

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
October 31, 2017**

A meeting of the Board of Trustees was held on Tuesday, October 31, 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 10:03 a.m.

TRUSTEES PRESENT

Sheldon Albritton
Jane Arndt
Koné Bowman
Janice Gaffney
Robert Giddings
Walter Moore, Chairman
Billie Swazer
Deirdre Waterman, Mayor (*arrived. @ 10:48 am*)
Kevin Williams, Vice-Chair

TRUSTEES ABSENT

Nevrus Nazarko
Patrice Waterman, City Council Pres. (*excused*)

OTHERS PRESENT

Cynthia Billings-Dunn, Sullivan Ward
David Lee, Dahab Associates
Steven Roth, Dahab Associates
Deborah Munson, Executive Director
Kathi McNally, Hospital Retiree
Linda Watson, City Retiree

Chairman Moore opened the meeting at 10:03 a.m.

PUBLIC COMMENT

Retiree, Linda Watson told the Board that she thought the annual meeting was nice and informative. She wondered how the System's asset allocation has been repositioned in light of recent events.

David Lee described how the portfolio is being rebalanced to match the recently adopted asset allocation.

Chairman Moore also noted that the actuarial rate of return had been reduced.

Hospital Retiree, Kathi McNally had questions and comments regarding the relocation sub-committee and the survey provided to members at the System's annual meeting. She felt that the survey should have been sent to all members of the System not just those who were in attendance at the annual meeting.

She also asked why the Board is looking for a new location. She noted the current annual lease expense of approximately of \$35,000.00 and noted that the survey should have also indicated how the Board or increase earnings by building or purchasing a new building.

Chairman Moore stated that the committee is not just looking at the property in question and that any decision will be based on a sound and detailed report.

General Employees Retirement System
Regular Meeting
October 31, 2017

AGENDA CHANGES

Miss Munson told the Board that the finance subcommittee reviewed the Credit Card Policy which is Item A under New Business and has recommended changes to the policy. They are requesting that this item be pulled from the agenda for further review.

RESOLUTION 17-125 By Williams, Supported by Bowman

Resolved, That the Board approves removing the Credit Card Policy under New Business for further review.

Yeas: 8 – Nays: 0

Trustee Giddings asked that the special meeting minutes from September 26, 2017 be pulled from the consent agenda. He indicated that the regular meeting minutes and the special meeting minutes are not consistent. He noted that there was a discussion in the regular meeting minutes that referenced a conversation from the manager review but the conversation is not found at all in the manager review minutes.

Trustee Gaffney concurred that the conversation referenced during the regular meeting is not reflected in the manager review meeting minutes.

Chairman Moore felt that the System's meeting minutes are very detailed but that they – perhaps – could be abridged.

Trustee Giddings stated that he feels that the minutes should

Ms. Billings-Dunn indicated that there should be a link between what was recorded in the regular meeting minutes and the manager review meeting minutes.

Trustee Giddings questioned his comments recorded in the September 27, 2017 meeting minutes (page 2) regarding Phillip Moore. He asked that his comment "Trustee Giddings told the Board that he liked Mr. Moore" be corrected to fully reflect his sentiment.

He also asked that his last name be added to the comment "Trustee noted that he liked the way Mr. Moore indicated how he would handle conflicts at work."

Trustee Giddings also questioned that Resolution 17-113 on page three of the minutes did not include the approval of the employment contract.

Miss Munson and Ms. Billings-Dunn confirmed that there was discussion regarding the employment contract and how it mirrored the agreement Ms. Billings-Dunn drafted for the Executive Director with a few exceptions including no severance, bonus or System-provided subscriptions.

Trustee Giddings also felt that a comment made by Chairman Moore “The System would like to make money” on page ten of the minutes may be misquoted.

Trustee Gaffney suggested removing that sentence from the minutes.

Trustee Swazer indicated a change on page fourteen of the minutes under MAPE Cost Study. It reads “results in an increase of decrease in benefits.” She recommended that the wording be changed to “results in an increase or decrease in benefits.”

APPROVAL OF CONSENT AGENDA

A. Approval of the Minutes of the Regular Board Meeting held September 27, 2017

B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: October 25, 2017

TOTAL PENSION PAYROLL **\$1,945,739.72**

Staff PPE Pay Date: October 12 & 26, 2017

TOTAL STAFF PAYROLL **\$ 14,994.51**

C. Communications:

1. Correspondence from First Eagle Re: NewStar Financial
2. Request from First Eagle Re: Client List
3. Correspondence from Kennedy Capital Re: Staff Changes
4. Correspondence from Dahab Associates Re: Network Security Update
5. FOIA Correspondence from/to Eurohedge

D. Financial Reports:

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

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Ret. No.	Member's Name	Amount	Effective
2819	Corke, Jovita		11/01/2017
2818	Ochoa, Jose		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
851	Brown, Helen	09/22/2017	
1961	McColeman, James	09/20/2017	
736	Hayes, Willa	09/27/2017	
1625	Hill, Ila	09/28/2017	
579	Wilson, Donald	10/22/2017	

3. J&S Continued Retirements

Ret No.	Name	Date of Death	Survivor's Name	Amount

4. Recalculated Retirements

Ret No.	Name	Effective Date	Reason For Change	New Amount
2810	Fitzpatrick, Patrick	10/01/2017	Final Benefit	
2803	Marsac, Catherine	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

CONSULTANT

Re: Dahab Associates

Preliminary Performance Summary

Mr. Roth provided the preliminary performance summary as of September 30, 2017. He indicated that the quarter-to-date performance was 3.9% gross of fees versus the shadow index of 3.7%. Year-to-date performance was 11.0% gross of fees versus 12.0%. The total Plan value as of

September 30, 2017 was \$495.3 million and as of October 30, 2017 total Plan value was \$498.9 which is roughly the same today.

The domestic equity and global markets are continuing to grow. He stated that earnings season reporting is usually a good time for market returns. Currently, revenues are up for businesses in the U.S. and globally. Overall, the economy continues to chug along with inflation modestly increasing which is good and accommodating for equities.

Trustee Gaffney thanked the consultants for their participation in the annual meeting.

Chairman Moore confirmed that the System gained \$3.5 million in a one month period.

Miss Munson reminded the Board that a significant portion of the excess returns are due to the System's 71.2% allocation to equities.

Chairman Moore stated that the Board needs to be aware and understand the importance of balancing the asset allocation when the time comes to make the changes.

Mr. Lee told the Board that they have been making modest changes and trimming back the allocation to equities. However, the equities market is continuing to outperform which increases the allocation.

Mr. Roth stated that the real estate allocation funding came from the equity allocation.

Trustee Giddings asked when the next rebalancing will take place.

Mr. Roth indicated that there will be a rebalancing of assets in November 2017.

Chairman Moore stressed the importance of the Investment Policy Statement and its execution.

Mr. Lee and Mr. Roth left at 10:31 a.m.

Chairman Moore continued with the Consent Agenda.

Miss Munson noted that a request from First Eagle is included in the Consent Agenda. The finance subcommittee is recommending approval of First Eagle's request to include the System in their representative client list.

RESOLUTION 17-126 By Gaffney, Supported by Swazer

Resolved, That the Board approves and ratifies the actions with noted changes described in the Consent Agenda for October 31, 2017.

Yeas: 8 – Nays: 0

COMMITTEE REPORTS

Re: Committees

Re: Relocation Committee

Trustee Albritton, chairperson of the relocation, committee indicated that the committee has nothing new to report.

Re: Personnel Committee

Miss Munson reported that the personnel committee met on October 17, 2017.

Education & Travel Policy

Miss Munson indicated that the committee reviewed proposed revisions to the Education and Training Policy and would like to make additional revisions.

Credit Card Policy

Miss Munson reported that both committees reviewed the credit card policy. The personnel committee approved the revisions but the finance committee recommended a change.

Finance Officer Evaluation/Progress Report

Miss Munson told the Board that the personnel committee reviewed the report that will monitor and evaluate the progress of the Finance Officer including functions like the general ledger. The committee was agreeable with the evaluation timeline and progress of the various job functions.

iPad Replacement Quotes

Miss Munson reported that both committees reviewed the quote from Ark Technology for the replacement of the iPads. The Trustees will update their iPads with a newer version and the Executive Director will replace her iPad with a Microsoft Surface due to its expanded capabilities.

Miss Munson discussed the resale value of the current iPads and that some Trustees have expressed an interest in purchasing their iPads. The Trustees will be allowed to purchase their current iPad for \$75.00.

Miss Munson also described Apple's "Apple Renew" program that would allow the System to receive an Apple Store gift card for each recycled device ranging from \$60.00 to \$75.00 for the System's current version assuming perfect condition and no engraving.

United Healthcare 2016 Insurance Premium Rebate

Miss Munson reported that both committees reviewed the United Healthcare insurance premium rebate. She noted that employees pay 20% of the insurance premiums and are, therefore, entitled to 20% of the rebate. The committees are recommending that the Board approve the resolution adopting the rebate schedule.

2018 Proposed Board Meeting Schedule

Miss Munson noted that this is for the Trustees review and noted that the Board will be asked to approve the calendar at the next meeting. She solicited comments regarding the schedule.

Monthly Disability Procedures Report

Miss Munson reported that all disability retirees have complied with the income verification process for 2017. The Retirement Office has received all of the necessary responses from the Internal Revenue Service and this process is complete for the year.

Re: Finance Committee

Miss Munson reported that the finance committee met on October 30, 2017.

Emerging Manager Program Policy

The committee reviewed the Emerging Manager Program noting that there are some policy questions that the Trustees have to address prior to finalizing the policy. A special meeting is scheduled for Friday, November 3, 2017 with Attucks Asset Management to hear their comments.

Asset Transition Update

Miss Munson noted that Consent Agenda includes a capital call from Principal Real Estate. The capital call will be funded with a partial liquidation of the Brandywine fund which has approximately \$11M currently.

Blanket Signature Authorization - Brandywine

Miss Munson reminded the Board that when Brandywine was hired, blanket signature authority was put in place but only one of the signers is still with the System. Although the System is liquidating this investment, the Chair felt that it would be prudent to have more than one signer on the account. The committee is recommending that Chairman Moore and Miss Munson be added as authorized signers on the blanket signature authority for the Brandywine Global account.

Fiduciary Liability Insurance Renewal

Miss Munson reported that the committee reviewed the fiduciary liability insurance renewal for the period December 1, 2017 through December 1, 2018. The renewal premium is \$60,336.00 which is the same as last year. The committee is recommending Board approval.

Gabriel, Roeder & Smith Solvency Liability Study

Miss Munson referenced the quote for a solvency liability study which had been requested at the Trustee Retreat. GRS also included a white paper on the topic. This is for the Trustees information.

Re: Trustees

Chairman Moore recognized Trustee Giddings for passing the Level III MAPERS Achievement Program test obtaining the Advanced Fiduciary Designation.

Re: Chairman

Chairman Moore solicited input from the Trustees regarding the Trustee Retreat.

Trustee Giddings recommended holding the retreat every two years or perhaps later next year. He noted that it is a lot of work for the staff. He also indicated that the staff is very busy with a new employee starting.

Chairman Moore reminded the Board that the annual Board leadership elections will be held at the November 2017 meeting.

He felt the annual meeting was very fruitful and productive with the goals and objectives met. The attendees appreciated the fresh approach. It is good to provide a platform where the members can get information about their money.

EXECUTIVE DIRECTOR

Annual Fee and Political Disclosures

Miss Munson reported that the annual disclosures required of the System's service providers include contributions made to local politicians and management fees. PNC has indicated they are not required to provide the political contributions disclosure under Public Act 314 because they are subject a higher standard under SEC regulations. In following up with the firm, they disclosed that PNC was in violation SEC rules: the violation did not involve the City of Pontiac or the State of Michigan. She noted that the System is in the process of liquidating this investment.

Miss Munson reported that the System's investment in First Eagle is a collective trust. They did report their fee schedule; however, they are unable to segregate how much of their brokerage is directly related to the System. Ms. Billings-Dunn is working with First Eagle to craft an acceptable disclosure.

Crain's Detroit Article

Miss Munson referred to an article from Crain's Detroit regarding the opioid issue and its cost to local communities. She told the Board that Oakland and Wayne counties filed a class action lawsuit against a dozen drug manufacturers and distributors alleging deceptive marketing and sale of opioids.

UBS Blanket Signature Authority Request

Miss Munson reported that UBS has requested an authorized signer's statement similar to a blanket signature authority for the System. She informed UBS of the Board's decision to not authorize any blanket signature-type documents. She is waiting their response of whether Board resolutions for each transaction will be acceptable.

Chairman Moore questioned whether it would delay the process if we were required to come back to the Board to authorize the blanket signature authority.

Miss Munson noted that there was also a question on the investment document that we were advised to not complete unless UBS specifically asked. UBS has asked that we complete the question and the attorney will provide a response. The signature issue should not cause any delay.

Chairman Moore questioned whether it would be more efficient to approve the blanket signature authorization at this time rather than waiting until UBS requested it.

Trustee Gaffney indicated that she would rather have an answer first to see if they can work with our way of doing business.

MAPE Collective Bargaining Agreement Cost Study

Miss Munson recapped the matter of the new MAPE collective bargaining agreement and noted that the City has approved the supplemental actuarial analysis.

Chairman Moore asked if the approval was given in writing.

Miss Munson confirmed that Trustee Nazarko confirmed the City's approval in writing.

Copier Purchase

Miss Munson noted that the Board approved the purchase of a new copier in the 2018 budget and indicated that the copier may need to be replaced prior to 2018.

L3 Communications Securities Litigation

Miss Munson reported that a check was received reimbursing the System for the time she worked compiling information for the L3 Communications securities litigation.

Trustee Giddings asked how much the System was reimbursed.

Miss Munson responded that the System was reimbursed \$390.00 for her time.

Fiduciary Liability and Staff Crime Insurance

Miss Munson reported that the application for the crime insurance had been submitted on October 19, 2017.

General Ledger and Final Benefit Review

Miss Munson thanked Trustee Giddings for his review of the general ledger reports and the final COLA review. She also thanked Trustee Nazarko for his review of nine finals. She told the Board that Phillip Moore starts on Monday, November 6, 2017.

Trustee Deirdre Waterman arrived at 10:48 a.m.

Travel Policy

Miss Munson reminded the Board that if they have any suggestions for the travel policy they should forward them her.

Chairman Moore also thanked Trustees Giddings and Nazarko for their assistance. He noted that he spoke with Mr. Moore at the annual meeting and he seems excited about coming on board.

UNFINISHED BUSINESS

NEW BUSINESS

Re: Resolution to Approve iPad Updates

Miss Munson requested that the Board approve the purchase and recycling of Trustee and staff tablets as recommended by the committees.

Trustee Giddings requested that the cost of the iPads be included in the resolution.

There was discussion regarding the appraisal program.

RESOLUTION 17-127 By Bowman, Supported by Gaffney

Resolved, That the Board approves the purchase and recycling of Trustee and staff tablets as recommended by Ark Technologies at a cost of \$4,668.73.

Yeas: 9 – Nays: 0

Re: Resolution to Renew Fiduciary Liability Insurance

Trustee Bowman asked if the Retirement Office sent out requests for other quotes.

Miss Munson responded that the finance subcommittee has on its agenda for 2018 a comprehensive review of all of the System's coverages.

RESOLUTION 17-128 By Gaffney, Supported by Swazer

Resolved, That the Board approves to renew the fiduciary liability insurance offered through Chubb Group of Insurance Companies for the period December 1, 2017 thru December 1, 2018 at the annual rate of \$60,336.00.

Yeas: 9 – Nays: 0

Re: Resolution to Approve Medical Loss Ratio Premium Reduction

RESOLUTION 17-129 By Bowman, Supported by Gaffney

Resolved, That the Board approves the refund of 20% of the 2016 premium rebate to employees on a bi-weekly basis beginning effective February 1, 2018.

Yeas: 9 – Nays: 0

Re: Resolution to Approve Update of Signature Authority with Brandywine

RESOLUTION 17-130 By Swazer, Supported by D. Waterman

Resolved, That the Board approves to update the signature authority with Brandywine Global to include Board Chairman Walter Moore, Secretary Nevrus Nazarko and Executive Director Deborah Munson.

Yeas: 9 – Nays: 0

Re: Resolution to Approve Request from Matarin Re: Directed Brokerage

Miss Munson explained that Matarin has submitted an exemption request from the Directed Brokerage and Commission Recapture Program policy. Their trades currently cost \$.009 cents per share. They are requesting the exemption because their participation in the program would increase the cost of commission that they System pays. Miss Munson noted that the System cannot purposefully increase costs in order to meet a social goal.

Chairman Moore noted that the finance committee is recommending that the Board approve the request.

RESOLUTION 17-131 By Swazer, Supported by Gaffney

Resolved, That the Board approves Matarin’s request to be exempted from the System’s Directed Brokerage and Commission Recapture Program.

Yeas: 9 – Nays: 0

Re: Legal Report

Robbins Geller September 2017 Portfolio Monitoring Report

Miss Billings-Dunn reported that this is for the Trustee’s information.

M&K Market

Ms. Billings-Dunn reported that a pretrial conference was held this morning at the 51st District Court. The Court has scheduled a hearing for our Motion to Dismiss for December 19, 2017.

SCHEDULING OF NEXT MEETING

Chairman Moore reminded the Board about the special meeting.

Miss Munson noted that the special meeting on Friday, November 17, 2017 at 12:00 p.m. was scheduled as an educational session focusing on value-add real estate and the revisions of the Investment Policy Statement. A third session was added to discuss possible options for investing in Pontiac.

Chairman Moore stressed that it is important that the Trustees attend the meeting.

Trustee Deirdre Waterman asked about the scheduled time allotment for the meeting.

Miss Munson explained the meeting should take approximately two and a half hours. The real estate session should take about an hour, the IPS revision session should take about an hour and the investing in Pontiac session should take approximately thirty minutes.

Trustee Deirdre Waterman questioned when the session for investing in Pontiac was added.

Miss Munson indicated that the session was requested by one of the Trustees.

Trustee Gaffney clarified that the session is designed to discuss the feasibility of investing in Pontiac. She noted that there is uncertainty as to whether such an investment is even an option and alluded to a MAPERS session she attended. The education session should provide a general overview of social and local investing.

Chairman Moore indicated that Trustee Albritton felt the Board should at least look at how or if we can invest in the City.

Trustee Deirdre Waterman wanted to ensure that the special meeting notice is properly stated.

Ms. Billings-Dunn confirmed that the session is to just explore whether the possibility exists to invest in Pontiac and not any investment in particular.

Trustee Gaffney added that there is always the issue that - as fiduciaries – the responsibility is to the System and not to the City of Pontiac. Any investment in Pontiac has to be in the best interest of the System and the education session should address this.

Chairman Moore felt that if there is a way the Retirement System should make an investment in the City.

Ms. Billings-Dunn stated that she will work with Miss Munson to prepare the notice for the special meeting.

Trustee Bowman indicated that he brought up the idea of investing in the City five years ago and was told that it was out of the purview of the Retirement System and questioned what has changed since then.

There was additional discussion.

Trustee Arndt felt that the System's legal counsel should attend the meeting to provide guidance with regard to the investing in Pontiac session and compliance with Public Act 314.

It was determined that Ms. Billings-Dunn would attend the special meeting on November 17, 2017.

Annual Meeting: Friday, November 17, 2017 @ 12:00 p.m. – Retirement Office
Regular Meeting: Wednesday, November 29, 2017 @ 10:00 a.m. – Retirement Office

General Employees Retirement System
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RESOLUTION 17-132 By J. Gaffney, Supported by Swazer

Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' System be adjourned at 11:20 a.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 October 31, 2017

As recorded by Jane Arndt