

**CITY OF PONTIAC, MICHIGAN  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
January 13, 2017**

A special meeting of the Board of Trustees was held on Friday, January 13, 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 2:02 a.m.

**TRUSTEES PRESENT**

Sheldon Albritton  
Jane Arndt  
Koné Bowman *(by phone)*  
Robert Giddings  
Walter Moore, Chairman *(by phone)*  
Deirdre Waterman, Mayor  
Patrice Waterman, City Council Pres. *(by phone)*  
Kevin Williams, Vice Chair

**TRUSTEES ABSENT**

Janice Gaffney *(excused)*  
Nevrus Nazarko *(excused)*  
Billie Swazer *(excused)*

**OTHERS PRESENT**

Matt Henzi, Sullivan Ward Asher & Patton  
Deborah Munson, Interim Executive Director

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*Chairman Moore opened the meeting at 2:02 p.m.*

**PUBLIC COMMENT** – None

**AGENDA CHANGES** – None

**ACTUARIAL CONTRACT**

Miss Munson explained that the special meeting was called due to an email she received from the System's legal counsel regarding revisions to the actuarial services agreement. She noted the strict timeframe for the annual valuation and indicated that alternative arrangements would need to be made were the Board not inclined to approve the changes. She referred the Trustees to the attorney's summary and opinion of the revisions included in the agenda and deferred to Matt Henzi to explain the changes.

Mr. Henzi indicated that there were some substantive changes to the agreement and that Ms. Billings-Dunn wanted the Board to be aware of them to ensure they made an informed decision.

Mr. Henzi reviewed the changes outlined in the Ms. Billings-Dunn's email. Gabriel, Roeder, Smith & Company agreed to reduce their negligence standard from a gross negligence standard to a simple negligence standard and to eliminate the mandatory arbitration provision. Also eliminated from the agreement were the requirement that the Retirement System indemnify, hold harmless and defend GRS for any third party claims against GRS that exceed \$500,000.00: the requirement that the Retirement System indemnify GRS against any 3<sup>rd</sup> party lawsuit to the extent that the lawsuit results

in a judgement payable to the Retirement System; the \$50,000.00 termination penalty that GRS would have imposed for the System terminating GRS for anything other than cause and the provision that GRS would charge the Retirement System 150% of its fees for time in excess of five hours if they are required to transition the account to another actuary.

Mr. Henzi continued that GRS would not agree to waive the limitation of liability or the reimbursement of their attorney fees. He noted GRS' requested limits of liability for any mistakes they make and the provision that GRS will not be liable to the System for any indirect, incidental, special, consequential, exemplary or reliance damages. They have agreed to accept a total liability limited to \$1 million but will not agree to be responsible for any indirect, incidental, special, consequential, exemplary or reliance damages incurred by the Retirement System for their negligence.

GRS requested that the System reimburse GRS for their professional time and attorney fees for every instance that GRS is required by governmental regulation, subpoena, or other legal process to produce records or appear as a witness with respect to their services to the System. They have agreed to limit their attorney fees to no more than \$5,000.00 with respect to any individual subpoena or compelled production of documents.

Trustee Giddings asked whether this provision applies to the actuary being at fault.

Mr. Henzi explained that it pertains to when the Board is at fault. He gave an example of the Board being sued over the actuarial assumptions they adopted and the actuary having to produce records or appear as a witness with respect to the services they render to the System.

Trustee Giddings asked whether other clients of this actuarial firm have similar contracts.

However, given the litigation filed by retiree associations against sponsors of retirement systems around the state of Michigan, he believes this attorney fee term may be a new term GRS is demanding. He also stated that there are providers that are smaller and their contracts are not as complex. However, GRS has changed their contract based on the size of their firm and due to the fact that there is so much liability and litigation.

Mr. Henzi told the Board that he was involved with another Retirement System that was sued by a retirees' association. GRS was never sued but were involved because of the services they provide to that System.

Chairman Moore asked about the length of the contract with GRS.

Miss Munson indicated that the contract term is for three years with no termination fee.

Chairman Moore indicated that he felt the Board should move forward with the GRS contract and noted the Retirement System's long-term relationship with GRS.

Attorney Henzi discussed the pros and cons of the contract language. He advised that legal recommends that the Trustees execute the contract if they feel comfortable with its terms. Attorney Henzi advised that the Trustees would be discharging their fiduciary duties no matter what decision they made, as long as they contemplated the pros and cons of the contract.

**RESOLUTION 17-001** By Bowman, Supported by Arndt

Resolved, That the Board approves the Actuarial Consulting Services Agreement with Gabriel, Roeder, Smith & Company as edited and recommended by the attorney, and further

Resolved, that the Board authorizes the Chair's signature on the agreement.

Yeas: 8 – Nays: 0

Trustee Giddings requested to add his request to attend the IFEBP Investment Institute to the agenda because time is of the essence.

**RESOLUTION 17-002** By Bowman, Supported by Williams

Resolved, That the Board approves to add Trustee Giddings' request to attend the IFEBP Investment Institute being held from March 13, 2017 through March 15, 2017 in Phoenix, Arizona to the agenda.

Yeas: 7 – Nays: 0

Abstain: 1 (Trustee Giddings)

Trustee Giddings requested that the Board approve his attendance at the IFEBP Investment Institute being held from March 13, 2017 through March 15, 2017 in Phoenix Arizona.

**RESOLUTION 17-003** By Bowman, Supported by Williams

Resolved, That the Board approve Trustee Giddings attendance at the IFEBP Investment Institute being held from March 13, 2017 through March 15, 2017 in Phoenix, Arizona.

Yeas: 7 – Nays: 0

Abstain: 1 (Trustee Giddings)

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**SCHEDULING OF NEXT MEETING**

Regular Meeting: Wednesday, January 25, 2017 @ 10:00 a.m. – Retirement Office

Special Meeting: Saturday, January 28, 2017 @ 9:00 a.m. – Meadowbrook Hall

**RESOLUTION 17-004** By Giddings, Supported by Arndt

Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' System be adjourned at 2:22 p.m.

Yeas: 8 – 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 13, 2017

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*As recorded by Jane Arndt*