

**CITY OF PONTIAC, MICHIGAN  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
August 29, 2018**

A meeting of the Board of Trustees was held on Wednesday, August 29, 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  
Robert Giddings  
Walter Moore, Chairman (via Zoom)  
Billie Swazer  
James Walker  
Deirdre Waterman, Mayor (*arrived @ 10:15 a.m.*)  
Patrice Waterman, City Council  
James Walker  
Kevin Williams, Vice-Chair

**OTHERS PRESENT**

Matt Henzi, Sullivan Ward  
David Lee, Dahab & Associates  
Steven Roth, Dahab & Associates  
Deborah Munson, Executive Director  
City Videographer  
Rochelle Brady, Deferred Retiree  
Kathi McNally, Hospital Retiree  
Linda Watson, City Retiree

**TRUSTEES ABSENT**

Janice Gaffney (*excused*)

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*Vice-Chair Williams opened the meeting at 10:01 a.m.*

**PUBLIC COMMENT**

Rochelle Brady stated that she is a former employee of the City of Pontiac that was receiving a pension benefit as part of the early retirement benefit that was effective in January 2018. In June she received a call from Miss Munson indicating that her pension benefit had been suspended based on a waiver she had signed. She wanted to know if there is anything that she can do to help get it reinstated.

She told the Board that she never sued the City based on a Workers' Compensation claim and neither did she receive Workers' Compensation. She brought documents with her from when she filed for disability through Social Security. The waiver that she signed referencing Workers' Compensation was for a prior injury. She was ordered back to work and was working when the lay-off of her department occurred on July 31, 2011.

Miss Munson recapped the matter for the Board. There are six members who signed Workers' Compensation-related Waivers. The waivers for Ms. Brady and Mr. Ledwell were discovered

subsequent to them being added to the payroll. The City requested suspension of their payments because they were similarly situated to the other four who had been determined not eligible to participate in the early retirement benefit. She confirmed that the System only has a copy of the first page of Ms. Brady's waiver – not the signature page. The City will need to make the determination of whether these members are eligible and the Board will administer the benefit as the City determines. Her understanding is that the matter is under review by the City's attorney and she has not yet received any updates. She did forward Ms. Brady's additional information to the City indicating that her waiver is related to a Social Security claim.

Trustee Patrice Waterman asked that copies of all Ms. Brady's paperwork be provided to her. She has talked with the City's attorney and they are planning to meet again to review and resolve the issue.

Vice-Chair Williams confirmed that the matter is in Trustee Patrice Waterman's hands.

### **PROPOSAL FOR IT ADMINISTRATION PRESENTATION**

Miss Munson indicated that Raj Boaz from Ark Technologies is here to present his proposal for the System's IT administration and referred the Trustees to the contract revisions provided by Ms. Billings-Dunn.

Mr. Boaz indicated that his company has been supporting the System successfully for the past four years. The new contract will provide a better quality server with a faster processor that offers better support. Most importantly, all the server maintenance, patching and updates will be encapsulated into the lease cost. They also provide 24/7 monitoring which will allow them to know if there are any issues and have a technician ready to address the problem at the start of business.

He told the Board that they have a redundant data system in Southfield through Rackspace which is one of the largest providers in the country hosting email and website domains. He also stated that the server will continue to be backed up both locally and offsite.

He addressed the recent server issue and explained that the outdated server created a number of additional problems that took more time to resolve. The new contract also includes workstation and server health monitoring. He discussed the hardware and system log monitoring, website and email hosting services. He noted that the contract is for three years with the biggest changes being a better quality server and service level will be higher. The changes will ensure that the System is fully protected.

*Trustee Deirdre Waterman arrived at 10:15 a.m.*

Trustee Patrice Waterman inquired of staff's satisfaction with the services.

Miss Munson noted that Ark has recently assigned a new technician to service the System. So, some of the issues that we experienced with the prior technician no longer exist. In her opinion, it took the prior technician more time than it should have to resolve issues and complete projects. The new technician is more organized and efficient; he tracks his time and provides a written

explanation of what he is doing. She is very pleased with the new technician and his ability to resolve matters in a timely fashion.

Mr. Boaz noted that the System's website has been updated. Their website technician has updated the site with a new certificate which provides better encryption and security.

*Mr. Boaz left at 10:17 a.m.*

### **AGENDA CHANGES**

Miss Munson reported the following agenda changes including an application for retirement for Trustee Arndt to be added to the Consent section; a NASP certificate for Trustee Albritton to be added to the Reports section; a request for staff assistance from CPREA to be added under New Business, the personnel committee is requesting that the Board authorize it to negotiate the benefit package for the new Executive Assistant. If the Board is so inclined, we would like to have the new person hired and here with Jane prior to the next meeting.

Trustee Swazer asked when the new person would be hired.

Miss Munson responded that we would like to have the person hired prior to Trustee Arndt's last day which is September 28, 2018. We would like to have someone here at least a week or two prior to her last day.

She also indicated that the Personnel & Administration committee is requesting that the Board authorize it to negotiate the wage & benefits package for the new Executive Assistant. She stated that we would like to have the new person hired prior to the next Board meeting.

Trustee Swazer asked when the new Executive Assistant will be hired.

Miss Munson responded that Ms. Arndt's last day is September 28, 2018 and – ideally – we would like to have the new person hired prior to that so that she can train with Ms. Arndt.

Trustee Swazer asked how the person would be hired prior to the Board seeing them.

Miss Munson said that it was not intended that this person would interview with the full Board. She said that Chairman Moore, Trustees Gaffney and Swazer and she would be interviewing seven candidates tomorrow and Friday. She noted that Trustee Swazer was selected as the alternate because Trustee Gaffney is out of town.

Trustee Swazer asked how the new hire would get their salary and benefits.

Miss Munson responded that that is what the committee is hoping that the Board would authorize the Chair and the Chair of the Personnel Committee – Trustee Gaffney - to negotiate on its behalf. Miss Munson confirmed for Trustee Swazer that Trustee Gaffney will not be here for the interviews and that Trustee Swazer would be sitting in for the interviews.

Trustee Swazer indicated that she is concerned because the Board interviewed for the Executive Director and Finance Officer positions but it is not going to interview for the Executive Assistant which is fine if it is just down to one or two people. But she would not want to have the Executive Director or a panel being able to hire and fire somebody without going through the Board.

Trustee Deirdre Waterman asked about the System's organizational hierarchy with regard to the reporting structure.

Miss Munson stated that the Board through its By-Laws has designated the Chair as the de factor Chief Administrative Officer. She is responsible to the whole Board but she reports directly through him.

Chairman Moore stated that the Board determines what happens as it relates to the Board. We had this discussion in the personnel committee that - when it comes to the Executive Director, consultants and managers - that is something that the Board should have complete authority over. However, when it comes to the staff other than the finance officer, he feels it is proper for the Board to authorize the Executive Director along with members of the Board to interview those candidates and bring the results to the full Board. However, the full Board - or any individual members - may participate in this interview process, if so desired. He likened the situation to the Mayor going into an interview for a staff member or executive assistant for the Community Development department.

He solicited of the Board their preference for how to conduct the process. He noted that the Board can give input on any of the candidates and if the Board decides not to hire someone that is the Board's prerogative.

Trustee Giddings noted that the Ordinance vests the responsibility of hiring staff with the Board of Trustees. However, he does not believe that requires the Board to sit in on every interview. But, everyone should participate in the decision process.

Trustee Deirdre Waterman stated that she is not interested in interviewing non-management personnel. The final decision should be brought to the Board for ratification.

Chairman Moore and Trustees Giddings and Deirdre Waterman concurred that they were saying the same thing with respect to using a panel process for the interviews.

Vice-Chair Williams asked if the Board is comfortable with the Personnel & Administration committee conducting the interviews.

Chairman Moore volunteered to step down from the panel if there were other Trustees who wanted to participate in the interviews.

Trustee Swazer asked about the process for terminating this employee.

Chairman Moore responded that it would depend on the severity of the situation. If it was something that required an immediate response, he believes that the Executive Director - in

consultation with the Chair - should be able to handle the situation. The facts of the situation would be brought to the personnel committee and the full Board. He continued that if someone has the responsibility of operating the office, they should also have the authority to do those things which are necessary with respect to directing their subordinates.

Miss Munson noted two more agenda changes. Mr. Henzi has suggested an edit to the July 25, 2018 meeting minutes. She would like to request that the Board pull those minutes so that we can get clarification from Trustee Gaffney. The second is that Trustee Giddings would like to attend the Invesco Client Conference.

**APPROVAL OF CONSENT AGENDA**

A. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: August 28, 2018  
**TOTAL PENSION PAYROLL** **\$2,103.984.56**

Staff PPE Pay Date: August 2, 16 & 30, 2018  
**TOTAL STAFF PAYROLL** **\$ 32,241.26**

B. Communications:

1. Correspondence from Public Plan IQ FOIA Request: July 19, 2018
2. Correspondence from Public Plan IQ FOIA Request: August 1, 2018
3. Correspondence from Kennedy Capital Re: Staff Changes
4. Correspondence from First Eagle Re: Fee Reduction
5. Correspondence to/from Brian Foley

C. Financial Reports:

1. Accounts Payables – August 2018
2. Dahab Associates Preliminary Report: July 2018
3. Attucks Manager of Manager Summary: July 2018
4. Statement of Changes: July 2018
5. Unaudited Financial Statements: Q2 2018

D. Private Equity Capital Calls & Distributions

E. Retirement Benefits

1. New Retirements

Ret. No.	Member's Name	Amount	Effective
2884	Mudge, Jeffrey	\$44.72	9/1/2018
2882	McCaffery, Gregory	\$350.67	1/1/2018

**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

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
2829	Luster, Dwayne	1/1/2018	Final	\$2,935.39
2832	Smith, Danotiss	1/1/2018	Final	\$1,290.78
2835	Watkins, Stacia	1/1/2018	Final	\$2,262.40
2820	Wilcox, Pamela	1/1/2018	Final	\$484.39

*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

Ret No.	Name	Reason

6. Refunds of Employee Contributions

Ret No.	Name	Reason	Benefit Amount

**RESOLUTION 18-094** By P. Waterman, Supported by D. Waterman

Resolved, That the Board approves and ratifies the actions in the Consent Agenda for August 29, 2018 as amended.

Yeas: 9 – Nays: 0

**CONSULTANTS**

**Re: Dahab Associates**

Second Quarter 2018 Performance Review

Mr. Roth provided an overview of the second quarter performance for the Fund. He stated that they will provide a more complete performance review at the manager review meeting the end of September.

He indicated that the U.S. economy continues to be strong noting the first revision of the GDP numbers going from 4.1% to 4.2% for the quarter. He also told the Board that the economy is

chugging along nicely and is being driven by consumers. We are a consumer driven economy and assumption is a good fit for us as well as the tax cuts.

He reviewed the effect of currency on the economy and investments as the System moves into emerging markets and non-U.S. investments. He specifically looked at the relationship between the dollar and the euro for the current quarter and previous quarter. As a consumer, the appreciation of the dollar versus the euro is a positive. However, this will have an effect and reduce returns the System has in non-U.S. and emerging markets.

He also looked at the major index returns for the quarter with domestic indices all positive for the quarter with performance averaging 3.0%. The non-U.S. indices which include MSCI EAFE and MSCI Emerging Markets underperformed for the period with some of the underperformance due to the tariff issue. However, 50% of the negative returns were due to currency translation. Over the long run currency will fluctuate and will have some impact on a quarterly basis, but they look at it as noise.

Mr. Roth provided an overview of the Fund's performance summary as of June 30, 2018. Returns for the quarter were up 1.8% gross-of-fees and 1.6% net of fees and ranked in the 27<sup>th</sup> percentile. Better than roughly 73% of the universe. One-year returns were 10.1% gross of fees.

He stated that a lot of the performance was due to the assets allocated to the real estate and fixed income investments. Real estate out performed for the period up approximately 2%. Fixed income was flat at zero for the quarter. They look at real estate as a surrogate fixed income.

International equity helped add to the performance during the quarter and was slightly up. For the year international equity is up 9.7% for the year. He noted that the performance was mostly due to WCM who continues to perform well.

Global fixed income was down 5.5% and represents 0.5% of the portfolio. The investment is tied to the currency markets which have a huge impact on the investment, which is why they are moving the Fund away from that asset class.

He told the Board that it was a tough quarter for active managers across the Board and this Fund is not alone. The Fund's allocation to growth helped performance for the quarter. He also stated that growth versus value was the driver of performance for the quarter. Growth was driven by the technology sector during the quarter.

He indicated that growth manager Sawgrass has continually underperformed. However, they outperformed the other managers during the quarter with returns of 4.5% trailing the benchmark at 5.8%. Their one-year performance was 16.7% even though they were behind the benchmark at 22.5% compared to the Michigan centric portfolio which was only up 9% for the quarter.

Chairman Moore asked what the System's current bottom line is.

Mr. Roth told the Board that as of the end of July the total Fund value was \$505.9 million. He also told the Board that August was a good month for the market. The total Fund value as of August 27, 2018 was \$514,513,762.00 and has probably increased upwards of \$515 million as of today. He did note that the equity allocation continues to grow. As the Fund continues to rebalance, assets will be taken away from equities. He explained that they are comfortable moving away from equities.

Chairman Moore asked how much the System made in August 2018.

Mr. Roth stated that the System made approximately \$9 million during the month of August.

#### Asset Allocation Rebalancing Next Steps

Mr. Lee referred to the rebalancing chart. He explained that the System is moving forward with the asset allocation changes.

The target allocation is the allocation adopted by the Board and included in the guidelines in the Investment Policy Statement. He compared the prior allocation to the current allocation noting that the System has added two new asset classes - real estate and emerging markets. The System is making a good progress in reaching its target allocation. He noted the need for the large cap equity allocation to be reduced from 25% to 20%.

Currently, the allocation to private equity is 10%. However, after listening to the Board, they are recommending a reduction to between 2.5% to 5.0%. They would also recommend that the additional would be split between small and mid-cap equity which are currently under-allocated. He noted that this would bring to total target allocation to small-cap up to 12.5% and the total target allocation to mid-cap up to 17.5% which is about what the current allocations to those asset classes is now.

Chairman Moore indicated that both the personnel and finance committees recommended that the Board reduce the allocation to private equity from 10% to 5%.

Trustee Swazer confirmed that the allocation to private equity is illiquid and the allocation to small- and mid-cap equity is liquid.

Mr. Lee explained the remaining steps in the rebalancing process noting that they are not in any particular order. The steps included evaluating the emerging managers program and making policy decisions including as whether to continue a separate entity or to hire the managers directly. We will need to go through the entire portfolio to ensure that we have the correct managers across-the-board. The memo just outlines the outstanding issues. He thought it was important to note that the current allocation is well within the IPS guideline ranges.

Chairman Moore told the Board that the finance committee talked about reviewing and evaluating all the managers in the portfolio. He did not originally feel it would be a good idea but he is now in support of recommending that all the managers in the portfolio should be evaluated as a part of the Board's overall due diligence.

Miss Munson reported that the resolution in the agenda would need to be amended to reflect that the 5% reduction to private equity would be reallocated: 2.5% to mid-cap and 2.5% to small-cap.

**RESOLUTION 18-095** By Swazer, Supported by P. Waterman

Resolved, That the Board approves the Investment Consultant's recommendation to amend the Investment Policy Statement to reduce the target allocation to private equity to 5%, and further,

Resolved, That the target allocation would be amended to reflect an additional 2.5% allocation each to mid-cap and small-cap domestic equity.

**REPORTS**

**Personnel & Administration Sub-Committee**

Miss Munson reported that the personnel committee met on August 23, 2018.

RFP for IT Administrator

Both committees reviewed the RFP for IT Administration as well as the attorney contract revisions and are recommending approval.

Rebalancing Next Steps Memo

Both committees reviewed the rebalancing next steps memo.

Member Trustee Election Calendar

The committee reviewed the election calendar for the Member-Trustee Election and is also recommending that Trustee Swazer be appointed the Board's Trustee Canvasser.

2019 Budget/2018 Budget Amendments

Both committees reviewed the proposed 2019 budget and the requested 2018 budget amendments.

Cost of Living Calculation Policy

Both committees are recommending that the Board rescind the COLA policy.

Monthly Disability Annual Procedures Report

Both committees reviewed the monthly disability procedures report. She reported that all members have submitted their 4506-T forms and they have been faxed to the IRS. The IRS has responded to all but two of the faxed requests to date. She also noted that none of the members have exceeded their income limitations for 2017.

Executive Assistant Interviews

Miss Munson reported that the personnel committee selected Trustee Swazer as the alternate to sit on the panel in place of Trustee Gaffney for the Executive Assistant interviews.

Correspondence from Brian Foley

Miss Munson reported that the committee reviewed the letter from Mr. Foley which is included in the Consent Agenda.

Request to City for Determination of Eligibility RE: Temporary Supplemental Increase

Ms. Munson reported that Jeffrey Mudge is eligible to begin collecting a pension from GERS pursuant to the Reciprocal Retirement Act. The member currently receives a benefit from the City of Pontiac PFRS. The request is for the City to make a determination as to whether or not he is eligible to receive the temporary supplemental benefit. She explained that there are several retirees who either receive two separate pensions from GERS or one each from GERS and PFRS. In each of these cases, the Retirement Office contacts the City for direction on whether they are eligible for the supplemental payment.

Trustee Swazer asked whether the member is receiving the payment from PFRS.

Miss Munson responded that – based her understanding of the PFRS supplemental payment Ordinance – only PFRS members who retired prior to August 22, 1996 (non-VEBA) are eligible for the supplemental payment. It doesn't appear that he would be receiving it from PFRS but she is not certain which is why we always go back to the City to make the determination.

Trustee Deirdre Waterman stated that the Retirement Ordinance has not changed.

Mr. Henzi said he agrees that the PFRS does not pay the \$400.00 supplemental increase to any member who retired after August 22, 1996.

Miss Munson indicated that the member just applied for retirement last week and that the System is just waiting for the City's response.

**Finance Sub-committee**

Asset Transition Update

Miss Munson reminded the Board that they had approved to allocate an additional \$5 million intermediate fixed income manager Robinson Capital and \$5 million being allocated to core fixed income manager Victory Capital. The \$5 million to fund the additional allocation to Robinson Capital came from WCM; the additional allocation to Victory Capital has not been completed because First Eagle only has monthly liquidity.

Miss Munson reported that UBS should be calling their \$5M allocation soon.

Private Equity Lock-Up Periods

Miss Munson referred the Trustees to the report regarding the scheduled end dates for the private equity funds.

Value-Add and Debt Real Estate

Miss Munson reported that the committee discussed the investment to value-add and debt real estate. She reminded the Trustees that at the last meeting the Board referred this matter back to the finance committee to gather additional information. The recommendation that came out of the committee this month is for the Board to allocate \$12M to value-add and debt real estate to reach

the target real estate allocation of 10%. Subsequent to the committee meeting, she contacted Trustee Gaffney to see if she would like to call into today's meeting. She is not able to call into the meeting; however, she did send an email which was forwarded to the entire Board. She is requesting that you would table this vote until next month.

Trustee Giddings indicated that he does not believe a vote is necessary today. The committee was responding to the Board's action last month which approved the matter to go back to the committee where additional information would be gathered and brought back to the Board. His understanding from the committee meeting was that they were going to get additional information and bring it back to the Board but not today. He is not sure what a vote would accomplish.

Chairman Moore said his recollection was that the additional \$12M allocation to value-add and debt real estate would be recommended for approval by the Board. If that passed, it would be sent back to the finance committee to work with the financial consultant and Executive Director to vet the options and bring back a final recommendation to the Board for consideration. He noted that the only ones at the meeting at that time other than him and Trustee Giddings were Trustee Albritton, the financial consultants and the Executive Director.

Trustee Albritton had Miss Munson read the resolution from the finance committee emphasizing that the purpose was to approve allocating the additional \$12M to debt and value-add real estate in order to move the portfolio to the 10% target allocation. And – if that passed – the consultant would bring before the finance committee companies that could “play in the sandbox” within that arena.

Trustee Deirdre Waterman wanted additional insight into Trustee Gaffney's request to postpone the vote and asked what are her concerns.

Chairman Moore stated that Trustee Gaffney has been consistent in terms of not supporting this type of investment. She believes that it is not a good investment for us at this time. She would like for us to get a feel for the recent allocations that the Board has made to real estate before moving into the riskier types. She wasn't necessarily opposed this but felt that we should wait and track the performance of the current real estate investments and – at that point – further consideration would be given for this real estate investment. That is his understanding from the conversations he has had with her as well as her statements in the Board meetings. He confirmed that she is also concerned with the illiquidity of the debt and value-add real estate.

Trustee Swazer questioned how much of the portfolio would be illiquid.

Miss Munson referred the Trustees to the handout of the chart that shows the current and potential future liquidity level of the fund.

There was discussion regarding the liquidity of the fund.

Trustee Deirdre Waterman questioned whether there was a rush to do this or if Trustee Gaffney's request could be accommodated.

Trustee Albritton said that he does not believe it has been rushed because the Board has been considering real estate since last year. He doesn't believe the Board should stop doing business because one Trustee is absent.

Chairman Moore stated that it was important to make the point that Trustees can make a request to delay or table an agenda item. He is supportive of a Trustee's request to postpone a matter. However, if it is the desire to move forward, he is prepared to vote his conscience.

There was additional discussion.

**RESOLUTION 18-096** By Albritton, Supported by Walker

Resolved, That the Board approves to allocate \$12 million to debt and value-add real estate pursuant to reaching the 10% target allocation to real estate as recommended by the investment consultant.

**Roll Call:**

Albritton - Yea	Walker - Yea
Arndt - Nay	D. Waterman - Abstained
Giddings - Yea	P. Waterman - Yea
Moore - Yea	Williams - Yea
Swazer - Yea	

Yeas: 7 – Nays: 1  
Abstain: 1 – D. Waterman

**Relocation Subcommittee**

Miss Munson reported that the relocation committee rescheduled their meeting to September.

**Re: Trustees Report - None**

**Re: Chairman Report**

**Pension Income by Locality**

Chairman Moore referenced the graph included in the agenda which breaks down the pension income by Michigan locality. He also referenced the breakdown of the portfolio by liquidity.

**EXECUTIVE DIRECTOR**

**Disability Procedures Report** – Refer to Committee Reports

**Annual Meeting**

Miss Munson reminded the Board that the Annual Meeting is being held on October 30, 2018 at the Franco Auditorium at St. Joseph Hospital from 10:00 a.m. to noon.

**Proposed 2019 Expense Budget**

General Employees Retirement System  
Regular Meeting  
August 29, 2018

Miss Munson referenced the proposed 2019 Budget and cover memo. The Board will be requested to approve the budget at the September meeting. The memo also includes the 2017 budget-to-actual comparison; the 2018 budget-to-date activity as well three budget amendments for the 2018 and the 2019 proposed budget.

The first requested budget amendment relates to the staff payroll. The 2018 budget did not anticipate Trustee Arndt's retirement. The budget amendment is to increase wages by \$2,000.00 to allow the new hire to work concurrently with Trustee Arndt for two weeks at 30 hour hours per week. The second amendment relates to the member data software. She referred the Trustees to the email quote from GRS to add a work-around changes report to the software. She explained the importance of the software to the System and noted that the reports that are generated only show current data and there is no way to track historical changes. The cost of that update is \$11,500.00. The third change is to amend the retiree payroll expense to reflect the fact that the early retirement benefit was put into effect and the Ordinance to continue the \$400.00 temporary supplemental payment through the end of the year has been adopted by City Council. The change would increase the retiree payroll by \$2.7M.

#### Relocation Office Space

Miss Munson reported that the relocation committee postponed their meeting this month. The committee directed her to contact the credit union to determine whether they had any office space that would be available for leasing. The only area available on the main floor is the small reception area to the right of the front door. They are willing to build out the community room in the basement but it has no windows so the Chair and the Chair of the committee determined that that would not be suitable for our needs.

She reported that she was also directed to contact the Village of Bloomfield regarding office space. The committee had contacted them last year but they did not have any firm availability information to provide at that point. In response to the recent request, she received an email which indicated that it was the developers understanding that the System would not be interested in any leasing opportunities on the non-Pontiac side of the development and they do not have any leasing opportunities currently planned for the Pontiac side of the development. She responded that the System would consider leasing space on the non-Pontiac side of the development but has not received a response.

#### GrayCo Alternatives I Investor Summary: 4<sup>th</sup> Quarter 2017

Miss Munson referred to the GrayCo Investor Summary included in the agenda. It also includes the Consequent's responses to the questions she and the consultant had with regard to the 2017 audited financial statements.

#### Early Retirement Eligibility & Hospital Deferred Members' Service Credit

Miss Munson reported that she was directed to contact the City with regard to the early retirement WC-Waiver matter and the Hospital deferred members' service credit. She reiterated that it is her understanding the matter regarding the waivers is being reviewed by the City's attorney.

She did speak with the Deputy Mayor late last week who said that she would be scheduling an appointment with the Hospital so that Ester Jimenez and the three volunteers from the Retirement System can go to the Hospital and pull the needed data for the Hospital deferred members.

Chairman Moore stressed the importance of resolving these issues in a timely fashion. He expressed the concern of the personnel and finance committees.

Trustee Deirdre Waterman stated that she would check with the Deputy Mayor. She also noted that a member of the City Council indicated that the City stopped the pension payments. She disagreed and indicated that the Administration does not start or stop pension benefit payments.

Miss Munson explained that the Retirement Office works as a team with the City. The City initially began working in earnest on the parameters for the supplemental actuarial analysis for the early retirement benefit in approximately May of last year. She assisted the City's Finance Officer, Nevrus Nazarko, in compiling the list of members who were eligible. There were questions about the eligibility of several members. It was determined that they would be included in the analysis just to be conservative with the understanding that a determination of their eligibility would need to be made if the City Council actually approved the benefit.

Once the City Council approved the benefit in December, she sent Mr. Nazarko a memo listing the members in question. Mr. Nazarko responded in writing indicating that five of the members were eligible, one was ineligible due to resignation and three were ineligible due to the WC-related waivers. The City reversed their decision on the one member who was determined ineligible due to resignation because further review of her file indicated she was effectively terminated by the Emergency Manager.

All of the eligible members had estimates of their benefits on file in January except one – Brian Foley. Miss Munson went through his file in order to create an estimate and I discovered a similar WC-related waiver. He appeared to be similarly situated to the previous three so we requested that the City make a determination. The City agreed that he was similarly situated and - thus – not eligible to participate in the early retirement. Staff began processing finals in June 2018 and – as Miss Munson reviewed Ms. Brady's file to approve her final - I discovered a waiver. At that time, I reviewed the files of all of the early retirees and found one more waiver – Mr. Ledwell. Miss Munson contacted the City and the Deputy Mayor requested that we suspend these two payments until all of the cases could be reviewed. She said she would forward a copy of Mr. Nazarko's memo and the Deputy Mayor's email regarding the determinations.

Miss Munson said she suggested in writing to the City that a review of all of the early retirees be done to ensure no one else is similarly situated. These waivers are agreements between the employee and the City and her concern is that there may be others who have signed a waiver and the System just does not have a copy of it. It is Plan Sponsor's responsibility to determine who is eligible to receive a pension benefit.

Trustee Deirdre Waterman stated that the Deputy Mayor and the City's legal counsel are working on the issue with regard to the waivers and are working with the information they have. She also indicated that the City is in the process of hiring a Human Resources Director.

There was additional discussion.

The consultants were excused.

*Mr. Lee and Mr. Roth left at 11:38 a.m.*

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## **UNFINISHED BUSINESS**

### **Re: Training and Education Policy Revisions - Tabled**

Miss Munson reported that the approval of the policy was tabled because two additional revisions were recently requested.

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## **NEW BUSINESS**

### **Re: Resolution to Approve IT Managed Services Agreement**

Chairman Moore stated that both committees are recommending approval.

There was discussion regarding the graduated fee structure.

### **RESOLUTION 18-097** By Moore, Supported by Arndt

Resolved, That the Board approves the revised Managed Services Agreement with Ark Technologies including the incremental fee structure starting at \$12,000.00 the first year; \$13,00.00 the second year and \$14,000.00 for the third year for a period not to exceed three years.

Yeas: 9 – Nays: 0

### **Re: Resolution to Approve Member-Trustee Election Calendar**

Miss Munson reported that the calendar assumes that the Board will schedule a retreat for December 1, 2018. She stated that the speaker has not yet been confirmed and that all we have at this point is a tentative agenda.

Trustee Albritton suggested that a committee be appointed to plan the retreat.

### **RESOLUTION 18-098** By P. Waterman, Supported by Moore

Resolved, That the Board approves the Member-Trustee Election Calendar.

Yeas: 9 – Nays: 0

**Re: Resolution to Appoint Member-Trustee Election Canvasser**

**RESOLUTION 18-099** By P. Waterman, Supported by Walker  
Resolved, That the Board appoints Trustee Swazer as the Trustee Canvasser for the Member-Trustee Election being held on November 29, 2018.

Yeas: 9 – Nays: 0

**Re: Resolution to Rescind COLA Review Policy**

**RESOLUTION 18-100** By Giddings, Supported by Swazer  
Resolved, That the Board approves to rescind the Cost of Living Calculation Review Policy.

Yeas: 9 – Nays: 0

**Re: Resolution to Approve 2018 Budget Amendments**

**RESOLUTION 18-101** By Swazer, Supported by P. Waterman  
Resolved, That the Board approves the 2018 Budget amendments to retiree payroll, wages and software as presented.

Yeas: 9 – Nays: 0

**Re: Resolution to Approve CPREA Request**

Miss Munson requested that the Board approve request from CPREA.

**RESOLUTION 18-102** By P. Waterman, Supported by Arndt  
Resolved, That the Board approves CPREA request for assistance to be handled pursuant to the Parties-In-Interest Policy.

Yeas: 9 – Nays: 0

Miss Munson requested that the Board authorize the Board Chair and the Chair of the personnel committee to negotiate the wage and benefits package for the new hire. Miss Munson clarified that the new employee would be hired prior to the next Board meeting. The Board would be ratifying the package at the next meeting.

Trustee Patrice Waterman asked what is the salary range.

Miss Munson responded that the range would be comparable to the current salary range for the position. She continued that the candidates are well qualified and she didn't want to eliminate one because their salary range did not necessarily match the current one.

Trustees Patrice Waterman expressed that she felt strongly that there should be a salary range and she does not believe that someone coming in should make more than Ms. Arndt because she has

seniority and she has worked up to her current salary. She believes that there should be a range and the new employee should work up to that maximum.

Trustee Swazer said it is also important to look at each benefit to say if they will get health insurance or not, 401K or not and the Board should know what is the range.

Miss Munson responded that each candidate has different circumstances so perhaps an employee who already has insurance coverage through a spouse may be offered a higher starting salary since the System would save on the cost of insurance. What is being requested is just flexibility in order to hire the best person at the most reasonable cost. She also noted that most of the seven candidates are currently employed.

Trustee Swazer felt that we still need a range and we still need a benefits package.

Chairman Moore agreed that there should be a salary range. He noted that the personnel committee agreed to advertise the job position with the salary and benefits dependent upon qualifications. The reason for that was because through the process there would be different levels of qualifications of the people applying for the position and the compensation package would be based on the people that applied. He suggested that a special meeting could be held where the benefits package could be approved or not approved. He is not sure we would get the caliber of person that we desired if we were to set a salary range at this point. That is one way of doing it or we could also do it in a way that this Board sets the range and then the potential candidate will either accept it or not, whichever way is the desire of the Board.

Miss Munson reminded the Board had approved the revisions to the job specifications at the last meeting. Responsibilities that were included in the Retirement Coordinator position – which we do not have anymore – were added to the revised specifications for the Executive Assistant. The new hire will not only be an Executive Assistant. We have identified candidates who can operate more like an Operations Manager. We identified some great candidates based on the new job description. The new hire is being asked to do more than Jane has been required to do.

Trustee Swazer reiterated that she still requires a range and a benefits package and then she can vote.

Trustee Albritton also disagreed with the process of the Board ratifying the new hire and compensation after-the-fact.

Chairman Moore again requested that the Trustees make their desire known for their preferred process.

Trustees Albritton and Swazer continued to express skepticism of the Board approving the candidate and compensation after-the-fact.

Miss Munson restated Trustee Deirdre Waterman's sentiment that this position is not a management position and that the benefits package that we have is pretty standard. You get United healthcare,

dental, life, optical. The only things that we could conceivably try to negotiate to get a package together are going to be the wages, potentially a match in the 457 because they are not in the DB plan and how many weeks of vacation that they get. Those are the only three items that would be up for negotiation. Everything else is standard in our policies.

Chairman Moore stated that he does not know that there is anything in the policies that would require to the Board to fire an Executive Assistant. Clearly, the Board would have the responsibility to fire the Executive Director and the Finance Officer but not the Executive Assistant. That would be the Executive Director. He believes an appeal would be made to the Board. But the Board would not need to be involved in the firing of someone who reports to the Executive Director.

Chairman Moore confirmed that the job specifications were revised and the position was posted without a salary range or benefits package.

Vice-Chair Williams noted the short timeframe before Trustee Arndt's retirement. Time is of the essence and it would be virtually impossible to get someone in without that candidate knowing what you are offering them.

Trustee Deirdre Waterman confirmed that a salary range needs to be established based on the revised job specifications. And asked what is the proposed salary range.

Miss Munson responded that she would request that the salary range be between \$52K and \$60K.

Chairman Moore asked about the benefits package.

Vice-Chair Williams and Trustee Swazer referenced Miss Munson's earlier description of the standard benefits package. Trustee Swazer asked the Chair whether he knew of the straight-up benefits package.

Chairman Moore responded that he did not know of the straight up benefits package.

Vice-Chair Williams confirmed that the panel would be negotiating the salary and the weeks of vacation and potential match in the 457. Those are the 3 items that the panel will be negotiating.

**RESOLUTION 18-103** By D. Waterman, Supported by P. Waterman  
Resolved, That the Board adopts a salary range of \$52,000.00 to \$60,000.00 for the Executive Assistant position.

Yeas: 8 – Nays: 0  
Abstain: 1 - Trustee Walker

**Re: Legal Report**

### Wellington Trust Company

Mr. Henzi reported that the subscription documents were reviewed and they are recommending execution of the documents. They are also recommending that a Side Letter be obtained for this investment.

### Garland Domestic Relations Order

Mr. Henzi reported that the Garland EDRO is for the Trustees' information.

### Ark Managed Services Agreement – Refer to Unfinished Business

### Gabriel Roeder Political Contribution Disclosure Statement

Mr. Henzi reported that there was a question regarding the political disclosure statement submitted by Gabriel, Roeder & Smith. He told the Board that GRS submitted their own disclosure statement that is in compliance with PA 314 and the Investment Advisors' Act.

Miss Munson reported that the annual service provider fee and political contribution disclosure notices were sent out on July 21, 2018. She reported that everyone has returned them except First Eagle and Principle.

### Principal Fee Disclosure Statement

Mr. Henzi reported that Principle did submit a disclosure that was not acceptable.

### Trustee Retreat Sessions

Mr. Henzi reported that the Board's Trustee Retreat has to comply with Public Act 314 which indicates that the System can only use assets for the betterment of the System and for educational purposes. He used the example of educational games in the form of investment jeopardy similar to the game show.

The Trustees discussed the tentative agenda.

### Portfolio Monitoring Reports

- Robbins Geller July 2018
- Motley Rice Second Quarter 2018
- Bernstein Litowitz Second Quarter 2018

### Onyx Notice of Motion for Turnover Order

Mr. Henzi reported that the System invested \$4 million with Onyx Capital Advisors. The Detroit Retirement Systems invested \$20 million. He further explained that Roy Dixon was convicted of crimes based on his mismanagement and embezzlement of the funds. At the time the SEC was investigating Onyx, it sent a letter to Wells Fargo ordering them to freeze the assets in the Onyx accounts.

The three systems ultimately filed suit against the three principals of Onyx and were awarded a judgement of \$3.1 million. The judgement for the System was tripled and the System was also given the ability to take part in Mr. Dixon's personal bankruptcy to make sure the debt would

follow him the rest of his life. The bankruptcy judgment also includes the proceeds from the sale of his mansion in Atlanta. The attorney recently received a Turnover Motion from the SEC to allow Wells Fargo to turn over the \$24,332.40 that is in a frozen Onyx account. He noted that the 3 Systems received a judgement of \$75,000.00 against Ericka Roberts of which GERS receives a monthly payment of \$200.00. Mr. Henzi stated that Wells Fargo recently contacted the SEC about the frozen assets. This is the first known asset that the System has been made aware of.

He told the Board that he will provide a strategy with regard to the Onyx matter in closed session.

**Legislation RE: Closed Session**

Mr. Henzi reported that there is a recent Court of Appeals case that will be published which requires public entities to disclose the specific matters to be discussed in closed session. The conclusion is you can't just say 'I move to go into closed session to discuss pending litigation'. He offered the Trustees a copy of his memo on this matter.

**Fees Received by Sullivan Ward from Securities Litigation Matters**

All fees are reviewed and approved by the United States District Court for each matter. The fees received are as follows:

10/07/2011	MotleyRice – Rehab Care	\$ 38,258.00
03/27/2012	MotleyRice – Atheros	\$ 15,123.85
08/22/2012	Bernstein Litowitz – Delphi Financial	\$150,000.00
01/23/2013	Robbins Geller – MBIA	\$ 14,250.00
08/22/2018	Robbins Geller – Lockheed	\$107,500.00
12/31/2013	Bernstein Litowitz – Ancestry	\$ 50,000.00
02/07/2014	Robbins Geller – Lockheed	\$121,000.00
05/20/2015	Bernstein Litowitz – Healthways	\$ 89,132.82
06/30/2015	Bernstein Litowitz – MGM	\$ 20,250.00
10/08/2015	Bernstein Litowitz – Northern Trust	\$132,002.49
02/12/2018	Robbins Geller – L-3 Communications	\$257,000.00

**RESOLUTION 18-104** By Moore, Supported by Swazer

Resolved, That the Board will move to closed session to discuss specific pending litigation including the Onyx Capital Advisors matter, the Walmart Stores, Inc. matter and the Mercury Systems, Inc. matter.

**Roll Call:**

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

Yeas: 9 – Nays: 0

*The Board moved to closed session at 12:23 p.m.  
Ms. McNally and Ms. Watson left at 12:23 p.m.  
Trustee D. Waterman left at 12:40 p.m.  
The Board returned from closed session at 12:49 p.m.*

**RESOLUTION 18-105** By Swazer, Supported by Albritton  
Resolved, That the Board approves the closed session minutes for July 25, 2018.

Yeas: 8 – Nays: 0

**RESOLUTION 18-106** By Swazer, Supported by P. Waterman  
Resolved, That the Board resolves to follow the recommendation of counsel as discussed during closed session to stand down on the Onyx Capital Advisors matter.

Yeas: 8 – Nays: 0

**RESOLUTION 18-107** By Swazer  
Resolved, That the Board approve to seek lead plaintiff status in the Mercury Systems, Inc. litigation and authorize the Chair to execute the necessary documents.

The motion failed for lack of support

**RESOLUTION 18-108** By Moore, Supported by P. Waterman  
Resolved, That the Board resolves to approve the recommendation of counsel as discussed during the closed session to approve the settlement authority in the Walmart litigation matter.

Yeas: 8 – Nays: 0

#### Trustee Announcement

Vice-Chair Williams thanked the Board for the opportunity to serve as the Chair for the last two meetings. He announced that he is resigning as Trustee because he is no longer a citizen of Pontiac.

The Trustees and Executive Director expressed their appreciation to Vice-Chair Williams for his service to the System. It was noted that Vice-Chair Williams will continue to serve as the Citizen-Trustee until the City Council appoints his successor.

#### Trustee Retreat

The Trustees determined that the tentative agenda is not what they are looking for at this retreat.

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### **SCHEDULING OF NEXT MEETING**

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Regular Meeting: Wednesday, September 26, 2018 at 10:00 a.m. – Retirement Office  
Special Meeting: Thursday, September 27, 2018 at 8:00 a.m. – Marriott at CenterPoint

**RESOLUTION 18-109** By Swazer, Supported by P. Waterman  
Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 12:56 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 August 29, 2018

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*As recorded by Jane Arndt*