

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

A regular meeting of the Board of Trustees was held on Wednesday, August 31, 2022 at City of Pontiac General Employees' Retirement System, 2201 Auburn Rd, Suite B, Auburn Hills, MI 48326. The meeting was called to order at 9:00 A.M.

TRUSTEES PRESENT

Sheldon Albritton, Chair
Robert Giddings, Vice-Chair
Tim Greimel, Mayor
Lisa King
James Miriani
William Parker Jr., City Council
Billie Swazer
Patrice Waterman
James Walker
John White

OTHERS

Cynthia Billings-Dunn, Asher Kelly – *electronically*
David Lee, Dahab Associates
Steven Roth, Dahab Associates
Deborah Munson, Executive Director
Xiaotian Xue, Executive Assistant

AGENDA CHANGES

Miss Munson requested that New Business be amended to add a resolution to receive and file the disability report and continue the member's pension and to add a resolution to approve Trustees to attend Motley Rice Pension Investors Conference.

RESOLUTION 22-048 By Waterman, Supported by Walker
Resolved, That the Board approves the agenda changes.

Yeas: 10 – Nays: 0

CONSENT AGENDA

- A. Approval of the Minutes of the Regular Board Meeting held on July 27, 2022.
- B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date August 31, 2022	\$1,541,223.90
Staff Pay Dates August 11 & 25 2022	\$23,105.22

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C. Communications

- FOIA Request from eVestment: July 8, 2022
- FOIA Request from withIntelligence: June 29, 2022
- Correspondence from Kennedy RE: Chief Compliance Officer
- Correspondence from Loomis, Sayles RE: Board Member
- Correspondence from Northern Trust RE: Account Representative
- Correspondence from Principal RE: Withdrawal Limitation
- Correspondence from Sawgrass RE: President
- Kennedy Capital Investment Symposium: September 15, 2022 (St. Louis, MO)
- Trumbull Funs Investor Meeting: September 12 – 15 (San Jose, CA)

D. Financial Reports

- Accounts Payable: August 2022
- Attucks Manager-of-Manager Summary: July 2022

E. Private Equity Capital Calls & Distributions

F. Retirement Benefits

1. New Retirements

RETNO	NAME	Effective Date	Amount

Bold type entry indicates Reciprocal service credit.

2. Terminated Retirements

RETNO	NAME	Date of Death	Benefit Amount
844	Franklin, Bennie	07/30/2022	
1190	Lyons, Marilyn	07/28/2022	
612	Myers, Alice	06/02/2022	
702298	Thomas, Alonzo	07/14/2022	
1629	Woods, Esmo	07/20/2022	
2240	York, Diane	03/28/2022	

3. J&S Continued Retirements

RETNO	Retiree's Name	Survivor's Name	Date of Death	Amount
2075	Lyons, Marilyn	Dorris, Pamela	07/28/2022	
2549	Lyons, Melinda	Jones, Lakiesha	08/02/2022	

4. Re-calculated Retirements

RETNO	Member's Name	Reason for Change	Effective Date	New Amount
2081	Pettinaro, Nancy	Pop-Up	08/01/2022	

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

5. Disability Medical Re-Exams/Benefit Continuation

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

RETNO	Member's Name	Reason	Amount
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RESOLUTION 22-049 By Swazer, Supported by Waterman

Resolved, That the Board approves and ratifies actions described in the Consent Agenda for August 31, 2022.

Yeas: 10 – Nays: 0

CONSULTANTS

Performance Report: Q2 2022

Mr. Roth reviewed the Q2 2022 Preliminary Performance Report.

Mr. Lee confirmed that he is comfortable with the asset allocation given the economic status.

Preliminary Report: July 2022

Mr. Roth reviewed the July 2022 Preliminary Performance Report. He reported that the portfolio was valued at \$462M as of July 31, 2022.

REPORTS

Trustee Compensation

Trustee Swazer asked Ms. Billings-Dunn whether any of her other Retirement Systems are filing Form W-2 to report the PA 492 compensation.

Ms. Billings-Dunn responded that she cannot say with complete certainty but she will look into it. She stated that there is no bright line answer of whether to file Form W-2 or 1099. PA 492 only requires compensation to retirees elected to the Board if an employee of municipality has been elected as a Trustee of the Retirement System; IRS also defines statutory employee and statutory non-employee; however, none of which fits the Trustees as fiduciary that govern the Board. There are common law facts and circumstances tests to go through, some of which would indicate that the Trustees are employees, some of which would indicate that the Trustees are independent contractors. Those tests are worth researching

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because if it is determined necessary to reclassify the Trustees who are receiving compensation as employees, we need to show that the System was reasonable in prior classification of them as independent contractors in order to qualify for not paying past taxes but rather doing it on a go-forward basis. The IRS has a program where you can request that they make an official ruling as to whether a worker is considered an independent contractor or an employee. This could be a prudent move to justify the payment of additional taxes if Trustees are ruled to be employees. She is not sure whether the state legislature ever contemplated those retired Trustees would be considered employees by virtue of the Act. A legal report will be prepared before September committee meetings.

Trustee Greimel asked if it is proper within the scope of the System's attorney's obligations to the Board or System to advise individual Trustees on personal income tax implications for PA 492 compensation.

Ms. Billings-Dunn responded that she is not looking to provide Trustees with an opinion on their individual tax situation. Her concern is protecting the System and setting this up so that 1.) if the System is paying out additional monies for these taxes, the System has a good reason for doing that and 2.) if we need to classify the Trustees in question as employees, that we are able to do that on a go-forward basis and not have the System liable for past taxes while they were classified as independent contractors.

Personnel & Administration and Finance Committees

Monthly Disability Annual Procedures Report – Re-Examination Report (Confidential)

Miss Munson reported that both committees reviewed the report. The annual disability income verification process was begun on August 5, 2022. One member has responded and we are awaiting the response from the second member. Both committees reviewed the re-examination report and are recommending that the Board receive and file the report and continue the member's disability pension. This will be discussed under New Business.

Progress Reports of New Employees

Miss Munson reported that the Personnel Committee received the progress reports on two new employees. Both are progressing very satisfactorily in their tasks and assignments.

2023 Expense Budget

Miss Munson reported that both committees reviewed proposed 2023 Expense Budget and this item will be discussed under Executive Director Report.

Supplemental Actuarial Analysis RE: MAPE CBA

Miss Munson reported that both committees reviewed the supplemental actuarial analysis to increase the multipliers for certain MAPE employees and are recommending that the Board to receive and file it. This is an item under New Business.

Supplemental Actuarial Analysis RE: MAPE Employee VEBA Participation

Miss Munson reported that both committees reviewed the supplemental actuarial analysis to include current MAPE employees in the VEBA. The City continues to promise MAPE employees retiree healthcare through the collective bargaining process. However, MAPE employees who were active employees as of December 22, 2011 or hired subsequent to that were not included in the settlement agreement so there is

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no funding mechanism for their retiree healthcare. Both committees received the report - the cost is approximately \$3M.

Ordinance RE: Definition of Actuarial Equivalence: Information Only

Miss Munson reported that the City Council adopted the Ordinance to update the assumptions used in the definition of actuarial equivalence.

SECURE Act Proposed Ordinance: Information Only

Miss Munson reported that the City Council reviewed the proposed Ordinance related to IRS required minimum distribution rules under the SECURE Act. She will follow up when it goes through the adoption process.

Annual Meeting and Investment Manager Review Arrangements

Miss Munson reported that both committees discussed the Investment Managers Review and Annual Meeting arrangements. The venue hasn't been secured because the Board has not yet set a date. It was suggested that the Board could consider postponing the meeting until the spring.

Chairman Albritton stated that it will be discussed with staff after the meeting about how to move forward. The date of the Annual Meeting might be pushed back accordingly.

GERS Transition Update

Miss Munson referenced the proposed changes to the Settlement Agreement included in the handouts and noted that the October 5, 2022 hearing had been changed to a status conference. The CPREA attorneys informed the CPREA Board that the hope is that the City and CPREA would conclude their bargaining and come to an agreement by the end of November. Hence, we are looking potentially to the end of November for clarification.

Trustee Greimel stated that the judge had changed October 5 from a hearing to a status conference. The parties have agreed on a mediator who will begin mediation in September. The hope is to reach agreement with CPREA on two of the issues which the CPREA attorneys are focusing, which is delaying the whole process. One issue is skepticism that the VEBA is as overfunded as we all know that it is. It is baffling to him that the CPREA attorney is questioning the overfunded status of the VEBA given that the Chair of CPREA Board is also the Chair of the VEBA Board. The VEBA Board had an actuarial analysis conducted that indicated the VEBA is super overfunded. It is strange to him that the attorney for CPREA, which is chaired by the same person who chairs the VEBA Board, is questioning the veracity of the VEBA Board's own actuarial report. This is a frustration to him which seems to be slowing down this process. The other issue is that we've said that – for the purposes of some of the provisions of the settlement agreement – the same discount rate should be used as is used by GERS and the CPREA attorneys are contesting that as well. Those are things that he is concerned about that are delaying the process. His hope is that CPREA will acknowledge what we all agreed on, and the VEBA Board also agreed on, which that we are fortunate that the VEBA is so incredibly overfunded. He would have thought that that issue would have been put to bed by the CPREA membership when they voted to provide for the monthly stipend. However, CPREA leadership is saying that while the CPREA membership voted to provide monthly stipends, they didn't vote to transfer all the assets to the new GERS. We're saying that the two go hand in hand, you have to transfer all of the assets to the new GERS in order to provide for the monthly stipend. CPREA leadership is saying

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'No, no, no. They just voted to provide the monthly stipend – they did not vote to transfer all of the assets to the new GERS.'

Trustee Swazer stated that CPREA attorneys want to hire actuaries to do the valuations on the GERS and the VEBA. It seems like they just want to drag this out in order to collect billable hours.

Trustee Greimel stated that the CPREA attorneys are hired by CPREA leadership and - if the attorneys not doing their job - it is time to looking for new attorneys.

Miss Munson reminded the Trustees that Robert Marchbanks, the CPREA retiree who made the resolution to continue the \$400 and transfer the assets to new GERS had attended to GERS Board June meeting and confirmed that the CPREA voted to approve the permanent increase and to transfer the assets from GERS to the new GERS. The other note is that the CPREA attorney informed the CPREA Board that they want to have new valuations done, which include new valuations of GERS, the VEBA and the cost of \$400 permanent increase. Once the City and CPREA come to the agreement, the CPREA attorneys would appoint the actuaries – the assumption is this would require agreement by the City. The CPREA attorneys have identified three actuarial companies, neither of which is Nyhart or GRS as they want someone independent. Those appointed actuaries would select what assumptions are used to value the funds. However, PA 314 requires that – prior to Council approving a permanent pension increase – the City would still be required to have a supplemental actuarial analysis performed by the System's actuary.

Trustee Greimel stated that the City attorneys have conveyed to the CPREA attorneys that state law specifically requires that the analysis be done by the System's actuary and asked why the CPREA attorneys are requesting an independent analysis when there have already been independent analyses as state law requires. This whole emphasis that CPREA is trying to put on additional analyses is a waste of time and money.

Trustee Greimel asked if there are any CPREA meeting minutes from the June 2, 2022 CPREA meeting where the membership voted, not only for the \$400, but also for the money being transferred to the new GERS. He said it would be helpful to have the results of that vote in writing.

Trustee Swazer responded that she will get a copy of those minutes.

EXECUTIVE DIRECTOR REPORT

Expense Budget: Proposed 2023 Initial Review

Miss Munson reported that the System is required by state law to adopt an Expense Budget each year. The proposed 2023 expense budget was reviewed by both committee and minor revisions were made. The revised budget will be sent to the Board and 2-3 weeks will be allowed for feedback. The Board will be asked to adopt the expense budget at the September Board meeting.

Miss Munson reported that the retiree payroll is 87.7% of the budget, which does not include the proposed permanent increase. The budgeted amount is based on the actual payroll in 2022 as well as a 2% increase for the post-retirement increase factor payments. The second largest expense is the investment-related

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expense, which is a percentage of the investment assets. The 2023 assets are projected to be ~\$430M, which includes the assets remaining in the GERS. Wages and fringe benefits and the other expenses are 3.3% of the total budget and said that cuts were made where they could be. She also wanted to correct something which the auditor implied during their presentation of the 2021 audited financial statements. He said that wages and fringe benefits for 2021 had increased from 2020. This is not accurate. The System was short-staffed for much of 2021 so the wages and fringe benefits in 2021 were actually lower than those of 2020.

SECURE Act Proposed Ordinance: Information Only

Trustee Greimel asked if it needs to be incorporated in the City's Ordinance and what is the time frame.

Ms. Billings-Dunn stated that is a required IRS amendment that has to be adopted in order to maintain qualified status under 401(a) of Internal Revenue Code. The ordinance must be adopted no later than December 31, 2024, however, the System is required to operate in compliance with it at this time.

Asset Transition Monthly Update – No Report

UNFINISHED BUSINESS – NONE

NEW BUSINESS

RE: Resolution to Approve Receive and File Supplemental Actuarial Analysis

RESOLUTION 22-050 By Waterman, Supported by Swazer

Resolved, That the Board approves to receive and file the supplemental analysis related to the tentative MAPE collective bargaining agreement.

Yeas: 10 – Nays: 0

RE: Resolution to Approve Receive and File the Disability Re-examination Report

RESOLUTION 22-051 By Waterman, Supported by Swazer

Resolved, That the Board approves to receive and file the re-examination report for Mr. David Daves and continue his disability pension.

Yeas: 10 – Nays: 0

RE: Resolution to Approve Trustees to Attend Motley Rice Pension Investors Conference

RESOLUTION 22-052 By Waterman, Supported by Walker

Resolved, That the Board approves trustees to attend Motley Rice Pension Investors Conference.

Yeas: 9 – Nays: 1 (Greimel)

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LEGAL REPORT

Rosie Hicks Letter of Conservatorship

This is for the Trustees' information.

Update to Open Meetings Act

There is no update. Ms. Billings-Dunn stated that we are still waiting for legislature to hopefully amend the Open Meetings Act that would allow the Trustees' remote participation. Currently, Trustees can only attend remotely under the ADA accommodation immunocompromised situations, such as having COVID or recovering from COVID.

Trustee White asked if a written document from the Trustee having COVID that has to be presented to the Board in order to attend and vote remotely.

Ms. Billings-Dunn responded that it is going on the honor system to have a motion to invoke the accommodation under the ADA.

Motley Rice 2nd Quarter 2022 Portfolio Monitoring Report

This is for the Trustees' information.

Robbins Geller July 2022 Portfolio Monitoring Report

This is for the Trustees' information.

The Board reserves the right to enter closed session to review matters in accordance with Michigan Public Act 267 of 1976 (Open Meetings Act).

RE: Resolution to Go into Closed Session

RESOLUTION 22-053 By Swazer, Supported by White

Resolved, That the Board approves to go into the Closed Session to discuss Grubhub, Inotiv, Digital Turbine, Robertson, Onyx and World Wrestling Entertainment matters.

ROLL CALL:

Albritton – Yes	Miriani – Yes
Carrington – Yes	Parker – Yes
Giddings – Yes	Swazer – Yes
Greimel – Yes	Waterman – Yes
King – Yes	Walker – Yes

The Board went into closed session at 10:17 A.M.

The Board returned from closed session at 10:26 A.M.

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RE: Resolution to Approve Motions in Closed Session

RESOLUTION 22-054 By Swazer, Supported by Walker

Resolved, That the Board approves and ratifies the Chairman's signature on Digital Turbine retainer certification and joint declaration.

Yeas: 10 – Nays: 0

RE: Resolution to Approve Closed Session Minutes: July 27, 2022

RESOLUTION 22-055 By Giddings, Supported by Walker

Resolved, That the Board approves the July 27, 2022 closed session minutes.

Yeas: 10 – Nays: 0

PUBLIC COMMENT:

Retiree Linda Watson made public comments.

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Regular Meeting: Wednesday, September 28, 2022, 9:00 a.m.

RESOLUTION 22-056 By Swazer, Supported by Waterman

Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 10:35 A.M.

Yeas: 10 – Nays: 0

I certify that the forgoing are the true and correct minutes of the meeting of the Reestablished General Employees' Retirement System held on August 31, 2022.

As recorded by Xiaotian Xue, reviewed and edited by Legal Counsel and the Executive Director