

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
September 27, 2017**

A meeting of the Board of Trustees was held on Wednesday, September 27, 2017 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 10:00 a.m.

TRUSTEES PRESENT

Sheldon Albritton
Jane Arndt
Koné Bowman
Janice Gaffney
Robert Giddings
Walter Moore, Chairman (by Skype)
Nevrus Nazarko, Secretary
Billie Swazer
Deirdre Waterman, Mayor (*arrived. @ 11:50 am*)
Patrice Waterman, City Council President
Kevin Williams, Vice-Chair

OTHERS PRESENT

Cynthia Billings-Dunn, Sullivan Ward
David Lee, Dahab Associates
Steven Roth, Dahab Associates
Deborah Munson, Executive Director
Sekar Bawa, Finance Officer Candidate
Kathi McNally, Hospital Retiree
Phillip Moore, Finance Officer Candidate
Twila Setla, Hospital Retiree
Linda Watson, City Retiree

Vice-Chairman Williams opened the meeting at 10:00 a.m.

PUBLIC COMMENT

Retiree, Linda Watson requested a copy of the September 2017 accounts payables.

FINANCE OFFICER CANDIDATES

Sekar Bawa

Miss Munson introduced Mr. Sekar Bawa to the Board.

Trustee Patrice Waterman introduced herself and thanked Mr. Bawa for his application. Mr. Bawa spoke with the Trustees at length regarding his qualifications and work history. After a considerable question and answer period, Mr. Bawa was excused from the meeting at 10:43 a.m.

Phillip Moore

Miss Munson introduced the members of the Board to Mr. Phillip Moore.

Trustee Patrice Waterman asked why Mr. Moore he would leave his current employment to take the Finance Officer position with the Retirement System.

Mr. Moore indicated that he is not presently employed. After his initial interview his reasons changed for wanting the position. He likes the staff and the fact that the Board is fully engaged. The Executive Director and Personnel Committee conveyed what some of the projects they are looking to do in the future and he feels this would be a good fit for him doing the things he loves.

At the request of Miss Munson, Mr. Moore provided highlights of his work history and qualifications for the position of Finance Officer. After a considerable question and answer period, Mr. Moore was excused from the meeting at 11:40 a.m.

Trustee Giddings indicated that he believes Mr. Moore is a qualified candidate and that he liked the way Mr. Moore described how he would handle conflicts at work.

Trustee Swazer indicated that both candidates are qualified but Mr. Moore would also bring document management experience.

Trustee Patrice Waterman stated that she enjoyed both interviews and feels both candidates are qualified. Salary should not be the determining factor.

Trustee Gaffney stated that the Retirement Office has a small staff and the positions overlap. She felt that Mr. Moore was the better candidate based on his customer service skills.

Vice-Chair Williams indicated that both candidates have strong skillsets and either one could do the job.

Trustee Deirdre Waterman arrived at 11:46 a.m.

There was detailed discussion on which candidate would be the better fit for the Retirement Office.

Vice-Chair Williams felt that Mr. Bawa's experience was the better fit for the Office.

Miss Munson indicated that both candidates are extremely qualified and she could work well with either. She requested that the Board make the decision on which candidate to hire and determine a maximum salary for the personnel committee to offer.

Chairman Moore asked about the employment agreement.

Miss Munson referred the Trustees to a copy of the agreement in the agenda. The agreement is identical to the one the attorney drafted for her with the following exceptions: no severance, no bonus and no System-provided subscriptions.

Trustee Giddings questioned when the Board decided to use a contract and whether Miss Munson had a contract as the Finance Officer.

Chairman Moore explained that the personnel committee felt it was in the best interest of the System to have a contract.

Trustee Gaffney stated that at the time Miss Munson was hired by the City there was no need for a contract.

Trustee Swazer made a resolution to hire Phillip Moore as the Finance Officer with a starting salary of \$85,000 and three weeks of vacation.

Trustee Gaffney supported the resolution.

Chairman Moore felt that the starting salary should be reduced to \$80,000.00 and made a resolution to amend the salary amount in the resolution. Trustee Gaffney supported the resolution.

Trustee Gaffney felt that Mr. Moore could be offered \$80,000.00 to \$82,000.00 as a starting salary.

Trustee Giddings stated that Mr. Moore should be offered \$80,000.00 with an escalator.

Trustee Gaffney stated that the Board interviewed two great candidates. Mr. Moore can walk in and do the job tomorrow.

Trustee Patrice Waterman agreed that both are qualified candidates. She felt that the committee should start with the lower salary and move up.

Trustee Giddings agreed that if a candidate desires the job they will agree with the lower starting salary with escalator.

Trustee Bowman noted that the System needs to get in touch with Mr. Moore's former employers before finalizing the hire.

RESOLUTION 17-112 By Moore, Supported by Gaffney

Resolved, That the Board amend the earlier resolution to correct the salary amount to up to a maximum \$82,000.00.

Yeas: 10 – Nays 1 (Trustee Swazer)

RESOLUTION 17-113 By Swazer, Supported by Giddings

Resolved, That the Board hire Phillip Moore as the Finance Office with a starting salary of up to \$82,000.00 with fringe benefits as discussed.

Yeas: 10 – Nays: 1 (Trustee Bowman)

There was additional discussion regarding the System's benefits.

Miss Munson suggested that the retirement plan issue be referred back to the committee for review.

Trustee Gaffney indicated that the retirement plan issue can be referred to the personnel committee and brought back to the Board.

Trustee Deirdre Waterman questioned what the established retirement plan is in the agreement.

Trustee Gaffney indicated that she agrees with Trustee Bowman that Mr. Moore's references and former employers should be contacted.

Trustee Bowman indicated that he voted no because the resolution did not indicate that background checks and references checks will be done along with the former employers being contacted. There was no due diligence done with the System's last hire and he does not want to go down that road again.

Trustee Deirdre Waterman asked what reasons would the Board use to change their decision on the hiring.

Trustee Nazarko responded that the background check would have to turn up nothing criminal or questionable and the references will have to check out.

Trustee Bowman suggested that since employers cannot give out a lot of information it may be beneficial to ask if they would hire the person back.

Trustee Deirdre Waterman asked what information the background check will provide.

Miss Munson indicated that a background check will look at any criminal and employment history, traffic citations and credit history.

Miss Munson confirmed that Mr. Moore provided references.

RESOLUTION 17-114 By P. Waterman, Supported by K. Bowman
Resolved, that the Board's offer to Phillip Moore of the Finance Office position for the Retirement System is contingent on satisfactory results of the background and reference checks.

Yeas: 11 – Nays: 0

AGENDA CHANGES - None

APPROVAL OF CONSENT AGENDA

A. Approval of the Minutes of the Regular Board Meeting held August 30, 2017

B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: September 27, 2017

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TOTAL PENSION PAYROLL

\$2,044,213.81

Staff PPE Pay Date: September 14 & 28, 2017

TOTAL STAFF PAYROLL

\$ 14,973.52

C. Communications:

1. Correspondence from Intercontinental Re: Staff Change
2. Correspondence from Intercontinental Re: Hurricane Harvey
3. Correspondence from Intercontinental Re: Hurricane Irma
4. FOIA Correspondence to/from Eurohedge
5. FOIA Correspondence to/from Zack Cziryak
6. FOIA Correspondence to/from Public Plan IQ
7. Invesco Real Estate Client Conference: November 7-9 (La Jolla, California)

D. Financial Reports:

1. Accounts Payables – September 2017
2. Dahab Associates Preliminary Report: August 2017
3. Attucks Manager of Manager Summary: August 2017
4. Statement of Changes: August 2017

E. Private Equity Capital Calls & Distributions

1. Mesirow Fund IV Distribution – August 25, 2017 \$ 75,000.00
2. Mesirow Fund VI Capital Call – September 6, 2017 \$135,000.00
3. Intercontinental Capital Call – October 3, 2017: \$859,785.91

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

1. New Retirements

Ret. No.	Member's Name	Amount	Effective
2815	Fagan, Josephine		10/01/2017
2810	Fitzpatrick, Patrick		10/01/2017

Bold type entry indicates Reciprocal Service Credit with another eligible municipality.

2. Terminated Retirements (Deaths)

Ret No.	Member's Name	Date of Death	Benefit Amount
1621	Coombs, Doris	08/25/2017	
1754	Coon, Audrey	09/15/2017	
1514	Kelly, Catherine	09/15/2017	
701390	Tolbert, Howard	08/13/2017	

3. J&S Continued Retirements

Ret No.	Name	Date of Death	Survivor's Name	Amount
2440	Mallory, Cynthia	09/18/2017	Mallory, W. Howard	
2346	Seay, Robert	09/05/2017	Seay, Marc	

4. Recalculated Retirements

Ret No.	Name	Effective Date	Reason For Change	New Amount
2807	Sumler, Jimmie	03/01/2017	Final Benefit	

5. Disability Medical Re-Exams/Benefit Continuation

Ret No.	Name	Reason

6. Refunds of Employee Contributions

Ret No.	Name	Reason	Benefit Amount

RESOLUTION 17-115 By Gaffney, Supported by Swazer

Resolved, That the Board approves and ratifies the actions described in the Consent Agenda for September 27, 2017.

Yeas: 11 – Nays: 0

CONSULTANT

Re: Dahab Associates

Preliminary Performance Summary

Mr. Roth provided the preliminary performance. As of August 31, 2017, the total Plan value was \$487.5 million and as of September 25, 2017 the Plan value was \$490.3 million. For the month returns were 0.5% versus the benchmark at 0.3% and 8.8% year-to-date versus the shadow index at 10.2%. Returns are gross of fees.

Trustee Bowman left at 11:57 p.m.

RESOLUTION 17-116 By Swazer, Supported by Albritton

Resolved, That the Board approves to amend its 2017 Meeting Schedule to add a Trustee Education Session to be held on Friday, November 17, 2017 at 12:00 p.m.

Yeas: 10 – Nays: 0

Periodic Rebalancing

Mr. Roth reviewed their cash flow rebalancing recommendation with the Board. They recommend transferring \$6 million from PNC Capital. He noted that PNC's performance lagged that of General Employees Retirement System
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Michigan-based manager Seizert Capital. This course of action will also help pull down the domestic equities allocation closer to the target.

Miss Munson also noted that both committees have approved an educational training be held on November 17, 2017 to review the revisions to the Investment Policy Statement and the Value-Add Real Estate. A session on investing in Pontiac was also added.

Trustee Arndt told the Board that she felt that the management team from Attucks Asset Management demeaned the System's investment consultants and their position with the Board. It seemed as if Attucks is trying to take on the role of the System's investment consultant.

Trustee Gaffney concurred with Trustee Arndt.

Miss Munson referred to the report in the agenda on the history of the emerging manager program.

Trustee Swazer indicated that it is time for the Board to look at the emerging manager program.

Trustee Albritton felt that the Board was disrespectful to Attucks when everyone got up and left the meeting room. The Board cannot always be in a hurry at these meetings and needs to make a plan on what to do down the road. He felt that the Board's treatment of Attucks was tacky.

Trustee Giddings stated that he apologized to Les Bond and indicated that there was a scheduling error with the hotel.

Miss Munson indicated that Attucks made statements that were not true with regard to their ability to change the underlying managers. Their investment management agreement provides only that they notify the Board of any changes to the underlying managers during the first eighteen months. She noted that Attucks did replace Herndon with Matarin in March 2016 and properly notified the Board.

Trustee Deirdre Waterman indicated that she felt like the Board was being scolded. There is currently no written policy for the emerging manager program and a policy is needed to judge the managers' performance in that portfolio. Attucks was brought in to replace the former consultant who was managing that program and no due diligence was ever conducted on the firm. She reiterated that Attucks needs to be reviewed.

Miss Munson referred to the memo in the agenda packet and noted that the finance committee has been discussing this matter for the last month. She reminded the Board that Attucks is not an emerging manager and that they act as an investment consultant to the Board. She also noted that Attucks retains approximately half of the 63 basis points management fees that the System pays for the emerging manager program. The committee will be reviewing a draft of an emerging manager program policy at their October meeting.

Vice-Chair Williams asked whether something will be available for the Board at the next meeting.

Chairman Moore stated that any plan or policy will have to go through the finance committee. It will be presented to the full Board once it has been thoroughly vetted.

Trustee Deirdre Waterman noted that as the System's investment consultant, Dahab, has the experience and questioned whether they will be involved in putting together the policy.

David Lee indicated that they will work with Miss Munson to draft the emerging manager program policy draft.

COMMITTEE REPORTS

Re: Committees

The reports for the personnel and finance sub-committees were deferred to Miss Munson.

Personnel and Administration Sub-Committee/Finance Sub-committee

Miss Munson reported that the personnel committee met on September 21, 2017 and the finance committee met on September 26, 2017.

Proposed 2018 Expense Budget

Miss Munson reported that no changes were recommended for the 2018 Expense Budget and both committees are recommending its' approval.

New Hire Compensation/Employee Agreement

Miss Munson reported that both committees are recommending Board approval of the proposed compensation package and employment agreement.

Office Buzzer System

Miss Munson reported that both committees reviewed the quotes for an office buzzer system.

Insurable Interest

The personnel committee reviewed the beneficiary designation of Josephine Fagan and are recommending approval.

Trumbull Property Growth & Income Fund Real Estate Investor Letter

Miss Munson indicated both committees reviewed Ms. Billings-Dunn's revisions to the Investor Letter and noted that the Trustees could defer their decision until next month if they felt they wanted additional time to review.

General Ledger and Benefit Calculation Review

Miss Munson reported that Trustees Giddings and Nazarko had had training sessions for reviewing the benefit calculations and general ledger.

GrayCo/Consequent Capital

Miss Munson reported that the finance committee met with Earl Robinson of Consequent Capital after the manager review meeting.

She is putting together a list of the questions presented to Mr. Robinson and his responses. She does not believe much additional information was provided.

Mr. Roth indicated that the Board is dealing with a lot of uncertainty with regard to this investment.

Trustee Gaffney indicated that she would like a copy of the questions and answers.

Trustee Arndt indicated that - based on Mr. Robinson's responses - the System has earned \$232,000.00 on the \$5.8 million invested over the past five years. She also noted that the money invested with Matarin doubled within a sixteen month period.

Trustee Patrice Waterman felt that the Trustees should give Consequent Capital the benefit of the doubt since they are new. The investment was made with GrayCo Alternatives not with Consequent Capital.

Chairman Moore indicated that the System has made money but the investment in Southeastern Global Partners has cost the System money. That is the part the Board needs to be focused on.

Trustee Swazer asked if the System can get out of the investment in SEG.

Miss Munson indicated that the System entered into the investment through a Limited Partnership Agreement with GrayCo Alternatives and that the LPA gives the general partner broad discretion in determining the underlying investments.

Re: Relocation Committee

Trustee Albritton reported that the committee will be doing a site visit on Saturday, September 30, 2017 at 11:00 a.m. to Bethune Elementary in Pontiac, Michigan.

Chairman Moore indicated that the Board should not provide too much information regarding this property because they could lose it which might not be in the best interest of the City.

Trustee Gaffney stated that at the MAPERS Conference she learned that if the System is thinking of buying property or a building there should be a company between the System and the ownership of the property for liability reasons.

Miss Munson agreed and noted the System would likely setup an LLC to acquire real property.

Trustee Deirdre Waterman asked if the committee has developed a site criteria process or plan and requested a copy.

Trustee Albritton said that the committee is considering moving the Retirement Office to Pontiac. They are looking for a safe area and a facility big enough to bring retirees in for education and

meetings. They are looking at building from the ground up or purchasing an existing property to renovate. It is a rolling process and they are taking baby steps.

Trustee Gaffney asked if they are looking for a space where the annual meeting could be held.

Chairman Moore indicated that the purpose of the committee is to set up the criteria and bring the information to the Board.

Trustee Albritton indicated that the committee would appreciate any comments or suggestions from the members of the Board.

Chairman Moore indicated that the System is also looking for investment opportunities within the guidelines of Public Act 314.

Re: Trustees

Travel Policy Exemption Request

Trustee Albritton told the Board that he attended the Opal Public Funds Summit East in Newport, Rhode Island in July of this year. The conference ended on Wednesday around noon and he decided to change his flight to fly back one day earlier instead of just hanging out in his hotel.

Trustee Arndt indicated that she and Trustee Albritton had been discussing changes to the educational policy regarding travel. She felt that their conversation was one reason why Trustee Albritton returned early. He was unaware that his hotel was paid for in advance which is customary for the Opal conferences and the additional night's stay would not be refunded. He thought he was doing what was in the System's best interest.

Miss Munson noted that Trustee Nazarko was unable to attend the Fall 2017 MAPERS Conference due to a work-related matter. His conference registration has been transferred for use at the Spring 2018 MAPERS Conference, however the System was billed for one night's stay pursuant to the hotel's cancellation policy.

Trustee Giddings felt that there should be specific travel guidelines for the Trustees so they know if they are following the policy.

RESOLUTION 17-117 By Swazer, Supported by Gaffney

Resolved, That the Board waives the reimbursement of travel expenses for Trustee Albritton at the Opal Public Funds Summit East Conference and Trustee Nazarko's expenses for the Fall 2017 MAPERS Conference.

Yeas: 8 – Nays: 0
Abstain: 2 (Albritton, Nazarko)

Trustee Nazarko left at ~12:30 p.m.

Fall 2017 MAPERS Conference – Certificate of Attendance

Miss Munson referred to the certificates of attendance at the Fall 2017 MAPERS Conference for herself and Trustee Arndt.

Re: Chairman - None

EXECUTIVE DIRECTOR

Disability Procedures Report as of September 21, 2017

Miss Munson reported that all the forms have been signed and submitted to the Internal Revenue Service.

Asset Transition Update

Miss Munson reported that the Intercontinental Real Estate capital call listed in the consent agenda will be funded by an additional liquidation of the Brandywine fund.

Robbins Geller Conference Report

Miss Munson thanked the Board for allowing her to attend the Robbins Geller Conference. She referred the Trustees to her write-up on the conference details and noted that it was an excellent educational opportunity.

GERS Annual Meeting Notice

Miss Munson reported that the Annual Meeting final invitations will be sent out on Monday, October 2, 2017.

Revised Travel Policy

Miss Munson reminded the Trustees to respond to the email soliciting suggestions or comments for the Education and Travel Policy.

Emerging Manager Program History

Miss Munson reported that she has provided a write-up of the history of the System's emerging manager program. The program started in October 2007 and was managed by UIM, a company started by Mr. Gray. In 2009 Mr. Gray and the other founder of UIM parted ways and Gray & Company was appointed the manager-of-managers over the emerging manager program. Attucks was appointed the manager-of-managers in 2015. The Board never adopted a policy for the program. She will work with the investment consultant to draft a written emerging manager policy.

Principal Real Estate Agreement

Miss Munson reported that the Principal Real Estate investment documents were sent to the firm on September 11, 2017.

GrayCo Settlement with SEC

Miss Munson referred to the handout related to the Gray Financial potential settlement with the Securities Exchange Commission.

UNFINISHED BUSINESS

Re: Resolution to Adopt 2018 Budget

Miss Munson reported that both committees are recommending adoption of the System's 2018 expense budget.

RESOLUTION 17-118 By P. Waterman, Supported by Swazer

Resolved, That the Board adopts the 2018 expense budget as presented.

Yeas: 9 – Nays: 0

NEW BUSINESS

Re: Resolution to Approve the September 2017 Rebalancing

Miss Munson requested that the Board approve the September 2017 rebalancing as recommended by the investment consultant.

RESOLUTION 17-119 By Gaffney, Supported by Swazer

Resolved, That the Board approves the Investment Consultant's recommendation to rebalance the portfolio by transferring \$6 million from PNC Capital to the cash manager to raise cash to provide for benefits and operating expenses.

Yeas: 9 – Nays: 0

Re: Resolution to Accept Investor Letter Re: Trumbull (UBS) Real Estate Investment

Ms. Billings-Dunn explained the changes made to the Bank of America Investor Letter related to the Trumbull (UBS) Real Estate Investment. There is also a side letter establishing Michigan courts versus Delaware courts as the jurisdiction for disputes. She also noted that the manager has indicated that the pledge of capital should be called within sixty days.

She further explained that they have agreed to change the language that would have made any claim by the Retirement System against the Trumbull Fund subordinate to claims asserted by Bank of America. The System's other real estate managers did not have this type of letter included in their agreements.

Trustee Gaffney confirmed that the manager has indicated that the pledge of capital will be called within sixty days.

Mr. Lee stated that the manager uses the line of credit with Bank of America to purchase property when they do not have enough cash on hand. The Investor Letter is something the other managers do not have and it is unusual.

Miss Munson asked if the Board wants to vote to accept the revised Investor Letter or wait another month to make their determination.

Trustee Giddings felt there is no problem moving forward based on the revisions to the Investor Letter.

Trustee Gaffney stated that it appears there are no longer any problems based on the attorney changes and committee review.

Chairman Moore stated it seems that there are no longer any problems and noted that the changes requested by the System have been made.

Mr. Lee and Mr. Roth felt that this is a non-issue.

RESOLUTION 17-120 By Swazer, Supported by Albritton

Resolved, That the Board approves and accepts the Bank of America Investor Letter related to the Trumbull (UBS) Property Growth & Income Fund, LP investment as revised by the Attorney.

Yeas: 9 – Nays: 0

Re: Resolution to Approve Fagan Beneficiary Designation

Miss Munson reported that the personnel committee is recommending approval of the Fagan beneficiary designation. The information provided by the member demonstrating insurable interest is acceptable.

RESOLUTION 17-121 By Gaffney, Supported by Swazer

Resolved, That the Board approves the beneficiary nomination of Josephine Fagan.

Yeas: 9 – Nays: 0

Re: Resolution to Approve Quote for Office Buzzer

Miss Munson requested that the Board approve a budget up to \$1,500.00 to install a buzzer entry system for the office suite.

RESOLUTION 17-122 By Moore, Supported by P. Waterman

Resolved, That the Board approves the Executive Director's purchase and installment of a buzzer entry system for the office suite at a cost not to exceed \$1,500.00.

Yeas: 9 – Nays: 0

Re: MAPE Cost Study

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Miss Munson indicated that Public Act 314 requires that a supplemental actuarial analysis be performed prior to implementation of retirement benefit changes regardless of whether the change results in an increase or decrease in benefits. The 2016 MAPE contract reduces the retirement multiplier from 2% to 1.5% for employees hired after July 1, 2016. No supplemental analysis was performed for this retirement benefit change.

Ms. Billings-Dunn stated that she and Trustee Nazarko have agreed to disagree. The most recent MAPE Contract resulted in a reduction of the retirement benefit multiplier and any changes to retirement benefits require a supplemental analysis.

Trustee Giddings asked whether the City requested the benefit changes.

Re: Legal Report

Trumbull Property Growth & Income Fund - Refer to New Business

Robbins Geller On The Record Summer 2017

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

Robbins Geller August 2017 Monitoring Report

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

RESOLUTION 17-123 By Giddings, Supported by Swazer

Resolved, That the Board approve the closed session minutes for the August 30, 2017 meeting.

Yeas: 9 - Nays: 0

SCHEDULING OF NEXT MEETING

Annual Meeting: Monday, October 30, 2017 @ 1:00 p.m. – St. Joseph Franco Auditorium

Regular Meeting: Tuesday, October 31, 2017 @ 10:00 a.m. – Retirement Office

RESOLUTION 17-124 By P. Waterman, Supported by Swazer

Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' System be adjourned at 1:06 p.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 September 27, 2017

As recorded by Jane Arndt