

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

A special meeting of the Board of Trustees was held on Wednesday, December 22, 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 3:00 P.M.

TRUSTEES PRESENT

Sheldon Albritton, Chair

Darin Carrington, Secretary *arr 3:06PM*

Robert Giddings, Vice-Chair

Lisa King

James Miriani (electronically) – Oakland Township, Oakland County, Michigan

Walter Moore (electronically) – Lantana, Denton County, Texas

Billie Swazer (electronically) – Pontiac, Oakland County, Michigan

James Walker (electronically) – Pontiac, Oakland County, Michigan

Deirdre Waterman, Mayor (electronically) – Pontiac, Oakland County, Michigan

John White (electronically) – Pontiac, Oakland County, Michigan

TRUSTEES ABSENT

Patrice Waterman

OTHERS

Louise Gates, Gabriel, Roeder, Smith & Co. (electronically)

Cynthia Billings-Dunn, Asher Kelly

David Lee, Dahab Associates (electronically)

Steven Roth, Dahab Associates (electronically)

Mizuki Kanno, Executive Assistant

Deborah Munson, Executive Director

PUBLIC COMMENT: NONE

AGENDA CHANGES: NONE

CONSULTANTS

Mr. Roth reviewed the calculation of the split of the fund as of the Termination Date, March 31, 2021. He explained that the assets which are in excess of the 130% of the liabilities of the fund as of March 31, 2021 are \$149,509,545, which will go to the VEBA. He reminded the Board that this amount includes the \$8M which went to the City the prior week; therefore \$141,509,545 is scheduled to be transferred from the GERS to the VEBA on January 3, 2022. He added that - as of December 20, 2021 - there are approximately \$10M in excess assets earned post-Termination Date and this amount will be transferred to the new GERS. He said that the value of the investments is based on the System's March 31, 2021 Audited Financial Statements and the period-ending liabilities have not been netted against those assets.

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Ms. Billings-Dunn stated that she reviewed the settlement agreement as well as the VEBA Trust agreements and explained that the parties did not contemplate a gain after the Termination Date. She said that the settlement agreement provides for the general transfer of the assets and that the VEBA Trust agreement clearly contemplates that the excess assets that are to be remitted to the VEBA are determined as of the March 31, 2021 Termination Date. She stated that her opinion is that it would be reasonable to transfer the post-Termination Date earnings to the new GERS.

Trustee Walker asked for clarification if no one considered anything about any money potentially made between March 31, 2021 and today in the settlement agreement, and that the settlement agreement does not state anything about where those funds go.

Ms. Billings-Dunn stated that Trustee Walker's statement is accurate. She explained that there is nothing in the document that addresses the gain or losses after March 31, 2021. She stated that this Board has to determine what the reasonable allocation of those assets. She also stated that VEBA Trust clearly defines that the funding is the excess assets which are determined on March 31, 2021 and that the Trust creates a finite amount which makes it reasonable to transfer the additional assets to the new GERS.

Trustee Moore stated that the date, March 31, 2021 was an arbitrary date established because the IRS needed to have a date for them to approve the termination. He also stated that if there is a discrepancy in the amounts, the Board could agree to use the actual date of the transfer - whatever the value is as of January 3, 2022 - and take 130% of that. He said that it may not satisfy everyone, however, it seems to be a fair way to distribute the funds.

Trustee Swazer referred to the Ordinance No. 2379 Section 1-c-(d)-(i) and stated that it is clear what the Council and the City wanted, which is that the Termination Date is March 31, 2021.

Trustee Carrington stated that section (ii) clearly states what the GERS Assets are specifically going to be 130% of the liabilities.

Trustee Walker pointed out that using the Transfer Date now is in conflict with when there was a discussion about continuing the \$400 supplement in perpetuity. There was an argument that it would run contrary to the settlement agreement not to use the Termination Date for that. He asked why the actual Termination Date should be used for the consideration of the permanent \$400 benefit but not for calculation of the excess assets. He stated that his point is that if this is what is being discussed now, then the money the Board wanted to hold for the retirees to get additional \$400 should not have been an argument then.

There was additional discussion.

Ms. Billings-Dunn reiterated her opinion there is nothing definitive in provisions of the settlement agreement, VEBA Trust or the Termination Ordinance with respect to the post-March 31, 2021 values and that it is reasonable for the Board to approve to transfer the post-March 31, 2021 assets earned to the new GERS.

Chairman Albritton asked what the pleasure of the Board is.

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Trustee Walker moved to call for a vote.

Trustee Swazer seconded Trustee Walker's motion.

Trustee Deirdre Waterman requested to have the meeting chat notes be included in the minutes.

Trustee Moore proposed to amend the resolution to indicate that those funds which are in dispute would remain in the account until the relevant parties have an opportunity to offer input.

Trustee Deirdre Waterman supported the amendment proposed by Trustee Moore.

Miss Munson asked Mr. Lee and Mr. Roth whether the proposed amendment would present any challenges with respect to the January 3, 2022 transition.

Mr. Lee stated that there will be some pieces where all of the sudden the managers are going to have to split the portfolio into three different buckets and that will definitely complicate what they are doing. He explained that the way the managers will view it is that each of the three portfolios is a stand-alone portfolio that will be judged on the performance.

RE: Resolution to Approve Transfer Amounts

RESOLUTION 21-161 By Moore, Supported by D. Waterman

Resolved, That the Board approves to retain in the old GERS any assets which are in excess of the March 31, 2021 asset value until such time as the bargaining parties have had an opportunity to resolve this issue.

ROLL CALL:

Albritton – No	Moore – Yes
Carrington – Yes	Swazer – No
Giddings – No	Walker – No
King – No	D. Waterman – Yes
Miriani – Yes	White – No

MOTION FAILS

RESOLUTION 21-162 By Walker, Supported by Swazer

Resolved, That the Board approves to transfer to the Reestablished GERS assets held within the GERS on the Termination Date (March 31, 2021) equal to 130% of the liabilities of GERS, and, further

Resolved, That the Board approves to transfer to the VEBA assets held within the GERS on the Termination Date that exceed 130% of the liabilities of the GERS, and further

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Resolved, That the Board approves to transfer to the Reestablished GERS any assets remaining in the GERS subsequent to the Termination Date.

ROLL CALL:

Albritton – Yes	Moore – No
Carrington – No	Swazer – Yes
Giddings – Yes	Walker – Yes
King – Yes	D. Waterman – No
Miriani – Yes	White – Yes

Chairman Albritton stated that the legal opinion provided by Ms. Billings-Dunn is on the record.

RE: Resolution to Receive and File Supplemental Actuarial Analysis

RESOLUTION 21-163 By Swazer, Supported by Moore

Resolved, That the Board receives and files the supplemental actuarial analysis to continue the \$400 temporary benefit through December 31, 2022.

Yeas: 10 – Nays: 0

REPORTS

GERS Transition Update

Miss Munson reported that there was a conference call with the custodian, consultant, and auditor on December 17, 2021 and that – as a result of the resolution adopted today – a tricky accounting issue has been resolved. She also reported that there was a conference call yesterday with the custodian, consultant and Benesys, the administrator for the VEBA. She stated that the Finance Director confirmed that \$8M for the opt-out payments was received by the City on December 21, 2021. She also stated that the final transfer values will be sent over to the custodians and investment managers as a result of the meeting today. She reported that there will be another conference call scheduled with the custodian tomorrow where Mr. Lee, Mr. Roth, Chairman Albritton, and Vice-chair Giddings will be attending in order to finalize everything with respect to the transfer. She also reported that the transfer is scheduled to occur on January 3, 2022.

Chairman Albritton asked who the retirees who requested the opt-out should contact to find out the status of the check. He also asked if there is a timeframe for distribution of the checks.

With respect to the timing of the payment, she stated that the City has received the cash and that she would defer to Trustee Carrington or Trustee Deirdre Waterman.

Trustee Carrington stated that the opt-outs are the responsibility of the City, therefore the calls should be directed to the City. He also stated that the healthcare is the responsibility of the VEBA, therefore those

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calls should be directed to Benesys as the administrator for the new VEBA. He explained that in terms of the payments, the list has been finalized and that the Mayor has directed that the checks be mailed this week. He reported that there are a few questions which must be resolved between the City and CPREA but more than 95% of the checks are ready to be processed.

Chairman

Chairman Albritton wished everyone happy holidays and encouraged everyone to stay safe and to be cautious.

NEW BUSINESS

RE: Resolution to Receive and File Supplemental Actuarial Analysis: SEE CONSULTANT

RE: Resolution to Approve Transfer Amounts: SEE CONSULTANT

LEGAL REPORT: NONE

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Regular Meeting: Wednesday, January 26, 2022 9:00 a.m.

RESOLUTION 21-164 By Swazer, Supported by Walker

Resolved, That the special meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 4:05 p.m.

Yeas: 10 – 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 22, 2021.

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

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ZOOM CHAT LOG

15:24:53 From Deirdre Waterman4Mayor@gmail.com to Everyone:
Deborah, Samantha Kopacz is still held in the waiting room. Please let her in

15:29:19 From Deirdre Waterman4Mayor@gmail.com to Everyone:
The ordinance doesn't address earnings. The settlement agreement does.

15:30:06 From Deirdre Waterman4Mayor@gmail.com to Everyone:
The settlement agreement is clear on that point.

15:32:59 From Deirdre Waterman4Mayor@gmail.com to Everyone:
The city will also establish a new VEBA Trust Agreement which will receive the excess assets from

15:35:40 From Deirdre Waterman4Mayor@gmail.com to Everyone:
...the excess assets from the old GERS Plan that exceed 140% of the pension liabilities of the old

15:36:34 From Deirdre Waterman4Mayor@gmail.com to Everyone:
GERS. The old GERS pension liabilities was set as of 3/31

15:52:42 From Deirdre Waterman4Mayor@gmail.com to Everyone:
Shouldn't "commingle" funds. Excess earnings should stay in old GERS until resolved. I just wanted to clarify that this is the meaning of the amendment

15:54:03 From Deirdre Waterman4Mayor@gmail.com to Everyone:
Deborah and Board trustees, I just want to affirm that I asked that the messages for board members in today's chat be attached to the minutes of this meeting.

16:02:47 From Deborah Munson to Everyone:
Yes, Mayor Waterman. We will include the chat log with the minutes.