

**CITY OF PONTIAC, MICHIGAN  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
February 25, 2015**

A regular meeting of the Board of Trustees was held on Wednesday, February 25, 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  
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

**TRUSTEES ABSENT**

Shirley Barnett (*excused*)  
Patrice Waterman (*excused*)

**OTHERS PRESENT**

Cynthia Billings, Sullivan, Ward, Asher & Patton  
Cecelia M. Carter, Executive Director  
Linda Watson, Retiree

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Chairman Harrison welcomed everyone and opened the meeting at 10:03 a.m.

**PUBLIC DISCUSSION/UNION REPS**

Retiree, Linda Watson inquired about two charges under accounts payables including Adecco and Berwyn. It was explained to Ms. Watson that one charge was for the temporary agency used by the System and the other is the vendor used for the death audit.

**AGENDA CHANGES**

Miss Carter added a letter sent from the President of the Pontiac City Council to the TAB Board (dated January 29, 2015) to the Consent Agenda. The Board was carbon copied on the letter,

**APPROVAL OF CONSENT AGENDA**

A. Approval of the Minutes of the Regular Meeting: January 28, 2015

B. Ratification of Retiree Payroll & Staff Payroll

Pay Date: February 25, 2015

Service Retirements

Beneficiaries

Disability

**TOTAL PENSION PAYROLL** \$2,089,425.90

PPE January 31<sup>st</sup> and February 14<sup>th</sup>

**TOTAL STAFF PAYROLL** \$ 22,124.48

C. Communications:

1. Macomb Daily News: Doctors’ Hospital in distress: \$2M lawsuit, retirees lose life insurance (February 16, 2015)
2. Pension Rights Center: House Votes to Allow Pension Plan Trustees to Reduce Retiree Benefits (December 2014)
3. Pension Rights Center: Summary of the Pension Cutback Provisions in the Omnibus Spending Law [Updated]
4. BenefitsPro: Northern Trust to Pay \$36M to Settle ERISA Suit (February 19, 2015)
5. GFOA Annual Conference – May 31<sup>st</sup> – June 3<sup>rd</sup> (Philadelphia, PA)
6. Gray & Company update for December 31, 2014
7. Correspondence from President of the Pontiac City Council to the TAB Board (January 29, 2015)

D. Financial Reports:

1. Accounts Payable: January 2015
2. Accounts Payable: February 2015
3. CAPIS Commission Recapture Report as of January 31, 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*

\* 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	If Beneficiary Member Name
701618	Rogers, Mary	01.27.2015	Member	
874	Donnelly, Ina	01.22.2015	Member	
1163	Ducksworth, Mary	10.12.2014	Beneficiary	Tuincella Ducksworth
1257	Ewalt, Cornelia	02.17.2015	Beneficiary	David Ewalt

3. Joint & Survivor Continued Retirements

Ret No.	Retiree’s Name	Date of Death	Survivor’s Name	Joint & Survivor Option
2354	Jenkinson, Gregory T.	02.14.2015	Gina Jenkinson	100%

**RESOLUTION 15-006** By Williams, Supported by Gaffney

Resolved, That the Board approve the consent agenda for February 25, 2015 as amended.

Yeas: 6 – Nays: 0

## CONSULTANTS

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

(Brief recap of February 24, 2015 Manager Review Meeting by Board Chairman)

Chairman Harrison determined all the Trustees present had attended the Manager Review Meeting the previous day, so no recap was necessary.

## REPORTS

### **Re: Chairman – None**

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

Chairman Harrison told the Board that the Finance Sub Committee did not meet in February.

#### Personnel Subcommittee

Trustee Gaffney reported three members of the Personnel Committee met on February 13, 2015. They reviewed two disability retirements re-exams as well as looked into the Hospital retiree life insurance issue.

Trustee Giddings referred to the newspaper article in The Macomb Daily News over the weekend (see Consent Agenda). He explained the Hospital was not obligated to provide life insurance for the retirees. The insurance was terminated based on the financial difficulties of the Hospital.

The retirees paid between \$4.00 and up to \$16.00 per month for their life insurance coverage. There is nothing available for these members that would not be cost prohibitive.

Trustee Gaffney stated the Committee recommended that a notice be sent out to the retirees reminding them the \$400.00 temporary increase will terminate with the August 2015 retirement check.

Miss Carter told the Board she was able to work out a message to be printed on the check stubs and earning statements issued through ADP, reminding the retirees starting with this month's check. She also indicated a letter will be sent to the members with a copy of the Emergency Manager Executive Order.

*Trustee Nazarko arrived at 10:15 a.m.*

Trustee Gaffney reported the production calendar is being worked on. The meetings for March, April and May have been added. They are also scheduling vendor reviews.

Miss Carter indicated legal counsel will be the first vendor reviewed. She has put together a seven question survey for the Board.

Trustee Moore conveyed how much he likes the new look of the agenda. He also commended the Chairman's quarterly communication to the members. He confirmed the letter will be mailed to the members as well as posted on the System's website.

**Re: Executive Director**

Unaudited Financial Statements as of December 31, 2014

Miss Carter reviewed the unaudited financial statement as of December 31, 2014. Investment income including interest, dividends, gain/loss on sales of investment, litigation monies/net securities lending, unrealized gain and cumulative account change effect totaled \$32.141 million in total additions.

Total deductions included retirement benefits and refunds (\$27.974 million) and administrative expenses including: wages (staff and temporary - \$195,148.38); fringe benefits (\$63,139.23); investment management fees (\$2.926 million); other profession services including actuary, audit and legal (\$252,991.82), training/education (\$51,395.62) and various other expenses totaling \$3.606 million in total deductions.

There was a \$17,000 discrepancy in the year-end asset valuation that is thought to be due to a year end manager distribution.

The net position held in trust at the end of the year (December 31, 2014) was \$491.032 million.

Trustee Moore asked what the actual cost of the \$400.00 temporary increase has cost the System.

There was back and forth discussion amongst the Trustees; then Miss Carter said she will verify the information for a future meeting.

Chairman Harrison stated the temporary increase brought down the funding level of the System.

Trustee Giddings commented on how the System's training and education expenses are significantly less than the State mandated limit (editor's note: PA 314 of 1965, Section 38.113.13(6)).

Trustee Election

Miss Carter said acceptance of candidate statements for the Active Employee Trustee and the Member Trustee concluded on February 13, 2015 at 5:00 p.m. Only one candidate submitted a statement for the Active Employee Trustee and two candidate statements were submitted for the Member Trustee. On, Tuesday, February 17, 2015 one of the candidates for the Member Trustee position withdrew.

She announced Jane Arndt will continue as the Active Employee Trustee and Walter Moore will continue as the Member Trustee.

### Actuary

Miss Carter reported the data was sent to the actuary on February 9, 2015. She has asked the actuary provide the report by April 10, 2015.

### IRS 1042-S

Miss Carter reported two retirees of the Retirement System live outside the country. There is a question whether the Retirement System is required to withhold taxes and file an IRS Form 1042-S for persons who have U.S. source income and reside outside the United States.

Trustee Nazarko asked if the retirees have U.S. citizenship. He also told the Board withholding cannot be forced just because the retiree lives outside of the United States if they are a U.S. citizen.

Miss Carter assured the Trustees, Ms. Billings is reviewing the issue and will provide staff with a memorandum of her findings.

*Trustee Bowman arrived at 10:35 a.m.*

### Temporary Two-Year Increase Letter

Miss Carter reported the letter will be mailed out to members in March regarding the termination of the \$400.00 temporary two-year increase. She noted this will also affect the members' cost of living adjustment. She did add a two line message to the pension benefit checks and statements starting this month.

Trustee Nazarko questioned who authorized the COLA computation method and commented that he believed the \$400 temporary benefit should not have been factored into the COLA calculations.

Trustee Moore stated he believed the temporary increase was to be added as a supplemental increase onto the base rate of the benefit. It should not have been included as part of the COLA calculation.

Miss Carter told the Board she would investigate the issue and report back to the Board.

### Attorney General Consumer Alert on Pension Advances

Miss Carter reported the details of the Attorney General's consumer alert issued January 27, 2015 regarding pension advances and pension loans. The information has been posted on the System's website.

Trustee Gaffney wanted to make sure the members were aware of this issue and its predatory nature on some of society's more vulnerable citizens.

Letter to Hospital Retirees Re: Life Insurance Termination

Miss Carter told the Board a copy of the letter sent to the Hospital retirees is in the packet. She noted that the System's letter to the retirees generated more telephone calls, believing retirees who called had not read the Hospital's original letter.

Northern Trust – Supplement to Agreement

Miss Carter reported a supplement to the Northern Trust Agreement was received indicating the Retirement Office has accepted using their platform.

*Chairman Harrison extended the Board's condolences to Trustee Bowman for the loss of his brother. Mr. Bowman thanked the Board and Staff for all the kind words and notes sent to his family during this difficult time for his family and especially asked to have his mother in our thoughts and prayers.*

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**UNFINISHED BUSINESS**

**Re: Hudson Disability Re-Exam**

Miss Carter reported Mr. Hudson's compliance with regard to the income verification. However, the Medical Director has determined Mr. Hudson is not deemed "totally and permanent disabled." He may appeal the decision. Mr. Hudson was verbally made aware of the doctor's determination before this Board meeting and is expecting the written notification after this meeting.

**RESOLUTION 15-007** by Moore, Supported by Williams

Resolved, That the Board authorizes the suspension of the disability retirement benefits for Mr. Gary Hudson pursuant to Section 92-35 of the Pontiac Municipal Code.

Yeas: 8 – Nays: 0

**Re: Molina Overpayment**

Miss Carter reported there was an overpayment made to member Marina Molina, the alternate payee of Meguel Contreras. Ms. Molina passed away in May, 2014. Her death was not reported until November, 2014.

The overpayment of approximately \$2,000.00 is owed back to the Retirement System. The family received the first letter sent - based on the return receipt on file, but has failed to respond regarding the overpayment. A second letter was addressed to the family which they have failed to respond – Mr. Contreras was copied on the second letter. She has turned the issue over to legal.

Ms. Billings informed the Board the System cannot make the retiree (Mr. Contreras) whole until the funds are returned to the System. The System cannot payout more than the retiree is eligible to receive; therefore, until the family returns the overpaid funds, the System cannot make the retiree whole.

Trustee Giddings asked if the overpayment appeared on Ms. Molina's 1099R. Ms. Carter replied, yes.

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## **NEW BUSINESS**

### **Re: Blodgett Disability Re-Exam**

Miss Carter reported the Medical Director determined last September, 2014 Ms. Blodgett is totally and permanently disabled. She will be sending a letter to Ms. Blodgett to confirm her continued disability retirement.

### **RESOLUTION 15-008** By Moore, Supported by Gaffney

Resolved, That the Board approves the continued disability retirement for Ms. Cynthia Blodgett.

Yeas: 9 – Nays: 0

Trustee Nazarko asked why the Renee Croskey disability issue was not included under new business.

Ms. Billings explained the Croskey disability has been denied based on her employment termination thirty days prior to her applying for a disability retirement. The process has been reviewed and it was determined she was not eligible to apply for a disability retirement because her employment with the City had been terminated prior to her application.

Miss Carter told the Board she put the onus on Ms. Croskey to determine if she was an employee with the City at the time she applied for a disability retirement.

Chairman Harrison reported Trustees Arndt and Moore ran unopposed.

### **Re: Active Trustee Election Results**

### **RESOLUTION 15-009** By Gaffney, Supported by Giddings

Whereas, a vacancy will occur on the City of Pontiac General Employees' Retirement System Board of Trustees when the Active Employee Trustee term expires on March 31, 2015; and

Whereas, all active employee members of the Retirement System have been given the opportunity to file candidate statements for the vacant trustee term; and

Whereas, only one candidate statement has been filed for this vacancy;

Now, Therefore, Be it resolved, that the Board of Trustees hereby declares that Jane Arndt, an employee of the General Employees' Retirement System, having met all requirements to serve as Active Employee Trustee is officially elected to the office of Active Employee Trustee for a term beginning on April 1, 2015 and expiring on March 31, 2019.

Yeas: 9 – Nays: 0

**Re: Member Trustee Election Results**

**RESOLUTION 15-010** By Gaffney, Supported by Williams

Whereas, a vacancy will occur on the City of Pontiac General Employees' Retirement System Board of Trustees when the Member Trustee term expires on March 31, 2015; and

Whereas, all retired, deferred and active employee members of the Retirement System have been given the opportunity to file candidate statements for the vacant trustee term; and

Whereas, only one candidate statement has been filed for this vacancy;

Now, Therefore, Be it resolved, that the Board of Trustees hereby declares that Walter Moore, a retiree of the General Employees' Retirement System, having met all requirements to serve as Member Trustee is officially elected to the office of Member Trustee for a term beginning on April 1, 2015 and expiring on March 31, 2019.

Yeas: 9 – Nays: 0

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**Re: Legal**

Proposed Amendment to the Open Meetings Act

Ms. Billings reported there is a proposed amendment to the Open Meetings Act that would close the loophole denying electronic presence for voting purposes. This is for the Trustees' information.

Robbins Geller January 2015 Portfolio Monitoring Report

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

Lile EDRO

Ms. Billings reported to the Board, she has communicated to the Alternate Payee's legal counsel, her acceptance of the First Amended Domestic Relations Order with minor modification to Section 3 of the same. This is for the Trustees' information.

Public Act 314 Equity Limitations

Ms. Billings reported in the State of Michigan Public Act 314 governs the investments of public pension plans. Clarification was provided which basically concluded, Section 14(3) of PA 314, allows an investment fiduciary to qualify global equity securities under Section 14 or Section 20k. If global equity securities are qualified under section 14, the 20% limitation set forth in 20k will only be applicable to global fixed income. It is important for the investment consultant to have this information for investment purposes. Ms. Carter indicated she would ensure a copy of this memorandum is shared with the Investment Consultant.

**RESOLUTION 15-011** By Moore, Supported by Gaffney

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



**Roll Call:**

Trustee Arndt – yea	Trustee Moore - yea
Trustee Bowman – yea	Trustee Nazarko - yea
Trustee Gaffney - yea	Trustee Deirdre Waterman - yea
Trustee Giddings - yea	Trustee Williams - yea
Chairman Harrison - yea	

*The Board moved to closed session at 11:05 a.m.*

*Ms. Watson left at 11:05 a.m.*

*The Board returned from closed session at 11:44 a.m.*

**RESOLUTION 15-012** By Gaffney, Supported by Moore

Resolved, that the Board ratify the Chairman’s signature on the retainer letters and verifications in the Affiliated Manager Group and SYNEX Corporation “Dead Hand Proxy Put” shareholder litigation matters.

Yeas: 9 – Nays: 0

**RESOLUTION 15-013** By Moore, Supported by Williams

Resolved, that the Board approve to apply for lead plaintiff status in the Five Below, Inc. securities litigation based on the System’s losses of \$27,000.00.

Yeas: 9 – Nays: 0

**RESOLUTION 15-014** By Gaffney, Supported by Moore

Resolved, that the Board authorize the Chairman to sign the Retainer Agreement for Bernstein Litowitz and Sullivan, Ward, Asher & Patton in the Northern Trust Securities Lending legal action.

Yeas: 9 – Nays: 0

**RESOLUTION 15-015** By Giddings, Supported by Arndt

Resolved, that the Board approve the closed session minutes for January 28, 2015.

Yeas: 9 – Nays: 0

Trustee Nazarko asked if the Investment Consultant was excused from today’s meeting.

Chairman Harrison explained the Consultant presented the performance report at the Manager Review Meeting held on February 24, 2015. It is customary for the Consultant not to attend the regular meeting the following day.

Trustee Moore asked if there has been any feedback regarding the City Council President’s letter.

Trustee Deirdre Waterman indicated she was not copied on the original letter. However, she was notified of the letter and based on discussions amongst various legislative and policy making bodies, the TAB Board has determined they will no longer pursue this matter.

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### **SCHEDULING OF NEXT MEETING**

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

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### **ADJOURNMENT**

**RESOLUTION 15-016** By Gaffney, Supported by Nazarko

Resolved, That the meeting be adjourned at 11:49 a.m.

Yeas: 9 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on February 25, 2015

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*As recorded by Jane Arndt*