CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
February 22, 2017

A meeting of the Board of Trustees was held on Wednesday, February 22, 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 10:07 a.m.

TRUSTEES PRESENT
Sheldon Albritton
Jane Arndt
Koné Bowman *(by telephone)*
Janice Gaffney
Robert Giddings
Walter Moore, Chairman *(by telephone)*
Nevrus Nazarko, Secretary
Billie Swazer
Deirde Waterman, Mayor *(arrvd. @ 10:24 am)*
Patrice Waterman, City Council Pres.
Kevin Williams, Vice-Chair

OTHERS PRESENT
Cynthia Billings-Dunn, Sullivan Ward
David Lee, CFA – Dahab Associates
Jim Anderson, Gabriel Roeder Smith & Co.
Louise Gates, Gabriel Roeder Smith & Co.
Deborah Munson, Interim Executive Director
Linda Watson, City Retiree

Vice-Chair Williams opened the meeting at 10:07 a.m.

PUBLIC COMMENT
Retiree, Linda Watson asked about the correspondence regarding the temporary increase and the FOIA requests in the consent agenda

Miss Munson indicated that the correspondence was sent from a member thanking the Board for continuing the $400.00 temporary increase. She explained that the FOIA requests are requests for our private equity data.

AGENDA CHANGES
Miss Munson requested that the Board amend the agenda to move the consultant ahead of the actuary's report. The consultant has an early flight and needs to leave the meeting early.

RESOLUTION 17-016 By Gaffney, Supported by Nazarko
Resolved, That the Board amend the agenda to move the consultant's report ahead of the actuary's report on the agenda.

Yeas: 10 - 0

CONSULTANT

Re: Dahab Associates

Performance Report
David Lee provided a review of the preliminary performance summary as of January 31, 2017. He reported that the markets have done very well. The System's market value as of that date was $471.8 million.

The equities market has outperformed including both domestic and international. He reported mid cap manager Victory Capital's January performance of 4.5% versus the index at 3.3%; small cap manager Kennedy Capital's underperformance of 0.7% versus the benchmark at 1.6%; international equity value manager First Eagle at 2.7% versus 2.8% and international equity growth manager WCM at 4.6% versus 3.5%.

He also reported that January was also a good month for bond performance.

He noted the System's one-year (12-month rolling) performance of 15.0% versus the benchmark at 14.3%; two-year performance 5.5% versus 5.5%; five-year performance 9.5% versus 9.6%; ten-year performance of 6.5% and since inception performance of 8.2% annualized return since 1992.

He noted that there are questions of whether the market is up because of the Trump Administration and anticipated changes including regulation changes, repatriation of cash and infrastructure spending. They feel that the markets will continue to rise.

Mr. Lee reviewed the February rebalancing spreadsheet. He told the Board that the portion of the portfolio currently allocated to City National Rochdale of $4.2 million will be liquidated. He noted that National City has resigned the account and the cash will used to pay System benefits and other expenses and will help bring the equity allocation in-line with the target.

Real Estate Manager Search
Mr. Lee reviewed the Real Estate presentation and noted that he went through the information at length with the finance sub-committee. He noted that Dahab had gone through all of the respondents to the RFP and the presentation describes how they screened the respondents to come up with the finalists.

He described how their screening process screened the 17 core manager respondents based on the RFP process, entry queue, performance track record and qualitative factors.

Mr. Lee explained that core real estate is a first step for the System. He provided a description of core real estate investments and the property types which include apartments, industrial, office and retail. He reminded the Board of the prior real estate presentation in which he described that core is the most fundamental and conservative type of investment in this space. These investments use less leverage, have lower fees and lower returns. Core real estate tends to have the highest occupancy in the most demographically attractive and economically robust cities in the U.S.

Mr. Lee reviewed the short-list of core real estate managers - Invesco Advisors and Principal Real Estate Investors. He reviewed and compared the characteristics of each manager. Invesco Advisors manages assets of $820.2 billion and Principal $72.2 billion. Invesco has assets of $11.3 billion in their core strategy versus Principal with $9.3 billion. This indicates that both managers manage a great deal of assets in this product but it does not represent their entire book of business. He continued with the core comparison. He reviewed their geographic diversification and indicated that both are very well diversified in geography and property type. Invesco's current leverage is 26% versus Principal with 21%. Both managers are benchmarked against the NCREIF ODCE which represents open-ended diversified funds such as these. There are 36 funds included in the benchmark and both of these are included.

Mr. Lee reviewed the fees for these two managers which is 110 bps. Invesco has a minimum investment of $10 million and Principal's minimum investment is $1 million. He reminded the Board that the target asset allocation for real estate is 10% of the portfolio but noted that the System will be investing gradually.

Mr. Lee reviewed their core performance gross of fees versus the NCREIF ODCE benchmark noting both returned similar performance versus the benchmark.

He described core-plus real estate investments. He noted that core-plus takes on a little more risk versus the core managers related to execution or property type which is a relatively greater business risk than core managers.

Trustee Deirdre Waterman arrived at 10:24 a.m.

Mr. Lee reviewed the short-list of core-plus real estate managers: Intercontinental, Sentinel Realty Advisors and UBS Realty Investors. Intercontinental and Sentinel both have ~$5.6B in AUM and UBS Realty has ~$30B. Intercontinental has ~$5.6B in the core-plus product, Sentinel ~$1.7B and UBS ~$1.0. He noted that UBS has ~$20B in its core product.

He noted that Sentinel Realty Advisors is included among the core-plus managers because they invest only in apartments. Intercontinental and UBS are more diversified by property type. He also noted that Sentinel tends to invest in less highly rated cities. Sentinel will look at B- and C-grade cities and/or B- or C-grade properties in Class A cities. This opportunity set has greater execution risk. He indicated that although real estate returns are in the seventh or eighth inning, there are still opportunities for returns.

He reviewed the geographic and property type diversification of the three managers reiterating the lack of property type diversification for Sentinel. He noted the increased level of leverage for this group which ranged from 32% to 42% and reminded the Trustees that core-plus would be expected to have higher leverage than core funds. He also noted that the fees are generally higher and explained the additional preferred returns for each manager.

He reviewed the managers' performance gross of fees and noted that they were better than for the core managers. This reflects the higher level of risk that is taken.

Mr. Lee explained that the finance sub-committee had determined to take the real estate process in steps. The first step would be to interview the 5 short-listed managers reviewed included in the presentation. The value-added component would follow as the next step.

Miss Munson asked the Trustees if they are comfortable with the pace of the process and scheduling the core and core-plus manager presentations. A special meeting would be scheduled for April.

Vice-Chair Williams thanked Mr. Lee for his report.

Trustee Bowman asked if the Board could move the agenda items which require a vote forward on the agenda.

Vice-Chair Williams explained that the meeting seems to be moving along a fair pace but that adjustments could be made later, if necessary.

ACTUARY REPORT – PRELIMINARY 2015 AUDIT RESULTS

Re: Gabriel, Roeder, Smith & Company
Jim Anderson introduced himself and Louise Gates. He told the Board that they will be reporting their findings as a result of their audit of the 2015 valuation.

He indicated that there was a lot of hard work that went on in January and February between his firm, the prior actuary and Miss Munson to produce the report and commended everyone on their efforts.

Mr. Anderson referred the Trustees to page A-2 which is the summary of their findings. He reported that the entry-age funding method used by the prior actuary was appropriate for use and is the cost method used by most public retirement systems to finance their retirement benefits. This is not as crucial an element as it is for other plans because there are only thirty active employees for whom a normal cost is calculated. The work was prepared by credentialed actuaries who are members of the Society of Actuaries and the American Academy of Actuaries. And the recommended employer contribution of $0 is reasonable. The Plan is well-funded.

He noted that the smoothing method used for the System is reasonable; however, GRS does have some minor recommendations which will be discussed shortly.

Mr. Anderson reviewed the results of their replication of the prior actuary's results for the System's valuation as of December 31, 2015. GRS was able to replicate the prior actuary's results to a high degree of accuracy. The normal cost for the active members is off ~7.7% which does not seem to be a high degree of accuracy. He noted that each firm has their own way of applying the entry-age cost method. The actuarial accrued liability for active members – which is not shown - is approximately $5.6 million by GRS' measurement and $5.69 per the prior actuary. They were within .18% of prior actuary's calculation. This is a minor issue for the Pontiac since it is largely an inactive System.

Mr. Anderson reviewed the retiree and beneficiary members and vested deferred members calculations. The present value of future benefit amounts were within 0.1% of the prior actuary's calculation. The grand totals of the present value of future benefits and were within $250,000.00 to $300,000.00 which is close on a base of $250 million. Therefore, using the data, assumptions and methods used by the prior actuary, GRS was able to match their results quite well.

Ms. Gates reiterated that they were able to replicate the accrued liability which is the place you start for an audit. The next question is whether the assumptions and methods used are reasonable and are they consistent with what is happening in the plan. She noted that the investment return assumption has a fairly significant impact on valuation results: it is used in the development of the liability. She explained how future liabilities are 'discounted' using the investment return assumption. The prior actuary used a discount rate of 7.5% and actuarial standards require that there is justification for the discount rate. As GRS reviewed the 2015 valuation, they were unable to justify use of a 7.5% discount rate.

Ms. Gates directed the Trustees to B-2 of the report which depicts how the System's target asset allocation is used to generate an expected real rate of return and how that return is used to 'build' or calculate an expected rate of return for valuation purposes. The prior actuary's return assumption net of administrative and investment expenses is 7.19%. It is GRS' opinion that this is not close enough to justify the 7.5% used in the 2015 valuation and a lower rate should have been recommended by the prior actuary. GRS is recommending that the Board lower the discount rate.

She reviewed the charts the demonstrated how GRS developed the range of recommended discount rates. She noted that they used the System's current asset allocation and expected returns and capital market assumptions from eight national consulting firms to develop the rates. They also collected data from the System's investment consultant whose net real rate of return was within the range of expected returns. The median return for the System's portfolio is ~6.63% based on their modeling. The trend appears to be to expect lower returns and GRS believes it would be reasonable to lower the investment return used in future valuations.

Chairman Moore noted that the System's annualized rate of return over the last fifteen is 8.1% gross of fees. He questioned the difference between the System's prior returns and the expected returns presented in the report.

Trustee Nazarko stated that the prior actuary used a discount rate of return of 7.5% for 2015 and that the rolling one-year return as presented by the consultant today was 15% through January 2017. He understands the argument for lowering the discount rate, but questioned whether the System would be better off keeping that rate at 7.5% based on the System's annualized return of 8.1% over the last fifteen years.

Ms. Gates noted that the System's average annual market returns of 8.1% over the past fifteen years were gross of fees. She explained that this return is gross of investment and administrative expenses. The actuarial assumption is net of administrative and investment expenses. Estimated administrative expenses are approximately 2/10ths of a percent which reduces the 8.1% to 7.9%. The investment expenses could easily reduce the realized market return to below 7.5%. GRS also reviewed the System's prior years' valuations. The System's returns over the last five years net of investment and administrative expenses are approximately 5.24% on a market value basis. She also noted the fair amount of volatility in the portfolio.

Chairman Moore questioned whether those returns included 2009.

Ms. Gates responded that 2009 fell outside of the five years of valuation reports that she reviewed.

Mr. Anderson elaborated that the returns reported by the investment consultant are historical returns. However, the forward looking returns are the ones that are crucial to calculating the System's total liability and they are projected over a longer future time horizon.

Ms. Billings-Dunn asked what investment return assumption GRS is recommending.

Ms. Gates indicated that they believe 6.75% or 7.0% would be reasonable based on their findings. They look at a twenty year time horizon and GRS' price increase assumption is lower than the prior actuary's. They use documented sources for this as well. She explained how the investment return assumption consists of the real rate of return and the price inflation assumption. A higher price inflation assumption boosts the assessment of the investment rate of return. The data GRS reviewed supports a lower price inflation assumption of ~2.25% and noted page B-3 which documents the sources including the Federal Bank of Cleveland from which this data is gathered. She reiterated that these are forward-looking assumptions.

Chairman Moore confirmed that the actuary is recommending a 7.0% or 6.75% investment rate of return assumption and that the decision of which to use rests with the Board.

Ms. Gates noted that either rate could be justified and that – as the actuary - they always attempt to provide choices.

Chairman Moore indicated that the investment consultant has also recommended lowering the return assumption. He asked the actuary what is their recommendation.

Ms. Gates noted the conservative nature of their position as actuaries and indicated their recommendation would be to use the 6.75%.

Ms. Gates reviewed Appendix II of the report which showed the impact of changing the discount rate to 7.0% or 6.75% as well as tweaking to the mortality table currently used by the System. The difference in the 2015 funding surplus would go from the ~$164.7 million to ~$146.5 million using the 7.0% discount rate with a funding ratio of ~154% and to ~$140.2 million using the 6.75% discount rate.

It was noted that some large pension funds such as CALPERS have been moving to lower their discount rates.

Chairman Moore asked if Ms. Gates could explain the difference in the mortality tables used to develop the liability.

Mr. Anderson explained that the prior actuary updated the mortality table to use a blue-collar adjustment of the RP-2014 table. They also used a Social Security mortality projection scale that GRS was unable to find. The current mortality assumption also uses generational mortality improvement which is more generally used for open plans. GRS is recommending that the Board remove the generational improvement and move to the RP-2014 healthy annuitant table based on the System's small active population. GRS doesn't see a basis for the blue collar adjustment made by the prior actuary. The RP-2014 healthy annuitant table is a static version; it does not have generational improvement. It projects mortality out to 2021 and this table would be updated based on the results of future experience studies. The bottom line is the Plan costs would increase based on the slightly higher life expectancies. He noted the importance to the health of the Plan to accurately reflect longer life expectancies.

Chairman Moore confirmed that the recommendations use the System's current asset allocation. He questioned whether the recommended mortality tables reflect of the mortality of this Plan.

Trustee Nazarko questioned whether the actuary had reviewed the number of members who passed away in 2016. He questioned whether the number of deceased members would make a difference if it was incorporated into GRS' assumption.

Mr. Anderson explained that they do review our specific data but that the System is a small Plan and our experience would not provide a credible basis from which to make assumptions about mortality. GRS will plan-specific mortality during a three- or five-year experience study and incorporate this data going forward.

Mr. Nazarko wanted to know what mortality the Plan should have expected based on the mortality tables.

Ms. Billings-Dunn asked what is the impact of changing the mortality tables.

Ms. Gates indicated that the result is a small increase in the liability compared to using the table that was previously adopted.

Chairman Moore confirmed that there was some additional data that was needed in order to provide a more accurate report and questioned what could be done to achieve a more accurate report.

Ms. Gates confirmed that they encountered some data issues that would be discussed later.

Mr. Anderson directed the Trustees to page B-8. He noted the discrepancy GRS discovered in the actuarial value of the assets. The beginning market value of the assets was approximately $190,000 higher than the actual market value of assets. It was relatively small and they will correct that going forward. He went on to the next paragraph about the current asset smoothing method which phases in realized and unrealized investment gains and losses over five years but recognizes net dividend and interest income immediately. That method helps to tamp down the volatility but if you have assumptions exactly met for five years, the market value of the assets and the actuarial value never converge. He noted the change – which is small – that they are recommending is to change the asset smoothing to recognize all investment gains and losses over a five year period instead of the separate treatment of dividend and interest income. The best way to address these two issues is to reset the market value of assets at the valuation date beginning with the 2016 valuation and use the new methodology going forward.

Miss Munson confirmed that the actuarial value of the assets will equal the market value of the assets in the 2016 valuation.

Trustee Nazarko asked whether GRS factored the termination of the $400.00 temporary stipend into the report.

Ms. Gates confirmed that the temporary stipend is factored into the liability reported for alternatives I and II and assumed it would end in August 2017. She indicated that GRS is willing to calculate the liability if the increase became permanent if the Board desired.

Mr. Anderson clarified that GRS will measure the value of the stipend as it is constructed as of the valuation date. As of December 31, 2016, the stipend is scheduled to end after August 2017.

There was additional discussion.

Ms. Gates continued with the summary of their findings. She reiterated that the first step of an audit is to replicate the prior actuary's work. The next step is to determine whether the work that was done is reasonable. During an actuarial valuation, actual benefit payment and other data are collected from the Plan and the Plan supplied all of this data for the 2015. An important data point is the retirement date for each member. COLA eligibility and payment amounts are based on members' retirement dates. The prior actuary only used some of the available information that was provided and used their own calculations to determine current benefit amounts for others. There are some differences between what members were actually paid and what the prior actuary used in the valuation as current benefit payments. The prior actuary also substituted a different retirement date for actual retirement dates and it is not clear why this was done. GRS just received confirmation last week that this was done and they have not had an opportunity to determine what is the impact on the liability of these substitutions.

Chairman Moore questioned whether these issues are in regards to how the COLA calculations are processed based on the member's retirement date.

Ms. Gates indicated this is part of the issue but that the methodology also distorts the prior actuary's calculation of actual retirement benefit. The prior actuary used, for some people, the original benefit amount - on which future COLA payments are based - and for others they had the current retirement benefit which is increased by the COLA.

Ms. Gates more fully explained the COLA benefit, how it is calculated and when members receive the COLA payment. She further described how the prior actuary's use of their own calculation of benefit amounts and adjusted retirement dates in some cases caused differences in the liability.

Ms. Gates confirmed that the error does not affect how the payments were actually made - only the System's accrued liability for valuation purposes. She reiterated that GRS did not have the opportunity to determine the impact because they just recently received confirmation.

There was additional discussion regarding this matter.

Ms. Gates continued with the summary. GRS reported that the prior actuary included a 7% load to the accrued liabilities for active members. She explained that the prior actuary's cited reason for doing this is that if an actuary does not believe that the option factors are actuarially equivalent (e.g. the member is not paying enough for the optional forms of payment), one approach is to increase the Plan's liability to offset that. The prior actuary only added the load to the liability for active members. They did not add the load to the liability for deferred vested members, which is inconsistent. The prior actuary responded yesterday that they assumed deferred vested members would not elect an optional form of payment.

There was further discussion on the optional forms of payment and how assumptions about future retirees affect the Plan's assumed liability.

Mr. Anderson indicated the Board should approve today the recommended discount rate, smoothing method and mortality table for the 2016 valuation. The decision about accounting for the optional forms of payment can be deferred to next month.

Trustee Giddings stated that the Board's responsibility to the System is to be conservative and adopt a 6.75% investment return assumption. He noted that the System is effectively closed and there are no contributions. He believes that – combined with the reset of the asset values to market value – a lower discount rate would be more representative.

There was discussion regarding which investment return assumption to accept - 7.0% or 6.75%.

Mr. Lee noted that there is only a 3% difference in funding ratios between alternate I and II.

RESOLUTION 17-017 by Nazarko, Supported by P. Waterman
Resolved, That the Board approves Alternative I as recommended by the actuary for the 2016 valuation which includes: investment return assumption of 7.0%; the reset of the asset smoothing method to equate actuarial value of assets to market value of assets and adoption of the RP-2014 Healthy Annuitant mortality table.

Roll Call Vote:

Trustee Albritton – Yea	Chairman Moore – Yea
Trustee Arndt – Yea	Trustee Nazarko – Yea
Trustee Bowman – Yea	Trustee Swazer – Yea
Trustee Gaffney – Yea	Trustee D. Waterman – Yea
Trustee Giddings – Nay	Trustee P. Waterman – Yea
	Vice Chair Williams - Yea

Miss Munson thanked Ms. Gates and Mr. Anderson for their time and hard work. She explained to the Board how meticulous and thorough they were in requesting information in order to understand the Plan. She also commended them on a well-written report.

Trustee Swazer asked whether there is still a need for an actuarial audit.

Miss Munson stated she is satisfied with GRS audit and suggested that the Board may want to move forward over the next year with and an experience study.

Ms. Gates explained the factors for the optional forms of payments. The retiree pays the cost of providing a benefit for a beneficiary. The current factors are tied to the old mortality table and interest rate assumption. The System's Plan Document requires that those option factors be actuarially equivalent. The current factors also do not account for the cost of living adjustment (COLA).

She indicated that GRS has presented two options. The Board can elect to continue to use the old factors. She noted that the factors are only applicable to active and terminated vested members. By selecting this option, the factors that would be used to calculate the optional forms of payment would be based on the factors that were in effect at the time the member separated from employment. The advantage of doing this is the cost savings for not being required to update the member data software. The disadvantage is that those factors do not account for the COLA and – therefore – do not meet the definition of actuarial equivalence.

Ms. Gates continued that the other option is to reflect the cost of COLA in the retirement factors. This means that future retirees will be charged more for optional forms of payment. And there is a cost associated with updating the member data software to accommodate this change. She indicated that they will obtain a cost estimate from the programmer and forward that information to the Board.

There was additional discussion on this issue.

Vice-Chair Williams thanked the actuaries for their report.

Trustee Nazarko confirmed that the discussion of the duty-disability conversions is on the agenda.

Mr. Anderson left at 11:47 a.m.

APPROVAL OF CONSENT AGENDA

A. Approval of the Minutes of the Regular Board Meeting held January 25, 2017

B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: February 22, 2017

TOTAL PENSION PAYROLL	**$1,973,426.52**

Staff PPE Pay Date: February 2 & 16, 2017

TOTAL STAFF PAYROLL	**$ 19,115.32**

C. Communications:
1. Correspondence from/to Member M. Karloff Re: Temporary Increase
2. Correspondence from/to Secondary Link Re: January 30, 2017 FOIA Request
3. Correspondence from/to IQ Re: January 30, 2017 FOIA Request
4. Correspondence from/to Zack Cziryak Re: February 6, 2017 FOIA Request
5. Correspondence from/to Bloomberg Re: February 14, 2017 FOIA Request
6. Correspondence from/to Funds IQ Re: FOIA Request
7. Gabriel, Roeder Client Appreciation/Education: March 21, 2017 (MI)
8. MGFOA Intro to Public Finance: March 30, 2017 (MI)
9. MAPERS One Day Seminar Series: March 10, 2017 (MI)
10. IFEBP Legislative Update: May 22-23, 2017 (Washington, D.C.)
11. NCPERS Annual Conference: May 20-24, 2017 (Hollywood, FL)
12. GFOA Annual Conference: May 21-24, 2017 (Denver, CO)

D. Financial Reports:
1. Accounts Payables – February 2017
2. Dahab Associates Flash Report: January 2017
3. Attucks Asset Management, Manager of Managers Report: January 2017
4. Statement of Changes: January 2017
5. Unaudited Financial Statements: Fourth Quarter 2016

E. Private Equity Capital Calls & Distributions

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

1. New Retirements

Ret No.	Member's Name	Years/Months of Service	Union	Age	Retirement Option	Monthly Benefit	Effective Date
2806	Gracey, Ronald	14 – 6	MAPE	72	Regular		03/04/2017
2803	Marsac, Catherine	3 – 8	NOMC	60	Regular		03/01/2017
2804	Martin, Kenneth	17 – 6	PPMA	60	Option III		03/01/2017

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	Union or Dept.
875	Cinque, Jane	02/01/2017		NOMC
2337	Mahone, Thressa	02/05/2017		Non Union
1409	Newcombe, Mary Ann	02/08/2017		NOMC
1653	Ordway, Margaret	01/17/2017		NOMC
600	Songerath, Donald	01/22/2017		Local 2002
2610	Wellons, James	01/24/2017		Local 2002
1443	Wendland-Myers, Georgia	01/22/2017		NOMC

3. J&S Continued Retirements

Ret No.	Name	Date of Death	Survivor's Name	*Member* Benefit	Beneficiary Benefit	Union or Dept.

4. Recalculated Retirements

Ret No.	Name	Union	Effective Date	Reason For Change	Old Amount	New Amount

5. Disability Medical Re-Exams/Benefit Continuation

Ret No.	Name	Reason	Benefit Amount	Union or Dept.

6. Refunds of Employee Contributions

Trustee Patrice Waterman asked that the January minutes reflect that she sent notice to the Chairman that she may be late for the meeting due to official City business. The Mayor may also be late due to the same matter.

Trustee Arndt indicated that at the January 25, 2017 meeting the minutes of the special meeting held on January 13, 2017 were approved with changes made by Mr. Henzi. She indicated that she did not have time to review the changes and when she reviewed her draft and Miss Munson's draft she noted that his correction was incorrect and requested that a sentence be stricken from the January 13, 2017 minutes.

RESOLUTION 17-018 By D. Waterman, Supported by Nazarko
Resolved, That the Board approves the requested change to the January 13, 2017 special meeting minutes as requested by Trustee Arndt

Yeas: 11 – Nays: 0

RESOLUTION 17-019 By Gaffney, Supported by Giddings
Resolved, That the Board approves and ratifies actions described in the Consent Agenda for February 22, 2017 with corrections.

Yeas: 11 – Nays: 0

COMMITTEE REPORTS

Re: Trustees - None

Re: Committees
Miss Munson presented the reports for the personnel and finance sub-committees.

Finance Sub-Committee
Miss Munson reported that the committee met on Tuesday, February 21, 2017.

City National Liquidation
The committee reviewed and discussed the liquidation of the City National account. She reminded the Board that City National resigned the account in July 2015 and it made sense to have them liquidate that account.

Investment Policy Statement Revisions
Miss Munson reminded the Board that the consultant had made some extensive revisions to the IPS for review last fall. The committee determined that they would recommend that the Board update the IPS to include only the suggested Real Estate guidelines at this time. The committee will continue to review the other suggested revisions.

Consequent Capital Consent to Assignment Agreement
The committee discussed the Consent to Assignment to Consequent Capital Agreement from Gray & Company. Counsel has reviewed this matter and her opinion is that System's investment agreement is not with Gray Financial and that the sale of Gray Financial was not applicable to our

investment. The attorney has sent a follow-up letter to Gray to get confirmation that the sale is not applicable to the System's investment.

Ms. Billings-Dunn indicated that she just received a call from Mr. Gray. He indicated that he has directed his compliance department to send the reply to her letter and she expects to receive that shortly.

Miss Munson noted that Consequent Capital's Form ADV states that Bob Hubbard and Larry Gray are providing transition assistance to Consequent Capital but are not providing investment advice to clients of Consequent Capital.

Directed Brokerage/Commission Recapture Program

Miss Munson reported that the committee did put the Directed Brokerage/Commission Recapture Policy back on their agenda. Unfortunately, the real estate presentation took some time to review so the DB/CRP was put off for this month.

Trustee Giddings noted that the prior Directed Brokerage program requested that managers direct up to 25% of the shares traded on the System's behalf to minority- and women-owned firms. Prior to the suspension of that Program in 2016, one of the System's investment managers had directed 100% of the shares traded for the System to an employee of Oppenheiemer who – although is a minority – is not a trader. He discussed the average commission cost prior and subsequent to the program's suspension and noted the increased commission rate paid under the program. The committee has requested that the consultant contact the investment manager for an explanation.

Beneficiary Designation

Miss Munson reported that one of the recent retirees had nominated their domestic partner as her beneficiary. The committees reviewed the documentation that the member provided to establish insurable interest and concurred that it was sufficient under the System's definition of insurable interest. The committee is recommending that the Board approve the beneficiary nomination.

Monthly Duty Disability Processes Report

Miss Munson reported that both committees reviewed the first monthly duty disability process report. The report is included under the Executive Director tab of the agenda.

Active Employee Status

Miss Munson referred the Trustees to the memo included in the agenda regarding the status of one of the active employees who was laid-off in 2011 and rehired by the City as a full-time permanent employee in 2013. The question before the committees was whether this employee is entitled to continue their membership in the System. She summarized by noting that the Ordinance gives the Board the ability to determine membership in questions of doubt and that section 92-12 was not rescinded by the Emergency Manager. The committees agreed that this employee should be classified as a rehire eligible to continue to accrue retirement service credit in the System.

PGH Member-Trustee Election

Miss Munson reported that the personnel committee selected Trustee Swazer as Canvasser for the upcoming election and Trustee Gaffney volunteered to be the alternate.

Investment Policy Statement Revision
Miss Munson explained that the committee is recommending that the Board approve adding the two paragraphs on page 23 and 24 in the IPS related to real estate. She explained that the System's investments in real estate will be governed by limited partnership agreements which will dictate the terms of the investments so extensive guidelines are not required in the IPS.

RESOLUTION 17-020 By P. Waterman, Supported by Swazer
Resolved, That the Board approve adding the proposed language related to Real Estate to the Investment Policy Statement as recommended by the investment consultant.

Yeas: 11 – Nays: 0

Personnel Sub-Committee

Beneficiary Designation
Miss Munson reiterated that the personnel committee reviewed and is recommending for approval the nominated beneficiary of the new retiree.

Service Credit Calculations
The committee reviewed two retirement service credit calculations.

PGH Member-Trustee Election
Miss Munson reported that the committee selected a Canvasser.

Administrative Assistance to Parties-in-Interest Policy
Miss Munson reported that the committee reviewed and is recommending this policy for approval. A copy is included under the Unfinished Business tab. She noted that it included Trustee requirements that notice be sent to the Board, the Board receive copies of what is sent and who is the requesting party as well as a follow-up report to the Board.

Monthly Employee Leave Balances
The committee reviewed the monthly employee leave balances.

Monthly Disability Processes Report
The committee reviewed the disability process update report.

BeneSys Followup
The committee continues to follow up with BeneSys with regard to the System administration.

Re: Chairman

Chairman Moore stated that the retreat was a successful event and asked that the Trustees provide feedback with ideas for improvement. He noted that the personnel committee is still gathering information from Benesys. He noted the documentation that was included in the agenda regarding the Unfinished Business agenda item Ordinance Language Clean-up and believes we should move forward with that. He also noted the Board should move forward with their review of the proposed revisions to the IPS. He reminded the Board about next month's manager review meeting.

Trustee Deirdre Waterman stated that the retreat was very well done and prepared. She stated that she would like to see this put on the Board's annual regular meeting schedule. She also liked the historical synopsis and requested a copy.

Trustee Gaffney thanked Bob Giddings and his wife Carla for the tour of Meadowbrook Hall. It added a personal touch.

EXECUTIVE DIRECTOR

Initial Monthly Report on the Annual Disability Procedures

Miss Munson reviewed the report and noted that there is only one conversion scheduled for 2017 and that member was converted in January. No re-examinations are required yet for the year. The income verification process doesn't begin until June because of the April 15th deadline for filing tax returns.

Mr. Lee left at 12:07 p.m.

Annual Checklist / Production Calendar

Miss Munson referred the Trustees to the new tab added to their meeting books. The annual checklist has all of the items by month that Trustees should expect to receive during the year. A copy of the office Production Schedule for 2017 is also included.

Strategic Planning

Miss Munson noted on the Production Schedule that the next annual Trustee Retreat had been moved to December. She suggested that the Board consider setting up a Strategic Planning Committee. This committee would be responsible for identifying those Board-level goals and objectives the Trustees would like to pursue and fashioning a strategic plan. This committee would report to the Board periodically throughout the year and present recommended goals to the Board at the Trustee retreat. The Board would adopt the goals in January of each year and measure their progress in November of each year. She expressed the importance of having buy-in from all of the Trustees and strong leadership.

Miss Munson extended her condolences to the families of recently deceased retirees Rosa Coney and Thressa Mahone.

Member Data to Actuary

The member data was sent to the actuary on February 13, 2017. The preliminary financials and other ancillary reports will be sent as soon as it is available but not later than April 7, 2017.

Annual Tax Filings

Miss Munson reported that the 1099M's were mailed and filed with the IRS on January 31, 2017.

Miss Munson reminded the Trustees that this is the first year that the System was required to file the 1099R forms with the IRS. The file that ADP provided was rejected. However, she worked with ADP and a new file was transmitted to the IRS prior to the deadline.

Workers' Compensation Policy Audit

Miss Munson reported that she completed the audit for the Workers' Compensation policy.

Changes to Consent Agenda

Miss Munson suggested two changes to how information is presented in the agenda. She referred to a list of retirees included in the meeting binders. She is suggesting that the Consent Agenda only contain basic member data. The Trustees would still receive a full report on the members and the changes. But – by not including as much data in the Consent Agenda – the Board could reduce the number of corrections that must be made to prior minutes for clerical errors. She asked the Board to consider this change even if they were not prepared to vote on it today.

Trustee Gaffney clarified what would be included in the minutes based on the discussion of the changes in the personnel committee meeting.

Miss Munson then noted that the current agenda items related to the duty-disability conversions and the Ordinance language clean-up were initially presented to the Board in 2014 and were removed from the agenda for all of 2015; but not at the Board's direction. The second recommendation is that items not be removed from the agenda until they have been disposed of or the Board approves their removal.

Ms. Billings-Dunn confirmed that a resolution is not required for the second recommendation.

There was additional discussion on how the member data is presented in the agenda.

UNFINISHED BUSINESS

Re: Ordinance Language Clean-Up Recommendation – Tabled

Miss Munson provided an overview of the memo included in the agenda. All the changes are of a grammatical or clerical nature and do not change any of the terms of the Ordinance. She indicated that she has not had the opportunity to go back over the 2014 exchanges between her and the attorney. She noted that during the interim, she had pulled boxes from storage that contained Ms.

Zimmermann's old records and found documentation that provided an answer to one of the original questions regarding applicable wages. She is requesting that the agenda item be tabled until the April meeting so that she and Ms. Billings-Dunn can finalize the presentation and prepare a single suggested resolution for the Council.

Chairman Moore suggested that are Ordinance changes that can be approved by the City Council at the same time.

Trustee Deirdre Waterman felt that policy changes should be handled separately and that the Board should move ahead with the cleanup.

Vice-Chair Williams indicated that the item will be tabled to the April 2017 meeting.

Ms. Gates left at 12:35 p.m.

Re: Resolution to Approve Staff Assistance Policy Resolution
Miss Munson reminded the Board that this resolution was presented at the last meeting. The Board directed that it be sent back to the personnel for one final review prior to approval. There are no changes to the resolution.

Miss Munson reviewed the resolution with the Trustees and there was additional discussion.

RESOLUTION 17-021 By Nazarko, Supported by D. Waterman
WHEREAS, the Board of Trustees is vested with the general administration, management and responsibility for the proper operation of the Retirement System, and for interpreting and making effective the provisions of the Retirement System Ordinance, and

WHEREAS, the Board of Trustees has obtained a legal opinion regarding proper actions that may be taken in response to requests from parties-in-interest of the Retirement System for staff to provide assistance outside of the course of their routine duties, and

WHEREAS, the Board of Trustees has received legal advice in this matter to ensure compliance with the Retirement Ordinance and PA 314 (as amended) and PA442 (as amended), and

WHEREAS, the Board of Trustees is of the opinion that it is in the best interest of the plan's participants and beneficiaries to provide permissible services and facilities, provided that adequate compensation is received by the System, therefore be it

RESOLVED, that the Board of Trustees shall approve any requests made pursuant to this policy prior to any services or facilities being provide, and further

RESOLVED, that parties-in-interest for the purpose of this policy shall defined as "a group of active, retired or deferred members who are currently receiving or are eligible in the future to receive a pension from the GERS", and further

RESOLVED, that the Board shall receive copies of any documents sent to members on behalf of parties-in-interest, and further

RESOLVED, that the Executive Director shall be responsible for determining the amount of the consideration to be received in exchange for staff services, coordinating the work of staff to ensure timely service to the parties and minimization of potential disruptions to office operations and providing notice to the Board of all requests received pursuant to this policy

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NEW BUSINESS

Re: Resolution to Approve Member Status
Miss Munson requested that the Board approve the classifying this active member as a rehire eligible to continue to accrue retirement service credit per Section 92-12 of the Ordinance.

RESOLUTION 17-022 By Gaffney, Supported by Swazer
Resolved, That the Board approves the Committee's recommendation to classify rehired employee Monica Nelson from deferred to active member of the System with retirement service credit accruing since her reemployment date of July 1, 2013.

Yeas: 11 – Nays: 0

Re: Resolution to Approve February 2017 Rebalancing
Miss Munson asked that the Board approve the February 2017 rebalancing as recommended by the investment consultant.

RESOLUTION 17-023 By Nazarko, Supported by Albritton
Resolved, That the Board approve the Investment Consultant's recommendation to rebalance the portfolio by allowing City National to liquidate the approximate $4.2 million portfolio and transferring the cash to the cash manager to provide for benefits and operating expenses.

Yeas: 11 – Nays: 0

Re: Resolution to Approve Retiree Beneficiary Designation
Miss Munson requested that the Board approve the beneficiary nomination of Lydia Alaszewski.

RESOLUTION 17-024 By Gaffney, Supported by Swazer
Resolved, That the Board approves the beneficiary nomination selected by retiree Lydia Alaszewski as recommended by the personnel sub-committee.

Yeas: 10 – Nays: 1 (Trustee Nazarko)

Re: Resolution to Appoint Canvasser
Miss Munson asked that the Board approve the appointment of Trustee Swazer as the PGH Member-Trustee election.

RESOLUTION 17-025 By Moore, Supported by Albritton
Resolved, That the Board appoints Trustee Billie Swazer (Trustee Jan Gaffney, Alternate) to serve as the Trustee Canvasser for the PGH Member-Trustee Election being held on March 23, 2017.

Yeas: 11 – Nays: 0

Re: Resolution to Ratify Executive Director's Signature
Miss Munson requested that the Board ratify her signature CHC Group documents.

RESOLUTION 17-026 By Bowman, Supported by P. Waterman
Resolved, That the Board ratifies the Interim Executive Director's signature on the three forms related to the transfer of rights related to the CHC Group securities liquidated from the Peritus portfolio.

Yeas: 11 – Nays: 0

Re: Legal Report

Closed Session Minutes
Miss Munson made note of the February 17, 2017 emails between her and the attorney regarding the closed session minutes that is included in the agenda.

Trustee Swazer reported that she could not bring up the legal report on her IPad.

Ms. Billings-Dunn stated that she has a couple of items under her general report and also a litigation report.

Public Act 530 of 2016
Ms. Billings-Dunn reviewed the changes with regard to Public Act 530 of 2016. This Act amends PA 314 requirements for the Summary Annual Report which must now include healthcare inflation. The SAR also must be filed with the State Treasury within 30 days of it being approved by the Board. The Treasury will then post a summary of all of the SARs. In addition, any Retirement System or healthcare funds that are not at least 60% funded must post on their websites the steps that are being taken to bring them up to 60% funding.

SB 41 and HB 4052
Ms. Billings-Dunn reported that these bills have been proposed to eliminate the pension tax approved by lawmakers as part of the tax overhaul in 2011.

Robbins Geller January 2017 Portfolio Monitoring Report
Ms. Billings-Dunn reported that this is for the Trustees' information.

Bernstein Litowitz 4th Quarter 2016 Monitoring Report
Ms. Billings-Dunn reported that this is for the Trustees' information.

Consequent Capital Management Correspondence/ADV
Ms. Billings-Dunn reported that this was discussed under the finance sub-committee report.

The Board reserves the right to enter into closed session to review matters in accordance with Michigan Public Act 267 of 1976 Open Meetings Act).

Ms. Billings-Dunn requested a resolution to go into closed session to discuss her litigation report.

Chairman Moore stated that he spoke with Miss Munson about the concerns that he had related to the documents that were forwarded to the City Council.

Ms. Billings-Dunn confirmed that Miss Munson still wanted to go into closed session per her request in the memo emailed to the Trustees.

Ms. Billings-Dunn stated that the minutes will reflect that Miss Munson wanted to go into closed session and asked Miss Munson to confirm this.

Ms. Billings-Dunn stated that our minutes reflect that we are going into closed session to discuss certain things. One is litigation – she has her litigation matters - the duty disability conversions. She continued that there is really no reason to go into closed session to discuss those emails, per se, because that's not a written legal opinion.

Miss Munson confirmed that the emailed memos that she sent are what Ms. Billings-Dunn is referencing.

Ms. Billings-Dunn explained that if Miss Munson wanted to go into closed session to discuss them, then she would need to make that request. The request has to come from Miss Munson. She continued that the minutes will reflect that Miss Munson is requesting to go into closed session to discuss her memos and the request would fall under the provisions of the Open Meetings Act where a staff person makes the request for closed session to discuss performance evaluation.

Miss Munson confirmed that she wanted to go into closed session to discuss the matters described in her memos per the performance evaluation exemption under FOIA.

Trustee Deidre Waterman requested confirmation that the reason for the closed session is to discuss an opinion from the attorney and a personnel matter from the Executive Director.

Ms. Billings-Dunn confirmed that the Board is going into closed session to discuss three items; an opinion from the attorney, a personnel matter and some litigation matters.

RESOLUTION 17-027 By P. Waterman, Supported by Gaffney
Resolved, That the Board move to closed session to discuss the reasons stated above.

Roll Call:

Trustee Albritton – Yea	Chairman Moore - Yea
Trustee Arndt – Yea	Trustee Nazarko - Yea
Trustee Bowman - Yea	Trustee Swazer - Yea
Trustee Gaffney – Yea	Trustee D. Waterman – Yea
Trustee Giddings – Yea	Trustee P. Waterman - Yea
	Vice-Chair Williams - Yea

The Board moved to closed session at 1:08 p.m.
Trustee K. Bowman left at 1:35 p.m.
The Board returned from closed session at 2:04 p.m.

RESOLUTION 17-028 By Swazer, Supported by Gaffney
Resolved, That the Board authorizes the Chair's signature on the retainer with Motley Rice to file for lead plaintiff in the Dollar General matter.

Yeas: 10 - Nays: 0

RESOLUTION 17-029 By P. Waterman, Supported by Swazer
Resolved, That the Board approve legal counsel to meet with City Council to discuss the VCP related to the duty-disability conversions and – at Council's request – Cynthia Billings-Dunn is authorized to act in a capacity of the City Council's choosing.

Yeas: 10 - Nays: 0

SCHEDULING OF NEXT MEETING
Special Meeting: Tuesday, March 28, 2017 – Marriott Centerpoint, Pontiac MI
Regular Meeting: Wednesday, March 29, 2017 @ 10:00 a.m. – Retirement Office

RESOLUTION 17-030 By Nazarko, Supported by Gaffney
Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' System be adjourned at 2:11 p.m.

Yeas: 10 – 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 22, 2017

As recorded by Jane Arndt