

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

A regular meeting of the Board of Trustees was held on Wednesday, January 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

Jane Arndt
Koné Bowman
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore
Nevrus Nazarko (*arrived at 10:15 a.m.*)
Deirdre Waterman, Mayor (*arrvd at 10:39 am*)
Patrice Waterman
Kevin Williams

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Cecelia M. Carter, Executive Director
Laurence O. Gray, Gray & Co.
Raj Boaz, Ark Technologies
Dustin Blitchok, The Oakland Press
Larry Marshall, Retiree
Billie Swazer, Retiree
Linda Watson, Retiree
Debra Woods, Retiree

TRUSTEES ABSENT

Shirley Barnett (*excused*)

Chairman Harrison welcomed everyone and opened the meeting at 10:06 a.m.

PUBLIC DISCUSSION/UNION REPS

Retiree, Debra Woods told the Board that she is inquiring about the status of the service credit granted to member Vida Twum. While at the City she was Ms. Twum's Union representative. She also indicated that this issue has been going on for quite some time and needs to be resolved.

Ms. Billings indicated that members Arthur Brown and Vida Twum received approval to have their part-time service credit included as part of their retirement service credit. A cost study was completed and presented to the City Council for informational purposes.

Trustee Patrice Waterman indicated the issue is still with the Council's Finance Sub Committee and has not been moved forward to the Executive side.

Trustee Moore asked if this situation is different from the early out retirements recommended by City Council.

Chairman Harrison and Ms. Billings confirmed that this is a separate issue in that Ms. Twum's service credit was already approved by the City.

Ms. Woods was told to have Ms. Twum contact City Councilperson Patrice Waterman in reference to this issue.

Retiree, Linda Watson asked about the thirteenth check with regard to the City of Detroit bankruptcy and whether City of Pontiac retirees receive a thirteenth check.

Miss Carter explained that the COLA payment that many retirees receive in Pontiac is different from what is known as a thirteenth check.

Trustee Giddings indicated that the City of Detroit retirees actually receive an additional check in December each year for the same amount as their pension benefit.

Retiree, Billie Swazer told the Board that City of Pontiac resident Linda Hanson keeps referring to the COLA benefit as a thirteenth check that the retirees receive.

Trustee Nazarko arrived at 10:15 a.m.

Ms. Swazer also commented on the two minute time limit being placed on public discussion. She told the Board that is the same dictatorial language being used at the TAB Board and City Council meetings.

Miss Carter explained that she put the language on the agenda to insure there would be sufficient time for all members to express comment. She explained she expected there would be more retirees at the meeting.

Ms. Watson inquired about two transactions under Accounts Payables.

AGENDA CHANGES - None

APPROVAL OF CONSENT AGENDA

- A. Approval of the Minutes of the Regular Meeting, as amended: December 10, 2014
- B. Ratification of Retiree Payroll & Staff Payroll

Pay Date: January 28, 2015

Service Retirements

Beneficiaries

Disability

TOTAL PENSION PAYROLL \$2,092,051.39

PPE January 3rd and 17th

TOTAL STAFF PAYROLL \$ 22,021.25

C. Communications:

1. Correspondence from Sawgrass: 2014 – A Year In Review
2. MAPERS One Day Seminar (Friday, March 13, 2015) – For Board & Staff
3. PPMA Members Special Valuation Report commissioned by Larry Marshall
4. Gray & Company Update for November 30, 2014

D. Financial Reports:

1. Accounts Payable: December 2014
2. Ratification of Private Equity Capital Calls & Distributions
3. Unaudited November 30, 2014 Monthly Investment Data
4. Unaudited December 31, 2014 Monthly Investment Data
5. CAPIS Commission Recapture Report as of November 30, 2014

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

1. New Retirements

Ret No.	Name	Years of Service	Union or Department	Age	Retirement Option	Monthly Benefit*
2768	Taylor, Donna	24 yrs 10 mos	Local 2002	50	IV	

* Retiree is eligible for the temporary two-year \$400.00 per month supplemental benefit per Executive Order No. S-307 dated August 1, 2013 that terminates effective September 1, 2015

2. Terminated Retirements (Deaths)

Ret No.	Name	Date of Death	Member or Beneficiary	<i>If Beneficiary</i> Member Name
701618	Asensio, Manuel	12.05.2014	Beneficiary	Elizabeth Asensio
874	Neipling, Joseph E.	12.07.2014	Member	
1163	Taylor, Barbara	12.13.2014	Member	
1257	Gonzales, Esperanza	12.30.2014	Member	
602552	Molina, Marina	05.03.2014	Alt. Payee	
1657	McNealy, Florita	12.11.2014	Member	

3. Joint & Survivor Continued Retirements

Ret No.	Retiree's Name	Date of Death	Survivor's Name	Joint & Survivor Option
2280	Slumkoski, Bernard	12.12.2014	Lydia Slumkoski	100%
1415	Trewhitt, Larry	12.17.2014	Betty Trewhitt	100%
907	Welch, Wilma	12.27.2014	Ray Welch	50%

Trustee Giddings expressed concern that the minutes were not in order with regard to the Personnel and Finance Sub Committees. He also referenced the sentence indicating the Finance Sub Committee's approval of the Retirement Office holiday schedule noting that it was not correct.

After Board discussion it was determined that the two sentences would be removed from the minutes since they were not pertinent nor did they reflect the outcome.

RESOLUTION 15-001 By Giddings, Supported by Bowman
Resolved, That the Board approve the consent agenda for January 28, 2015 as amended.

Yeas: 9 – Nays: 0

CONSULTANTS

Re: Gray & Company

Mr. Gray apologized to the Board that he was not in attendance at the Finance Sub Committee meeting the previous day. Going forward either he or Bob Hubbard will be present at the meetings. He expressed he understood there were questions that came up during the course of the Finance Sub Committee meeting that he would like to address.

The first question was with regard to the GrayCo Alternative performance based on low return for the one month performance and the quarterly performance return verses the year-to-date return of 23.07%. This raised concern and the Committee questioned what happened or changed to cause the lower returns.

Mr. Gray reminded the Board that with alternative investments the underlying assets do not necessarily provide monthly returns. He explained that it is difficult to provide monthly valuations on real estate investments. Mr. Gray reminded the Board the performance numbers are reported on an rolling basis and it's the calendar quarter end numbers that better reflect the valuation..

The Committee also asked about the average commission per share report that indicated GrayCo generated \$60,000.00 in commissions in November 2014 and approximately \$50,000.00 in December 2014 in addition to their consultant fee.

Mr. Gray directed the Board that those were the year-to-date totals not the monthly totals. He further reminded the Board, the commissions are the costs associated with the buying and selling of stocks and bonds and are paid to the brokers not the investment managers. The cumulative amount of commissions for the months of November and December were \$24,289.16.

Trustee Nazarko confirmed that those were the year-to-date numbers for the total portfolio.

Mr. Gray reported that the commissions for the GrayCo portfolio were \$7,288.00 in November 2014 and \$4,037.00 in December 2014.

There was also a question regarding the letter sent from CCO Marc Hardy dated January 8, 2014. Mr. Gray explained that the year on the letter was misdated which is a common occurrence this time of year. They will make the correction and reissue the letter.

The letter also included the current assets under advisement as of November 30, 2014. GrayCo's current assets under advisement are \$5.888 billion.

Mr. Gray noted that he or his colleague will be available to attend the Finance Sub Committee meeting on March 18, 2015.

Market Values

Mr. Gray provided a report of the updated market values of the Retirement Fund. As of June 30, 2014 the market value was \$500 million; \$488 million as of September 30, 2014; \$491 million as of December 31, 2014 and \$489.6 million as of January 23, 2015. 2014 annual return was 7.02% gross of fees. He commented, the Fund has done very well considering where it came from since 2008.

Mr. Gray took a moment to give an overview of the U.S. domestic equity market and expounded on the pool of investment managers qualifying as WMBE firms. He further reviewed the Retirement System's large cap equity managers, with an emphasis on active manager verses passive managers.

He emphasized his team met with mid cap manager Systematic due to their performance. The Gray & Co. team is at this time comfortable with the findings and explanations.

Trustee Deirdre Waterman arrived at 10:39 a.m.

He reported that 22% of the Fund's portfolio is invested in fixed income which includes treasury bonds, asset-backed securities and mortgage-backed securities. Gray & Co. can provide a report that could tell the Board how much the Fund would lose based on an increase in interest rates. They are recommending that the System tweak the fixed income portfolio.

Chairman Harrison questioned whether using a core plus fixed income strategy or something like that would balance out the underperformance when interest rates rise.

Mr. Gray stated that they would ask those managers to be more flexible or to adjust their strategies to protect assets that fall under that asset allocation. Core plus would be one way for the manager to adjust the portfolio.

Trustee Giddings asked if the Investment Analysis Report should change the name from Ambassador to Robinson Capital. Mr. Gray noted the change. He also reported that Gray & Company has met with Robinson on several occasions since the transition.

He also told the Board that he will be meeting with the Executive Director in February to perform an analysis of the monthly expenses to determine a more efficient rebalancing schedule to insure there is not a large cash balance in the cash account.

RESOLUTION 15-002 By Gaffney, Supported by P. Waterman
Resolved, That the Board receives and files the Investment Consultant Report.

Yeas: 10 – Nays: 0

REPORTS

Re: Chairman – None

Re: Trustees/Committees

Personnel Subcommittee

Trustee Gaffney reported the Personnel Committee met twice since the December meeting. They are working on strategic planning, a succession plan and staffing needs.

Miss Carter told the Board that she is looking at a Board Charter. This will provide information for the Trustees on their responsibilities, specific duties and what to do in the event of an emergency. She cited one example of an emergency being the inability of the Board to call a meeting. She noted that the Charter will be developed through both Committees.

Trustee Gaffney stated that she is sure some of the issues being discussed will touch both Committees.

The Committee has also discussed changes to the website and what is needed for a disaster recovery plan. They also reviewed disability retirement issues and posting a quarterly report from the Board on the website.

Miss Carter reported that Raj Boaz is the Information Technology provider for the System. She requested that he attend the meeting. He was asked to provide a high level disaster recovery plan with recommendations including an overall assessment with regard to what would happen if the Staff could not get into the building or if there was a power outage.

She noted a number of issues indicated by Mr. Boaz which would need to happen and/or be updated in the event there was disruption to our service and/or location.

Mr. Boaz provided an overview of his disaster recovery plan with recommendations. He recommended updating the System's IT Policy given the technological changes that have occurred over the years.

The Personnel Committee will continue to process through the observations and implement any process and policy changes as needed.

Mr. Boaz left at 11:04 a.m.

Finance Subcommittee

Mr. Moore asked Miss Carter to provide an overview of the January 27th meeting. Miss Carter provided a report to the Committee including:

There will be quarterly financials provided by the Staff which denoted changes in asset valuations and reported the liabilities so there would not be any surprises at year-end.

Newspaper articles specifically including information regarding a Congressional Hearing depicting the disparity of women and retirement.

A final agenda with all pertinent information will be provided a couple of weeks prior to the Manager Review Meeting being held on February 24, 2015.

Investment valuations and reports were reviewed. She is also looking to see if the reports could be combined or tweaked with regard to reporting data.

There were two private equity distributions. The System received \$100,000.00 from Mesirow and \$158,000.00 from Invesco in December 2014. There was also a capital call in the amount of \$28,000.00 from GrayCo Alternatives for January 2015.

The renewal of the Pitney Bowes postage meter was discussed. It was determined that the System would enter into a one-year lease.

The Committee discussed whether changes need to be made to the overpayment/reimbursement policy. An example was provided to the Board noting that when a retiree dies and the System is not notified the estate could be overpaid. It is then the responsibility of the System to go after the family for repayment.

There were nine deaths reported since the December 10, 2014 Board meeting. Three of those members designated beneficiaries who will continue the benefit. There was also one disability retiree who turned sixty-five that was converted. There was also one retiree whose benefit was suspended due to noncompliance with the disability retirement income verification policy. The benefit will be reinstated and reimbursed when the member is in compliance with the policy. If the member does not comply with the policy over the period of one-year their pension benefit will be terminated.

The accounts receivable for the month of January was reviewed.

There was a member who did not show up on any of the death audit reports who had died in May 2014. The Retirement Office ordered a copy of the death certificate from the State of Michigan.

The Michigan Freedom of Information Act was reviewed and discussed outlining changes to be effective July 1, 2015. Miss Carter indicated she will have the Policy updated before July 1, 2015 for Board approval.

The Committee also assessed the staffing requirements of the Retirement Office.

Miss Carter also reported the Retirement Office received documentation from Doctor's Hospital reporting the premium deductions from retirees' pension checks for life insurance be stopped effective immediately. This only affected Hospital retirees. The Retirement Office has received a number of calls.

Trustee Giddings provided a historical overview of his former employer; in 2008 North Oakland Medical Center filed for bankruptcy. At that time they canceled the life insurance for retirees. When Doctor's Hospital took over and came out of bankruptcy they reinstated the group term life insurance. The Retirement Office simply deducts the premiums out of the members' pension checks and remits it to Doctor's Hospital.

In late January, the Hospital retiree members received a letter dated December 31, 2014. Trustee Giddings is looking into this matter to determine whether the cancelation of the life insurance benefit was administered fairly and equitably.

Re: Executive Director

Miss Carter reported that she received a note from the auditor indicating the actuarial valuation report needs to be completed by May 31, 2015. The auditor is required to file the audit report to the State of Michigan by June 30, 2015.

The data for the actuarial valuation will be provided to the actuary by Monday, February 9, 2015.

The 2014 IRS Form 1099R's which report the members' annual retirement earnings were mailed to retirees and beneficiaries on January 22, 2015.

The 2014 IRS Form 945 which reports the Federal tax withholding from members' retirement checks was mailed to the IRS on January 21, 2015.

In 2014, \$23.7 million in retirement payroll was paid to members of the System with \$23 million being disbursed in the greater Pontiac economy.

Trustee Nazarko asked how many of the retirees are out of state versus in state. Miss Carter stated she is looking at that exact data but did not have it available for the January meeting and would for the February meeting.

The IRS Form 1099-MISC Forms were distributed on January 27, 2015.

The 2015 IRS mileage rate reimbursement went from \$.56 to \$.57.5.

Miss Munson has been working with ADP to include the leave balances on the staff's payroll statements. Miss Carter was happy to report this assignment is now complete and staff payroll statements now reflect the individual employees' leave balances.

She verified that the System currently has no members who are 70½ with contributions in the Retirement System that are not receiving their retirement benefit. This does not affect the System. No warnings or advisements need to be sent since there are no members over age 70 ½ that are not drawing a pension payment.

The commercial crime insurance provides a \$1 million. She asked that Ms. Billings provide a snapshot memorandum review for the file. There is a clause that could void the policy. If the Board or staff are aware that an employee has previously committed a crime the coverage will be

void for that person. The clause basically indicates “if you know something, say something.” Ms. Billings clarified that *the insurance company will not insure a thief for thievery.*

Trustee Moore asked how many seats are up for re-election.

Trustee Arndt indicated that there are two seats up for re-election. The Active Trustee seat and one Member Trustee seat is up for re-election.

Trustee Deirdre Waterman asked how many Hospital members are affected by the cancellation of the life insurance. She also asked for further clarification.

Trustee Giddings indicated that there are roughly one hundred members affected. He also stated that no additional people have been added to the life insurance program for some time.

UNFINISHED BUSINESS

Re: Hudson Disability Re-Exam/Income Verification

Miss Carter reported that Mr. Hudson’s income has been verified and he is in compliance with the policy. Regarding his re-exam, she asked the physician for clarification to his October, 2014 evaluation.

Re: Payne Overpayment

Ms. Payne submitted her repayment schedule to the Retirement Office. Her monthly pension will be adjusted accordingly.

NEW BUSINESS

Re: Molina Overpayment

Miss Carter reported that there was an overpayment made to alternate payee/member Marina Molina who passed away in May, 2014. The Retirement Office was not notified of her death. The overpayment is owed back to the Retirement System. The family received the letter based on the return receipt on file. The letter indicated that the family has until February 6, 2015 to respond or the System will turn the issue over to Legal.

Re: Legal

Peritus Revised Fee Schedule

Ms. Billings reported that a revised fee schedule was sent to Peritus on December 4, 2014. A secured signed copy of the revised schedule has not been received to date. She has not received a response from a follow up email she sent to Peritus on January 9, 2015.

Electronic Mail from Attorney Travis Mihelick at Giarmarco, Mullins & Horton Re: The Reappointment of Trustees Harrison and Bowman

Ms. Billings reported that it is her position that the Board does not have the authority to unappoint Trustees on the Board. She has forwarded the email to City Council.

Trustee Deirdre Waterman indicated that she was copied on the email. She noted that the ratifications of the appointments were being challenged and denied. The TAB Board indicated this was justified under the State Law.

She noted that she objected to the correspondence sent to the TAB Board asking the Attorney who he represents in the reappointment issue.

Trustee Moore stated that he would like to determine whether Public Act 436 gives the TAB Board the authority to deny the reappointments.

Trustee Deirdre Waterman stated that based on the conflicting opinions she felt that this Board should have expressed the facts with regard to the Board appointments and whether City Council has the ultimate authority.

Chairman Harrison stated that he does not want to address this issue going forward. There are letters from City Council and the Board's Attorney that spelled out and addressed the appointment issue. Neither the TAB Board nor its Attorney has ever responded with why they feel the TAB Board has the authority to deny the reappointments. The onus is not on the Board's Attorney, it is up to the City's Attorney.

This issue is now in the hands of the City Council.

Robbins Geller November and December 2014 Portfolio Monitoring Reports

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

Gabriel Roeder November 2014 News Scan

Ms. Billings reported that this is for the Trustees' information with regard to the previous mortality table discussion.

Article Regarding Changes to Michigan's FOIA Drops Cost of Public Records

Ms. Billings reported that the amendments to the Michigan Freedom of Information Act will take effect July 1, 2015.

Miss Carter noted that the changes and any new procedures will be reviewed to insure the System is compliant.

RESOLUTION 15-003 By Nazarko, Supported by Gaffney

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

Roll Call:

Trustee Arndt – 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
Trustee Williams - yea

The Board moved to closed session at 11:52 a.m.

Mr. Blitchok, Mr. Marshall, Ms. Swazer, Ms. Watson and Ms. Woods left the meeting at 11:52 a.m.

Mr. Gray left at 11:54 a.m.

The Board returned from closed session at 12:00 p.m.

RESOLUTION 15-004 By Gaffney, Supported by Moore

Resolved, that the Board approve the closed session minutes for December 10, 2014.

Yeas: 10 – Nays: 0

SCHEDULING OF NEXT MEETING

Special Meeting: Tuesday, February 24, 2015 @ 8:00 a.m. – Marriott Centerpoint

Regular Meeting: Wednesday, February 25, 2015 @ 10:00 a.m. – Retirement Office

ADJOURNMENT

RESOLUTION 15-005 By Moore, Supported by Gaffney

Resolved, That the meeting be adjourned at 12:02 p.m.

Yeas: 10 – Nays: 0

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

As recorded by Jane Arndt