

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JANUARY 27, 2016**

A regular meeting of the Board of Trustees was held on Wednesday, January 27, 2016 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 (*arrived at 10:24 a.m.*)

Jane Arndt

Koné Bowman

Janice Gaffney

Robert Giddings, Chairman

Walter Moore

Nevrus Nazarko

Deirdre Waterman (*arrived at 10:18 a.m.*)

Patrice Waterman

TRUSTEES ABSENT

Shirley Barnett (*excused*)

OTHERS PRESENT

Cynthia Billings, Sullivan Ward Asher & Patton

Kurt Lofters, Gray & Company

Heath Merlak, Nyhart

Danielle Winegardner, Nyhart

Cecelia M. Carter, Executive Director

Linda Hasson, Pontiac Resident

Larry Marshall, Retiree

Billie Swazer, Retiree

Linda Watson, Retiree

Chairman Giddings opened the meeting at 10:06 a.m.

ACTUARY INTERVIEWS

Heath Merlak and Danielle Winegardner introduced themselves and provided background information to the Board.

Mr. Merlak is a Consulting Actuary as well as a Fellow of the Society of Actuaries, Fellow of the Consulting Actuaries, an Enrolled Actuary and a Member of the American Academy of Actuaries.

Ms. Winegardner is a Consulting Actuary as well as an Associate of the Society of Actuaries, Enrolled Actuary and Member of the American Academy of Actuaries.

Trustee Patrice Waterman asked the actuary what their position is on advising the Board on its actuarial assumptions and whether they look at the experience of the System prior to processing the valuation.

Ms. Billings asked if this would be done as part of the valuation.

Mr. Merlak indicated they go through a matching process and review the assumptions each year to determine which assumptions affect the gains and losses of the System.

Trustee Moore asked which mortality table they recommend using. He indicated that the System currently uses the 1983 table and questioned whether the System should update to the 2012 or the most recent 2014 table. He noted that the more recent tables are not based on public pension plans but rather private pension plans. He questioned whether using the older mortality table skews the numbers.

Mr. Merlak noted that there are a number of mortality tables currently in use including the 1983, 1994, 2000 and 2014 tables. The Society of Actuaries feels the 2000 and 2014 tables are reasonable for public pension plan use.

As an actuary they have had issues with the 2014 table because a number of private plans offer a pure lump sum payment option. The Social Security Administration uses a table with reasonable assumptions.

Trustee Moore questioned the effect of using the 2014 mortality table versus the 1983 table and how it would affect the System's liability.

Mr. Merlak stated it could increase the liability by 10% to 15%.

Trustee Moore indicated the Board has been told there would be a minimal difference.

Mr. Merlak explained that the variance could be 5% to 10%. They would review the assumptions for negative ramifications.

Trustee Deirdre Waterman asked if they would recommend using the 2000 mortality table with experience.

Mr. Merlak stated they would provide information to the Board based on their professional opinion. The 2014 mortality table is currently recommended by a number of auditing firms. They would require long-term data to determine which assumptions to use based on the Plan's experience.

Trustee Moore indicated that the City of Pontiac Police & Fire Retirement System adopted the 2014 mortality tables and their liability increased which caused the City to owe more than \$600,000.00 based on the different assumptions.

Chairman Giddings asked if they have experience working with overfunded plans where a City tries to use GASB 67 or GASB 68 to withdraw assets.

Mr. Merlak indicated that they have experience working on overfunded plans. They look at the investments to assist with mitigating risk.

Chairman Giddings noted the RFP asked to look at prior year returns. He questioned what could be discovered in those reviews.

Mr. Merlak stated they normally do not find any issues. They usually are within 3% of the target liability.

Trustee Deirdre Waterman arrived at 10:18 a.m.

Ms. Carter asked if the actuary does come across anomalies how they would bring back the information to the Board for discussion.

Mr. Merlak indicated they would reconcile with the prior actuary and address the key issues then advise the Board with regard to changing the method.

Ms. Winegardner stated the anomalies are normally not retirement pension related.

Chairman Giddings asked what public pension systems they currently work for in Michigan.

Mr. Merlak indicated that they work for St. Clair County, the Lansing Board of Power & Light, City of Pontiac Police & Fire Retirement System and Shelby Township.

Ms. Billings noted that Nyhart worked on a special project for the City of Monroe.

Chairman Giddings asked if they are familiar with Plante & Moran.

Trustee Deirdre Waterman asked what other overfunded plans they currently provide actuarial services for.

Mr. Merlak stated they work with the Lansing Board of Power and Light which is 111% funded.

Chairman Giddings asked about their fees and whether there is an additional cost for an experience study.

Mr. Merlak stated the matching process and reviewing the assumptions and methods are included in the valuation fees. There is an additional fee for the experience study which is a deep dive through the data.

Chairman Giddings asked if their travel is an additional expense.

Mr. Merlak noted they do not bill for their travel expenses.

Trustee Albritton arrived at 10:24 a.m.

Trustee Moore noted that Mr. Merlak works out of the St. Louis office and their headquarters are in Indianapolis.

Mr. Merlak indicated he works out of the St. Louis office but works closely with the team at their Indianapolis office.

Ms. Winegardner indicated she works out of the Indianapolis Office.

Trustee Deirdre Waterman questioned the last time an experience study was done for the System.

Ms. Carter indicated Miss Munson has worked in the Retirement Office for over fifteen years and she is not aware of an experience study being processed for this System.

Mr. Merlak stated they recommend an experience study be done every three to five years. The first study is very comprehensive.

Trustee Bowman asked if they have ever had to testify in front of a government body overseen by a City Council or Executive Office.

Mr. Merlak confirmed they have gone before governmental bodies.

Trustee Moore asked where Mr. Merlak fits into the organizational structure.

Mr. Merlak stated he is the Defined Benefit Leader, a Principal in the firm, a member of their Executive Committee and Board.

Trustee Moore also asked about the diversity of their firm.

Mr. Merlak indicated they have a broad base of employees and the firm is quite diverse.

Ms. Winegardner told the Board she is impressed with the number of women in the firm and how many are taking the actuarial track.

Trustee Deirdre Waterman stated that she is the Mayor for the City of Pontiac and questioned whether they would consider internships from Pontiac at their firm.

Mr. Merlak stated that Nyhart has an internship program.

Ms. Carter asked about their process for fiscal notes referring to cost studies and asked them to describe the process.

Mr. Merlak indicated that they understand the impact of a fiscal note and would prepare a presentation and a draft for the Board stating the basis for the study and their conclusions. A final draft will be sent to the City with an overview of the information.

He referred to page three in their presentation materials. They have a total of forty-five in their defined benefit practice including twenty-one credentialed actuaries. They also have a full-time legal team and robust IT support.

Their role as an actuary is to provide valuation consulting with clear concise information and explanations to insure that the Board understands the results. They also provide education to their clients regarding their processes.

Ms. Winegardner indicated there are a lot of private sector topics that creep over to the public side.

Mr. Merlak provided an overview of their company.

What makes them different than other firms is their focus on where their client is going instead of where they have been. They want to know the Board's goals and concerns for the System.

Their valuation services include valuation and GASB 67/68 reports as well as a Board summary report. They also provide consulting services including funding policies, assumptions and information regarding regulatory and market changes. They also conduct special projects such as experience studies, asset liability studies and multi-year cost modeling.

Retirement plans are long-term vehicles. They compare interest rates and assumptions with other plans every three to five years to ensure that small differences do not become hurdles.

Ms. Winegarnder explained they also review the Fidelity and Vanguard projections.

Mr. Merlak reviewed the difference between using an 8% interest rate assumption and a 7% assumption. He noted it could become an issue if not addressed.

Ms. Carter questioned the effect of incorrect assumptions on the City's Plan based on the overfunding status.

Ms. Winegardner reviewed the processes involved in an experience study analysis including interest rates, mortality rates, amortization period and active employee rates and salary scales.

She recommended that the salary scale assumption for active employees be addressed.

Ms. Billings noted there is a small number of active employees and whether the data being used in the table needs to be addressed.

Mr. Merlak recommended less emphasis based on the five-year variance in salary scale.

Ms. Winegardner reviewed the mortality table analysis.

Mr. Merlak recommended using a conservative mortality table. More updates can be applied on an annual basis.

Trustee Nazarko noted that Nyhart has offices in seven states. He asked if they were planning to expand to Michigan.

Mr. Merlak stated they have no immediate plans for expansion.

He provided an overview of administrative services they provide including their nyPAS web-based plan administration platform.

Trustee Arndt asked if they were planning on performing the retirement benefit calculations.

Mr. Merlak indicated they can do full retirement benefit calculations if the Plan Administrator forwards the data.

Miss Munson asked about their fees to provide that service.

Ms. Winegardner indicated they offer a full range of services.

Mr. Merlak and Ms. Winegardner left at 11:00 a.m.

Meeting Break at 11:00 a.m.

Meeting Resumed at 11:04 a.m.

PUBLIC DISCUSSION

Retiree, Linda Watson, questioned the payment to Huttenlocher and the amount of the VISA payment.

Ms. Carter indicated Huttenlocher provides the liability insurance for the System. The VISA payments included two conferences which included travel expenses as well as conference registrations.

Ms. Watson also asked what Nyhart will be charging to process the actuarial report.

Ms. Carter stated the initial cost for Nyhart will be \$26,000.00 annually.

Chairman Giddings noted the annual cost of \$18,000.00 to \$20,000 is in the range of what was paid to the former actuary.

Ms. Watson asked about the charges for cost studies.

Chairman Giddings indicated the System cannot pay for cost studies.

Retiree, Billie Swazer asked about the Board Charters.

Chairman Giddings noted that the Charters have been referred back to the Committees.

Ms. Swazer stated the Mayor and City Administrator have stated they can settle the City's OPEB obligation. Joseph Sabota talks like the pension money is the City's money. Would the Board take action if the City tried to take the System to MERS.

Chairman Giddings indicated that the City Council is the only body that is capable of moving the assets to MERS. The Board has no power.

Ms. Swazer asked what would happen if the City took the money and the stock market crashes. The City would not be able to fund the Retirement System.

Trustee Moore indicated Joseph Sobota does not work for the System but he speaks too much about what is transpiring in the negotiation/mediation. He is not allowed to speak about this in public. There is a gag order in place.

Ms. Swazer stated that Trustee Deirdre Waterman has made statements in meetings indicating the City could use pension funds to settle the OPEB obligation.

Trustee Deirdre Waterman noted she is not sure to which meeting Ms. Swazer is referring. The mediator has advised that the proceedings are to be held in confidentiality. The mediation is an attempt to agree. With regard to retirement issues, they have recently come up with a solution that is explainable and could be agreeable with the TAB Board for the sixty-four deferred retirees' early out. It would require an amendment to the Retirement Ordinance. She has discussed that issue.

Chairman Giddings asked who is impeded by the gag order.

Trustee Deirdre Waterman stated only those who are involved in the mediation are bound by the gag order.

Trustee Moore indicated that he and Trustees Gaffney, Nazarko and Deirdre Waterman are bound by the gag order.

Pontiac resident Linda Hasson questioned whether the authorization has been changed in the Pontiac Municipal Code regarding the Finance Director's authority to supervise employees of the System.

She also told the Board Joseph Sobota has indicated the assets included in the City's audit based on GASB 68 can be used by the City. She questioned whether the System is closed. She had heard there are still active employees. She also asked if the actuarial assumptions can affect the funding of the System if the money is transferred and they find out there is not enough funding to meet the retirement obligations. She is concerned that if the System is underfunded it would be put on the backs of the taxpayers.

She requested a response regarding her concerns. Ms. Billings asked if she could provide her questions in writing.

AGENDA CHANGES

Chairman Giddings asked if there were any agenda changes.

RESOLUTION 16-001 By D. Waterman, Supported by Nazarko

Resolved, That the Board approved to move the Consultant Report ahead of the Consent Agenda.

Yeas: 9 – Nays: 0

CONSULTANT

Mr. Lofters provided an overview of the Fund's performance. The Fund's assets as of December 31, 2015 were \$459.9M. The underperformance was driven by an increase in the Fed Funds Rate

which affects corporate capital and can result in a loss of investor confidence in the U.S. markets. He also noted when growth underperforms the markets get skittish.

He noted the market realized double digit returns coming out of 2008. He feels that the market is seeing a pullback and correction. Going forward markets will remain choppy but should be positive by the end of the year. He does not believe you will see the same type of performance in the markets going forward.

This is not a recession like in 2007 through 2008. The markets are flat. All the positions underperformed in December, even fixed income. The high yield manager was the driver for underperforming returns in fixed income for 2015.

He reviewed the transition from Peritus to Brandywine Global. There were sixty-six positions to transition. To date twenty-two full positions and five and a half partial positions have transitioned. It may take time to transition the positions. The transition manager does not want to sell positions off at rock bottom prices. Hopefully the transition will be completed by the end of the first quarter.

Ms. Carter noted that the positions are being transitioned in \$500,000.00 or larger transactions to keep costs down.

Mr. Lofters indicated that investors are moving to safe havens that are large cap equity driven including positions in Amazon, Facebook and Google.

They are monitoring emerging managers Herndon Capital Management and Lombardia Capital Partners based on their performance.

He noted Herndon Capital has made some changes in personnel to trim costs by eliminating some positions through enhancing the investment team structure and operational efficiencies. He assured the Board there have been no changes to Herndon's portfolio management team.

They are also paying close attention to Lombardia Capital.

International equity manager First Eagle received a subpoena from the Department of Labor. First Eagle believes that the DOL is piggybacking on the SEC's case. The SEC investigation found that First Eagle unlawfully made payments out of a defined contribution fund and misclassified the fees. The fees should have been made out of the firm's own assets. He also pointed out the DOL has not indicted or filed charges.

Ms. Billings explained that the Department of Labor intervenes in the private sector. The inquiry states that it should not assume any impropriety. She will look into whether First Eagle will share the SEC decision.

Mr. Lofters told the Board they should allow the manager's five-year returns to determine the strategy. And, they should not get too caught up with the market's volatility and focus on long-term returns.

He also noted the Liability Driven Investments are being used on the private side due to underfunding. This could be something the Board could take a look at in the future.

Trustee Nazarko asked if there are more recent performance numbers for the Fund.

Mr. Lofters indicated he does not have those numbers, but he can email them to Ms. Carter after the meeting.

Trustee Moore asked why there are no numbers for the alternative investments.

Mr. Lofters indicated the performance numbers lag on the alternative side. Those types of investments do not value assets like stocks.

Trustee Moore asked if the System had invested in BDC's ahead of the market correction would it have made a difference in the performance of the portfolio.

Mr. Lofters indicated he could not speculate but more than likely the performance numbers would still be red.

Chairman Giddings asked whether investing in real estate would have made a performance difference.

Mr. Lofters speculated that real estate performance would have been in the black.

Trustee Moore asked for Gray & Company's current Assets Under Advisement.

Mr. Lofters stated there have been no significant changes in the AUA. Their current AUA is \$4.988 billion.

Mr. Lofters left at 11:48 a.m.

Trustee Moore questioned the committee appointments and whether they were approved by the Board. He noted his concerns with the changes to the committees.

Chairman Giddings indicated he was following past practice. An email was sent to the Trustees asking on which committees they would like serve. He only received a couple responses.

There was a lengthy discussion regarding the committee appointments, how appointments were made in the past and whether the Board should vote on the appointments.

Chairman Giddings explained his rationale for the committee selections.

Trustee Albritton asked why the Ad Hoc Sub-committee was disbanded.

Chairman Giddings felt the Committee had completed its objective by finalizing the Investment Consultant RFP.

Trustee Nazarko asked for a legal opinion.

Ms. Billings indicated that the Retirement Ordinance indicated the Board makes the decisions and under Roberts Rules the Board has the ultimate authority. She also indicated in the past the Board has given the Chairman the authority to assign members to Committees.

Trustee Deirdre Waterman suggested that the formation and selections for committees should be defined in Board policy.

Trustee Gaffney noted that the Committee Charters have been tabled in committee and it would help to establish them in writing.

Chairman Giddings stated his committee selections were also based on which Trustees are receiving PA-492 payments in an attempt to minimize costs to the System.

Trustee Moore asked that the former Committee appointments be kept in place.

Trustee Patrice Waterman noted Chairman Giddings had indicated he would not serve on Committees at the last meeting.

Chairman Giddings noted the comment was made after the meeting. He indicated his comment was that he did not necessarily have to serve on all Committees.

Trustee Albritton left at 12:31 p.m.

RESOLUTION 16-002 By Deirdre Waterman, Supported by Gaffney

Resolved, That the Board approves to receive and file the Gray & Company update, the addition of Richard Myers to the consent agenda and the Committee member changes effective January 1, 2016 agenda moved to New Business.

Yeas: 8 – Nays: 0

Trustee Patrice Waterman stated that correspondence from Chairman Giddings was sent to the Pontiac City Council dated December 9, 2015 using Retirement System letterhead. At the time it was signed by Trustee Giddings.

Trustee Albritton returned at 12:33 a.m.

There was discussion on whether a Trustee is allowed to use the Retirement System letterhead template.

Chairman Giddings noted that Ms. Carter was aware of the correspondence being sent to the City Council and was present when the letters were signed.

Trustee Patrice Waterman questioned why Chairman Giddings is working on the Department of Labor issue.

Chairman Giddings explained that he obtained the information from Ms. Carter. He has been involved in this issue for the past year and has reported periodically to the Board.

There was a request for the Board's Trustee VISA statements to be forwarded to the full Board for review.

Trustee Moore also noted his request for a copy of the past legal bills.

APPROVAL OF CONSENT AGENDA

A. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: January 27, 2016

TOTAL PENSION PAYROLL \$2,070,548.00

Staff PPE December 5th and 19th

Staff PPE January 2nd & 16th

TOTAL STAFF PAYROLL \$ 44,112.32

C. Communications:

1. 2016 IRS Standard Mileage Rates
2. 2016 Pontiac GERS Administrative Production Calendar
3. Email from Zack Cziryak of Financial Investment News (December 8, 2015)
4. MAPERS One-Day Seminar (Troy, MI) – Friday, March 4, 2016 – Board & Staff
5. First Eagle – Organizational Change Communication (December 1, 2015)
6. First Eagle – Communication Regarding Document Request (January 2, 2016)
7. First Eagle – New Leadership Announcement (January 19, 2016)
8. Victory Capital News Release Re: Acquisition of RS Investments (December 18, 2015)
9. Plante & Moran - Identity Theft Update (January, 2016)
10. Herndon Capital Management – Organization Change Communication (January 6, 2016)
11. SEC Announcement – 2016 Examination Priorities (January 11, 2016)
12. Agenda for Manager Roundtable (February 23, 2016)

D. Financial Reports:

1. Gray & Company SEC Update (January 22, 2016) & AUA as of December 31, 2015
2. Attucks Asset Management, Manager of Manager Report – Emerging Manager & Michigan LCV – December 31, 2015
3. Accounts Receivables – January 2016

E. Private Equity / Capital Calls & Distributions

1. Mesirow Financial Fund VI – Capital Call - \$90,000.00 – December 18, 2015
2. Mesirow Financial Fund IV – Distribution - \$200,000.00 – December 31, 2015

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

1. New Retirements

Ret No.	Name	Years/Months of Service	Union	Age	Retirement Option	Effective Date	Monthly Benefit

**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.
0782	Cox, Eugene	01.10.2016	Deceased		Local 2002
1306	Barnett, Wanda	11.13.2015	None		Hospital
1993	Cole, Dorothy	11.11.2015	None		Hospital

3. Continued Retirements

Ret No.	Name	Date of Death	Survivor's Name	J&S Option	Benefit Amount	Union or Dept.
0613	Myers, Richard	12.04.2015	Myers, Joan	100%		Local 2002
1124	White, Nathan	11.25.2015	White, Nina V.	100%		Hospital
2639	Collias, Helen	12.05.2015	Collias, Frank	50%		Hospital

4. Pop-Up Continued Retirements

Ret No.	Beneficiary's Name	Date of Death	Retiree's Name	J&S Option	Benefit Amount	Union or Dept.
1509	White, Nathan	11.25.2015	White, Nina V.	50%		Hospital

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

RESOLUTION 16-003 By Nazarko, Supported by Waterman

Resolved, That the Board remove the minutes from the December 2, 2015 Board meeting; the new retirements for Stephen Visniski, Hurticene Hardaway and Charmaine Schmidt; the duty disability age sixty-five pension benefit conversion for retiree Arnold Rouser; the suspended retirement benefit for the beneficiary of Richard Myers; the correspondence to the City Council from Chairman Giddings; the email from the Department of Labor; and the accounts payables.

Yeas: 9 – Nays: 0

Meeting Break at 1:00 p.m.

Resumed Meeting at 1:10 p.m.

Chairman Giddings indicated he would like Ms. Billings' comments added to the December 2, 2015 minutes indicating that there is no penalty under Public Act 314 with regard to not presenting the cost study to the Board prior to implementation.

Ms. Billings explained there is no penalty under Public Act 314 for not providing the cost study to the Board. Unlike ERISA which specifically provides for monetary penalties, PA 314 does not set forth monetary penalties; rather, trustees have a fiduciary obligation to comply with PA 314.

Trustee Nazarko asked that going forward that the agenda reflect that deceased members are identified as not having a beneficiary. He also asked for more detail when there is a bump up in a member's benefit.

RESOLUTION 16-004 By Waterman, Supported by Gaffney

Resolved, that the Board approve the minutes for the December 2, 2015 Meeting as amended.

Yeas: 9 – Nays: 0

Trustee Moore questioned Chairman Giddings' announcement as the new Chairman to the Pontiac City Council and whether a procedure should be established. According to the Charter the Executive Director is the contact for the Board.

There was discussion whether Board members can use the Retirement System letterhead template for communications.

Trustee Moore stated the Charters indicate the Executive Director is the contact person for the Board.

Chairman Giddings recommended that this issue be referred to the Personnel Subcommittee for policy and procedures as needed.

There was discussion regarding Chairman Giddings' participation in the Department of Labor issue.

Chairman Giddings explained that this was regarding three deceased Hospital retirees who paid life insurance premiums but their estates did not receive the life insurance benefit payment.

He has been acting on behalf of the Hospital retirees who he represents on the Board. This does not impact the Board. Ms. Billings commented at a previous meeting that the Hospital life insurance issue does not affect the System.

Ms. Carter noted the memorandum sent to the Finance Subcommittee regarding the VISA credit card limits. This will enable all the Trustees on the Board to have a credit card. She recommended that the Trustees are mindful of their credit card limit.

Questions regarding Trustee credit cards and reimbursements were referred to the Finance Subcommittee.

Chairman Giddings asked about the credit limits on the Trustee VISA cards.

Ms. Carter indicated the System has a total credit limit of \$50,000.00. The general office card limit is \$15,000.00 and the individual Trustee card limit is \$3,000.00 each.

Trustee Moore reported he requested the backup for the recent legal bills.

There was discussion regarding whether the System's legal counsel can meet with Board members.

Chairman Giddings felt that as fiduciaries Trustees should be able to solicit legal advice.

Chairman Giddings and Trustee Moore recommended referring the questions to the Finance and Personnel Subcommittees.

Trustee Deirdre Waterman requested copies of the itemized legal bills for the past year.

Trustee Deirdre Waterman left at 1:50 p.m.

Trustee Patrice Waterman indicated she received a communication from Charlie Harrison tendering his resignation from the Board. She forwarded the communication to the City Clerk on December 22, 2015.

Chairman Giddings stated since Trustee Harrison was appointed by the City Council it was only right that he submit his resignation to them.

Chairman Giddings requested that going forward the Trustees indicate whether they are voting no or abstaining from voting on resolutions. This is to comply with the Michigan Open Meetings Act.

There was discussion regarding the new retirements that require Board approval.

Ms. Billings described insurable interest as it pertains to the new retirements. Insurable interest is used by insurance companies to prevent fraud. It allows a member to nominate a beneficiary with an insurable interest in his/her life while taking an actuarially reduced retirement benefit.

She explained the family love and affection insurable interest would include a spouse, child, brother or sister. Relationships outside the nuclear family would be examined more closely to determine whether there is an economic or pecuniary interest to establish insurable interest. This was defined by the Deputy City Attorney more than thirty years ago.

She provided an example of business partners and how one partner insured the other partner based on their business relationship. In this instance, the person acquiring the insurance has reasonable expectation of some benefit or advantage from the continuance of the insured's life.

She described common law expansion of insurable interest which would include spouses or someone who is dependent upon another for financial support, or someone who has a reasonable expectation of some benefit or advantage from the continuance of the insured's life.

She also explained civil unions, domestic partnership relationships and same-sex partnerships.

Her conclusion was that an insurable interest under the familial love and affection doctrine would include a spouse, child, brother or sister. Relationships outside that of the nuclear family should be examined more closely to determine whether or not there is an economic or pecuniary interest to establish an insurable interest.

Trustee Bowman left at 2:15 p.m.

Trustee Nazarko felt that something should be done to prohibit members from nominating their adult children as their beneficiary.

Ms. Billings explained that the law supports this as insurable interest.

Trustee Nazarko questioned how other Systems approach this issue.

RESOLUTION 16-005 By Gaffney, Supported by Arndt
Resolved, That the Board approve the Charmaine Schmidt retirement with her Option II benefit selection.

Yeas: 4 – Nays: 2 (Trustees Albritton and Nazarko)
Abs: (Trustee Patrice Waterman)

The Board would like Ms. Schmidt to come before the Board to explain her selection of Option II and to demonstrate insurable interest.

RESOLUTION 16-006 By Gaffney, Supported by Moore
Resolved, That the Board approve the Stephen Visniski retirement benefit.

Yeas: 7 – Nays: 0

RESOLUTION 16-007 By Gaffney, Supported by Albritton
Resolved, That the Board request additional information to demonstrate insurable interest with regard to the Hurricane Hardaway Option IV selection or to select Option I which is a regular retirement.

Yeas: 6 – Nays: 1 (Trustee Nazarko)

Ms. Carter indicated that paperwork was submitted on behalf of Joan Myers the beneficiary of Richard Myers. There was a question regarding the submitted paperwork. A letter was sent to Joan Myers on January 25, 2016 and to her daughter Joy Convis indicating that the Retirement Office could not process the benefit based on the submitted paperwork.

It was recommended that the benefit be suspended until the Retirement Office can secure the correct paperwork.

RESOLUTION 16-008 By Nazarko, Supported by Gaffney
Resolved, That the Board approve the suspension of the benefit to Joan Myers the beneficiary of deceased retiree Richard Myers based on the information provided.

Yeas: 7 – Nays: 0

The duty disability age sixty-five pension benefit conversion for Arnold Rouser was discussed.

Trustee Nazarko requested further information with regard to the calculation of this benefit.

UNFINISHED BUSINESS

Re: Actuarial Services – Request for Proposals

1. Process Update
2. Selection of Actuary
3. Authorization to Engage Contracts

Trustee Nazarko questioned why there was only one RFP response.

Ms. Carter explained the System sent the original RFP to Gabriel, Roeder & Smith, Towers Watson, Rodwan Consulting, Buck Consultants, Actuarial Services and Nyhart. The request was also posted on the MAPERS and the System's website.

She distributed a letter of resignation from Rodwan Consulting.

Questions were received from a number of the actuaries on the list but only one Proposal was submitted by Nyhart.

There was Board discussion regarding the terms of the contract.

The Board determined that they would like to proceed with a one-year contract with Nyhart.

RESOLUTION 16-009 By Moore, Supported by Gaffney
Resolved, That the Board selects the firm of Nyhart as the Actuary for the City of Pontiac General Employees' Retirement System commencing in the calendar year of 2016 for a period of one year.

Yeas: 7 – Nays: 0

RESOLUTION 16-010 By Moore, Supported by Gaffney
Resolved, That the Board authorizes the Chairman to enter into an Agreement for Actuarial services with Nyhart for a period of one-year, pending legal review.

Yeas: 7 – Nays: 0

Adoption of 2016 Expense Budget for Pontiac GERS (Tabled)

Re: Adoption of Board Charters (Refer to Committee)

NEW BUSINESS

Re: 2016 Trustee Election – Retiree Seat (Shirley Barnett)

1. Timeline & Procedures

Ms. Carter reported that the Retiree Trustee position on the Board will terminate effective March 31, 2016. She provided a copy of the election timeline and procedures.

RESOLUTION 16-011 By Moore, Supported by P. Waterman
Resolved, That the Board adopt the proposed 2016 Trustee Election process including the timeline and procedures for the position of Retiree Trustee.

Yeas: 7 – Nays: 0

Re: 2016 Renewal of Staff Healthcare

Ms. Carter explained that the healthcare coverage is up for renewal effective February 1, 2016. She explained that the healthcare coverage for 2015 is no longer available and was replaced with coverage that would triple the out-of-pocket expenses for employee plus spouse coverage to \$10,000.00. She requested that the Board approve the revised healthcare coverage selection as presented.

RESOLUTION 16-012 By Nevrus, Supported by Gaffney
Resolved, That the Board ratifies the Executive Director to cause the renewal of the Staff healthcare coverage to be done so through United Healthcare using Plan 7D-3 (including Vision, Dental and Life AD&D).

Yeas: 6 – Nays: 0

Abs: (Trustee Arndt)

Re: Account Establishment with TransWorld System (Tabled)

Re: Overpayment to Retiree – Carolyn Freeman (Tabled)

Re: Overpayment to Retiree – Wanda Barnett (Tabled)

Re: General Investment Consultant – Request for Proposal (Tabled)

Re: 2014 Summary Annual Report

Resolution 16-013 By Nazarko, Supported by Gaffney

Resolved, That the Board authorizes the issuance of the 2014 Summary Annual Report

Yeas: 7 – Nays: 0

Re: Auditor Engagement Letter for 2016 (Tabled)

Legal Report - None

REPORTS

Re: Chairman - None

Re: Trustees/Committees - None

Re: Executive Director

Ms. Carter discussed her prior professional relationship with Attucks Asset Management.

Ms. Billing read a letter from Attucks Asset Management’s legal counsel regarding the same.

There was a question regarding Trustee attendance at conference sessions.

Trustee Moore asked how the Board should respond to Attucks.

Ms. Billings indicated that the matter should be handled by legal indicating it was addressed at the meeting.

RESOLUTION 16-014 By Gaffney, Supported by Moore

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

Roll Call:

Trustee Albritton – yea

Trustee Moore - yea

Trustee Arndt – yea

Trustee Nazarko - yea

Trustee Gaffney - yea

Trustee Patrice Waterman - yea

Trustee Giddings - yea

The Board moved to closed session at 3:01 p.m.

The Board returned from closed session at 3:15 p.m.

RESOLUTION 16-015 By Gaffney, Supported by Nazarko
Resolved, That the Board ratify the Chairman's signature on the Super Micro Computer, Inc. securities litigation.

Yeas: 7 – Nays: 0

RESOLUTION 16-016 By Gaffney, Supported by Nazarko
Resolved, That the Board ratify the Chairman's signature on the Lifelock securities litigation.

Yeas: 7 – Nays: 0

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Special Meeting (Manager Review): Tuesday, February 23, 2016 @ 8:00 a.m. – Offsite
Regular Meeting: Wednesday, February 24, 2016 @ 10:00 a.m. – Retirement Office

RESOLUTION 16-017 By Gaffney, Supported by Moore
Resolved, That the meeting of the Board of Trustees of the City of Pontiac General Employees' Retirement System be adjourned at 3:18 p.m.

Yeas: 7 – 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 27, 2016

As recorded by Jane Arndt