CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
June 27, 2018

A meeting of the Board of Trustees was held on Wednesday, June 27, 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 9:59 a.m.

TRUSTEES PRESENT

Sheldon Albritton
Jane Arndt
Janice Gaffney
Robert Giddings
Walter Moore, Chairman
Billie Swazer *(arrived @ 10:01 am)*
James Walker
Deirdre Waterman, Mayor *(arrived @ 10:14 am)*
Kevin Williams, Vice-Chair

OTHERS PRESENT

Cynthia Billings-Dunn, Sullivan Ward
David Lee, Dahab & Associates
Beth Bialy, Plante & Moran
Manju Patnaik, Plante & Moran
Maria Prada, Plante & Moran
Deborah Munson, Executive Director
Phil Brown, City Videographer
Stacia Watkins, City Retiree
Linda Watson, City Retiree

TRUSTEES ABSENT

Patrice Waterman, City Council *(excused)*

Chairman Moore opened the meeting at 9:59 a.m.

PUBLIC COMMENT - None

2017 AUDIT PRESENTATION – Plante & Moran

Ms. Bailey introduced herself, Ms. Patnaik and Ms. Prada.

Ms. Patnaik indicated that page one of the report is the Independent Auditors Report which is the only document that is prepared by the auditor. Plante & Moran has issued an unmodified opinion for the period ending December 31, 2017, which is the highest opinion that can be issued. She noted that the financial statements were free of any material mistakes.

Pages three through five are the Management Discussion and Analysis. The MDA is prepared by management and provides a financial narrative with regard to the audit year.

Page six is the Statement of Fiduciary Net Position or the System's balance sheet. It is a snapshot of the financial position of the System as of December 31, 2017. The System's net position as of December 31, 2017 was $506.4 million. She noted that 98% of the assets are held in investments, which is typical for retirement systems. Page seven is the Statement of Changes in Fiduciary Net

Position or the income statement. There was $67.8 million in total net investment income with 99% of that amount coming from investment income. This is different from most systems where approximately 25% of the income comes from employer contributions. The difference between net investment income of $67.8 million and $27.6 million in total deductions - which included pension benefits and administrative expenses – the System added $40.2 million to the Fund. Pages eight to seventeen are the Notes to the Financial. These are the standard notes that provide additional information pertaining to the System's operations and financial position.

Ms. Patnaik referred to page nineteen which included the required supplemental information based on the implementation of GASB 67. The supplemental information included the last four fiscal years (2014 – 2017) depicting the Fund's total pension liability including service cost; interest; changes in benefit terms; differences between expected and actual experience; changes in assumptions and benefit payments including refunds. It also references the Fund's fiduciary net position; net change in the Fund's fiduciary net position; net position at the beginning and end of the year; the City's ending net pension asset; the City's covered employee payroll and the City's net pension asset as a percentage of covered employee payroll. The chart reported an annual pension liability of $267.1 million with a Plan Fiduciary Net Position of $506.4 million resulting in Net Pension Asset of $239.3 million as of December 31, 2017. This resulted in a Plan Fiduciary Net Position as a percentage of total pension liability of 189.6%.

Ms. Bialy reviewed the Management Letter which is a required communication to those charged with governance. Auditing standards require that auditors communicate certain aspects of the audit in a prescribed format. She explained that during the process they are not looking at every single transaction but use a risk-based approach to determine where the greatest opportunity for misstatements or errors could occur. She referenced the section covering the most sensitive estimates that affect the financial statements which are related to the valuation of the System's harder-to-value investments as well as estimates related to the liabilities of the System. The actuary uses a number of assumptions to determine that value. The Board reduced the long-term expected rate of return change from 7.5% to 7.0% beginning with the 2016 valuation which increased the System's pension liability. This increased liability does not impact the City because of the over-funding they are not making contributions to the System. The System also updated their mortality tables which also had the effect of increasing the pension liability.

Ms. Bialy stated that they did not encounter any difficulties in performing the audit; no disagreements with management and there were no corrected and uncorrected misstatements and there were no significant findings or issues. She also noted that they had received the representation letter from management which states – among other things – that all records had been provided to the auditors and that there were not consultations with any other accountants.

Chairman Moore asked about comparisons to last year's audit including Trustees Giddings' and Nazarko's input and assistance during 2017.

Ms. Patnaik indicated that they reported issued in the audit report for 2016 with regard to the lack of separation of duties. They tested the System's review processes and data.

Ms. Bialy noted that there has been significant improvement.

Chairman Moore asked if that historical contribution data can be included in the audit since it is much different from most other communities.

Miss Munson indicated that the contributions going back to 2008 are listed on page twenty of the audited financial report. The actuarial report includes more detailed contribution information.

Ms. Bialy, Ms. Patnaik and Ms. Prada left at 10:25 a.m.

Miss Munson indicated that she concluded her prior Annual Operations Report with the following sentence "The Board's willingness to engage with staff and resolve issues has and will continue to be instrumental to our success". She noted how it was due to the assistance of Trustees Giddings and Nazarko that the internal control deficiencies noted in the 2016 audit report had been resolved in 2017. The Trustees came in and spent numerous hours volunteering to assist the staff by reviewing the general ledger and final benefit calculations. This year's Operations Report also notes the leadership and contributions of other Trustees including Trustees Albritton and Patrice Waterman.

Chairman Moore stated that he is very appreciative of the assistance from Trustees Giddings and Nazarko and wished that Trustee Nazarko was here to take a victory lap.

RESOLUTION 18-069 By Swazer, Supported by Williams
Resolved, That the Board approves to receive and file the 2017 Audited Financial Statements as presented by Plante Moran, and further,

Resolved, That the Board directs the Executive Director to provide a copy of the 2017 financial statements to the City's Finance Director.

Yeas: 9 – Nays: 0

AGENDA CHANGES
Miss Munson told the Board that the finance committee has requested that the revisions to the Training and Education Policy be pulled from the consent agenda for continued review.

Miss Munson also indicated that the resolution under item F of New Business is to approve the "Brandywine" signature authority and not the "First Eagle" signature authority.

Trustee Swazer also recommended that the resolution should indicate that the resolution should indicate Finance Officer and not Finance Director.

APPROVAL OF CONSENT AGENDA
A. Approval of the Minutes of the Regular Board Meeting held May 30, 2018

B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: June 27, 2018

TOTAL PENSION PAYROLL **$2,029,584.43**

Staff PPE Pay Date: June 7 & 21, 2018

TOTAL STAFF PAYROLL **$ 21,305.44**

C. Communications:

1. FOIA Request from/to Zack Cziryak: June 5, 2018
2. IFEBP New Trustees Institute Level I: Oct 13-15, 2018 (New Orleans, LA)

D. Financial Reports:

1. Accounts Payables – June 2018
2. Dahab Associates Preliminary Report: May 2018
3. Attucks Manager of Manager Summary: May 2018
4. Statement of Changes: May 2018

E. Private Equity Capital Calls & Distributions

1. Mesirow Fund IV Distribution: May 10, 2018 $50,000.00

F. Retirement Benefits

1. New Retirements

Ret. No.	Member's Name	Amount	Effective

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
701469	Johnson, Nellie	06/10/2018	
2778	Kyles, Carol	05/28/2018	
701505	Warell, Dorothy	06/11/2018	

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
2827	Brown, Worthen	01/01/2018	Final	
2819	Corke, Jovita	11/01/2017	Final	
2247	Kenney, Laura	06/01/2018	Pop-Up	
2859	McKnight, Raquel	01/01/2018	Final	
1952	Moyet, Judith	06/01/2018	Pop-Up	

5. Disability Medical Re-Exams/Benefit Continuation

Ret No.	Name	Reason

6. Refunds of Employee Contributions

Ret No.	Name	Reason	Benefit Amount

RESOLUTION 18-070 By Gaffney, Supported by Williams
Resolved, That the Board approves and ratifies the actions in the Consent Agenda for June 27, 2018 as amended.

Yeas: 9 – Nays: 0

CONSULTANTS

Re: Dahab Associates

Emerging Markets Managers
Miss Munson reported that the finance committee had reviewed the three emerging markets finalists as well as the memo regarding the subscription documents for the ARGA commingled fund. She noted that the Board could opt for a separately managed account, if there were interested in pursuing that investment. She reported that the finance committee decided that the an allocation to Wellington Management and the Northern Trust index fund would represent the best risk/return profile for the emerging markets allocation for now.

The finance committee is recommending that the Board invest $12 million in the Wellington Management Emerging Markets Equity Research fund and $8 million in the Northern Trust Emerging Markets index fund.

Trustee Swazer asked about the System's lawsuit against Northern Trust regarding their securities lending.

Miss Munson responded that Northern Trust and a number of other large banks and institutions sponsored theses securities lending programs. These programs receive cash and cash-like investments in exchange for the securities they lend. A number of these banks were holding commercial paper from firms like Lehman Brothers and - when the financial crisis happened in 2008 – incurred losses on some of this short-term paper. Securities lending was an industry-wide practice and Northern Trust was not the only firm to be sued over the losses these programs incurred. The System just happened to be the lead plaintiff in the case against Northern Trust

Trustee Gaffney confirmed that the Northern Trust Emerging Markets index fund does not participate in securities lending.

Chairman Moore stated that the allocation to emerging markets is 5% of the Fund and the committee felt that only $20 million would be allocated toward emerging markets at this time. He noted that investing in the Northern Trust index fund will provide daily liquidity.

Mr. Lee reported that the emerging markets managers will be funded with partial liquidations of international equities, which are overfunded.

RESOLUTION 18-071 By Giddings, Supported by Gaffney
Resolved, That the Board approves to retain the following Emerging Markets Investment Managers Wellington Management - $12 million and Northern Trust - $8 million, pending legal review of the investment management agreements.

Roll Call:

Albritton – Yea	Swazer - Yea
Arndt – Yea	Walker - Yea
Gaffney – Yea	D. Waterman - Yea
Giddings – Yea	Williams - Yea
Moore - Yea	

Yeas: 9 – Nays: 0

Preliminary Performance Review
Mr. Lee provided an overview of the Fund's preliminary performance with a total Plan value of $502.4 million as of May 31, 2018. He told the Board that the red numbers are where the managers underperformed the benchmark. He reviewed the overall Fund performance noting quarter-to-date gross-of-fees returns of 1.8%; year-to-date returns of 1.5%; one-year returns of 11.1%; three-performance of 6.8%; five-year returns of 8.6%; ten-year returns of 7.4% and since inception returns of 8.4%.

He indicated that the market values for First Eagle show a lot of dashes. This is because the Global portfolio was converted to the International strategy in May. He pointed out that allocation to equities is roughly $50 million over the target allocation.

He reviewed the preliminary market values as of June 25, 2018 with a total Plan value of $500.6 million. It has been a news heavy market with regard to the tariffs with China and what is happening with trade. The economy is still strong and we are making changes in the portfolio. He also indicated that because of the large over allocation to large cap that asset allocation is being used as a source of funds for benefits and expenses.

Chairman Moore asked if the Board had any questions with regard to the performance numbers.

Trustee Swazer asked why private equity manager Invesco is late with their audited financial statements.

Miss Munson stated that private equity investments are valued quarterly. The managers' 4th quarter 2017 audited financial statements were just completed. They should be working on the 1st quarter 2018 financial statements and we should see those in July.

Mr. Lee left at 10:58 a.m.

REPORTS

Personnel & Administration Committee

Miss Munson reported that the personnel committee met on June 14, 2018.

2017 Audited Financial Statements

Miss Munson reported that both committees reviewed the financial statements. She noted that one - Invesco Private Equity - has not provided their 2017 audited financial statements.

Summary Annual Report

Miss Munson told the Board that the only information missing from the Summary Annual Report are the rolling return numbers. Dahab cannot provide those numbers until the audited financial statements from Invesco are received and included in the totals.

Deceased Duty Disability Beneficiary Pension Benefit

Miss Munson reported that one of the recently deceased members was still receiving a pre-age 65 Workers' Compensation-related pension at the time of her death. The pre-age-65 benefit had been reduced by a factor to actuarially reduce the pension amount because the member selected the joint and 50% survivor benefit at the time of her retirement. The committee requested a legal opinion to determine how the beneficiary's pension should be calculated – as 50% of the pre-age 65 WC-related pension amount or 50% of the post-age 65 age & service amount.

Ms. Billings-Dunn provided her opinion to the Board.

> "Specifically, you have asked if the survivor benefit should be based on Ms. Blodgett's pre-65 benefit amount or post-65 benefit amount. The following sets forth my understanding of the relevant facts:
>
> Prior to her death, Ms. Blodgett was receiving a pre-age 65 pension amount[1] of $ pursuant to §92-32 of the Retirement System Ordinance which authorizes an increase in a disability retirant's benefit so that it is no less than his/her weekly workers' compensation benefit. Further, you have indicated that this amount factors in a reduction for her selection of Option 5 under §92-25 of the Retirement System Ordinance (the 50% survivor annuity with a pop-up).
>
> Upon Ms. Blodgett attaining age 65, her benefit would have converted to an age and service pension, payable in the amount of $. This amount also factors in a reduction for her selection of Option 5.
>
> Section 92-29 of the Ordinance authorizes a disability retirant to elect an optional form of benefit provided for in §92-25. Ms. Blodgett selected Option 5, the 50% pop-up allowance. This resulted in an actuarial reduction to Ms. Blodgett's monthly benefit while she was alive, and upon her death, 50% of her actuarially reduced retirement benefit would be payable to her beneficiary.

> While the Ordinance does not clearly state which benefit (either pre-65 or post-65) the survivor benefit should be based on, consideration should be given to the following: (1) §92-32 of the Ordinance states that the increased benefit is only payable until the member attains age 65; (2) §92-29 authorizes a disability retirant to elect an optional form of benefit; and (3) Ms. Blodgett's monthly benefit calculated under §92-32 was reduced in accordance with Option 5.
>
> An acceptable interpretation of the Ordinance would be that the survivor benefit should be based on the member's benefit calculated under §92-32 until such time as the member would have attained age 65. At that time, the survivor benefit should be recalculated (just as the member's benefit would have been recalculated) based on the member's age and service retirement, i.e. 50% of $. If however, the Trustees determine that the survivor benefit should not be based on the member's benefit calculated under §92-32, then her estate should be reimbursed the difference between the amount her pre-age 65 pension was reduced for the Option 5 benefit versus the amount her post-65 pension was reduced for the Option 5 survivor benefit."

Miss Munson confirmed that the Retirement Ordinance allows for a disability retiree to elect an optional form of payment at the time of retirement.

Trustee Giddings questioned why the benefit would not convert to the post-age 65 benefit amount automatically upon the death of the member.

Trustee Gaffney concurred with Ms. Billings that the reason is that the Ordinance allows the disability member to take a reduction in their Worker's Compensation-related pension amount in order to provide a benefit for their survivor in the event of their death.

Trustee Giddings questioned how the actuary calculated the optional form of payment factor and whether it factored in their post-age 65 pension amount.

Chairman Moore told the Board they will have to make a decision and he believes that the Board should rely on the advice of counsel. He also recommended that the Board make a recommendation to the City Council to amend the Retirement Ordinance so that the language regarding the calculation of the survivor's benefit amount is clear.

Ms. Billings-Dunn noted that the member would have overpaid for the reduction for the optional form of payment if had been calculated as a lifetime amount as Trustee Giddings is suggesting.

Trustee Gaffney concurred that this requires a clarification from the actuary.

Ms. Billings-Dunn stated that we know the actuary reduced the benefit due to the option elected to age sixty-five. As a result she overpaid for her benefit. If the Board decides to pay the lower amount to the beneficiary, they will have to refund the member's overpaid benefit.

Miss Munson told the Board that GRS was the actuary when Ms. Blodgett went out on the disability retirement, however they used different software. The adjustments to the factors that are being suggested are far more complicated than could have been addressed by that old software. She will confirm with the actuary that these adjustments were not included into the factors.

Trustee Giddings indicated the Board can make their decision based on legal counsel's opinion.

RESOLUTION 18-072 By Giddings, Supported by Swazer
Resolved, That the Board accept legal counsel's opinion that the beneficiary of Cynthia Blodgett shall receive a survivor's benefit of 50% of the pre-age 65 benefit until the member would have turned 65 at which time the beneficiary's benefit amount shall be 50% of the amount of the benefit which is based on Ms. Blodgett's age & service, and, further,

Resolved, That staff – with the assistance of counsel and the actuary – draft for Board review a Retirement Ordinance amendment clarifying the benefit amount payable to the beneficiary of a duty-disability retiree in receipt of a pre-age 65 Workers Compensation-related pension.

Yeas: 9 – Nays: 0

Early-Out Retirees' Suspended Benefit
Miss Munson referenced the email to the Trustees regarding the eligibility of two members to participate in the early retirement program and confirmed that only the finance committee had previously reviewed this information. She noted that this matter had only come to light within the last week and that the personnel committee had met prior to that.

Employee Evaluations
The committee reviewed evaluation forms. She noted that an evaluation form has been emailed to the Trustees and the responses should be forwarded to Trustee Gaffney directly.

Annual Meeting Dates
Miss Munson reported that both committees reviewed dates for the annual meeting and are recommending October 30, 2018. She reported that she will try to schedule the meeting in the morning in order to accommodate the finance committee's afternoon meeting.

RESOLUTION 18-073 By Gaffney, Supported by Swazer
Resolved, That the Board will hold its Annual Meeting for members on October 30, 2018.

Yeas: 9 – Nays: 0

GrayCo Audited Financials
Miss Munson reported that both committees had received copies of the GrayCo 2017 audited financial statements and a copy is included in the agenda.

Hospital Service Credit Verification

Miss Munson reported that letters were sent to the two Hospital members who are awaiting verification of their post-privatization service credit.

Trustee Swazer questioned whether their pension benefits will go back to the date they were eligible to collect their benefit.

Miss Munson responded that there is a precedent wherein a member was granted retroactive payments because the delay in the commencement of payments was not the fault of the member.

Early-Out Retirees' Suspended Benefit (continued)
Trustee Swazer requested that the Board discuss the two members who were determined to not be eligible to participate in the early retirement. She said one of the members was told that they payments would not stop until July.

Miss Munson said that she personally spoke with both members and indicated that the City had requested the payments be suspended immediately.

Chairman Moore asked Miss Munson to provide a summary of the issue.

Miss Munson explained that the Retirement Office worked very closely with the City to assist them in determining who was eligible to participate in the early retirement. In February of this year, the City provided determinations on approximately 10 members who were in question. The City determined that three of the members were not eligible to participate because they had signed Waivers related to their Workers' Compensation cases in which they voluntarily resigned their employment with the City. While creating the retirement paperwork for a fourth member, a similar Waiver was discovered in his file which was forwarded to the City.

Trustee Swazer wanted to confirm that these were Worker's Compensation-related Waivers and were not related to the healthcare waivers.

Miss Munson confirmed the waivers were not related to the healthcare matter. These Waivers had been signed years ago and were required of employees when the settled their WC claims. The member would typically receive a lump sum payment but was required to sign and Waiver and Release that contained language indicating that the employee is relinquishing seniority rights and voluntarily resigning.

Trustee Swazer questioned what happens if the member did not voluntarily resign but were layed-off and they signed the Waiver post-layoff.

Miss Munson stated that they were still technically considered employees because they have recall rights during a lay-off. The City's determination that these members were not eligible to participate based on the language of the early retirement Ordinance and the language in the Waivers makes sense. But, she understands Trustee Swazer's point and sympathizes with the affected members. However, it is the City's responsibility to determine eligibility – not the Board's.

Trustee Gaffney noted that the City would not have paid the employee the lump sum settlement amounts had the employee not signed the Waiver.

Trustee Swazer asked if they waived their right to a pension.

Miss Munson responded that they had not waived their rights to their pensions and are eligible to begin collecting their benefits at age 60. The early retirement Ordinance required that employees were "involuntarily separated" in order to participate in the early retirement.

Chairman Moore asked what happens when someone else is identified and whether there are other retirees who could be similarly situated. He questioned where there is the potential for this to happen again.

Miss Munson responded that once they found the additional Waiver, they went through everyone's file who retired under the early retirement Ordinance. She also pointed out that it is possible that the Retirement Office may not have received a copy of all of them which is why she encouraged the Deputy Mayor to review the employment files of everyone who retired under the early retirement Ordinance to ensure that there is no one else who is similarly situated. The Deputy Mayor was receptive to the idea.

Chairman Moore told the Board that the only thing the System can do is follow the City's direction and suspend the pension benefits until the City gives further direction.

Trustee Deirdre Waterman indicated that the matter has been assigned to the Deputy Mayor who has recruited the City's Attorney to do additional research. They will provide updates on the status of the issue.

Trustee Swazer asked how long it might take for the City to resolve the matter.

Chairman Moore indicated that the System will have to wait for the outcome. He is sure the Mayor understands the priority of the issue. The Retirement Office will continue to work with the City and hopefully a fair and equitable conclusion can be obtained expeditiously. He concluded by indicating that the Board has done what it can.

Finance Committee

Miss Munson reported that the finance committee met on June 26, 2018.

Attucks Portfolio Rebalancing

Miss Munson referenced the correspondence indicating that one of the System's emerging managers – Piedmont – had been acquired by FIS Group and no longer fit the System's definition of an emerging manager. As a result, Attucks has decided to replace them in the emerging manager portfolio with The Edgar Lomax Company. The roughly $15.6M currently managed by Piedmont will be transferred to Edgar Lomax. At the same time, Attucks intends to adjust the portfolio to give it more of a value tilt. They will accomplish this by transferring $1.5M from Edgar Lomax and $500K from Matarin to Oakbrook.

Miss Munson noted Ativo, NorthPoint and Seizert were the three firms from whom Attucks chose to raise the $6M cash needed to pay benefits and expenses.

Trustee Albritton asked if the System has a process in place to raise cash and how is the determination made of where to raise it.

Miss Munson said that the investment consultant is responsible for determining how to raise cash and periodically provides their recommendation in a rebalancing spreadsheet which lists all of the investment managers, current allocation, target allocation, etc. The amount that the System has invested in large cap equity is still the most over-allocated asset class. In order to keep moving the portfolio towards the target allocation, the consultant has been recommending that we pare back large cap equity. The System has been alternating between its two large cap managers – Attucks and Sawgrass - for the past year or so to raise cash for benefits and expenses. Historically, the consultant would choose which underlying managers would raise the cash. However, Attucks raised the issue late last year that they should make the decision of which underlying managers should raise the cash since Attucks is the manager-of-managers and is responsible for the structure and performance of the portfolio. Now, the System just communicates to Attucks how much cash must be raised and Attucks is responsible to determine from which managers the cash will be raised.

Trustee Albritton asked when and how the rebalancing is determined including where the assets come from.

Miss Munson responded that the investment consultant determines where the cash should be raised. If the portfolio were at the target allocation, the Board would still rely on the consultant's recommendation of where to raise cash. It is a logical process to continue to align the portfolio with the target allocation by continuing to reduce the over-allocation to large cap.

Chairman Moore noted that the Board makes the final decision.

Trustee Swazer asks when the rebalancing takes place.

Trustee Gaffney indicated that the rebalancing takes place at the Board meetings.

Trustee Swazer requested a copy of the Attucks contract.

Attucks Fee Reduction
Miss Munson reported that Attucks has agreed to lower their fees from 63 basis points to 50 basis points effective July 1, 2018.

RESOLUTION 18-074 By, Swazer, Supported by Gaffney
Resolved, That the Board hereby ratifies the Chairman's signature on the Revised Appendix "B" Fee Schedule reducing to .50% the investment management fee paid to Attucks Asset Management.

Yeas: 9 – Nays: 0

Investment-Related Reports
Miss Munson reported that the finance committee reviewed all the investment-related reports.

Authorized Signers Update
Brandywine and First Eagle are both commingled funds and require that the System have a blanket signature authority on file. The finance committee agreed that it was appropriate to revert to the System's standard practice of authorizing the signatures of the Executive Director, the Finance Officer and the Chairman on these blanket signature authority.

RESOLUTION 18-075 By Swazer, Supported by Gaffney
Resolved, That the Board approves the First Eagle signature authority letter authorizing the Chair, Finance Officer and Executive Director to execute documents on behalf of the Retirement System.

Yeas: 9 – Nays: 0

RESOLUTION 18-076 By Swazer, Supported by Gaffney
Resolved, That the Board approves the Brandywine signature authority letter authorizing the Chair, Finance Officer and Executive Director to execute documents on behalf of the Retirement System.

Yeas: 9 – Nays: 0

Funding Policy Overview & Draft/GFOA Best Practices
Miss Munson reported that she provided a funding policy overview and draft as well as the GFOA Best Practices for the Board's information.

There was additional discussion.

Relocation Committee
Miss Munson reported that the relocation committee meeting was postponed due to an emergency.

Re: Trustees Report
Trustee Williams pointed out that the check included in the agenda packet should have had the account information masked before putting the copy in the packets.

Re: Chairman Report
Chairman Moore told the Board that he was glad they decided on a date for the annual meeting. He stated that the annual retreat was discussed at the finance committee meeting.

Miss Munson told the Board that the committees have recommended looking at a November or early December date for the retreat.

EXECUTIVE DIRECTOR

Annual Operations Report

Miss Munson reported that she included a copy of the annual Operations Report in the handouts. She noted that it wasn't only the Trustee assistance with the internal control matters that stood out in 2017. She thanked the Trustees – including Chairman Moore, and Trustees Gaffney and Deirdre Waterman – for the personal and professional advice they have given her over the year.

Ratings Schedule

Miss Munson referenced the handout regarding the bonds listed as 'unrated' in the audit report. She noted that most of the bonds do have a rating. Auditing standards require the auditor to use one ratings agency for all of the bonds and the System uses Moody's. The bonds listed as 'unrated' are unrated by Moody's but they are rated by S&P and she included the S&P ratings for those bonds.

ESG Information

Miss Munson referenced the articles regarding DOL guidance regarding ESG investing included in the handouts.

Chairman Moore asked for a summary.

Miss Munson explained that ESG stands for Environmental, Social and Governance. ESG investing attempts to incorporate those elements when evaluating an investment. ESG investing looks beyond just the profitability of a company and uses ESG factors to help determine the sustainability of a company's operations and whether it is really a good long-term investment. The Department of Labor issued additional guidance last year with regard to ESG investing stressing that fiduciaries must always do what is in the best interest of the beneficiaries and to not too readily rely on ESG factors as relevant to the investment decision. Previously, incorporating ESG factors was seen to be more favorably viewed. She noted that the System is not subject to the DOL or ERISA.

Disability Procedures Report

Miss Munson reported that the Retirement Office has received two responses to the 2017 Disability Income Verification requests. Follow-up letters were sent on June 26, 2018 to the remaining members.

Income and Expenses Net Report

Miss Munson referred to the income and expenses spreadsheet included with the draft of the Funding Policy. This is being included as a visual to show the different types of income on which the System relies to pay benefits and expenses because there are no required contributions and how the asset allocation will factor into the target funding level.

Supreme Court Rulings

Miss Munson referenced the article regarding the Supreme Court ruling that the way the SEC appointed in-house judges is a conflict of interest and unconstitutional. This case is very similar to the one that Mr. Gray unsuccessfully brought against the SEC a couple ago.
The GFOA article is about the Supreme Court's ruling which clears the way for state and local governments to charge sales tax on internet purchases.

Public Employee Pension Transparency Act

Miss Munson reported that there is draft legislation that would impose federal reporting mandates on state and local public pension funds. Currently, the federal government only has authority over ERISA plans. She reminded the Board Michigan PA 202 of 2017 imposed certain reporting requirements for underfunded public pension funds. Specifically, the state would issue a set of assumptions that local governments must use to report pension information for plans that are less than 60% funded. The proposed legislation – PEPTA – would require very similar reporting and would be applicable to all public pension plans, whether or not underfunded. She noted that the assumptions sound similar to what would be used in a solvency liability study. The purported purpose is to increase transparency.

Trustee Gaffney noted that not every fund has the same goals. Based on their funded level, based on the age of their membership, etc. they may have a more or less conservative approach to investment because they have more or less need for income. It seems counter-intuitive to adopt a one-size-fits-all set of assumptions for systems that have vastly different income needs, risk tolerances and funding levels.

Miss Munson reported that NCPERS is recommending that public retirement systems send letters to their congressional delegations urging them to not co-sponsor the bill. The finance committee is recommending that a letter be sent on behalf of the Board.

There was additional discussion.

Trustee Swazer asked to whom the letter would be sent.

Miss Munson responded that it would be sent to the Michigan representatives in congress. She will provide a finished draft.

Trustee Swazer suggested that the letter also be sent to Mr. Nunes.

Chairman Moore suggested that the letter also be sent to the City Council and Mayor urging them to take a similar stand. He also suggested sending it to the governor as well as the state representative.

UNFINISHED BUSINESS

Re: Resolution to Approve Revisions to the Training and Education Policy - Tabled

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NEW BUSINESS

Re: Resolution to Approve 2017 Summary Annual Report
Trustee Gaffney moved to approve the 2017 SAR with the expected changes to the rolling returns. She does not believe the Board needs to review it again.

RESOLUTION 18-077 By Gaffney, Supported by Swazer
Resolved, That the Board authorizes the issuance of the 2017 Summary Annual Report once it has been updated to include the rolling returns through 2017.

Yeas: 9 – Nays: 0

Re: Resolution to Waive Training & Education Reimbursement

RESOLUTION 18-078 By Gaffney, Supported by Swazer
Resolved, That the Board approve to waive the reimbursement of the cancelation fee of $50.00 by Trustee Albritton which was incurred as a result of the cancelation of his attendance at the IFEBP CAPPP Conference.

Yeas: 9 – Nays: 0

Re: Resolution to Ratify Parties-in-Interest Request
Miss Munson explained that she received a request from a party-in-interest to use the copier. The policy requires Board approval for such requests. The Board is being asked to ratify her action to allow the request as well as the fee that was charged. Miss Munson reviewed the Parties-in-Interest Policy which the Board adopted in 2017. This request was made on June 15, 2018.

RESOLUTION 18-079 By Williams, Supported by Gaffney
Resolved, That the Board ratifies the response and fee charged for the June 14, 2018 Party-In-Interest request.

Yeas: 9 – Nays: 0

Re: Legal Report

Travel Policy Revisions
Ms. Billings-Dunn provided her opinion regarding reimbursement of eligible prepaid expenses.

> "In response to your question below regarding the reimbursement of prepaid eligible expenses made by a trustee when the trustee is later required to repay the amount reimbursed because he or she was unable to attend the conference; please be advised that this is not similar to the example given by the System's auditor of trustees receiving an interest-free loan from the System.
>
> The auditor was referring to situations where a trustee used the System's credit card for non-eligible expenses (e.g. expenses included in the per diem or otherwise not related to the administration of the System). Expenditures for expenses related to the administration of the System, including professional training, (e.g. flight and hotel accommodations for an educational conference) are reimbursable and would not be considered an interest free loan if the trustee was unable to attend the training and paid back the reimbursed amount."

Her opinion is that the proposed revisions to the policy are permissible.

Legal Opinion Re: Deceased Disability Beneficiary Pension – Refer to Personnel Committee

Juanita C. Dove General Durable Power-of-Attorney
Ms. Billings-Dunn reported that she reviewed a durable power-of-attorney for a person who is in a nursing home. When someone is in a nursing home and 100% of their pension is being used to pay for that nursing home, 100% of their income is exempt from taxation. Medicaid requires that those individuals not have any income taxes withheld from their payments. That way 100% of the payment goes to the nursing home and reduces the amount Medicaid pays.

Robbins Geller May 2018 Portfolio Monitoring Report
Ms. Billings-Dunn indicated this is for the Trustees' information.

Client Alert: What Expenses Can We Pay from Plan Assets? A Brief Review of the Legal Principals and Some Common Questions
Ms. Billings-Dunn provided a brief review of legal principles with regard to what expenses can be paid from plan assets. She also explained the difference between a fiduciary expense and settlor expense.

Fees Received by Sullivan Ward from Securities Litigation Matters
Ms. Billings-Dunn stated that she was asked to provide a list of the fees Sullivan, Ward has received for System-related securities litigation matters. Fees are only received where the System is the lead plaintiff. She stated that she will continue to provide this report monthly, although it only changes irregularly.

Chairman Moore asked why there are no listings for Motley Rice.

Ms. Billings-Dunn explained that this is a quarterly report and the System has not won any litigation in which they were lead plaintiff to-date. She also stated that this is why they fight for lead plaintiff status on behalf of the System.

Trustee Deirdre Waterman confirmed that this report will satisfy her request for the information.

SCHEDULING OF NEXT MEETING

Regular Meeting: Wednesday, July 25, 2018 10:00 a.m. – Retirement Office

RESOLUTION 18-080 By Gaffney, Supported by Swazer
Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 12:14 p.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 June 27, 2018

As recorded by Jane Arndt