and selection of candidates and the date for the candidate interviews were set by the Board. The candidate review and selection will be conducted at a special meeting held on January 12, 2016 and the candidate interviews will be at a special meeting held on January 26, 2016. Ms. Carter confirmed with the Board, if only 3 responses are received then it would not be necessary to have the January 12<sup>th</sup> special meeting and invite all three respondents to the January 26<sup>th</sup> interviews.

**RESOLUTION 15-095** By Nazarko, Supported by Moore

Resolved, That the Board approve the vendor questions and replies regarding the Actuarial RFP and directs that such is to be posted on the Retirement System's website.

Yeas: 11 – Nays: 0

**Re: 2015 / 2016 Fiduciary Liability Renewal – Process Update**

Ms. Carter reported the fiduciary liability insurance invoice was received; the premium was paid and was confirmed by the broker.

**Re: 2015 COLA Calculations**

Ms. Carter requested the Board receive and file the 2015 Cost of Living Reconciliation Report. There was only one retiree to be reconciled from the October COLA calculation report; Ms. M. Dunn (died 10.18.2018).

**RESOLUTION 15-096** By Arndt, Supported by P. Waterman

Resolved, That the Board receives and files the 2015 Cost of Living Reconciliation Report dated December 2, 2015.

Yeas: 11 – Nays: 0

**Re: Supplemental Cost Study for Extension of \$400.00 Temporary Increase (September 1, 2015 through August 31, 2016)**

Ms. Carter requested the Board receive and file the Supplemental Cost Study for the extension of the \$400.00 temporary increase dated June 26, 2015. The cost of the additional year of the \$400 temporary increase is projected to be \$5,116,320.

**RESOLUTION 15-097** By Gaffney, Supported by P. Waterman

Resolved, That the Board receive and file the Supplemental Cost Study for Extension of \$400.00 Temporary Increase from September 1, 2015 through August 31, 2016

Yeas: 11 – Nays: 0

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**NEW BUSINESS**

**Re: Pontiac GERS Crime/Dishonesty Insurance Renewal**

Ms. Carter requested the Board approve the renewal of the Crime/Dishonesty insurance policy through Chubb for the period of January 1, 2016 through January 1, 2017 with a limit of \$1,000,000 with a \$10,000 deductible at a renewal rate of \$1,500.00

**RESOLUTION 15-098** By Moore, Supported by Gaffney

Resolved, That the Board elects to renew the Crime/Dishonesty insurance policy through Chubb for the period of January 1, 2016 through January 1, 2017 with a limit of \$1,000,000 with a \$10,000 deductible at a renewal rate of \$1,500.00

Yeas: 11 – Nays: 0

**Re: 2016 Board of Trustees' Meeting Schedule**

Ms. Carter requested the Board approve the 2016 Board of Trustees' Meeting Schedule.

**RESOLUTION 15-099** By Gaffney, Supported by P. Waterman

Resolved, That the Board receives and files the 2016 Board Meeting Schedule and directs that such is to be posted on the Retirement System's website and at the Retirement System Office.

Yeas: 11 – Nays: 0

**Re: Adoption of Board Charters**

Trustee Gaffney noted the Committee name was changed to Administrative & Personnel Committee.

Trustee Gaffney made the motion to adopt the Board Charters as documented.

Trustee Nazarko asked if the Retirement System had charters before and if the charters would assume the authority over the Retirement Ordinance.

Ms. Billings indicated the Retirement Ordinance would trump the Charters.

Ms. Carter indicated the System did not have by laws or policies addressing the responsibilities of the Chairman, Vice Chair, Executive Director or Committees in the past.

Trustee Giddings suggested the Board should not vote on the Charters at this meeting. He expressed his concern on a number of inconsistencies he found in the documents. He suggested that Plante & Moran review the charters with regard to fiduciary issues or changes of responsibilities.

Trustee Deirdre Waterman agreed with Trustee Giddings to table the agenda item.

Trustee Gaffney withdrew her motion. She questioned whether the agenda item will go back to Committee once the Board has had time to review the documents and recommend changes.

Trustee Bowman stated he does not believe the Board has been operating all these years without policies or guidelines.

**Re: Adoption of 2016 Expense Budget for Pontiac GERS**

Trustee Deirdre Waterman moved to adopt the 2016 expense budget for the Retirement System.

Trustee Giddings stated actual numbers should be used to determine the System’s expenses. Percentage increases should not be used for benefits. He also questioned adding an employee to the budget without prior approval. He felt these were all good reasons to delay the budget until the next regular Board meeting.

Trustee Bowman added the budget should not have been prepared adding an employee. If an additional position is approved the budget could be amended at that time.

Trustee Deirdre Waterman withdrew her motion and the agenda item was tabled to the January 27, 2016 meeting.

**Re: Election of Board Officers**

**Re: Election of Chairman**

Trustee Barnett nominated Trustee Robert Giddings. Trustee Patrice Waterman nominated Trustee Charlie Harrison.

**RESOLUTION 15-100** By Barnett, Supported by P. Waterman

Resolved, That the Board of Trustees close nominations and vote for Chairman of the General Employees Retirement System Board of Trustees

Trustee Albritton – Charlie Harrison  
Trustee Arndt – Robert Giddings  
Trustee Barnett – Robert Giddings  
Trustee Bowman – Robert Giddings  
Trustee Gaffney – Charlie Harrison  
Trustee Giddings – Robert Giddings

Trustee Harrison – Charlie Harrison  
Trustee Moore – Charlie Harrison  
Trustee Nazarko – Robert Giddings  
Trustee Deirdre Waterman – Robert Giddings  
Trustee Patrice Waterman – Charlie Harrison

Trustee Robert Giddings received the majority of the votes and was appointed Chairman – term to begin January 1, 2016.

**Re: Election of Vice Chairman**

Trustee Barnett nominated Trustee Walter Moore. Trustee Arndt nominated Trustee Kone’ Bowman.

**RESOLUTION 15-101** By Barnett, Supported by Arndt

Resolved, That the Board of Trustees close nominations and vote for Vice Chairman of the General Employees Retirement System Board of Trustees

Trustee Albritton – Walter Moore  
Trustee Arndt – Koné Bowman

Trustee Harrison – Walter Moore  
Trustee Moore – Walter Moore

Trustee Barnett - Walter Moore  
Trustee Bowman – Koné Bowman  
Trustee Gaffney – Walter Moore  
Trustee Giddings – Koné Bowman

Trustee Nazarko – Koné Bowman  
Trustee Deirdre Waterman – Koné Bowman  
Trustee Patrice Waterman – Walter Moore

Trustee Walter Moore received the majority of the votes and is appointed Vice Chairman – term to begin January 1, 2016.

*Trustee Arndt left at 12:29 p.m.*

## **Legal Report**

### Business Development Companies Qualification Under Public Act 314

Ms. Billings provided an overview indicating the Business Development Companies are qualified investment vehicles under Public Act 314.

She explained that a system having assets of more than \$250,000,000.00 may invest not more than 20% of the system’s assets in investments not qualified under Public Act 314.

Based on the information, the Board of Trustees may utilize the basket clause (Chapter 38.1140d – Section 20d) of the Michigan Public Act 314 of 1965 to invest in a BDC provided the BDC does not elect to be governed by the Small Business Investment Act.

### Portfolio Monitoring Report

- Robbins Geller October, 2015 Portfolio Monitoring Report
- Robbins Geller Fourth Quarter 2015 “On The Record” Attorney Report

Ms. Billings indicated these reports are for the Trustees’ information.

### **RESOLUTION 15-102** By, Supported by

Resolved, That the Board move to closed session to review pending litigation

### **Roll Call:**

Trustee Albritton – yea  
Trustee Barnett – yea  
Trustee Bowman – yea  
Trustee Gaffney – yea  
Trustee Giddings – yea

Chairman Harrison - yea  
Trustee Moore - yea  
Trustee Nazarko - yea  
Trustee Deirdre Waterman - yea  
Trustee Patrice Waterman - yea

*The Board moved to closed session at 12:33*

*Trustee Arndt returned at 12:34 p.m.*

*The Board returned from closed session at 12:39 p.m.*

**RESOLUTION 15-103** By Gaffney, Supported by Moore  
Resolved, That the Board approve the closed session minutes for September 23, 2015.

Yeas: 11 – Nays: 0

Trustee Giddings questioned whether a resolution was needed to change the signature authority over to the new Chairman and Vice Chairman.

Ms. Carter reminded the Board of the Resolution authorizing signature authority is based on the office and not the individual. She indicated she would get signature specimens at the January 2016 Board meeting. It was determined that the signature authority is based on position not the individual.

**ADJOURNMENT**

**RESOLUTION 15-104** By Gaffney, Supported by Arndt  
Resolved, That the meeting be adjourned at 12:43 p.m.

Yeas: 11 – Nays: 0

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**SCHEDULING OF NEXT MEETING**

Regular Meeting: Wednesday, January 27, 2016 @ 10:00 a.m. – Retirement Office

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I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on December 2, 2015

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*As recorded by Jane Arndt*