

**CITY OF PONTIAC MICHIGAN
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**

A special meeting of the Board of Trustees was held on Thursday, December 16, 2021 at City of Pontiac General Employees' Retirement System, 2201 Auburn Rd, Suite B, Auburn Hills, MI 48326. The meeting was called to order at 3:30 P.M.

TRUSTEES PRESENT

Sheldon Albritton, Chair
Darin Carrington, Secretary
Robert Giddings, Vice-Chair
Lisa King
James Miriani (electronically) *arr 3:41 pm* – Oakland Township, Oakland County, Michigan
Walter Moore (electronically) – Lantana, Denton County, Texas
Billie Swazer
James Walker *arr 3:49 pm*
Deirdre Waterman, Mayor (electronically) *arr 3:53 pm*
Patrice Waterman, City Council (electronically) – Pontiac, Oakland County, Michigan
John White

TRUSTEES ABSENT

OTHERS

Samantha Kopacz, Miller, Canfield (electronically)
Cynthia Billings-Dunn, Asher Kelly
David Lee, Dahab Associates
Steven Roth, Dahab Associates (electronically)
Mizuki Kanno, Executive Assistant
Deborah Munson, Executive Director

PUBLIC COMMENT: NONE

AGENDA CHANGES

Miss Munson requested that New Business be amended to add a resolution to approve Trustees to attend the KORIED Plan Sponsor Educational Institute in January 2022.

RESOLUTION 21-152 By Moore, Supported by P. Waterman
Resolved, That the Board approves the changes to the agenda.

Yeas: 8 – Nays: 0

CONSULTANTS

RE: Periodic Rebalancing

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Mr. Roth recommended to raise \$9M from equity and move it to cash, \$8M of which will go to the City to pay for the opt-out payments and \$1M will be used to pay benefit payments and expenses through early 2022.

RESOLUTION 21-153 By Moore, Supported by P. Waterman

Resolved, That the Board approves the Consultant's recommendation to rebalance the portfolio by transferring the following amounts from each manager to the cash manager to fund the opt-out payments and pay for capital calls, benefits and expenses.

Attucks - \$3,000,000
Sawgrass - \$2,000,000
Xponance - \$4,000,000

Yeas: 8 – Nays: 0

Trustee Miriani arrived at 3:41 pm.

Trustee Walker arrived at 3:49 pm.

REPORTS

GERS Transition Update

Miss Munson reported that payroll transition is complete and that the name and FEIN will be changed effective January 1, 2022. She also reported that all the custodial accounts at Northern Trust have been opened and the welcome packages for the managers is being sent to them next week. She gave a status update on the investment management agreements. She reported that there was a conference call on December 8, 2021 with the custodian, the consultant, the Chair, and the Vice-Chair. There was a conference call on December 14, 2021 with the VEBA custodian - Comerica - the GERS custodian- Northern Trust-, and the consultant. There was another conference call on December 15, 2021 with the custodian, the consultant and all of GERS separately managed account investment managers except WCM which is scheduled for December 17, 2021. She stated that it was explained to the managers how this process is going to work and what they can expect going forward from here. She said that another conference call is scheduled with the custodian and the consultant on December 22, 2021 and a conference call with the consultant, the custodian, and the auditor on December 17, 2021 to talk about market values and the timing of the audit to make sure all parties are on the same page. The outcome of the meeting will be reported to the Board at the next special meeting. She explained that the money raised for the opt-out payments will be wired to the City on December 21, 2021, and the transition is still scheduled to occur on January 3, 2022.

Chairman Albritton asked for clarification regarding the opt-out money transfer to the City.

Trustee Carrington explained that the money is going to a stand-alone fund that has been established which will be used solely for the purpose of making the opt-out payments and holding any money that have not been paid out which the City will retain for future opt-out payments. It is being kept in a separate account for transparency purposes.

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Trustee Moore asked if this is accountable on the City's books.

Trustee Carrington responded that it is not a revenue and that it is viewed solely as the City being a pass-through in terms of the money coming in and out.

Trustee Moore asked who has the authority to draw on this account.

Trustee Carrington explained that it would be the finance director in terms of the regular City process. He also explained that there are specific limitations on how that money can be spent under the VEBA trust agreement.

Trustee Moore requested a copy of the written procedures for drawing money on the fund as well as the authorized personnel.

Trustee Carrington stated that the money is expected to be transferred on December 21, 2021, and payments will be made after that. He explained that the City is expecting to either mail checks or - possibly - let people come in person and that direct deposit has been ruled out. It has not been finalized if mail is going to be the only option.

Trustee Moore asked if the final opt-out number is still 189.

Trustee Carrington responded that the number is still being revised as a few more are still coming in, and he is trying to make every accommodation.

Chairman Albritton asked for the number of people who are eligible to opt out.

Trustee Carrington stated that he does not have that number off hand.

Trustee Patrice Waterman expressed her concern with knowing that there will not be as many opt-outs as expected and the City will only need \$4M. Instead of the \$8M the City will receive.

Trustee Carrington explained that the number was projected in July without any evidence of which way to go in terms of how many people would opt out making sure there is enough money for this because once the transfers occur and if the City came in short, the City cannot get money back from the VEBA. He also explained that the City certainly does not have any interest in holding any money back that will not be needed. He also stated that one of the questions which needs to be resolved is if the settlement agreement allows for people who are not 60 to exercise the opt-out. The reading of the settlement agreement states that it is required to be 60 to get the benefit, but some of the language was a little less definitive as related to being able to exercise the opt-out. He reported that some people who are not 60 want to go ahead and exercise the opt-out.

Trustee Moore stated that it is not required to be 60 to opt out, but it is required to be a retired member of the System and entitled to health insurance.

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Trustee Carrington stated that this will be settled between the City and CPREA.

Chairman Albritton stated that this matter is between the City and CPREA and that the GERS Board's role is to make sure that the \$8M is available although it might be more than needed, and the balance of it will go to VEBA.

Trustee Moore stated that the spending of this \$8M should be reported to the GERS Board annually. He said it is necessary for all entities, the City, VEBA and GERS to make sure that the money is accounted for, and the process is in place.

Trustee Deirdre Waterman arrived at 3:53 pm.

Vice-Chair Giddings asked if the people who opted out would be eligible to receive the \$400 if the City Council was able to take any action this year to extend it to fill in the gap period. He also asked if the list of who opted out would be provided.

Trustee Carrington stated that he does not have the answer to that. He also stated that the list of who opted out would be public information.

Trustee Moore said it is opting out of the healthcare, not opting out of \$400. Opting out of the VEBA membership has nothing to do with the \$400.

Vice-Chair Giddings stated that if the \$400 is extended the way it has been in the past to fill the gap period, it will go away when people get the healthcare. He also stated that it sounds like people who opted out are ahead of when the other people would be getting their healthcare. He asked whether people would be eligible for the \$400 if they opt out and get the check.

Trustee Moore stated that in terms of \$400 every member would continue to get it because that has nothing to do with healthcare and that it is temporary pay increase.

Trustee Deirdre Waterman stated that those are two different issues. She explained that the \$400 is enhanced pension payment, and the opt-out relates to what the position is regarding the membership of the VEBA or not and receiving healthcare. Therefore, they can continue to receive the \$400 until that provision is stopped, and it gets stopped as soon as the healthcare is restored which will most likely happen on February 1, 2022.

Trustee Patrice Waterman stated that the \$400 is an enhancement and the City Council did a resolution to extend it for until the healthcare is restored. If the insurance starts in February 2022, there will no longer be the \$400 benefit after January 2022.

Trustee Deirdre Waterman stated that the City requested that the actuary conduct an actuarial study which is required to adopt an ordinance.

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Miss Munson responded that the actuary requires two to three weeks after the request is received, and it is still in that window. She also stated that the Board will be required to hold one more special meeting this year to receive and file the supplemental analysis to continue the payment for one year.

Trustee Carrington stated that the City Council presented the Board with a resolution to get the supplemental actuarial study. Once the study is complete, the Board needs to meet to accept it, then the resolution needs to be taken to the Council to continue the payment at least for January because it is currently only authorized through December 2021 and the health insurance is expected to kick in on February 1, 2022, so the continuation for the month of January 2022 needs to be adopted.

Trustee Moore asked when the healthcare money will be transferred to the VEBA.

Miss Munson explained that the transition is scheduled to occur on January 3, 2022. The new GERS will get 130% of the pension liabilities and the VEBA will receive the excess assets.

There was additional discussion.

Chairman

Chairman Albritton stated that this has been a very interesting journey and that everyone is in this together. He also stated that he hopes to get through this journey and continue to do what is best for this pension system and the retirees.

NEW BUSINESS

RE: Resolution to Approve 2022 Fiduciary Liability Insurance Renewal

Miss Munson explained that the Board had previously approved for the finance committee to accept a renewal policy and authorized Chairman's signature but it has been added to the agenda since it is available. She also explained that the agent suggested that the Board purchase "tail policy" which would cover any actions that could be brought against the old GERS in the next 3 or 6 years depending, on the policy selected. The finance committee did not meet this month, so this is not a recommendation from the committee, however the attorney believes it is a good idea to purchase such a policy.

Ms. Billings-Dunn recommend purchasing a separate tail policy for the old GERS to cover any claims that are made against the old GERS because what might happen next year is unknown. With respect to the time period, she said a 3-year tail would probably be okay because it is essentially the statute of limitations for liability actions in Michigan, however a 6-year tail would be very conservative just in case something comes up such as a contract claim because that would have a 6-year statute of limitations. She stated that her recommendation would be the 6-year tail policy.

Trustee White confirmed that this policy has to be paid in full up front.

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Ms. Billings-Dunn explained that a tail policy is a claims-made policy as opposed to an occurrence policy, so if a claim comes in next year for something that happened two years ago, there would be no coverage without a tail policy. She stated that it would be good to have that coverage that is going to last through the statute of limitations period of time.

Trustee White asked for an example of potential claim that might come up.

Ms. Billings-Dunn explained that what is seen primarily is alleged breach of fiduciary duty where a participant files an action saying a proper benefit is not being paid. There was a case a police officer filed a lawsuit for disability benefits which lasted for three years, and that the insurance company spent an unbelievable amount defending that particular action.

RESOLUTION 21-154 By Moore, Supported by P. Waterman

Resolved, That the Board Approves to renew the fiduciary liability insurance offered through EUCLID for the period of January 1, 2022 thru December 31, 2022 at the annual rate of \$33,763 as well as the 6-year Extended Reporting Period coverage with the total premium of \$89,097.

Yeas: 11 – Nays: 0

RE: Resolution to Approve Salary Increase for Executive Director

Trustee Moore stated that Miss Munson is a very valuable employee who is smart and hardworking who always has the best interest of the City, the System, the members of the System and the employees. He said she is well worth this 4.5% increase.

Trustee Patrice Waterman stated that Miss Munson truly is a hard worker and very well deserving of the increase. She said to keep up the good work for the Retirement Board because they will need it.

Trustee Deirdre Waterman stated that she also would give the same comment to Miss Munson and support the motion.

RESOLUTION 21-155 By Moore, Supported by Walker

Resolved, That the Board Approves the Personnel & Administration committee's recommendation for a 4.5% salary increase for the Executive Director effective October 1, 2021.

Yeas: 11 – Nays: 0

RE: Resolution to Approve Performance Bonus for Executive Assistant

Miss Munson explained that Ms. Kanno went through the annual review process and received 3% increase in September 2021. This would be a performance bonus to recognize all the extra work she has been doing since the office went to two-person.

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Trustee Moore stated that it is difficult to find and keep good employees now and that Ms. Kanno is very professional on the phone, she takes care of business and eager to provide service to the Board and the members. It is well worth it to pay the bonus.

RESOLUTION 21-156 By Moore, Supported by Miriani

Resolved, That the Board Approves the Personnel & Administration committee's recommendation for a one-time \$1,650.00 performance bonus for the Executive Assistant.

Yeas: 11 – Nays: 0

RE: Resolution to Approve Lease Extension and Renovation Costs

Miss Munson presented the proposed layout for the current Retirement Office location along with a comparison with the other locations that the Relocation Committee considered. She stated that the relocation committee is recommending approving the 5-year lease renewal with two rent increases as well as the cost of the renovations.

There were additional questions and discussions.

RESOLUTION 21-157 By Moore, Supported by Miriani

Resolved, That the Board approves the Relocation Committee's recommendation to accept the 2201 Auburn Rd. Suite B 5-year lease renewal and renovation costs of Plan 1 of \$62,493.98.

Yeas: 11 – Nays: 0

RE: Receive and File Results of March 31, 2021 Valuation

Miss Munson reviewed the report and indicated that these are the results of the March 31, 2021 Termination Valuation. As of March 31, 2021, the System's liabilities were \$328,625,124.

Trustee Moore requested that a hard copy of the report be sent to all the Trustees who are participating in the meeting remotely.

Trustee Deirdre Waterman requested for a roll call vote for this resolution.

Vice-Chair Giddings stated that the termination date the IRS had to set was March 31, 2021 in order to approve it and that there was a year to actually terminate, therefore the old GERS has been operating since March 31, 2021 and will continue to operate until the time the money gets transferred. He also stated that there are many things to account for in the process and that if it was based on March 31, 2021, the money should have transferred on that date.

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Trustee Moore stated that \$427M is the 130% of the liability as of March 31, 2021. He believes what should go to the new VEBA is the difference between \$427M and the amount as of the date of the transfer which is scheduled on January 3, 2022.

Vice-Chair Giddings stated that this was never addressed in the settlement agreement. He stated that each party has been at risk for that money to go down or up, so if it had gone down, the VEBA would be arguing the complete the opposite position.

There was additional discussion.

RESOLUTION 21-158 By P. Waterman, Supported by D. Waterman

Resolved, That the Board receive and file the results of the March 31, 2021 valuation and, further

Resolved, that a copy of the March 31, 2021 valuation report be provided to the Pontiac City Council upon completion.

ROLL CALL:

Albritton – Yes	Swazer – Abs
Carrington – Yes	Walker – Yes
Giddings – Yes	D. Waterman – Yes
King – Yes	P. Waterman – Yes
Miriani – Yes	White – Yes
Moore - Yes	

RE: Resolution to Approve KORIED Plan Sponsor Educational Institute

RESOLUTION 21-159 By P. Waterman, Supported by Moore

Resolved, That the Board approves Trustees to attend KORIED Plan Sponsor Educational Institute from January 18 to 21, 2022.

Yeas: 11 – Nays: 0

Vice-Chair Giddings stated that the City Council was unable to take any action on the \$400 increase to fill the gap period. He asked if it is possible to have another meeting to receive that supplemental analysis.

Miss Munson confirmed that a special meeting will be scheduled as soon as analysis is received.

LEGAL REPORT: NONE

ADJOURNMENT

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RESOLUTION 21-160 By Swazer, Supported by P. Waterman

Resolved, That the special meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 5:00 p.m.

Yeas: 11 – Nays: 0

I certify that the forgoing are the true and correct minutes of the meeting of the General Employees' Retirement System held on December 16, 2021.

As recorded by Mizuki Kanno, reviewed and edited by Legal Counsel and the Executive Director