

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JULY 29, 2015**

A regular meeting of the Board of Trustees was held on Wednesday, July 29, 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 10:03 a.m.

TRUSTEES PRESENT

Jane Arndt
Shirley Barnett
Koné Bowman
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore
Nevrus Nazarko
Deirdre Waterman, Mayor (*arrvd. @10:41 am*)
Patrice Waterman, City Council President

OTHERS PRESENT

Cynthia Billings, SWAP, PC
Laurance O. Gray, Gray & Company
Cecelia M. Carter, Executive Director
Mark Juelis, Brandywine Global Investment Mgmt.
Richard Lawrence, Brandywine Global Inv. Mgmt.
Mamak Shahbazi, Colchester Global Investors
Solomon Peters, Mondrian Investment Part (*by phone*)
Todd Rittenhouse, Mondrian Investment Partners
Billie Swazer, Retiree
Linda Watson, Retiree

TRUSTEES ABSENT

Kevin Williams (*excused*)

Chairman Harrison opened the meeting at 10:09 a.m.

PUBLIC COMMENT

Retiree, Billie Swazer told the Board she has been investigating the COLA issue based on her understanding of the previous Emergency Manger's statements that the temporary \$400.00 per month increase would be included in the base pension amount as part of the COLA calculation.

AGENDA CHANGES

Miss Carter indicated she has provided the Board with a revised agenda which includes an updated status letter from Gray & Company and the manager of manager performance report. She added two refunds to report, totaling approximately \$7,500.00 that were previously reported through the Finance Committee a couple of months ago. She also added the resolution putting First Eagle on probationary status for two quarters due to the proposed ownership changes reported by First Eagle in accordance with the System's Investment Policy Statement.

RESOLUTION 15-059 By Waterman, Supported by Bowman
 Resolved, That the Board approve the agenda changes.

Yeas: 9 – Nays: 0

APPROVAL OF CONSENT AGENDA

A. Approval of the Minutes of the Regular Board Meeting: June 24, 2015

B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: July 29, 2015

TOTAL PENSION PAYROLL \$2,085,355.87

PPE July 4th and July 18th

TOTAL STAFF PAYROLL \$ 22,124.48

C. Communications:

1. FOIA Request #1*– Linda Hasson (Pontiac Resident) Received via fax July 10, 2015
2. Communication from First Eagle regarding pending ownership change
3. Report of the MI Department of Treasury – RTAB Evaluation (dated June 24, 2015)
4. Pontiac GERS 2014 Actuarial Report filed with Pontiac City Council
5. Letter from GrayCo Investment Management rescinding April 13, 2015 letter regarding GrayCo Alternative Partners I, L.P. (dated June 25, 2015)
6. Robinson Capital, Letter re: Change in Personnel (dated July 21, 2015)

* Follow up to previous FOIA Request

D. Financial Reports:

1. Accounts Payable: June, 2015
2. Gray & Company SEC Update (July 15, 2015)
3. Gray & Company Emerging Manager of Manager for Period Ending May 31, 2015
4. Gray & Company Michigan LC Value Manger of Manager for Period Ending May 31, 2015

E. Private Equity / Capital Calls & Distributions

1. Ratify receipt of Mesirow Financial PE Fund IV, LP – Distribution – May 29, 2015
 \$200,000.00

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

1. New Retirements
2. Terminated Retirements (Deaths)

Ret No.	Name	Date of Death	Member or Beneficiary	If Beneficiary Member Name	Union or Dept.
2569	Struckman, Marlene	06.11.2015	Member		PMEA
1364	Denham, Frances	01.29.2015	Member		Hospital
70454	Parker, Ellen	05.24.2015	Beneficiary	James Parker	Local 2002

3. Continued Retirements

Ret No.	Retiree's Name	Date of Death	Survivor's Name	J & S Option	Amount	Union or Dept.
2413	Hardy, Alvin	06.18.2015	Williams-Hardy, Anetria	100%		SAEA

4. Recalculated Retirements

5. Suspended Retirements

6. Refunds of Employee Contributions

RETNO	Member's Name	Date of Termination	Gross Distribution
8330084	Green, Garry	Died 01.06.2015	
17689	Bailey, Dorthene (Neely)		

RESOLUTION 15-060 By Gaffney, Supported by Waterman
Resolved, That the Board approve the consent agenda for July 29, 2015.

Yeas: 9 – Nays: 0

CONSULTANTS

Re: Gray & Company – Report from Investment Consultant

Mr. Gray reported as of June 30, 2015 the Fund's one-year performance is below the actuarial target.

He provided an overview of the Total Plan value as of June 30, 2015.

	Value \$ (000)	% of Fund	Current Month	QTD	YTD	1 Year	2 Yrs	5 Yrs	10 Yrs
Total Plan	492,920	100	-1.23	-0.19	3.06	4.53	11.60	12.54	7.74
Net of Fees									
Policy Index			-1.64	-0.41	2.32	4.01	11.71	12.88	7.57

He informed the Board there has been a proposed ownership change at First Eagle as indicated through correspondence sent from First Eagle dated July 20, 2015.

In researching investment firms to manage a global fixed income mandate, Gray & Company narrowed the field of contending firms from twenty-seven managers to three global bond managers. They are:

- BrandyWine Global Investment Management
- Mondrian Investment Partners
- Colchester Global Investors

Chairman Harrison asked for an update from Mr. Gray on the proposed Pontiac Initiative. Mr. Gray stated he is working with Ms. Billings to determine if this would be viable under Public Act 314.

Trustee Deirdre Waterman arrived at 10:41 a.m.

REPORTS

Re: Chairman - None

Re: Trustees/Committees

Personnel Subcommittee

Trustee Gaffney reported that the Committee met on Thursday, July 16, 2015. She and Trustees Moore, Deirdre Waterman and Chairman Harrison were in attendance.

She indicated January 1, 2016 will be the Fund's seventieth anniversary. The Committee would like to incorporate that historical reference into this year's annual meeting.

They reviewed the City Council's decision to amend the City Ordinance to permit the calculation of the annual COLA using the \$400 temporary increase for the period of September 2013 through March 31, 2015. Trustee Patrice Waterman is monitoring the issue.

The extension of the \$400.00 was discussed. The extension was approved by both the City Council and the Transition Advisory Board and has been forwarded to the State Treasurer for approval.

The Committee reviewed a death benefit calculation.

There was discussion regarding the certification of minutes based on a FOIA request. Miss Carter indicated it was determined that once the minutes are approved by the Board they are the true certified copies.

Based on the survey reviews the Executive Director will be issuing an RFP for the System's actuarial services.

There were also some pending personnel issues that were reviewed.

Trustee Deirdre Waterman questioned what death benefit is being reviewed. Ms. Billings indicated the death benefit to Ms. Zimmermann's grandson is being reviewed.

Trustee Deirdre Waterman questioned whether there should be a policy that minutes are certified by the Secretary. She requested that the Executive Director copy her on correspondence with regard to this issue.

Finance Subcommittee

Trustee Moore deferred the Finance Subcommittee report to Miss Carter.

The Committee met on July 27, 2015. Trustees Giddings, Harrison, Moore, Nazarko and Patrice Waterman were in attendance as were Mr. Gray and Ms. Billings.

The Committee reviewed communications including the proposed management change notice from First Eagle and retirement and payroll changes contained in the agenda packet.

There was discussion regarding the Michigan Department of Treasury's review of the Receivership Transition Advisory Board Evaluation Report (dated June 2015).

The actuarial valuation report as of December 31, 2014 was officially filed with the City Council.

The April, 2015 letter from GrayCo Alternative Fund I was rescinded.

Trustee Moore commented on the Department of Treasury's review of the TAB Board Evaluation Report.

The System received a distribution of \$195,000.00 from private equity manager Mesirow.

She reviewed the cost of the actuarial valuation for 2014 including \$10,000.00 for the required GASB 67 Report.

The Committee discussed the City Council's support of acknowledging the COLA overpayment through City Ordinance amendment.

Miss Carter informed the board that she received an email request from Joseph Sabota (City of Pontiac's City Administrator) this morning which she will forward to the Board and legal counsel. The request questioned how this happened, who was responsible and why and how to prevent this type of error going forward. The e-mail will be forwarded to legal counsel with cliff notes for response by legal counsel given Miss Carter will be out of the office on vacation.

There was discussion regarding the City Council's support to extend the \$400.00 temporary increase through August 31, 2016. Once the final approval has been obtained the Retirement Office will send out notification to the members.

The next Committee meeting is scheduled for August 19, 2015.

Trustee Giddings indicated that based on the survey responses, the Finance Subcommittee agreed with the Personnel Committee that an RFP should be issued for actuarial services.

Trustee Moore questioned whether the City has issued a formal response regarding the TAB Board Report.

Trustee Deirdre Waterman indicated nothing formal has been issued. She has met with members of City Council.

Trustee Deirdre Waterman and Trustee Moore noted they liked that the Retirement System filed a formal actuarial report with the City Council. They both requested that a formal audit report also be filed.

Trustee Waterman questioned the timeline with regard to the \$400.00 extension

Miss Carter indicated that the notification should be done prior to the September pension benefit mailing.

Trustee Deirdre Waterman indicated she would like to issue a press release to the retirees. She will convey the timeline to the Treasury Department.

There was discussion regarding the City Administrator's request for information regarding the City Ordinance amendment to accommodate the inflated COLA payments and that he needs to report to the Michigan Treasury Department. Ms. Billings noted the information he requested was not unreasonable.

Trustee Nazarko confirmed the August checks will still include the \$400.00 temporary increase.

He also questioned whether members can designate their grandchildren as beneficiaries. He would like to see examples of the actuarial tables. Miss Carter indicated that Ms. Billings is working on the issue and a request has been sent to the actuary. It was noted by a few members of the Board that survivor benefits can be made to someone other than a spouse, citing a number of examples.

Re: Executive Director

Miss Carter reported that the manager review meeting will be held on Tuesday, August 25, 2015 from 8:00 a.m. to 4:00 p.m. at the CenterPoint Marriott

The annual town hall meeting is being moved to October.

The ICMA presentation regarding the 401(a) plan will be held at the August 26, 2015 meeting.

Northern Trust will also be in attendance at the August Board meeting.

Re: Legal

Portfolio Monitoring Reports

Ms. Billings reported that the portfolio monitoring reports are for the Trustees' information.

Aerie Pharmaceuticals

Ms. Billings reported that Chairman Harrison signed the Joint Declaration for Lead Plaintiff in the Class Certification of the Aerie Pharmaceuticals securities litigation. She requested that the Board ratify the Chairman's signature.

Qualcomm Incorporated

Ms. Billings reported that Chairman Harrison signed the Verified Stockholder Derivative Complaint in the Qualcomm Incorporated securities litigation. She requested that the Board ratify the Chairman's signature.

Trustee Nazarko felt that pursuing the Qualcomm securities litigation is pointless and questioned how much the System has incurred in legal fees.

Ms. Billings explained the System is not charged legal fees for securities litigation. She bills her time to the securities litigation firms and is reimbursed if a judgement is awarded on behalf of the plaintiff in the litigation.

She also noted the Board is fulfilling its fiduciary responsibility in pursuing securities litigation.

Trustee Deirdre Waterman asked if Ms. Billings could provide a dashboard report with regard to securities litigation.

Movado Group

Ms. Billings referred to the order of dismissal included in the legal report. She reported that the System passed a motion dismissing the securities litigation versus the Movado Group at the June 24, 2015 meeting.

RESOLUTION 15-061 By Gaffney, Supported by Bowman

Resolved, that the Board ratify the Chairman's signature on the Joint Declaration for Lead Plaintiff in the Class Certification of the Aerie Pharmaceuticals securities litigation.

Yeas: 10 – Nays: 0

RESOLUTION 15-062 By Gaffney, Supported by Bowman

Resolved, that the Board ratify the Chairman's signature on the Verified Stockholder Derivative Complaint in the Qualcomm Incorporated securities litigation.

Yeas: 10 – Nays: 0

RESOLUTION 15-063 By Gaffney, Supported by Moore

Resolved, that the Board approve the closed session minutes for June 24, 2015.

Yeas: 10 – Nays: 0

UNFINISHED BUSINESS

Re: Disability Re-Exam Appeal – Gary Hudson

Miss Carter reported disability retiree Gary Hudson filed an appeal of the System's Medical Director's opinion stating he was no longer totally and permanently disabled. Based on the appeal

process his physician provided an opinion that Mr. Hudson was totally and permanently disabled. As part of the Medical Review Board process the two physicians selected a third independent physician. The independent physician has determined that Mr. Hudson continues to be totally and permanently disabled.

RESOLUTION 15-064 By Moore, Supported by Waterman

Resolved, That the Board approves and ratifies the continued disability retirement of Gary Hudson.

Yeas: 10 – Nays: 0

NEW BUSINESS

Re: Review of Actuarial Consultant Services

Trustee Giddings asked about the status of the RFP.

Miss Carter stated she will prepare a schedule and draft of the RFP.

Ms. Billings indicated even if the Board does not sign a contract until 2016 it will not impact the 2015 valuation.

Trustee Deirdre Waterman reported that the Police & Fire Retirement System has replaced Rodwan based on their performance.

RESOLUTION 15-065 By Moore, Supported by Gaffney

Resolved, That the Board authorizes the Executive Director to develop an RFP for actuarial services.

Yeas: 10 – Nays: 0

Re: Global Fixed Income Investment Manger Presentations

Mondrian Investment Partners

Solomon O. Peters, Senior Portfolio Manager *(by telephone)*

Todd Rittenhouse, Senior Vice President, Client Services

Mr. Rittenhouse thanked the Board for the opportunity to present their investment strategy.

He told the Board that Mr. Solomon is the senior portfolio manager and economist. He specializes in inflation trade forecasting.

The firm is employee owned with \$63 billion in assets under management. The firm has a broad based equity ownership of eighty employees up from sixty in 2004.

They manage \$2 billion in their global/international fixed income strategy. They currently manage assets of \$2.3 billion for their Michigan clients.

The presentation materials presented to the Board are made a part of these minutes.

Mr. Peters and Mr. Rittenhouse left at 12:08 p.m.

Colchester Global Investors

Mamak Shahbazi, President, Head of Marketing and Client Services

Ms. Shahbazi thanked the Board for the opportunity.

She provided an overview of the firm. They are an independent employee owned firm with \$32 billion in assets under management.

Colchester is a value-oriented global fixed income manager.

Miss Carter confirmed whether their commingled fund is a U.S. based fund.

The presentation materials presented to the Board are made a part of these minutes.

Ms. Shahbazi left at 12:40pm

BrandyWine Global

Richard Lawrence, Sr. Vice President, Portfolio Mgmt.

Mark Juelis, Vice President

Mr. Juelis introduced himself and Richard Lawrence to the Board and thanked them for the opportunity.

BrandyWine is a global mid-size investment firm with a total of \$67.3 billion in assets under management with \$50.8 billion in global fixed income. Their global fixed income strategy invests in sovereign debt and currency markets. They are headquartered in Philadelphia, Pennsylvania and have two hundred and thirty-six employees worldwide.

He provided an overview of their key global fixed income and credit professionals.

The presentation materials presented to the Board are made a part of these minutes.

Mr. Juelis and Mr. Lawrence left at 1:10pm

Mr. Gray reviewed the manager presentations. He told the Board these managers have an average bond rating of AA across the board. The search began with twenty-seven managers and was narrowed down to these three.

Mondrian has a great track record with a similar duration. Both Mondrian's and Colchester's strategy was developed by Ian of Colchester. They look at deep value inflation and do not work with just currency. They all work with credit and protect principle.

Miss Carter asked if Colchester is a more benchmark conscience – somewhat indexing. Mr. Gray indicated they are benchmark centric. Brandywine is agnostic to the benchmark.

Trustee Nazarko questioned the market size of the firms.

Mr. Gray indicated all have assets under management in excess of \$50 billion.

Trustee Moore asked about the management fees.

Mr. Gray stated Brandywine has the best fees of the three at 45 basis points; Mondrian at 47 basis points and Colchester at 60 basis points.

Miss Carter asked which manager compliments the System's portfolio.

Mr. Gray stated in ten years he expects the portfolio will be all global. The Board could decide to split the investment between two managers.

Miss Carter expressed to the Board it would be more desirous to invest in the manager's commingled fund and not in a separate account. Pontiac GERS is not looking to allocate enough to this mandate to warrant a separate account. All the managers have a U.S.-based commingled fund.

Trustee Patrice Waterman asked to have more time to weigh the information in the event the Board decides to go with two managers.

Chairman Harrison indicated this is the Board's decision. It is important for the Board to do something to get ahead of the rising interest rate issue.

Trustee Waterman stated she would like to have more time to digest the information.

Trustees Bowman, Nazarko and Arndt agreed.

Miss Carter noted it would have helped the Board in their decision making process to have the presentation materials prior to the meeting.

There was a brief discussion regarding the revisions needed to the Investment Policy Statement prior to the selection of a global fixed income manager.

The Board tabled the decision to hire a global fixed income manager to the August 26, 2015 meeting.

ADJOURNMENT

RESOLUTION 15-066 By Gaffney, Supported by Waterman

Resolved, That the meeting be adjourned at 1:30 p.m.

Yeas: 7 – Nays: 0

SCHEDULING OF NEXT MEETING

Special Meeting: Tuesday, August 25, 2015 @ 8:00 a.m. – Marriott CenterPoint

Regular Meeting: Wednesday, August 26, 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 July 29, 2015

As recorded by Jane Arndt