

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
OCTOBER 28, 2015**

A regular meeting of the Board of Trustees was held on Wednesday, October 28, 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 10:06 a.m.

TRUSTEES PRESENT

Sheldon Albritton
Jane Arndt
Shirley Barnett
Koné Bowman
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore
Nevrus Nazarko
Mayor Deirdre Waterman
Patrice Waterman, City Council President

TRUSTEES ABSENT

OTHERS PRESENT

Cynthia Billings, Sullivan Ward Asher & Patton
Kurt Lofters, Gray & Company
Cecelia M. Carter, Executive Director
Jane Bais-DiSessa, Deputy Mayor (City of Pontiac)
Billie Swazer, Retiree
Linda Watson, Retiree

Chairman Harrison opened the meeting at 10:05 a.m.

PUBLIC COMMENT

Retiree, Billie Swazer questioned whether the cost of living adjustment would be included in the November, 2015 checks.

Ms. Carter explained the COLA payments are on the agenda to be approved and the intent is the COLA would be included in the November 10, 2015 pension benefit payments.

Trustee/Mayor, Deirdre Waterman introduced Deputy Mayor Jane Bais-DiSessa to the Board.

Ms. Bais-DiSessa stated she looks forward to working with the Board.

AGENDA CHANGES

APPROVAL OF CONSENT AGENDA

- A. Approval of the Minutes of the Special Board Meeting held August 25, 2015
- B. Approval of the Minutes of the Regular Board Meeting held September 23, 2015
- C. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: September 30, 2015	
TOTAL PENSION PAYROLL	\$2,085,165.46
Retiree Pay Date: October 28, 2015	
TOTAL PENSION PAYROLL	\$2,089,481.95
Staff PPE October 10 th & 24 th	
TOTAL STAFF PAYROLL	\$ 22,124.48

D. Communications:

1. IFEBP Annual Conference (Honolulu, HI), November 8 – 11, 2015 – Board & Staff
2. Correspondence from Gray & Company (October 8, 2015)
3. BBB Letter Re: Laura Richards for Florita McNealy (September 18, 2015)
4. Michigan Dept. of Insurance & Financial Services Letter Re: Richards/McNealy (October 8, 2015)
5. Baldwin Domestic Relations Order (September 23, 2015) – Personal Info Redacted
6. Lake Domestic Relations Order (September 30, 2015) – Personal Info Redacted
7. Michigan Association of Public Employees v. 50th District Court Arbitration Ruling (October 5, 2015)
8. Email Request from 50th District Court and Response (October 8, 2015)
9. Trustee Deirdre Waterman’s Email and Response (October 5th and 8th, 2015) respectively

E. Financial Reports:

1. Gray & Company SEC Update (October 23, 2015) & AUA (September, 2015)
2. September 2015 Accounts Payable

F. Private Equity / Capital Calls & Distributions

1. Mesirow Financial PE Fund IV – Distribution - \$50,000 – September 28, 2015
2. Mesirow Financial PE Fund VI, LP – Capital Call - \$90,000 - October 16, 2015

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

1. New Retirements - none

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.
1684	Elizondo, Victoria	09.19.2015			Hospital
1293	Johnson, Lillie	09.03.2015			Hospital
1135	Blust, Glen	10.09.2015			Hospital
1447	Blust, Glen	10.09.2015	Blust, Beverly		Hospital

3. Continued Retirements - None

4. Pop-Up Continued Retirements

Ret No.	Beneficiary’s Name	Date of Death	Retiree’s Name	J&S Option	Benefit Amount	Union or Dept.
1323	Hilborn, George	12.23.2014	Hilborn, Patricia	100%		PMEA
2778	Kyles, James	09.18.2015	Kyles, Carol	100%		PMEA

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 - None

RESOLUTION 15-081 By Gaffney, Supported by P. Waterman
Resolved, That the Board approve the consent agenda for October 28, 2015.

Yeas: 11 – Nays: 0

CONSULTANTS

Re: Gray & Company – Investment Consultant Report

Kurt Lofters introduced himself and identified he is a Senior Investment Consultant at Gray & Company. He has been at the firm for nine years. He provided an overview of the Fund’s unaudited performance as of September 30, 2015.

As of September 30, 2015 the Total Plan value was \$454.1 million with overall quarter-to-date performance of -6.4% (unaudited).

	Value \$(000)	% of Fund	Current Month	Quarter to Date	Year to Date	1 Year	2 Years	5 Years	10 Years
Total Plan	454,157	100	-2.42	-6.40	-3.54	-.049	5.01	9.21	6.72
Policy Index			-2.71	-6.29	-4.12	-.088	4.99	9.37	6.49

Mr. Lofters indicated as of October 19, 2015 the Fund’s total Plan value was \$470 million.

REPORTS

Re: Chairman

Chairman Harrison reported the Board needs to conduct a search to replace the Investment Consultant. He is appointing Trustees Albritton; Arndt; Gaffney; Moore and himself to an Ad-hoc Investment Consultant Search Committee. Trustee Moore has agreed to chair the committee. Trustee/Mayor D. Waterman will be an alternate committee member.

Trustee Bowman stated to maintain an air of transparency he would like the full Board to receive copies of the RFP and respondents’ submitted proposals.

Re: Trustees/Committees

Personnel Subcommittee

Trustee Gaffney deferred the Personnel Subcommittee report to Ms. Carter.

Ms. Carter reported the Committee met on October 16, 2015. Trustees Gaffney, Bowman and Harrison were in attendance as were Ms. Carter and Legal Counsel, Matthew Henzi.

The Committee reviewed the Ellen Zimmermann beneficiary benefit. The benefit is in accordance with the Retirement Ordinance and is payable over the lifetime of the beneficiary. To date the beneficiary has not made a claim.

The Committee looked into an issue regarding the Staff's dental coverage for new employees. Ms. Carter noted that when the System separated from the City the System assumed responsibility for the Staff's insurance coverage. There was no waiting period for existing employees.

Trustee Gaffney noted that when the Executive Director accepted the position there was an expectation that dental insurance coverage was included. She believes when the System separated from the City the dental policy was written with the premise that the administration of the System could transition to a Third Party Administrator.

Ms. Billings noted that dental coverage was included as a benefit in the Executive Director's employment agreement.

Trustee Deirdre Waterman stated that as a matter of policy the Board should know the terms of the policy and should work within those terms.

Ms. Carter reported there were no new retirements for the month. There were two Eligible Domestic Relations Orders reviewed by legal and the actuary.

Active member benefit statements were sent out in September. Each member's file has an updated statement; in addition there is a cross reference file of each statement mailed in 2015 to active members.

After the October 5th Arbitration Ruling between MAPE and the 50th District Court, the Retirement Office received a request for the names of the District Court MAPE retirees

. There was an additional data request from the City. The City was asked to request the data in writing for the Board's consideration.

Mayor Waterman's email questions of October 5th regarding the Board's decision to invest in the BDCs were sent to the Personnel Committee with the responses.

There was discussion which took the Board away from the Committee report and after further discussion amongst the Board inquiry was made as to whether Gray & Company ever responded to the Finance Committee's questions from September 15th. Ms. Carter informed the Board the

response from Gray & Company was received after the October 21st Finance Committee meeting and e-mailed the response to the Finance Committee members. Ms. Carter then arranged for staff to make copies of her October 22, 2015 email to the Finance Committee which included Gray & Company's responses to the Finance Committee's September 15th questions and passed them out to the entire Board.

Back to the Personnel Committee report, Ms. Carter reported the Committee discussed the Investment Consultant transition. It was determined the System should make only one transition to a new Investment Consultant as oppose to selecting an interim Investment Consultant and then conducting a formal RFP search.

The Actuarial service provider RFP was reviewed. Minor changes were made.

The next Personnel Committee meeting will be held on Friday, November 13, 2015. Trustee Deirdre Waterman reminded the Board she has a standing meeting on Fridays mornings which may preclude her from attending the Personnel Subcommittee meetings.

Trustee Comments

Trustee Giddings raised the issue of Ms. Zimmermann's benefit. It was in the consent agenda which indicated it was routine. However, this does not appear routine based on the legal opinion.

Chairman Harrison indicated this was considered a regular retirement.

There was continued discussion regarding legal review for non-routine retirement benefits.

Ms. Carter reminded the Board the retirement benefit resulting from Ms. Zimmerman's death in January 2014 was approved by the Board at the February 2014 Board meeting and the legal review in 2015 was not with respect to Ms. Zimmerman only, but more a matter of policy and interpretation of the Retirement Ordinance and a legal definition of "insurable interest" that was raised by one Trustee. Additionally the questions and legal responses were reviewed through both the Personnel and Finance Committees. Ms. Zimmerman's benefit is a routine retirement benefit.

Finance Subcommittee

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

Ms. Carter reported the Committee met on October 21, 2015 with Trustees Giddings, Harrison and Moore along with Investment Consultant, Larry Gray, Legal Counsel, Matthew Henzi, Esq. and herself in attendance.

The Committee reviewed the first reading of the 2016 Budget.

Gray & Company reported \$5.7 billion in assets under advisement.

In order to raise cash for future pension benefit payments and administrative expenses, \$10 million was raised from the following managers: \$3.3 million from Robinson Capital; \$3.3 million from WCM and \$3.4 million from First Eagle.

There was a distribution from private equity manager Mesirow Fund IV for \$50,000.00 on September 28, 2015 and a capital call from Mesirow Fund VI for \$90,000.00 on October 16, 2015.

The September 30, 2015 performance was reviewed with the Investment Consultant.

Legal counsel reviewed two EDRO's (Baldwin and Lake/Lile) with the Committee.

Legal counsel opined to the Committee their findings on non-spousal insurable interest.

Ms. Carter reported the 2015 COLA calculation was reviewed. There was discussion regarding the calculation review policy. The actuary indicated they could not perform the requested review. The auditor was then asked to perform the review.

The October 5th MAPE versus 50th District Court arbitration opinion was reviewed by the Committee.

The Actuarial Services RFP was reviewed by the Committee.

There were no new retirements for the period. There were four deaths and one retirement benefit pop-up adjustment.

The next meeting will be held on Tuesday, December 1, 2015.

Trustee Giddings asked about the bill received by the Finance Committee for the actuarial study for the extension of the temporary \$400.00. He questioned whether the Board has received a copy of the cost study.

BDC Investment Issue

There was discussion regarding the BDC investment issue.

Trustee Moore discussed the chronology of the BDC investment that was supplied in response to the Mayor's October 5th e-mail question with the Board. He stated the timeline was not complete. He felt it was important and needed to be on the record, when he attended a conference earlier in 2015 he learned of Business Development Companies as an investment option, he brought the idea of BDC investments to the Investment Consultant's and the Chair's attention.

Chairman Harrison explained the issue was still in Committee at the last meeting. The Committee determined there was a need for additional education before proceeding with this type of investment. There was further in-depth discussion regarding the BDC investment issue.

Re: Executive Director

Ms. Carter reminded the Board about the Open Meetings Act. She cautioned the Board about "replying all" when sending an email to avoid any misinterpretation of deliberating an issue.

Ms. Carter reported Antoinette Hicks, a retiree whose retirement payments were suspended for a number of years due to an incorrect address and returned mail has failed to negotiate the replacement check issued to her in March of 2015. Once the member was located and she signed an Affidavit of Eligibility, her retirement benefits resumed. The System issued a check for her back payments netting approximately \$45,000.00. The debit was credited back to GERS from the payroll processing company as not being negotiated and a refund check was issued back to Pontiac GERS for the entire amount. Ms. Hicks has been notified verbally and in writing that this check will be included in her October, 2015 direct deposit.

Ms. Carter explained in the November, 2011 minutes (Resolution No. 11-115) authorized signatories to act on behalf of the Retirement System. The signatories are: (1) the Board Chair, (2) the Board Secretary, and (3) the System Administrator. There is a need to update the signatories in accordance with Resolution No. 11-115 in order to obtain sample signatures of Mr. Harrison, Mr. Nazarko, and Ms. Carter.

Trustee Giddings asked if there is a deadline or timeline when the Summary Annual Report has to be provided to the members. Last year the report was reviewed in October. Ms. Billings indicated there is no timeline per Public Act 314.

Trustee Deirdre Waterman questioned whether there is a discrepancy in the procedure regarding the BDC investment and if it should be addressed. She also asked if a motion is needed.

Ms. Billings explained that a special meeting was held on September 11, 2015 to review the ICMA defined contribution plan. At that time Trustees Bowman, Giddings and Arndt expressed their concerns regarding the BDC investment and the Board directed the Executive Director not to take administrative action on this matter. A special meeting does not preclude other business being introduced. The issue can be ratified at a subsequent meeting. There was discussion again regarding the timeline of the vote on the investment in Business Development Companies at the August 2015 regular board meeting.

Chairman Harrison noted that it was determined the Board requires further education for alternative investments including BDCs, real estate, etc.

Trustee Moore requested the Executive Director should be directed to explore educational options for the Board.

UNFINISHED BUSINESS

Re: GERS Re-Examination Process for Disability Retirees

Ms. Carter reported the GERS re-examination process for disability retirees' policy has been approved in the Committee process. She requested that the Board adopt the revised policy.

RESOLUTION 15-082 By Moore, Supported by Gaffney

Resolved, That the Board adopts the GERS Re-Examination Process for Disability Retirees Policy adopted January 24, 2001, amended April 25, 2001 and now amended as of August 26, 2015.

Yeas: 11 – Nays: 0

Re: Actuarial Services – Request For Proposal

Ms. Carter reported the RFP for actuarial services has been reviewed by the Committees. She asked if the Board had any questions or changes.

The Request For Proposal was amended.

RESOLUTION 15-083 By Moore, Supported by Nazarko

Resolved, That the Board authorize the Executive Director to issue the Request For Proposal for Actuarial Services, with the revisions, in accordance with the Memorandum to the Board of Trustees dated October 28, 2015.

Yeas: 11 – Nays: 0

Re: Board Resolution 15-069 made August 26, 2015 and Subsequent Resolution 15-073 made September 11, 2015 during the Special Board Meeting

RESOLUTION 15-084 By Patrice Waterman, Supported by Gaffney

Resolved, That the Board rescinds its motion on Resolution 15-069 made August 26, 2015 and that Resolution 15-073 made September 11, 2015 is hereby nullified.

Yeas: 11 – Nays: 0

NEW BUSINESS

Re: 2015 / 2016 Fiduciary Liability Renewal

Ms. Carter reported the fiduciary liability insurance expires December 1, 2015. She presented three quotes for the Board’s review. A \$2 million limit with a \$50,000.00 deductible; a \$5 million limit with a \$50,000.00 deductible; and a \$5 million limit with a \$100,000.00 deductible.

Chairman Harrison asked what amount of insurance is most appropriate.

Ms. Billings indicated she cannot recommend what amount of insurance the Board should choose. That is the Board’s decision. She gave an overview of governmental immunity and quasi-judicial immunity under Michigan state statutes.

Trustee Nazarko recommended that the Board select the \$5 million limit with a \$100,000.00 deductible. .

There was Board discussion regarding the appropriate coverage limit for the Board given the growth in assets of the Fund.

RESOLUTION 15-085 By Nazarko, Supported by Moore

Resolved, That the Board authorizes the Board Chairman to execute necessary documents to effectuate the renewal of the Labor Management Trust Fiduciary Liability Insurance through

Huttenlocher Group/Chubb for the period of December 1, 2015 through December 1, 2016 with the following terms: \$5 million limit/\$100 thousand deductible as proposed in the Renewal Proposal received October 26, 2015.

Yeas: 11 – Nays: 0

Trustee Giddings asked if the crime policy has been renewed. Ms. Carter indicated the crime policy renewal is in process.

Re: Engagement of Plante Moran for COLA Calculation Review

Ms. Carter explained why the COLA review process was transferred to the auditor and the timeline which necessitated the Chairman's signature on the auditor engagement letter.

She requested the Board ratify the Chairman's signature on the engagement letter.

RESOLUTION 15-086 By Moore, Supported by Barnett

Resolved, That the Board ratifies the Board Chairman's signature on the Engagement Letter to engage the services of Plante Moran to review COLA calculations for the 2015 calendar year payment to retirees at a cost not to exceed \$2,500.00.

Yeas: 11 – Nays: 0

Re: Communication to Pontiac City Administrator

Ms. Carter asked the Board to authorize legal counsel to draft correspondence under the Executive Director's signature to the Pontiac City Administrator advising of the amendment to the Board's COLA Calculation Review Policy dated September 23, 2015.

RESOLUTION 15-087 By Deirdre Waterman, Supported by Patrice Waterman

Resolved, That the Board authorizes legal counsel to draft correspondence for the Executive Director's signature to the Pontiac City Administrator advising of the amendment to the Board's COLA Calculation Review Policy dated September 23, 2015.

Yeas: 11 – Nays: 0

Re: 2015 COLA Calculations

Ms. Carter provided the 2015 COLA information to the Board.

RESOLUTION 15-088 By Patrice Waterman, Supported by Bowman

Resolved, That the Board accepts and files the Cost of Living Adjustment calculations as presented for retirees retired under a Collective Bargaining Agreement in the aggregate amount of approximately \$2.2 million dollars covering approximately 495 retirees, subject to the Executive Director reconciliation in accordance with Board's COLA Calculation Policy adopted August 26, 2015.

Yeas: 11 – Nays: 0

Re: Gray & Company's Letter of Resignation

Ms. Carter informed the Board Gray & Company submitted its letter of resignation as the Investment Consultant, dated October 8, 2015. She asked the Board receive and file the correspondence.

RESOLUTION 15-089 By Gaffney, Supported by Arndt

Resolved, That the Board receives and files the Letter of Resignation from Gray & Company (Laurance O. Gray, President) as Investment Consultant to the Pontiac General Employees' Retirement System, dated October 8, 2015.

Yeas: 11 – Nays: 0

Trustee Bowman left at 2:30 p.m.

There was Board discussion regarding the Investment Consultant's resignation.

Trustee Barnett left at 2:34 p.m.

Trustee Deirdre Waterman questioned the reason behind the Investment Consultant resignation.

Trustee Moore reminded the Board that Larry Gray should be remembered for his excellent service to the Board and what he has done for the Retirement System. Under his advisement, the System has been a top decile performing fund and has won awards based on that performance.

Chairman Harrison agreed with Trustee Moore. The Board should reflect on the letter of resignation.

Ms. Carter expressed her desire for the Retirement Office to have a press release available should we begin to receive media inquiry, several trustees concurred. Mr. Harrison then reminded the Board that any media inquiry should be directed to the Retirement Office.

Re: Investment Consultant Resignation – Plan of Action

Ms. Carter asked the Board to ratify the Chairman's formation of an Ad Hoc Investment Consultant Search Committee to include Trustees Albritton; Arndt; Gaffney; Harrison and Moore to create a plan of action for replacing the Investment Consultant due to the resignation dated October 8, 2015.

RESOLUTION 15-090 By P. Waterman, Supported by Nazarko

Resolved, That the Board ratifies the creation of an Ad Hoc Investment Consultant Search Committee which includes Trustees Albritton, Arndt, Gaffney, Harrison and Moore (Trustee/Mayor Waterman as an alternate).

Yeas: 9 – Nays: 0

Legal Report

Brandywine Global Fixed Income Fund Investment Grade

Ms. Billings provided a review of the Brandywine Global Fixed Income Fund Investment Grade Contract and Side Letter Agreement.

RESOLUTION 15-091 By Moore, Supported by Patrice Waterman

Resolved, That the Board receives and files the October 4, 2015 letter of legal counsel regarding the Brandywine Global Fixed Income Fund Investment Grade and attached Side Letter, and further authorizes the Board Chairman to execute the appropriate documents to cause the investment of System assets in the Brandywine Global Fixed Income Fund as initiated in Board Resolution 15-070.

Yeas: 9 – Nays: 0

IRS Contribution and Benefit Limits for 2016

Ms. Billings reported that this is for the Trustees' information. She reviewed the contribution and benefit limits for 2016.

Portfolio Monitoring Report

- Motley Rice 3rd Qtr 2015
- Robbins Geller

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

ADJOURNMENT

RESOLUTION 15-092 By P. Waterman, Supported by Gaffney

Resolved, That the meeting be adjourned at 3:08 p.m.

Yeas: 9 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: Wednesday, December 2, 2015 @ 10:00 a.m. – Retirement Office

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on October 28, 2015

As recorded by Jane Arndt