

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
SEPTEMBER 26, 2018**

A meeting of the Board of Trustees was held on Wednesday, September 26, 2018 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 10:01 a.m.

TRUSTEES PRESENT

Sheldon Albritton
Jane Arndt (*arrived @ 10:03 a.m.*)
Robert Giddings
Walter Moore, Chairman
Billie Swazer
James Walker
Deirdre Waterman, Mayor (*arrived @ 11:28 a.m.*)
Patrice Waterman, City Council
Kevin Williams, Vice-Chair (*arrived @ 10:03 a.m.*)

OTHERS PRESENT

Phillip Brown, City Videographer
David Lee, Dahab & Associates
Steven Roth, Dahab & Associates
Deborah Munson, Executive Director
Stacia Watkins, City Retiree
Linda Watson, City Retiree
Cynthia Billings-Dunn - Sullivan, Ward
James Walker

TRUSTEES ABSENT

Chairman Moore called the meeting to order at 10:02a.m.

PUBLIC COMMENT

Retiree Linda Watkins asked how much Attucks is being paid for their duties as the manager-of-managers and what is the difference between that role and the role of the consultant. She questioned whether Dahab could perform that role. She is concerned that it could be a duplication of services. She also questioned who would replace Trustee Arndt if a Court employee did not seek election.

Trustee Patrice Waterman responded that there are also four employees at City Hall.

Chairman Moore clarified that the System would not technically close until the last beneficiary is deceased.

Miss Watkins asked how long she has to dispute her audit for her final benefit.

Miss Munson responded an audit of a final benefit can be requested at any time. There is no time limit.

AGENDA CHANGES

Miss Munson referred to the handout of the page from the September 14, 2018 meeting minutes noting that the new employee's name was misspelled. She stated that the Finance Committee was able to review the revision to the Training and Education policy and - if the Board is agreeable - both committees would recommend it for approval. It is listed under New Business and the change would be to un-table it.

Miss Munson noted an additional change to the last page of the policy. In cases of doubt, Trustees should use their personal credit card for expenditures and seek reimbursement from the Board.

APPROVAL OF CONSENT AGENDA

- A. Approval of the Minutes of the Regular Board Meeting held July 25, 2018
- B. Approval of the Minutes of the Regular Board Meeting held August 29, 2018
- C. Approval of the Minutes of the Special Board Meeting held September 14, 2018+
- D. Ratify Resolution #18-111 passed at the September 14, 2018 Special Board Meeting to allow attendees of the IFEBP Conference to extend their stay by one night.
- E. Ratify Resolution #18-112 passed at the September 14, 2018 Special Board Meeting to reimburse the cost of the rental car for the ValueEdge Public Funds Forum

- F. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date September 26, 2018

TOTAL PENSION PAYROLL **\$2,025,521.08**

Staff Pay Date September 13 & 27, 2018

TOTAL STAFF PAYROLL **\$21,305.44**

G. Communications

- Correspondence from Invesco RE: European Research Director
- Correspondence from Intercontinental RE: Hurricane Florence Update
- Correspondence from Principal RE: Hurricane Florence Update

H. Financial Reports

- Accounts Payable: September 2018
- Dahab Associates Preliminary Report: August 2018
- Attucks Manager-of-Manager Summary: August 2018
- Statement of Changes: August 2018

I. Private Equity Capital Calls & Distributions

- Mesirow Fund IV Distribution: August 31, 2018 - \$100,000
- Mesirow Fund VI Capital Call: September 27, 2018 - \$150,000
- GrayCo Alternatives I Distribution: September 25, 2018 - \$229,885

J. Retirement Benefits

1. New Retirements

RETNO	NAME	Amount	Effective
2888	Mahoney, Barbara		10/1/2018
2887	Stewart, Janice		10/10/2018

Bold type entry indicates Reciprocal service credit.

2. Terminated Retirements

RETNO	NAME	Date of Death	Benefit Amount
1024	Oates, Odator	9/9/2018	
1129	Powell, Robert	9/2/2018	

3. J&S Continued Retirements

RETNO	Retiree's Name	Date of Death	Survivor's Name	Amount
2859	McKnight, Raquel	8/30/2018	Walls, Denzell	
1661	Gonia, Florence	9/3/2018	Gonia, Gregory	

4. Recalculated Retirements

RETNO	Member's Name	Effective	Reason for Change	New
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		Date		Amount
2884	Mudge, Jeffrey	1/1/2018	Final	
2814	Rollinson, Delores	7/1/2017	Final	
2830	Sumner, Stephanie	1/1/2018	Final	

Pop-Up Benefit: When beneficiary dies before retirant, monthly benefit “pops-up” to what would have been the monthly Regular benefit amount (plus applicable COLA).

5. Disability Medical Re-Exams/Benefit Continuation

RETNO	Member’s Name	Reason
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6. Refunds of Employee Contributions

RETNO	Member’s Name	Reason	Amount
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RESOLUTION 18-114 By Gaffney, Supported by P. Waterman

Resolved, That the Board approves and ratifies the actions in the Consent Agenda for September 26, 2018 as amended.

Yeas: 9 – Nays: 0

CONSULTANTS

Steven Roth reviewed the cash flow recommendations to pay for future benefits and expenses. The Board is continuing with the same pattern. The System is over-allocated to large cap so every other period, we raise money from Attucks: the next one will come from Sawgrass. The recommendation is to move \$7.7M from Attucks. Mr. Roth reviewed the spreadsheet with the Trustees noting what the portfolio will look like after the transfer. He noted that the target for large cap is 20% and this will help move the portfolio closer to this by bringing the total large-cap allocation down to 23%.

RESOLUTION 18-115 By P. Waterman, Supported by Gaffney

Resolved, That the Board approves the consultant’s recommendation to rebalance the portfolio by transferring \$7.7 million from Attucks Asset Management to the cash manager to provide for benefits and operating expenses.

Yeas: 9 – Nays: 0

Mr. Roth continued his report by reviewing the preliminary performance report for the month of August. As of the end of the month, the fund had \$514.7M dollars which was an increase of 2.3%. The fund is up 5.5% year-to-date which is slightly below the shadow index. The value of the fund is slightly down through September. Mr. Roth remains positive despite the fluctuation the market growth is robust particularly in the US and down slightly internationally and they are continuing to monitor updates regarding the tariff.

REPORTS

Personnel Committee

Training and Education Policy

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

2019 Expense Budget

Miss Munson reported that both committees did a final review of the 2019 expense budget and are recommending it for approval. She reminded the Board that the budget reflects an increase of approximately \$1.1M which is due to the increase in retiree payroll due to the early retirements.

Chairman Moore reported that the personnel committee had a discussion about year-end planning and – considering that another new employee is being added – they have agreed it would be best to postpone the Trustee Retreat until the spring.

Finance Committee

Miss Munson reported that the committee reviewed the notice from Kennedy Capital regarding a fee reduction and is recommending that the Board authorizes the Chair's signature of the new Appendix. The System's fee on the small-cap core product will be reduced from 95 bps to 90 bps effective October 1, 2018.

She reported that the committee reviewed the Q2 2018 unaudited financial statements from GrayCo Alternatives I and referred to the distribution notice in the Consent Agenda. The distribution is \$229,000.

David Lee of Dahab Associates reviewed the debt and value-add real estate report. Mr. Lee referenced page one regarding the initial list of four (4) managers that were brought forward in February. In March of this year the list was revised removing managers that were closed and adding additional managers. Page two reflects the refreshed list as of August. There are three value-add managers; American Realty Advisors, TA Realty and TerraCap Management. There are three real estate debt managers; Bloomfield Capital, Principal and Soundmark Partners.

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Chairman Moore stated that the finance committee is recommending that a special meeting be held to hear presentations from all six managers. They have suggested November 14th or November 15th to hold the meeting. There is approximately \$13 million dollars that could still be allocated to bring the real estate allocation to target.

Mr. Lee reviewed parts of his report on American Realty Advisors, TA Realty and Terra Cap Management. American Realty is an open-ended fund while TA Realty and TerraCap are closed-end funds. This means that the only fund from which the System could potentially withdraw its funds is American Realty. They have quarterly liquidity. He noted that even their liquidity could dry up if markets were really bad. Additionally, it may take up to a year to invest with them. TA Realty and Terra Cap are closed-end funds. This means they would call the capital and make investments over a 3- to 5-year period. They work to improve the buildings and then sell them so the life cycle of these funds could be 10 years. The other big difference is that TA Realty is the largest firm in the group and their specialty is value-add. TerraCap is the smallest and their specialty is value-add also but they tend to be more regionally focused. This fund is 100% in the south with the vast majority of the investments in Florida. He discussed the fees and preferred returns.

Mr. Lee reported on the three real estate debt managers. These managers are focused on loans. The biggest differentiator among these firms is liquidity. Principal is similar to a closed-end fund. Soundmark is the most liquid; they have annual liquidity. All three of the funds pay dividends from the interest that is paid on the loans. Principal is the largest firm; they are an insurance company and – by their nature – tend to be pretty conservative. Their returns will reflect that.

Vice-Chair Kevin Williams questioned the TBD reference for the debt funds.

Mr. Lee responded that this means ‘to be determined’ which means that no closing date has been set but reiterated that SoundMark is open-ended.

Giddings referenced page six (6) and page fifteen (15) asking for clarification on the difference between TBD and NA as far as a timeline. David Lee responded that the TBD is correct as no date has been set yet and that NA meant it was perpetual.

Chairman Moore asked to select the date for either November 14 or November 15 for the interviews.

RESOLUTION 18-116 By Gaffney, Supported by P. Waterman

Resolved, That the Board approves to schedule a Special Meeting for 10:00 a.m. November 15, 2018 to hear the six real estate manager presentations.

Yeas: 9 – Nays: 0

Re: Trustees Report - None

Trustee Swazer thanked Trustee Arndt for her service to the City and the System. She said that the two of them go back to high school.

Trustee Patrice Waterman expressed her appreciation for Trustee Arndt and said that she has been the ultimate professional. She thanked Trustee Arndt for her service.

There was additional discussion regarding Trustee Arndt's departure and her notable service to the members.

Re: Chairman Report - None

EXECUTIVE DIRECTOR REPORT

Miss Munson extended her condolences to the family of Raquel McKnight who passed away in August.

Hospital Deferred Members Service Credit

Miss Munson reported that the City has made an appointment for Ester Jimenez, Trustee Arndt and Kathi McNally to go the hospital to review the payroll records of the two deferred hospital members. The appointment is scheduled for Friday, September 28, 2018 at 1:00 p.m.

RFP for IT Administrator

Miss Munson reported that the signed agreement was sent to Ark Technologies and we are awaiting the executed copy.

Disability Annual Procedures Update

Miss Munson reported that they are waiting for IRS responses in order to complete two of the disability members' annual income verification process. The forms were re-faxed to the IRS on September 19, 2018.

Annual Meeting

Miss Munson reminded the Board that the Annual Meeting will be held at St. Joseph Franco Auditorium on Tuesday, October 30, 2018 at 10:00 a.m.

Asset Transition Update

Miss Munson reported that there are no assets in transition.

Year-End Planning

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Miss Munson said that she has spoken over the past couple of months with Chairman Moore and with the personnel committee about things the office needs to get accomplished before year end. She referenced a handout and expressed how important for a small office to have all of the staff cross-trained on essential functions. Both committees have agreed that they would dispose of the current matters on their agenda but would not add any non-essential matters until January.

Miss Munson noted Phillip Moore had only been with the System for two months when the early retirement benefit was approved. She explained that the annual COLA process involves more than just the calculations. It is also the time of year when they audit the member data in the software. She continued that this audit of the database is also critical to the valuation, which process begins in January each year. Staff has also committed to implementing general ledger software before the end of the year. She said that it is her desire to complete the rest of the final benefit calculations for everyone who retired in 2018.

UNFINISHED BUSINESS

Re: Resolution to Approve Training and Education Policy Revisions

RESOLUTION 18-117 By P. Waterman, Supported by Gaffney

Resolved, That the Board approves the revisions to the Training and Education Policy.

Yeas: 9 – Nays: 0

Re: Resolution to Approve 2019 Expense Budget

Chairman Moore noted the additional expense expected for the retiree payroll.

Trustee Patrice Waterman confirmed that a 3% cost of living increase is included in the budget. It was noted that all expenditures – including increases – require Board approval.

RESOLUTION 18-118 By Gaffney, Supported by P. Waterman

Resolved, That the Board adopts the 2019 Expense Budget as presented.

Yeas: 9 – Nays: 0

NEW BUSINESS

Re: Resolution to Remove Kennedy Capital from Watch

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RESOLUTION 18-119 By Gaffney, Supported by Williams
Resolved, That the Board approves to remove Kennedy Capital from watch for satisfactory performance consistent with the Investment Policy Statement guidelines.

Yeas: 9 – Nays: 0

Re: Resolution to Approve Kennedy Capital Fee Reduction

RESOLUTION 18-120 By Williams, Supported by Albritton
Resolved, That the Board hereby authorizes the Chairman's signature on the Amendment to Exhibit C Fee Schedule reducing to 90 basis points the investment management fee paid to Kennedy Capital for the small cap core portfolio effective October 1, 2018.

Yeas: 9 – Nays: 0

Re: LEGAL REPORT

Northern Trust Collective Emerging Markets Index Fund

Ms. Billings-Dunn reported that she is working with Northern Trust on a side letter. She wants them to acknowledge that they will comply with Michigan's non-discrimination requirement and she wants them to change the mandatory arbitration provision. She is not opposed to arbitration but would not want to contract away the right to a trial and she wants to change the jurisdiction to Michigan courts. She is also requesting that they acknowledge their fiduciary status.

Baugh Domestic Relations Order

For the Trustees' information.

Onyx Capital Advisors

Ms. Billings-Dunn reported that an email from the SEC indicates that it is their intent to distribute to the injured parties the money that is recovered from Wells Fargo.

Robbins Geller Portfolio Monitoring Report – August 2018

For the Trustees' information.

Fees Received by Sullivan Ward from Securities Litigation Matters

Ms. Billings-Dunn reported that there were no changes in the fees received by Sullivan, Ward since the August 2018 report.

RESOLUTION 18-121 By P. Waterman, Supported by Gaffney

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Resolved, That the Board will move to closed session to discuss specific pending litigation including the Walmart Stores, Inc. matter.

Roll Call:

Albritton - Yea	Moore - Yea
Arndt - Yea	Swazer - Yea
Gaffney – Yea	Walker - Yea
Giddings - Yea	Williams - Yea
Moore - Yea	

Yeas: 9 – Nays: 0

The Board moved to closed session at 11:15 a.m.

Trustee Deirdre Waterman arrived at 11:28 a.m.

The Board returned from closed session at 11:50 p.m.

RESOLUTION 18-122 By Swazer, Supported by Albritton
Resolved, That the Board approves the closed session minutes for August 29, 2018.

Yeas: 10 – Nays: 0

RESOLUTION 18-123 By Gaffney, Supported by Williams
Resolved, That the Board ratifies the Chairman’s signature on the Big Lots Declaration.

Yeas: 10 – Nays: 0

RESOLUTION 18-124 By P. Waterman, Supported by Albritton
Resolved, That the Board approves the proposed settlement in the Wal-Mart case as outlined in closed session.

Yeas: 10 – Nays: 0

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Annual Meeting: Tuesday, October 30, 2018 at 10:00 a.m. – St. Joseph Franco Auditorium
Regular Meeting: Friday, October 31, 2018 at 10:00 a.m. – Retirement Office

RESOLUTION 18-125 By Walker, Supported by P. Waterman

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Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 11:54 a.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 September 26, 2018

As recorded by Deborah Munson