

**CITY OF PONTIAC, MICHIGAN  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
November 29, 2017**

A meeting of the Board of Trustees was held on Wednesday, November 29, 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 (*arrived @ 10:40 am*)  
Janice Gaffney  
Robert Giddings  
Walter Moore, Chairman (*by Skype*)  
Nevrus Nazarko, Secretary (*arrived @ 10:07 am*)  
Billie Swazer  
Deirdre Waterman, Mayor (*arrived. @ 10:38 am*)  
Patrice Waterman, City Council President  
Kevin Williams, Vice-Chair

**OTHERS PRESENT**

Cynthia Billings-Dunn, Sullivan Ward  
Steven Roth, Dahab Associates  
Deborah Munson, Executive Director  
Mary Brower, Hospital Retiree  
Kathi McNally, Hospital Retiree

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**PUBLIC COMMENT** - None

**AGENDA CHANGES** - None

**APPROVAL OF CONSENT AGENDA**

- A. Approval of the Minutes of the Special Board Meeting held September 26, 2017
- B. Approval of the Minutes of the Regular Board Meeting held October 31, 2017
- C. Approval of the Minutes of the Special Board Meeting held November 17, 2017

D. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: November 8, 2017

<b>TOTAL PENSION PAYROLL</b>	<b>\$4,423,139.32</b>
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Staff PPE Pay Date: November 9 & 22, 2017

<b>TOTAL STAFF PAYROLL</b>	<b>\$ 18,121.28</b>
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E. Communications:

- 1. FOIA Request from/to The Seattle Times

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2. FOIA Request from/to Public Plan IQ
3. FOIA Request from/to Hassan
4. Correspondence from Kennedy Capital Re: Staff Changes
5. Correspondence from Attucks Re: Staff Changes

F. Financial Reports:

1. Accounts Payables – November 2017
2. Dahab Associates Preliminary Report: October 2017
3. Attucks Manager of Manager Summary: October 2017
4. Statement of Changes: October 2017
5. Q3 2017 Unaudited Financial Statements
6. YTD Budget Activity Report

G. Private Equity Capital Calls & Distributions

H. Retirement Benefits

1. New Retirements

Ret. No.	Member's Name	Amount	Effective
2821	Halick, John		12/01/2017
<b>2823</b>	<b>Locher, Robert</b>		<b>01/01/2018</b>

**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
10032	Mungia, Barbara	10/20/2017	

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
2817	Barner, Karen	09/01/2017	Final Benefit	
2821	Halick, John	12/01/2017	Final Benefit	

5. Disability Medical Re-Exams/Benefit Continuation

Ret No.	Name	Reason

6. Refunds of Employee Contributions

Ret No.	Name	Reason	Benefit Amount
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**RESOLUTION 17-134** By P. Waterman, Supported by Gaffney

Resolved, That the Board approves and ratifies the actions in the Consent Agenda for November 29, 2017.

Yeas: 8 – Nays: 0

*Trustee Nazarko arrived at 10:07 a.m.*

**CONSULTANT**

**Re: Dahab Associates**

2017 3<sup>rd</sup> Quarter Performance Report

Mr. Roth provided a review of the Q3 2017 performance report. He told the Board that domestic and global economic growth has been good and low inflation has helped push returns. He also noted that the System is heavily invested in domestic equities.

He reported that the estimated GDP was 3.1% but was revised up to 3.3% for the period.

He noted that all the major indices reported positive returns for the quarter.

The total portfolio performance for the period was 3.9% gross of fees ranking in the 17<sup>th</sup> percentile. One-year performance returns were 12.6% gross of fees ranking in the 41<sup>st</sup> percentile. The one-year returns were 12.1% net of fees versus the shadow index at 13.3%. Five-year returns were 9.9% ranking in the 7<sup>th</sup> percentile outperforming 93% of peers. The ten-year performance returns were 6.6% ranking in the 6<sup>th</sup> percentile outperforming 94% of the peer universe.

Mr. Roth stated that the Fund's equity exposure added to the positive returns and noted that the asset allocation is what is driving the returns. He also noted that the Board has approved to pare back the allocation to equities as the next phase of the rebalancing.

Trustee Giddings asked about the total portfolio returns of 3.9% at the end of the quarter being the same both gross and net of fees.

Mr. Roth explained that the returns gross and net of fees are so close because the net of fees return only reflects one quarter of the management fee.

He reviewed the investment growth for the quarter. The beginning value of the portfolio was \$483.4 million with -\$6.9 million in net contributions and \$18.8 million in investment returns. The ending value as of September 30, 2017 was \$495.3 million.

As of November 27, 2017 the total fund value was approximately \$500 million.

Chairman Moore asked how much the expenses are per quarter.

Mr. Roth indicated that the expenses average from \$6 million to \$7 million per quarter.

Chairman Moore also asked about the allocation to equities.

Mr. Roth stated that the allocation to equities is still out of compliance with PA 314 at 71.6% and noted that the recent equity market performance has contributed to the total.

He reviewed the portfolio's asset allocation and targets noting that there are still more dollars to allocate to real estate which will come from the equity allocation.

He reviewed the top twenty equity holdings as of September 30, 2017 noting the 1% allocation to Apple, Inc. He also reviewed the System's top twenty fixed-income holdings.

Chairman Moore asked if the System has holdings in Amazon.

Mr. Roth stated he believes the managers have holdings in Amazon but that that security is not in the top twenty holdings.

Trustee Nazarko noted the allocations to Apple and Google and questioned the risk associated with them.

Mr. Roth stated that it is in the discretion of the each investment manager to determine how much they invest in individual securities. He also told the Board that technology stocks represent 30% of the Russell 1000 Index.

Trustee Patrice Waterman asked about bitcoin.

Mr. Roth explained that bitcoin is a cryptocurrency where people can exchange money with others anonymously. The only value bitcoin has is what someone is willing to pay for it. The System's investment managers do not invest in bitcoin. However, many hedge fund managers do invest in bitcoin. One could also invest in bitcoin as an individual and it is becoming more main stream. There are a limited number of bitcoin and the valuation is questionable.

Trustee Arndt noted that bitcoin has been reported to be used by arms dealers.

Miss Munson suggested that Mr. Roth explain how bitcoin is created.

Mr. Roth explained that bitcoin is created using a server mining mechanism. The mining process referred to as 'block chain' involves compiling recent transactions to solve a computationally

difficult puzzle to create the next block chain. The mining or block chain takes a lot of computational power. Special hardware was designed specifically for mining bitcoin.

Trustee Nazarko stated that bitcoin is known to be used for money laundering purposes.

Mr. Roth continued with the performance report. First Eagle underperformed the benchmark. He explained that they are a global equity manager that holds gold in their portfolio in order to protect in a down market. He is not concerned with the underperformance based on their ability to protect the portfolio when there is a correction in the market.

Trustee Giddings requested that Dahab provide the Trustees with a one-page handout with the private equity Q3 performance numbers when available.

Chairman Moore asked whether what is happening in Washington, D.C. is on the minds of the people and if the passing of the budget could have an effect on the economy.

Mr. Roth indicated that it will be the same equity market volatility and the same people fighting with regard to the tax reform issues. Eventually, he believes it will be a positive market next year.

Chairman Moore stated that the committee did not have a lot of time to talk about real estate at their meeting. He asked Mr. Roth's thoughts regarding how real estate will affect the Investment Policy Statement and the asset allocation related to real estate.

Mr. Roth indicated that the approved asset allocation will move assets from the equity portfolio to real estate. The Board held an education presentation regarding real estate and the IPS. He noted that - for some of the Trustees - value-add real estate was too far along the risk scale. The System has approximately \$28 million remaining to allocate to real estate. He suggested that instead of value-add, the Board could allocate an additional \$15 million to the two core managers in order to move more of the assets into real estate.

Trustee Albritton indicated that he did not feel that investing in value-add real estate had been decided as a Board. He suggested bringing in the managers to hear their presentations. He also noted that real estate debt is less risky.

Mr. Roth stated that originally there were two real estate debt managers but one of the funds has closed. He stated that there are two open-end value-add managers - American Realty Advisors and J.P. Morgan. Those managers could come in and make their presentations.

Trustee Albritton asked about the timeframe for when the managers could come in and make their presentations.

Mr. Roth indicated that the Board would make that decision. He suggested that the Board could invest the assets with the core managers and then reallocate those assets to the value-add managers once the Board made that decision.

Trustee Gaffney indicated she would be willing to invest the assets with the core real estate managers and further evaluate the open-end value-add real estate funds.

Chairman Moore questioned whether the Board should be concerned about the over allocation to equities with regard to Public Act 314.

Ms. Billings-Dunn stated that the System is a little over allocated to equities. However, as long as the Board is prudently working to bring the allocation into alignment, this is not a problem. Public Act 314 does not anticipate that the System will conduct a fire sale in order to bring the allocation into compliance. She does not see an issue and reiterated that the System is working to bring the allocation well below the 70% limit. There is no issue of being in violation of Public Act 314 based on the Board's commitment to bringing the allocation into compliance.

Trustee Gaffney indicated that she would like to make the motion to allocate an additional \$15 million to the two current core real estate managers.

Mr. Roth told the Board that moving the assets to real estate will help reduce some of the short-term volatility risk in the portfolio.

Trustee Swazer asked why the current asset allocation to Invesco totals \$8,051 million.

Mr. Roth stated that Invesco called their committed capital first and has declared a distribution.

Trustee Giddings confirmed that the \$51,000.00 will be distributed to the System.

Trustee Nazarko confirmed that the \$15 million will not be committed to the value-add real estate.

**RESOLUTION 17-135** By Gaffney, Supported by P. Waterman

Resolved, That the Board approves the consultant's recommendation to allocate an additional \$15 million to the two core real estate managers - \$7.5 million to Principal and \$7.5 to Invesco - using funding from the international equity portfolios.

Yeas: 9 – Nays: 0

*Trustee Deirdre Waterman arrived at 10:38 a.m.*

Mr. Roth presented the periodic rebalancing spreadsheet to the Board. He explained that purpose is to raise cash to pay the System's expenses and benefits. The cash will be raised by continuing the liquidation of the PNC account. PNC is part of the Attucks manager-of-manager portfolio; however, PNC is neither emerging nor Michigan-based. He also noted that large-cap equity is currently over allocated by approximately \$32 million.

*Trustee Bowman arrived at 10:40 a.m.*

## **COMMITTEE REPORTS**

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## **Re: Committees**

### **Relocation Committee**

Trustee Albritton harkened back to the discussion at the special meeting when it was determined that the property under consideration by the committee would not qualify as an investment under the System's Investment Policy Statement (IPS).

He recommended having the System's legal counsel sit in on the committee meetings to assist in determining which potential properties could be considered and would be in compliance.

Trustee Gaffney asked whether the committee was considering rentals or only looking at properties to purchase.

Trustee Albritton stated that the committee is considering all available options.

Trustee Bowman did not feel that it was necessary or cost effective to have the attorney sit in on committee meetings since she would be billing the System for her time. He indicated that any information or questions could be forwarded to the attorney for review.

Trustee Albritton expressed that having the attorney attend the committee meetings could prove more efficient such as by preventing the committee from spending time investigating potential locations that ultimately prove unviable.

Trustee Bowman sympathized with Trustee Albritton regarding the amount of time Trustees spend researching issues while serving on committees and agreed that it was important to make sure that the time spent is value-add.

Trustee Nazarko noted that the relocation committee is an ad-hoc committee and expressed concern about the cost of the attorney to attend committee meetings.

Trustee Albritton stated that the committee wants to make sure that the potential properties are permissible pursuant to Public Act 314. He has spent a lot of time researching various locations and wants to make sure he is not wasting his time. He questioned the purpose of having legal counsel if those services are not utilized.

Trustee Deirdre Waterman requested to weigh in on the matter. She noted that the Board is accountable for the fees incurred on behalf of the System and that legal services should be used judiciously. The attorney should be used for purposes that require her expertise and not as a clerk. She echoed her comments from prior meetings that the Board should decide and outline specific search criteria for the committee and then have the attorney provide legal analysis. She observed that the committees work at the direction of the Board and suggested adding parameters for the search criteria as an item on the Board's agenda.

Trustee Patrice Waterman noted that the relocation committee was given a specific directive initially, which was to find a new office to house the System's operations. The only criterion given to the new committee at the time was that the new office be located in the City of Pontiac.

Trustee Albritton corroborated Trustee Patrice Waterman's understanding of the criteria. However, he dissented from Trustee Deidre Waterman's belief that additional billable hours is a sufficient reason to not have the attorney present during the committee meetings.

Chairman Moore asked if there are policies in place in terms of the process of how legal services are utilized by the Board. He asked if there is an issue with individual Trustees utilizing the attorney.

Miss Munson indicated the System does have a policy on legal services. Generally speaking, the policy allows individual Trustees to get clarity or inquire of matters of an insignificant nature with the System's legal counsel. However, a matter that requires research or an opinion from the attorney can only be requested individually by the Chairman, the Secretary or the Executive Director.

Trustee Giddings stated that the contract between the System and Sullivan Ward states that the Board will approve the work performed by legal counsel.

Chairman Moore observed that the Board has the option of amending, updating or following the policy, as warranted.

Trustee Swazer suggested that the Board authorize the attorney to assist the relocation committee or a particular amount of billable hours.

Chairman Moore indicated that if there is a need for the services of the attorney or consultant it should be brought through proper channels.

Miss Munson distributed copies of the System's Legal Opinion Policy and stated that – given the nature of the relocation project – it will be important for the Board to have a legal opinion regarding the relocation within the context of Public Act 314. The opinion would be broad-ranging and will be needed whether the Board leases, purchases or builds an office. She suggested that the Board consider approving a legal opinion.

Trustee Gaffney stated that the opinion would provide guidelines that would help the committee in the search process.

Trustee Albritton welcomed the additional Board discussion on how to proceed with the process. He said that a transparent process will ensure that their decisions are beyond reproach.

Trustee Deidre Waterman summarized her view by suggesting to that having specific guidelines in place would result in more effective use of the Trustees time and asked whether the committee has set any parameters or criteria.



Trustee Patrice Waterman noted that she is a member of the committee and has brought several properties for consideration. The committee researched some prospective properties but is agreeable to working within certain parameters, if that is the pleasure of the Board. She felt it important to note that the committee has not been operating randomly.

Chairman Moore felt that the Board should put parameters in place for the committee that would ensure that they were only exploring options that would fall within the parameters of PA 314.

**RESOLUTION 17-136** By Gaffney, Supported by D. Waterman

Resolved, That the Board authorizes legal counsel to provide an opinion and guidelines that are within the parameters of Public Act 314 for any potential real estate deal to relocate the Retirement Office.

Yeas: 11 – Nays: 0

**Personnel & Administration Committee**

Miss Munson reported that the personnel committee met on November 16, 2017.

Education & Travel Policy

Miss Munson reported that both committees reviewed the Training and Education Policy revisions and are recommending approval.

Credit Card Policy

Miss Munson reported that both committees reviewed the Credit Card Policy revisions. The finance committee recommended removing the language requiring Trustees to leave their credit cards at the retirement office unless they are traveling for the System. Both committees are recommending the revised policy for approval.

Election Rules Revisions

Miss Munson reported that both committees reviewed the revised Election Rules. There is an outstanding question that the Board needs to resolve prior to approval.

**Re: Finance Committee**

Miss Munson reported that the finance committee met on November 28, 2017.

Investment Policy Statement Revisions

Miss Munson reported that the committee is recommending approval of the revised IPS.

Emerging Manager Program

Miss Munson stated that Emerging Manager Program is still undergoing review by the committee.

Consequent Capital Re: CEO Termination

Miss Munson reported that the committee reviewed the notice regarding the termination of Earl Robinson, CEO of Consequent Capital.

Attucks Asset Management Re: Staff Changes

Miss Munson reported that the committee reviewed the notice regarding the staff change at Attucks.

Q3 2017 Unaudited Financial Statements and Budget Update

Miss Munson reported that the committee reviewed the unaudited Q3 2017 financial statements and budget update.

Correspondence from Attorney to Consequent Capital

Miss Munson reported that the committee has recommended that the attorney draft a letter to Consequent Capital requesting a voluntary withdrawal of the System's investment in GrayCo Alternatives I.

Chairman Moore directed that Miss Munson present her information from Agenda Item C of the Executive Director's report.

Miss Munson reported that she did not receive notification from Consequent Capital regarding the departure of CEO Earl Robinson. She was notified of the departure by a reporter. She referenced the complaint in which Mr. Robinson has been named which was filed by the FTC. The complaint alleges that Mr. Robinson was involved in the theft of money from some very poor people.

She also referenced the SEC Press Release regarding Millennium Asset Management, LLC. The System is invested in one of Millennium's underlying funds but it does not appear that the practices over which they settled with the SEC affected the System's investment.

**RESOLUTION 17-137** By Giddings, Supported by Nazarko

Resolved, That the Board direct legal counsel to draft a letter to Consequent Capital requesting a voluntary withdrawal from the investment.

Yeas: 11 – Nays: 0

Trustee Nazarko reminded the Board that Earl Robinson attended the finance committee approximately one month after the FTC complaint was filed in August. He told the Board that it is unacceptable that Mr. Robinson stood in front of the committee knowing full well that he had been served by the FTC and that he is offended by this. It was also unacceptable that Cyril Theccanat did not provide notice of the complaint.

Mr. Roth explained that he received a phone call from Mr. Theccanat late afternoon on Thursday, November 2, 2017. He asked that Mr. Theccanat put the information regarding Mr. Robinson in an email to him and the Retirement System. When he received the email he did not notice that Chairman Moore and Miss Munson had not been copied on the email.

Trustee Deirdre Waterman confirmed that the System's IPS requires managers to adhere to and abide by certain guidelines regarding notification.

Miss Munson noted that this is one of the issues that arises from investing in private equity. The IPS provides that managers can be terminated for not adhering to the guidelines in the IPS. Unfortunately, the System's private equity investments are governed by limited partnership agreements and the System does not have the ability to terminate a private equity firm once the capital has been committed.

Trustee Deirdre Waterman cautioned that the Board is responsible to ensure that managers are in compliance. She asked which reporter contacted Miss Munson regarding the departure.

Miss Munson responded that it was Zack Cziryak from Financial Investment News who contacted the office.

**Re: Trustees**

2017 COLA Calculation Review Report

Miss Munson thanked Trustee Giddings for the 2017 COLA calculation review. She noted that it is a very time-consuming task and Trustee Giddings devised a rigorous audit process.

Trustee Giddings described the process and told the Board that he wrote a report for Plante & Moran as part of that process. He individually tested the members who were included in the Board minutes for 2017 including new retirements, deaths, pop-up benefits, disability conversions, domestic relation orders and there were random checks for every bargaining unit. He is confident in his testing and everything made sense.

Chairman Moore thanked Trustee Giddings for assisting the Board in this fashion in order to satisfy the auditor requirements. Chairman Moore continued that Trustee Giddings did a great job and noted that it makes us stronger as a Board when we work together and when Trustees like Trustee Giddings step up to the plate.

Trustee Nazarko asked if the new Finance Office, Phillip Moore, would like to provide any input regarding the COLA calculation process.

Mr. Moore stated that he read the report prepared by Trustee Giddings. He also indicated that Trustee Giddings did a lot of work verifying the calculations.

Miss Munson noted that Mr. Moore did not become part of the staff until after the COLA calculations were completed.

Trustee Gaffney thanked Trustee Giddings for his time and hard work.

Annual Chairman/Vice-Chairman Elections

Trustee Nazarko opened the nominations for Chairman.

Trustee Swazer nominated Walter Moore for Chairman.

Trustee Gaffney seconded the nomination of Walter Moore for Chairman.

Trustee Deirdre Waterman nominated Koné Bowman for Chairman.

Trustee Bowman respectfully declined the nomination.

Trustee Nazarko closed the nominations for Chairman.

**RESOLUTION 17-138** By Gaffney, Supported by Williams  
Resolved, That the Board approve the election of Trustee Moore for Chairman by acclamation.

Yeas: 11 - Nays: 0

Trustee Nazarko opened the nominations for Vice-Chairman.

Trustee Bowman nominated Trustee Giddings for Vice-Chairman.

Trustee Giddings respectfully declined the nomination.

Trustee Patrice Waterman nominated Trustee Williams for Vice-Chairman.

Trustee Swazer seconded the nomination of Trustee Williams for Vice-Chairman.

Trustee Nazarko closed the nominations for Vice-Chairman.

**RESOLUTION 17-139** By Gaffney, Supported by P. Waterman  
Resolved, That the Board approve the election of Trustee Williams for Vice-Chairman by acclamation.

Yeas: 11 - Nays: 0

Chairman Moore and Vice-Chairman Williams thanked the Board for their continued support.

**Re: Chairman** - None

### **EXECUTIVE DIRECTOR**

Miss Munson congratulated Trustee Moore and Trustee Williams on their re-elections. She also congratulated Trustee Deirdre Waterman and Trustee Patrice Waterman for their re-elections and noted that Mayor Deirdre Waterman is the first mayor to be re-elected to consecutive terms in the City of Pontiac.

Miss Munson wished everyone happy holidays and reported that the retirement office will be closed Friday, December 22, 2017, Monday, December 25, 2017, Friday, December 29, 2017 and Monday, January 1, 2018 for the upcoming holiday season.

Miss Munson noted Trustee Swazer's Fall 2017 MAPERS Conference Certificate included in the reports section.

Gabriel Roeder Smith Solvency Liability Report

Miss Munson reminded the Board that she reported last month that GRS has provided a quote and a white paper for a solvency liability study. Those materials are included in the agenda this month

Disability Procedures Report – No Report

Asset Transition Update – No Report

Consequent Capital Update – Refer to Finance Committee

Deferred Member Early Retirement Memo/Approval

Miss Munson referenced the proposed Ordinance amendment included in the reports section. It would provide an early unreduced retirement benefit to a group of sixty-seven deferred members who were laid-off between March 2009 and August 2013.

This Ordinance is almost identical to the previous one adopted by the City Council but it does not include the Early Retirement Reduction Factors which were requested as part of the recent supplemental actuarial analysis. This Ordinance would allow those deferred members who have attained forty-three years of age to retire with an unreduced pension benefit.

The proposed Ordinance states that the pension benefit will be payable from the date of the final City Council approval. Those members will have thirty days from the final approval to file their intention to retire.

She reported that updated data has been provided to the actuary. The supplemental actuarial analysis must be presented to the City Council and the Board at least 7 days prior to adoption. She suggested that the Board hold a special meeting for the sole purpose of receiving and filing the supplemental analysis in order to not unnecessarily delay the process.

Miss Munson explained that there are sixty-seven eligible members and described the training process for Mr. Moore as well as the office workload during January and February. She is suggesting that – upon final Council approval – the retirement office will send notices to all eligible members and ensure that they all return their notices of intent to retire as required by the Ordinance. She anticipates that the office will be able to have all of the members added to the retiree payroll no later than March 31, 2018. All benefits would still be payable effective January 1, 2018.

Trustee Gaffney asked if the members would be scheduled for their retirement interview appointments in the order that the office received their notice of intent.

Miss Munson concurred that Trustee Gaffney's suggestion is the most equitable and efficient way to schedule the appointments.

Trustee Deirdre Waterman noted that the members have to be fully vested.

Trustee Nazarko noted that the minimum age for the early retirement is forty-three.

Chairman Moore asked whether reciprocal service credit is included.

Trustee Nazarko responded that the members must have had at least ten years of retirement service - including reciprocal service - at the time of their separation from the City.

#### Temporary Employee Request

Miss Munson reported that there is a scanning and filing project that she would like to have completed by the end of the year and requested that she be allowed to hire a temporary employee to assist with the project.

Trustee Giddings suggested bringing a temporary employee in for two months to make sure the work is complete.

The Board concurred with bringing in a temporary employee for up to two months.

#### UBS Signature Authority Request

Miss Munson reported that UBS had originally requested a blanket signature authority for the account in order to effect transactions. However – at the Board’s request – only signature specimens were provided to UBS and all transactions require a Board resolution.

#### Copier Replacement Update

Miss Munson reported that the copier in the Retirement Office should be replaced prior to the January 2018 meeting.

Mr. Moore reported that two companies have submitted quotes and he is expecting a third.

#### 2018 Production Schedule

#### 2018 Employee Holiday Calendar

Miss Munson referred the Board to the 2018 employee holiday calendar.

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## **UNFINISHED BUSINESS**

### **Re: Resolution to Approve 2018 Board Meeting Schedule**

There was discussion regarding the 2018 Fall MAPERS Conference being in conflict with the manager review meeting scheduled for September 25, 2018.

The Board decided to change the manager review meeting from Tuesday, September 25, 2018 to Thursday, September 27, 2018.

**RESOLUTION 17-140** By Swazer, Supported by Gaffney  
Resolved, That the Board approves the 2018 meeting schedule as amended and directs that it be posted to the System's website and City Hall.

Yeas: 11 – Nays: 0

**Re: Resolution to Approve Credit Card Policy Revisions**

Miss Munson noted the finance committee is recommending that the requirement that Trustee credit cards be left in the retirement office when Trustees are not traveling be removed from the policy.

Trustee Nazarko expressed his concerns regarding the language with regard to individuals making unauthorized expenditures facing criminal prosecution. He noted that an unauthorized expenditure could include a small oversight such as using the credit card for a tip rather than paying it out of the per diem.

Ms. Billings-Dunn stated that the language refers to committing a criminal act with the credit card. A Trustee would not be prosecuted by mistakenly charging something that should come from the per diem. She also noted that a criminal act would be something that would be a breach of the Trustee's fiduciary responsibility.

The Board agreed to amend Item 9 in the policy to read "...subject to discipline up to and including prosecution in accordance of law."

There was further discussion regarding the Credit Card Policy.

Vice-Chair Williams was concerned that there was nothing in the policy specifically addressing fraud and the reporting guidelines.

Ms. Billings-Dunn responded that Trustees are required to provide receipts for all charges to the retirement office within a certain timeframe. The staff is responsible for ensuring that there are receipts to document all of the charges on the VISA statements and reporting any suspicious activity.

It was also noted that Section IV of the policy vests the ultimate responsibility for compliance with the Board and that Section VI Item 1 delegates on-going monitoring and compliance with the Executive Director.

Trustee Giddings noted that there have been incidents related to Trustee-issued credit cards in the past.

Vice-Chair Williams asked about the process for compromised cards.

Trustee Patrice Waterman questioned whether the credit cards are still issued through the credit union and whether the staff is looking for other sources. She told the Board that on two occasions

her credit card did not work while checking into the conference hotel and she does not want other Trustees to suffer the same inconvenience.

Miss Munson reported that she has requested that Mr. Moore make securing a new VISA issuer a priority.

**RESOLUTION 17-141** Gaffney, Supported by P. Waterman  
Resolved, That the Board approves the revisions to the System's Credit Policy as amended.

Yeas: 11 – Nays: 0

**Re: Resolution to Approve Training and Education Policy Revisions**  
Trustee Gaffney noted a typo in the policy on page 3.

Trustee Patrice Waterman felt that the two week deadline for registering for a conference was too close to the date of the conference.

Trustee Arndt concurred and added that two weeks was not sufficient time to make the arrangements for Trustees to attend most conferences. She also indicated that many of the conference hotels are booked long before that time and most early registration deadlines have passed.

The Trustees agreed to change the deadline to four weeks.

Trustee Swazer suggested that the Trustees be provided with the conference deadline information with the annual calendar.

Miss Munson confirmed that this registration information will be provided to the Trustees as soon as it is available.

Trustees not meeting the deadline will pay for their travel arrangements with their personal credit card and the Board will need to approve the reimbursement.

**RESOLUTION 17-142** By Nazarko, Supported by Swazer  
Resolved, That the Board approves the revisions to the System's Training and Education Policy as amended.

Yeas: 10 – Nays: 1 (Trustee Albritton)

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## **NEW BUSINESS**

**Re: Resolution to Approve Revised Trustee Election Rules**



Miss Munson reported that there are two sets of election rules and neither is completely consistent with how elections are currently run. She also noted that, historically, everyone who was receiving a pension from the System was allowed to vote in the elections. In 2015 the former Executive Director decided to exclude beneficiaries from eligibility to vote in elections; however, the Election Rules were not amended to exclude them.

Miss Munson reported that the revisions would provide for one set of Election Rules which would be applicable to all Trustee elections.

Trustee Swazer stated that she does not think that beneficiaries or alternate payees should be able to run or vote.

Miss Munson reiterated that the exclusion was a one-time event and resulted from one person's interpretation of the rules and not a decision by the Board.

There was discussion regarding whether beneficiaries could be elected to Trustee positions.

Trustee Gaffney used the analogy that a person can vote for President in the United States if they are a citizen, but only a natural born citizen is eligible to be elected President.

Miss Munson pointed out the difference between the definition of 'retirees' in the Election Rules and the definition of 'retirant' in the Ordinance of who is eligible to be elected.

*Trustee Bowman left at 12:22 p.m.*

Trustee Gaffney moved to approve the consolidation and revisions to the System's Trustee Election Rules.

Trustee Swazer seconded the motion.

There was additional discussion regarding the rules and eligible voters.

Miss Munson explained that the Ordinance provides that Trustee elections are to be conducted pursuant to rules that are adopted by the Board.

Trustee Giddings explained that the Trustees have a fiduciary responsibility to manage the assets for all the members of the System. He could not understand why one would exclude a beneficiary from voting. As a member of the System they have the ability to sue the Board for a breach of their fiduciary duties.

There was further discussion resulting in the item being tabled to the next meeting.

**RESOLUTION 17-143** By P. Waterman, Supported by Nazarko  
Resolved, That the Board approves to table the resolution to revise the Trustee Election Rules.

Yeas: 10 – Nays: 0

Trustee Albritton stated that he is opposed to any semblance of suppressing the right to vote and he would not support such a resolution.

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

**Re: Resolution to Approve Investment Policy Statement Revisions**

Miss Munson solicited questions from the Trustees.

Trustee Swazer stated that she is concerned that the revisions have lessened the constraints on the managers.

Miss Munson noted that the most of the restrictions such as those on cash held by investment managers and overall bond quality were not removed and requested that Trustee Swazer send her the specific concerns.

**RESOLUTION 17-144** By Gaffney, Supported by Arndt

Resolved, That the Board approves the revisions to the Investment Policy Statement.

Yeas: 8 – Nays: 1 (Swazer)

*Trustee D. Waterman left at 12:33 p.m.*

**Re: Resolution to Approve November 2017 Periodic Rebalancing**

**RESOLUTION 17-145** By Giddings, Supported by P. Waterman

Resolved, That the Board approves the Investment Consultant's recommendation to rebalance the portfolio by liquidating the remaining balance of approximately \$5 million from PNC Capital and transferring the proceeds to the cash manager to provide for benefits and operating expenses.

Yeas: 8 – Nays: 0

*Trustee D. Waterman returned at 12:35 p.m.*

**Re: Resolution to Renew Crime/Dishonesty Insurance**

Miss Munson referenced the handout in the Trustee binders. The limit and the deductible did not change but there is a slight increase in the premium for 2018/2019 from \$1,501.00 to \$1,518.00.

**RESOLUTION 17-146** By Swazer, Supported by Albritton

Resolved, That the Board approves to renew the employee crime/dishonesty insurance offered through Chubb Group of Insurance Companies for the period January 1, 2018 – January 1, 2019.

Yeas: 9 – Nays: 0

**Re: Resolution to Update Northern Trust Signature Authority**

Miss Munson explained that this update is being requested in order to replace Vice-Chair Williams with Phillip Moore as an authorized user on the Northern Trust account. She reminded the Board that two parties are required for all Web Cash Movement transactions – one to initiate the transaction and one to approve it. One party cannot initiate and approve their own transaction. Mr. Moore will also replace Vice-Chair Williams in the client callback list and the Chair and Vice-Chair will no longer be required to review and approve a nightly transaction report.

**RESOLUTION 17-147** By Williams, Supported by Gaffney

Whereas, the Board of Trustees has various responsibilities associated with administering the business of the Retirement System and for making effective the provisions thereof; now, therefore, be it

Resolved, that the Northern Trust Web Cash Movement Individual User Authorization will be updated by removing Vice-Chair Kevin Williams and adding Phillip J. Moore, and, further

Resolved, that the Northern Trust Client Communication Callback Process will be updated by removing Vice-Chair Kevin Williams and adding Phillip J. Moore, and, further

Resolved, that the Northern Trust Trade Order – Access Form will be updated by removing Vice-Chair Kevin Williams and adding Phillip J. Moore, and, further

Resolved, that the Retirement Office Disbursements Process be updated to allow Phillip J. Moore to initiate and approve transactions on the Northern Trust website; and, to no longer require that Chairman Walter Moore and Vice-Chair Kevin Williams review and sign off on nightly transaction reports.

Yeas: 9 – Nays: 0

**Re: Resolution to Correct Prior Minutes: 2017 COLA Review**

Miss Munson requested that the Board approve corrections to the minutes discovered during the 2017 COLA review process.

**RESOLUTION 17-148** By P. Waterman, Supported by Gaffney

Resolved, That the Board approves to amend the August 30, 2017 minutes to correct Karen Barner’s benefit amount to \$ and to correct Terrence Kilburn’s benefit amount to \$.

Yeas: 9 – Nays: 0

**Re: IFEBP Investments Institute Conference Attendance Request**

Trustee Giddings requested to attend the IFEBP Investments Institute Conference being held in Naples, Florida from April 9, 2018 through April 11, 2018. He told the Board that he does not attend many out-of-state conferences; however he attended this conference last year and felt it was very worthwhile and educational.

**RESOLUTION 17-149** By D. Waterman, Supported by J. Gaffney

Resolved, That the Board approves a request from Trustee Giddings to attend the IFEBP Investments Institute Conference being held in Naples, Florida from April 9, 2018 through April 11, 2018.

Yeas: 8 – Nays: 0 – Abs: 1 (Giddings)

**Re: Legal Report**

IRS Guidance Regarding Payment of Required Minimum Distributions to Missing Participants

Ms. Billings-Dunn reported that on October 27, 2017 the IRS publicly released guidance that had previously been provided to its employee plan auditors establishing the criteria that should be used to determine if a plan under audit has a qualification issue and if there are missing participants or beneficiaries. It is especially important to locate the members if they are nearing the age of seventy and have not been paid timely. She reviewed the steps that should be taken based on the IRS guidelines.

Miss Munson reminded the Board that they review their list of deferred members every year and there is only one member whom the System has been unable to locate. The member is sixty-seven years old.

IRS COLA Increases for Dollar Limitations on Benefits and Contributions

Ms. Billings-Dunn reviewed the release of the updated IRS COLA increases for dollar limitations on benefits and contributions. For 2018, the new dollar amount increased from \$215,000.00 to \$220,000.00.

*Trustee Deirdre Waterman left at 12:44 p.m.*

Consequent Staff Changes – Refer to Finance Committee

Portfolio Monitoring Reports

- Robbins Geller October 2017
- MotleyRice Third Quarter 2017
- Bernstein Litowitz Third Quarter 2017

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

Securities Litigation – Derivative Action

Ms. Billings Dunn described a recent securities litigation claim to the Board that is an example of why these claims are so important.

The Seattle Times FOIA Request

Ms. Billings-Dunn notified the Board that she had placed a courtesy call to Attucks and Ms. Carter and informed them of the FOIA request from The Seattle Times.

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**SCHEDULING OF NEXT MEETING**

Miss Munson reported the System's IT Administrator recently placed the order for the new tablets but has had trouble sourcing all them from their vendor.

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Regular Meeting: Wednesday, January 31, 2017 @ 10:00 a.m. – Retirement Office

**RESOLUTION 17-150** By P. Waterman, Supported by Swazer

Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' System be adjourned at 12:49 p.m.

Yeas: 8 – Nays: 0

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I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on November 29, 2017

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*As recorded by Jane Arndt*