

**CITY OF PONTIAC, MICHIGAN  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
SEPTEMBER 23, 2015**

A regular meeting of the Board of Trustees was held on Wednesday, September 23, 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 10:05 a.m.

**TRUSTEES PRESENT**

Sheldon Albritton  
Jane Arndt  
Shirley Barnett  
Koné Bowman (*arrived @ 10:06 am*)  
Janice Gaffney  
Robert Giddings  
Charlie Harrison, Chairman  
Walter Moore  
Nevrus Nazarko  
Deirdre Waterman (*arrived @ 11:01 am*)

**TRUSTEES ABSENT**

Patrice Waterman (*excused*)

**OTHERS PRESENT**

Cynthia Billings, Sullivan Ward Asher & Patton  
Kurt Lofters, Gray & Company (*by phone*)  
Cecelia M. Carter, Executive Director  
Billie Swazer, Retiree  
Linda Watson, Retiree

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

Chairman Harrison introduced and welcomed Trustee Sheldon Albritton to the Board.

Ms. Carter noted to the Board Mr. Kurt Lofters (Gray & Company) was on the telephone due to Mr. Gray's sudden inability to be in attendance at the meeting.

**PUBLIC COMMENT**

Retiree, Billie Swazer questioned whether the cost of living adjustment (COLA) for 2015 will be paid in November or December and if it was delayed to December, whether the retirees would be notified.

Ms. Swazer additionally, expressed her gratitude to the Board that the retirees will not have to reimburse the System for the COLA over payments made in 2013 and 2014.

**AGENDA CHANGES**

Miss Carter reported the minutes for the special meeting held on August 25, 2015 are being removed from the consent agenda. They are still under revision.

Additionally, given the September meeting was moved up a week earlier due to the MAPERS Fall Conference, the September, 2015 pension payroll data was not available in time for the meeting. She will forward the gross pension payroll amount to the Board next weekend it will be included in the October 28, 2015 consent agenda.

**APPROVAL OF CONSENT AGENDA**

- A. Approval of the Minutes of the Regular Board Meeting held August 26, 2015
- B. Approval of the Minutes of the Special Board Meeting held September 11, 2015
- B. Ratification of Staff Payroll

Staff PPE September 12<sup>th</sup> and September 26th

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

C. Communications:

- 1. BBB Complaint from L. Richards Re: Hospital Life Insurance (August 28, 2015)
- 2. BBB Complaint from L. Richards Re: Hospital Life Insurance (September 14, 2015)
- 3. FOIA Request from BrightScope, Inc. (September 10, 2015)
- 4. FOIA Request from Financial Investment News (September 15, 2015)
- 5. Loomis Sayles Re: Board of Director Appointments (August 20, 2015)
- 6. Sullivan, Ward, Asher & Patton Re: GERS COLA Overpayment (August 28, 2015)
- 7. Richmond BizSense Re: Genwort Execs Slapped with Two Lawsuits (August 31, 2015)
- 8. ADP Payroll Bulletin Re: State Taxability Changes (September 10, 2015)
- 9. ADP Payroll Bulletin Re: Michigan State Unemployment Insurance (September 10, 2015)
- 10. First Eagle Re: Global Value Team Update (September 9, 2015)
- 11. First Eagle Re: SEC Update (September 21 2015)

D. Financial Reports:

- 1. Accounts Payable: August, 2015
- 2. Gray & Company SEC Update (September 15, 2015) & AUA (July 31, 2015)

E. Private Equity / Capital Calls & Distributions

- 1. Mesirow Financial PE Fund VI, LP – Capital Call - \$45,000 (September 28, 2015)

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

- 1. New Retirements
  
- 2. Terminated Retirements (Deaths)

| Ret No. | Name                   | Date of Death | Member or Beneficiary | <i>If Beneficiary</i><br>Member Name | Benefit Amount | Union or Dept. |
|---------|------------------------|---------------|-----------------------|--------------------------------------|----------------|----------------|
| 1073    | Elieff, James          | 08.27.2015    | Member                |                                      |                | Local 2002     |
| 813     | Kaffenberger, AnnMarie | 08.12.2015    | Member                | Cunningham, Robert                   |                | Alt Payee      |

3. Continued Retirements

| Ret No. | Name            | Date of Death | Survivor's Name   | J&S Option | Benefit Amount | Union or Dept. |
|---------|-----------------|---------------|-------------------|------------|----------------|----------------|
| 2298    | Thomas, Mary    | 08.27.2015    | Thomas, Alonzo    | 50%        |                | Teamsters      |
| 2097    | Haynes, Ruther  | 05.05.2015    | Haynes, Brigitte  | 50%        |                | PPMA           |
| 2439    | Kibler, Matthew | 08.21.2015    | Kibler, Catherine | 100%       |                | Local 2002     |

4. Pop-Up Continued Retirements

| Ret No. | Beneficiary's Name | Date of Death | Retiree's Name     | J&S Option | Benefit Amount | Union or Dept. |
|---------|--------------------|---------------|--------------------|------------|----------------|----------------|
| 2260    | Poehlman, Kenneth  | 08.08.2015    | Poehlman, Paulette | 50%        |                | Non-Union      |

*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

6. Suspended Retirements

7. Refunds of Employee Contributions

| Ret No. | Member's Name | Date of Termination/<br>Death | Beneficiary       | Benefit<br>Amount |
|---------|---------------|-------------------------------|-------------------|-------------------|
|         | Hamlin, Linda | 05.31.2015                    | Chadwell, Irmgard |                   |

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

Trustee Nazarko questioned the decision at the September 11, 2015 special meeting to not move forward with the BDC investment and that it was referred back to the Finance Subcommittee. He expressed his concern(s) that he believed everyone did not fully understand the underlying intent of the Resolution. There was further discussion which prompted Ms. Billings to explain there were questions raised by the Trustees. So the issue has been referred back to the Committee until the questions have been answered.

Chairman Harrison indicated questions were raised by Trustees and forwarded to the Investment Consultant. The Committee requested the Investment Consultant respond to the questions in writing. This information will be brought before the full Board once it has processed through Committee.

There was a question on whether a Trustee could “rescind” his/her vote after a meeting was adjourned. Ms. Billings noted that under Robert’s Rules, the Trustees have the ability to rescind their vote at any time; however – depending on the extent to which an action has been implemented as a result of the motion will determine the impact of rescinding one’s vote on a motion.

Trustee Giddings clarified to remind the Board, the minutes of the September 11<sup>th</sup> special meeting reflect the BDC investment has been put on hold.

Trustee Giddings also asked if the Board is obligated to respond to the FOIA request from BrightScope in the same manner in which they presented their example of the information they requested. Ms. Billings indicated the Board does not have to create a document it does not have in order to comply with a FIOA request.

Trustee Bowman asked for more information with regard to BrightScope.

Ms. Carter indicated BrightScope is an investment management company. She has already replied back to the request with the information GERS has on file. The company also requested information regarding the Pontiac Police & Fire Retirement System – which GERS could not comply with the request and BrightScope was notified of that fact.

**RESOLUTION 15-076** By Gaffney, Supported by Nazarko  
Resolved, That the Board approve the consent agenda for September 23, 2015 as amended.

Yeas: 9 – Nays: 0

## **CONSULTANTS**

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

Kurt Lofters provided some brief comments regarding the flash report dated August 31, 2015.

He noted the negative performance numbers across all managers and asset classes for the period.

The total Plan value as of August 31, 2015 was \$468.9 million. The current month's performance was -4.16% versus -4.71% and year-to-date -0.89% versus -1.45% which is in line with the policy index.

There is no performance information to report for the alternative investments due to the lag in reporting from the underlying investments.

Chairman Harrison indicated that the Fund's monthly, quarter-to-date and year-to-date performance was still ahead of the policy index.

Trustee Moore asked what could have been done to mitigate these losses.

Mr. Lofters stated there was really nothing that could have been done. There are peaks and valleys in the market. The best way to protect assets is for the System to stick with their diversification and asset allocation. The System needs returns for long-term benefit payments so do not move assets to cash. They believe the markets will be volatile for the next six to twelve months.

Trustee Nazarko asked about Mr. Lofters' position and years of service with Gray & Company. Mr. Lofters indicated he is a Senior Investment Consultant and has been with Gray & Company for nine years. He previously worked at Merrill Lynch and Invesco.

*Mr. Lofters left at 10:26 a.m.*

## **REPORTS**

### **Re: Chairman**

Chairman Harrison told the Board that the Capri Investor Conference was very interesting. Dimitri Stockton of GE Asset Management shared his perspective of the global markets.

The conference provided information relative to real estate investments and gave him a better understanding of the Capri - Detroit Fund. He added there are a lot of people moving back to Detroit.

Miss Carter gave an overview of her perspective of the Conference and described some of her observations of the tour she took of the metro Detroit area with representatives of Capri Capital, where the Detroit Fund intends to participate in real estate projects.

**Re: Trustees/Committees**

Personnel Subcommittee

Trustee Gaffney indicated the Committee did not meet in September. They rescheduled the meeting due to the special meeting.

Finance Subcommittee

Trustee Moore deferred the Finance Subcommittee report to Miss Carter.

Miss Carter reported the Committee met on September 16, 2015.

The two ADP Payroll Bulletins related to Michigan were reviewed. She indicated the Board has to be mindful as an employer of the same sex marriage ruling and Michigan unemployment wage base paying into unemployment provision.

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

The Committee reviewed the \$45,000 capital call for Mesirov Fund VI.

The August 2015 accounts payables were reviewed.

The Ordinance amendment to retroactively approve the COLA calculation has gone through the process of being approved by City Council and the RTAB and the State Treasurer. Trustee Barnett asked if the COLA benefit is reimbursed by the City.

Trustee Gaffney indicated the COLA benefit is part of the benefit structure provided to City retirees and is paid by the Retirement System.

Trustee Barnett questioned whether the benefit was ever reimbursed by the City. She also asked if the Board had to approve the COLA benefit.

Miss Carter indicated the COLA benefit is factored in by the actuary as they determine the long term liability on the Retirement System.

Ms. Billings explained the IRS details on correcting the overpayment issue.

Miss Carter continued the Committee report and reported the Committee reviewed the unclaimed contributions and benefits. One individual's employee contributions are continuing to accrue interest and this person is not eligible for a retirement benefit.

They looked into whether the contributions should continue to accrue interest and whether they should be forfeited back into the Trust. If the member comes forward the System can true up the employee contributions.

Ms. Billings indicated that there could be an IRS distribution issue (is the person at age 70 ½ yet). The System has an obligation to find these people. She indicated that Berwyn provides a service to locate addresses.

The Committee reviewed the retired and deceased members and Ms. Carter specifically reviewed the pop-up benefit option where the beneficiary predeceased the retiree.

**Re: Executive Director**

Miss Carter reported recent senior management changes at Kennedy Capital. The disclosure was sent to Kennedy's clients with the July monthly statements.

The Annual Town Hall meeting will be held on October 13, 2015 at the Franco Communications Center.

The BrightScope FOIA response has been closed.

The COLA will be processed after the September, 2015 payroll is processed. The calculations will be reviewed by the actuary for a sign off before the COLA calculations are presented to the Board.

The special meeting minutes from August 25, 2015 will be approved at the next regular meeting.

She explained the fiduciary liability insurance renewal is up for submission to the underwriters for a quote.

Ms. Billings explained that it is customary for Chubb to request information forty-five days in advance of the renewal.

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**UNFINISHED BUSINESS**

**Re: Amend Investment Policy Statement**

Miss Carter indicated the BDC investment is still in committee so it would be best to table the issue.

Trustee Gaffney felt that made sense since the only amendment would be to include the BDC language.

**RESOLUTION 15-077** By Gaffney, Supported by Arndt

Resolved, That the Board table the amendment to the Investment Policy pending investment review.

Yeas: 9 – Nays: 0

Trustee Moore reported that he received information from NCPERS with regard to the NCPERS Code of Conduct. NCPERS is identifying organizations who participate in working toward eliminating defined benefit plans. He would like this issue referred to the two Committees on how to support this effort going forward.

*Trustee Deirdre Waterman arrived at 11:01 a.m.*

Chairman Harrison indicated there are managers that are managing assets for defined benefit plans for a fee, while supporting these organizations in their quest to eliminate defined benefit plans.

**Re: Transfer of Employer Contributions to ICMA-RC 401(a) Plan**

The Board was asked to approve the transfer of employer contributions to the 401(a) defined contribution plan.

Ms. Billings indicated the 401(a) Plan was approved at the special meeting.

**RESOLUTION 15-078** By Gaffney, Supported by Barnett

Resolved, That the Board authorizes the transfer of employer contributions made on behalf of the Executive Director and being held in the 457 Plan to the 401(a) defined contribution plan.

Yeas: 10 – Nays: 0

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**NEW BUSINESS**

**Re: Attucks Asset Management Supplemental Letter Agreement, August 31, 2015**

Miss Carter explained GERS and Attucks Asset Management entered into their Agreement with terms that provided the Manager be responsible for holding onto GERS investment records for a period of seven years after termination of the Agreement. There is one underlying management firm that cannot comply with the seven year records hold. They are asking to reduce the records hold to six years.

Ms. Billings indicated there is no legal statute with regard to this issue.

Trustee Nazarko questioned whether he should wait until closed session to bring up questions sent to the Investment Consultant regarding the BDC investment.

Chairman Harrison indicated this issue does not meet the qualifications for closed session.

Trustee Deirdre Waterman questioned what procedure is used to determine if this falls under closed session.

Ms. Billings noted under the Open Meetings Act there are a defined number of categories which would permit a matter to be addressed in closed session; and after a brief review of the Open Meetings Act on closed session, it was determined there did not appear to be a foundation to move the discussion to closed session.

After a lengthy discussion regarding this issue Trustee Nazarko asked if the Investment Consultant's response to the questions has been received in writing.

He also indicated that the Consultant is on watch and he is concerned that information is not being reported timely. The Board needs to enforce the watch parameters.

Chairman Harrison indicated the Consultant's response to the questions are due at the next Committee meeting. A copy of the response will be forwarded to the full Board.

Trustee Moore noted that Trustee Nazarko seems to have concerns and issues with the Consultant separate from the BDC investment. Perhaps those concerns should be forwarded to legal. He asked if being on watch means the Consultant provides extra reporting.

Trustee Nazarko indicated that he has concerns regarding the BDC investment and the manager's work.

Trustee Moore explained that he brought the idea of investing in BDC's to the Consultant and Executive Director after attending a conference. This investment originated with him and not with Mr. Gray. He questioned whether this was a way to add performance and mitigate losses in a down market.

It was determined that Trustee Nazarko's questions would be addressed at the Finance Subcommittee meeting.

**Re: Legal**

Correspondence to Joseph Sobota Re: COLA Ordinance

Ms. Billings provided a copy of her response and the approved Cost of Living Calculation Resolution to Joseph Sobota.

Lake/Lile Domestic Relations Order

Ms. Billings reported this is for the Trustees' information. She has reviewed the DRO and recommends acceptance of the Order.

Robbins Geller August 2015 Portfolio Monitoring Report

Ms. Billings indicated this report is for the Trustees' information. The report is a list of the current litigation and its status.

**RESOLUTION 15-079** By Waterman, Supported by Bowman

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

**Roll Call:**

Trustee Albritton – yea

Trustee Arndt – yea

Trustee Barnett – yea

Trustee Giddings - yea

Chairman Harrison - yea

Trustee Moore - yea

Trustee Bowman – yea  
Trustee Gaffney – yea

Trustee Nazarko - yea  
Trustee Deirdre Waterman - yea

*The Board moved to closed session at 11:55 a.m.  
The Board returned from closed session at 12:28 p.m.*

**ADJOURNMENT**

**RESOLUTION 15-080** By Nazarko, Supported by Moore  
Resolved, That the meeting be adjourned at 12:28 p.m.

Yeas: 10 – Nays: 0

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**SCHEDULING OF NEXT MEETING**

Regular Meeting: Wednesday, October 28, 2015 @ 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 September 23, 2015

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*As recorded by Jane Arndt*