

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MAY 28, 2014**

A regular meeting of the Board of Trustees was held on Wednesday, May 28, 2014 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 10:06 a.m.

TRUSTEES PRESENT

Jane Arndt
Shirley Barnett
Koné Bowman, Vice Chair
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore
Nevrus Nazarko
Deirdre Waterman, Mayor (*arr. at 10:56 am*)
Patrice Waterman
Kevin Williams

OTHERS PRESENT

Tony Asher, Sullivan, Ward, Asher & Patton
Matt Henzi, Sullivan, Ward, Asher & Patton
Laurance Gray, Gray & Company
Deborah Munson, Interim Executive Director
Tal Gunn, Ambassador Capital
Greg Prost, Ambassador Capital
Larry Marshall, Retiree (*arr. at 10:32 am*)
Gloria Miller, Deferred Retiree (*arr. at 10:34 am*)
Billie Swazer, Retiree
Linda Watson, Retiree

PUBLIC DISCUSSION/UNION REPS

Chairman Harrison opened the meeting to public discussion.

Retiree, Billie Swazer told the Board that she attended the TAB Meeting and indicated that the two amendments to the GERS Retirement Ordinance requested by the GERS Board did not pass. She also stated that the reappointments of Chairman Harrison and Vice-Chair Bowman were noted under TAB agenda's "Old Business" and were not addressed at the meeting.

Trustee Moore stated that the TAB made the statement that the City Council had already approved the amendments to the Retirement Ordinance.

Ms. Watson asked why the amount of the Plante & Moran invoice was so large this month.

Miss Munson stated that the Plante & Moran invoice included in this month's accounts payables is a progress billing related to the annual audit. The normal cost of the audit is approximately \$14,000.00 to \$16,000.00.

AGENDA CHANGES

Miss Munson told the Board that there was not a quorum at the special meeting held on May 15, 2014, and requested that the agenda item IV. B. be changed to "Receipt of Records of the Special Meeting held on May 15, 2014."

She also requested permission to attend the Plante & Moran educational session being held on June 11, 2014. She asked that her request be added to the consent agenda.

Larry Gray requested that investment manager Ambassador Capital be allowed to move up on the agenda.

Chairman Harrison also noted that the date for the next regular meeting indicated Wednesday, June 17, 2014. That date falls on Tuesday and not Wednesday. The change was noted and will be updated.

APPROVAL OF CONSENT AGENDA

- A. Approval of Minutes of Regular Meeting: April 23, 2014
- B. Receipt of Records of Special Meeting held on May 15, 2014
- C. Communications:
 - 1. Correspondence from Ambassador Re: May 2014 Market Update
 - 2. Correspondence from Ambassador Re: May 2014 Status Update
 - 3. Correspondence from First Eagle Re: New Hire/Promotions
 - 4. Correspondence from Gray & Company Re: Market Overview
 - 5. Correspondence from Munder Capital Re: Change in Ownership/Victory Capital Acquisition
 - 6. Conferences:
 - a. Mid-Sized Retirement & Healthcare Plan Mgmt. – UNC – June 8-11
 - b. Government Training Session – Plante & Moran – June 11
 - c. Benefit Communication and Technology Institute – IFEBP – July 13-15
 - d. International Investing and Emerging Markets – July 28-30
- D. Financial Reports:
 - 1. Statements of Changes: April 2014
 - 2. Accounts Payable: May 2014
 - 3. Northern Trust Gray & Company Performance Reports – April 2014
 - 4. Ratification of Capital Calls:
 - a. GrayCo Alts Capital Call \$114,943.00
- D. Applications for Retirement, Final Calculations, Refunds, Re-examinations
 - 1. Remove from the Rolls:
 - a. Veva Groh (deceased 04/18/14)
 - b. Lawrence Keivit (deceased 04/10/14)
 - c. Emma Sneed (deceased 04/23/14)
 - 2. Applications for Service Retirement:
 - 3. Final Benefit Calculations:
 - a. Donald Price #2755
 - 4. Request for Refund of Accumulated Contributions:

RESOLUTION 14-043 By Gaffney, Supported by Bowman

Resolved, That the Board approve the consent agenda for May 28, 2014 as amended.

Yeas: 10 – Nays: 0

CONSULTANTS

Re: Ambassador Capital

Tal Gunn and Greg Prost from Ambassador Capital provided an update with regard to the SEC investigation of their firm.

Mr. Gunn told the Board that the good news is that the formal hearing concluded on May 14, 2014 in Washington, D.C. The firm feels very strongly about their position.

The SEC is looking for a judgment of disgorgement of between two and two and a half years of management fees. This is typically not the type of violation that would rise to that level of penalty. The Judge reminded the SEC that the Ambassador money-market fund was only in violation for three days and was just above their 5% credit risk threshold at 5.06%. The clients in the fund have been supportive. The firm believes that it will likely get the result it is looking for.

Trustee Moore asked when they think the Court will rule.

Mr. Gunn stated that the closing briefs were sent to the Judge.

Chairman Harrison indicated that the consultant will provide Ambassador Capital's performance information during his performance report. He noted that their performance looks good and that they beat the benchmark.

Mr. Gunn and Mr. Prost left at 10:26 a.m.

Re: Gray & Company

2014 First Quarter Performance Report

Mr. Gray provided a brief overview of the capital markets based on the Board's recent participation in the round table session at the manager review meeting and their review of the System's Investment Policy Statement.

Section one contains the write up of the U.S. economy during the first quarter of 2014. The economic pace or lack of growth has been a disappointment. Corporations are holding massive cash holdings on their balance sheets. The current near zero-rate environment is not generating assets or returns for corporations or their shareholders. He gave three examples of what could be done to increase shareholder value.

The easiest solution would be to return the funds to shareholders in the form of dividends. However, increasing dividends could have a reaction on stock prices. Therefore, some large corporations are issuing one-time dividends.

Another solution would be to repurchase shares of their stock in the market. This would improve the company's performance. Since 2009 buyback programs have been increasing to near record levels. This allows management to promote the share repurchases which creates positive headlines without making a long-term commitment to higher dividends.

The funds can also be used to invest in the company's future growth through capital expenditures, mergers and acquisitions. This could spur growth while also creating sustainable improvements to the economy and labor markets.

Larry Marshall arrived at 10:32 a.m.

The equity market saw sharp losses during January 2014 after having an incredible performance run in 2013. The brutal first quarter of 2014 conveyed that the hyper growth could not continue.

He does not feel that the winter weather had that big of an impact on the market. He feels it was a bit hyped-up and that there may have been a short-term effect.

Gloria Miller arrived at 10:34 a.m.

It appears that the U.S. equity markets were taking a breather during the first quarter. He noted that Chris Kuhn wrote this section of the capital markets review. There may have been concerns regarding the global events which confused investors who moved back to safer investments.

The best performing sectors during the first quarter were utilities at 9.88% and healthcare at 5.84%. Consumer discretionary performance was -2.76% for the period indicating that consumers were putting off large purchases. Even consumer staples indicated that consumers were putting off purchases of normal essentials.

Longer term yields evaded interest rate increases which rallied performance during the period. Unemployment numbers have been kicked around a bit. If you look at the unemployment numbers state by state you will see that some states are fully employed excluding Michigan and Ohio. You also have to separate the under-employment numbers. It is no wonder that interest rates remain low.

Chairman Harrison expects that rates will increase and a hit to the economy is coming. The tapering of quantitative easing will help to ease the blow to the market. But there will have to be a correction and interest rates will have to increase.

Mr. Gray indicated that quantitative easing has tapered from \$85 billion per month to \$55 billion per month. But even the perception of doing so has investors jittery. The Fed is trying to create a soft landing based on the economy being tied to the market globally and the emerging markets.

Trustee Bowman stated that interest rates have to increase and asked how that will affect the real estate market.

Mr. Gray explained that a rise in interest rates will hurt home buyers but it should not have an effect on the corporate side. There is still money to be invested in the commercial real estate market with increases of 24% to 32%. People have become spoiled with low interest rates.

Trustee Bowman asked if it would have an effect on REITs.

Mr. Gray stated that in some areas there is great pricing and other areas are overpriced. It is questionable whether everyone should be able to own a home.

He noted that there are lots of apartments in New York City selling for \$150 million to people from China, Russia and Eastern Europe. This puts a lot of pressure on subsidized housing.

Trustee Moore stated that eventually interest rates will go up and questioned whether the consultant has a plan in place.

Mr. Gray said that the biggest hit will be to fixed income. He told the Board that the managers can use duration and sectors to offset some of the volatility. The Fund can also invest in global bonds or increase the allocation to the alternative investment portfolio.

Chairman Harrison noted that fixed income managers cannot move the assets into their cash account.

Mr. Gray confirmed that the IPS does not allow the manager to move assets into cash.

Chairman Harrison stated that there is only so much you can do in a rising interest rate environment.

Mr. Gray stated that unless there is a large spike in rates everything should be okay.

He indicated that the total Plan value as of March 31, 2014 was \$491.9 million compared to the beginning market value of \$490.1 million. The Fund's one-year performance was 15.19% below the policy index. Domestic equity performance for the year was 21.31% net of fees versus the benchmark at 22.61%. International equity performance for the quarter was 2.01% net of fees versus 0.66% and for the one-year performance it was 14.97% net of fees versus 17.56%.

He told the Board that the Fund performed well and dealt well with the volatility during the first quarter.

Kennedy Capital and Loomis Sayles have provided great returns for the Fund but there are periods when they will stumble. They did well in 2013 but missed some performance on the upside. He explained that the managers will take a little off and move into a more defensive position then a rally occurs and they miss out on the upside performance. These managers have done well for the System providing long-term historical risk adjusted returns.

Domestic fixed income performed well during the quarter at 2.16% net of fee versus 1.84% and for the one-year period 2.44% net of fees versus -0.10%. The high yield allocation helped the performance in the fixed income portfolio.

Gray & Company is excited about private equity managers Invesco and Mesirow.

The emerging manager large cap portfolio underperformed during the period. They are looking to change out Piedmont in the portfolio.

The Michigan-centric large cap value portfolio was in line with the benchmark for the period.

Small cap value manager Loomis Sayles underperformed during the quarter at 0.96% net of fees versus the benchmark at 1.78%. Their one-year performance was in line with the benchmark.

Small cap core manager Kennedy Capital posted negative returns for the period at -.30% versus the benchmark at 1.12%. They went to great pains at the manager review meeting to explain their underperformance. He felt confident that they will get back to their long-term performance numbers.

International equity outperformed the benchmark for the period 2.01% net of fees versus 0.66%.

International equity manager First Eagle posted returns of 2.84% versus the benchmark at 0.66%. He told the Board that First Eagle holds a lot of gold in their portfolio.

Global equity manager WCM Investments returned performance of 1.24% versus the benchmark at 0.66%.

He reviewed the fixed income performance for the period. Munder Capital returns were 1.89% net of fees versus the benchmark at 1.84%. Ambassador Capital returns were 1.60% versus 1.00%. High yield manager Peritus realized returns of 3.57% net of fees versus 3.00% and their one-year performance was 10.61% net of fees versus 7.53%.

Mr. Gray stated that Peritus has been performing well and providing the majority of the fixed income portfolio out-performance.

He noted that due to a Canadian security, the System recently shifted Peritus' portfolio to a global account. There was no fee associated with the change in their account.

Miss Munson noted that there was no cost because Northern Trust waived their normal fee.

Mr. Gray also stated that they need to make sure they follow the process based on an earlier discussion.

Trustee Deirdre Waterman arrived at 10:56 a.m.

He told the Board that the System realized great performance in 2013 but going forward may be a little rockier. He referred to various reasons like the current global issues and the lack of change in the unemployment numbers. He also stated that you have to address how much money is being held offshore by companies and these companies should be offered a way to bring back the money without penalty.

Trustee Moore asked why companies are holding so much in cash and offshore.

Mr. Gray stated that many companies hold their cash offshore for tax issues. Apple is one of the primary companies using tax shells globally. They are basically doing this to avoid paying taxes. He does not know how or when this will be fixed.

Chairman Harrison asked about the globalization of currency and what Russia and China are doing with regard to eliminating petro-dollars. He questioned how this will out play out. The BRIC nations want to get rid of using the U.S. dollar to buy petroleum.

Mr. Gray stated that he does not know what Putin is trying to do. He is always eighteen steps ahead.

Trustee Nazarko asked if there are any new issues with respect to the Munder buyout.

Mr. Gray noted that due to the nature of the issue, the Board resolved to put Munder on watch at the last Board meeting.

Mr. Gray stated that Kennedy Capital has introduced a small cap growth product and would like to allocate \$8 million to \$10 million of the System's allocation to Kennedy to that product. Mr. Gray noted that the Board should not just give them the allocation without doing their due diligence and looking at other growth managers. A directive was given to Mr. Gray to put together a report for a small cap growth product manager search.

Trustee Deirdre Waterman asked if there is a chart available that shows the asset allocation and the yield for the year.

Mr. Gray indicated that the 2013 fourth quarter performance report contains the performance by asset class for 2013.

Trustee Giddings confirmed that Piedmont was being replaced in the emerging manager portfolio.

Mr. Gray told the Board that the emerging manager portfolio invests with women and minority-owned firms. There are currently five managers in the portfolio. Piedmont Investment Advisors has underperformed for several quarters and for the year. Normally they do not replace a manager if they understand how they got there and they are not quick to terminate a manager. However, when they have unexpected underperformance it is harder to justify keeping them in the portfolio. Piedmont has continued to show underperformance so they are pulling them out of the portfolio.

He explained that Gray & Company manages the emerging manager and Michigan-centric portfolios. When a manager continues to underperform in either portfolio they will determine whether to switch out the manager. There is no need for the Board to take action.

Trustee Nazarko stated that at the Finance Sub-Committee meeting they discussed whether there is a mechanism in place to ensure that money managers do not increase their fees based on the number of transactions in their portfolios.

Mr. Gray stated that the assets invested in the manager are custodied at Northern Trust. The investment managers cannot get more than the asset allocation model allows. If the manager's portfolio exceeds the model then their allocation is adjusted when the System rebalances the entire portfolio. The managers are bound by fiduciary responsibility and it is incumbent on them to seek out only good securities. Gray & Company does monitor the transactions.

Trustee Moore asked if the System should audit the transaction costs.

Mr. Gray indicated that Gray & Company and Northern Trust look at the transaction costs and there are also firms that provide that service. Regardless, they are trading out for all their clients in their portfolio so it is best for them to do it at the best cost. He will look into the issue for the Board.

Trustee Deirdre Waterman asked if the managers could manage their returns based on the number of transactions they perform.

Chairman Harrison stated that there are mechanisms in place to monitor that function. He is not sure what the System could gain.

The Board discussed the monitoring and auditing of transactions by the investment managers.

Trustee Gaffney indicated that there may not be a benefit to hire a firm to monitor the transactions because the cost could outweigh the benefit.

Trustee Arndt stated that one of the Pontiac Board's had previously heard a presentation from one of these firms. At that time, the costs more than outweighed the benefit.

Trustee Moore questioned why MAPERS would allow someone to hold a session at their conference that was only trying to sell a service.

Chairman Harrison stated that Gray & Company will look into firms that provide this service.

Mr. Gray stated that it will take a look at these firms and bring back information to the Board. He stated that what is currently in place for the Plan works very well.

Miss Munson asked Mr. Gray about the report that Chris Kuhn promised to provide to the Board with respect to the transition to a global account for Peritus as well as an updated due diligence report on the firm.

Trustee Bowman stated that he spoke with Chris Kuhn and signed off on the letter of direction to open the global account. He indicated that he was very uncomfortable with the process and that Chris had indicated that he would provide a letter to the Board indicating that it was his recommendation that Trustee Bowman sign the letter of direction.

Miss Munson expressed her opinion that the process by which the account was changed was inappropriate. She questioned whether it is allowable under the IPS for Peritus to trade non-US securities. The IPS is silent on this, so - since Peritus was not initially set up with a global account - it could reasonably be assumed that their mandate is domestic securities. She also questioned whether Chris Kuhn and Peritus had amended the Board's IPS by changing the account type and whether the Vice-Chair had the authority to sign the letter of direction prior to Board approval.

Mr. Gray stated that he will look into the issue and bring the information back to the Board.

REPORTS

Re: Chairman - None

Re: Trustees/Committees

Personnel Sub-Committee

Trustee Gaffney told the Board that the Sub-Committee reviewed the Third Party Administrator Proposals. She stated that the Committee was seriously considering hiring a TPA but none of the applicants came close to meeting the needs of the System and one was disqualified because their RFP arrived too late. They could not accept the RFP due to the requirements outlined in the provisions of the RFP.

They also reviewed the Executive Director resumes. Many of the candidates were asking too much in their salary requests so they were not considered. After their final candidate review they decided to offer Miss Munson the Executive Director position on a permanent basis.

Trustee Patrice Waterman asked how many resumes were received and whether any were local.

Trustee Gaffney stated that fifteen resumes were received with one from Oakland County and two other from the State of Michigan.

Chairman Harrison stated that the Sub-Committee will come up with a salary and compensation package and bring it back to the Board after speaking with Miss Munson.

Trustees Barnett and Waterman asked who will take Miss Munson's position.

Chairman Harrison indicated that currently Miss Munson is doing both jobs. They would not bring in a person with the same skill-set as Miss Munson.

Trustee Waterman noted that there is a need for backup in the Retirement Office.

Trustee Bowman indicated that Miss Munson will be looking at a number of ways to streamline the Retirement Office going forward.

Trustee Williams thanked the members of the Personnel Committee for doing the heavy lifting and bringing back their recommendation for a vote of the full Board.

Trustee Nazarko asked if a proposal was received from BeneSys.

Trustee Gaffney stated that the proposal from BeneSys was submitted after the deadline.

Trustee Deirdre Waterman indicated that she would like a full report based on the rationale and analysis of the Personnel Sub-Committee on why they made their decision before a vote is taken. She did not feel that what was provided was a complete report.

Trustee Moore indicated that it would not be a problem for the Chair to submit a report in writing.

Trustee Gaffney stated that Ms. Billings took notes during the process.

Trustee Bowman stated that there is no guarantee that Miss Munson will accept the position.

Trustee Moore told the Board that Miss Munson has been totally professional during the process. He indicated that - after reviewing all of the information - the Sub-Committee felt that there are some advantages to staying with the current staff.

Miss Munson thanked the members of the Personnel Sub-Committee (which included Chairman Gaffney, Trustee Bowman, Trustee Harrison, Trustee Moore and Trustee Deirdre Waterman). She told the Board that she felt the Sub-Committee did an outstanding job. She wanted all of the members of the System to know how diligent and thoughtful the committee had been, meeting multiple times for hours at a time to go over the voluminous reports and resumes that they had received. The Sub-Committee took their responsibility very seriously and she thanked Trustee Williams for noting that.

Chairman Harrison stated that a report will be provided.

Trustee Giddings stated that he hopes the issue is finalized at the next meeting.

Trustee Moore indicated that the Board will revisit the issue in a few years when the office lease expires.

Mr. Asher indicated that it took the Board six months to find a replacement. The Mayor's comments have validity however the Board could accept the Sub-Committee's recommendation appointing Miss Munson Executive Director contingent on the final report. That would still be consistent with the Mayor's recommendation.

Trustee Williams thanked Mr. Asher for his recommendation. The Board needs to look at themselves. Miss Munson grew up in Pontiac and her family is still in Pontiac. He asked the Board why they have to bring someone else in and why it is so difficult to hire one of their own who has proven themselves.

Many on the Board agreed with Trustee William's comments with regard to moving forward and taking a vote.

Trustee Deirdre Waterman left at 11: 17 a.m.

Chairman Harrison stated that providing a report is a way to honor the Mayor's request.

Trustee Nazarko asked why there needs to be a vote with Miss Munson already being appointed as the Interim Executive Director.

Trustee Moore indicated that it will help to finalize the process.

Trustee Bowman noted that it would make Miss Munson permanent in the position. He also stated that the Committee will not be going through this process again.

RESOLUTION 14-044 By Barnett, Supported by Williams

Resolved, That the Board accept the Personnel Sub-Committee's recommendation to appoint Deborah Munson as Executive Director contingent upon 1.) Miss Munson accepting the offer 2.) finalization of the compensation package 3.) receipt by the Board of written report on the Sub-Committee's analysis and decision and 4.) a report on the office operations.

Yeas: 8 – Nays: 0

Abs: 2 (Trustees Arndt and Nazarko)

Finance Sub-Committee

Trustee Moore told the Board that the Finance Sub-Committee met several times during the past month.

One of the main topics the Sub-Committee discussed was technology. They addressed those members that did not have internet access at home. He noted that two Wi-Fi hotspots were purchased to allow Trustee Waterman and Miss Munson to connect to the internet.

The Sub-Committee directed staff to move forwarding with updating the technology for the Boardroom by purchasing a laptop and projector.

Trustee Moore told the Board that they also discussed Trustee education and the travel policy. The Board spends far less on education and travel than allowed under the provisions of Public Act 314 and the Sub-Committee felt that the travel policy should be updated.

The Sub-Committee discussed the annual meeting. Trustee Moore told the Board that the Sub-Committee would like to proceed with a vote to schedule the annual meeting. This will give Miss Munson time to coordinate with the System's consultants and to provide notice to the members. The annual meeting will give the Board an opportunity as Trustees to interact with the members.

The Sub-Committee would like to designate either October 7, 2014 or October 8, 2014 as the date to hold the annual meeting.

Trustee Moore noted that the Sub-Committee discussed the Retirement Ordinance amendments that must be approved to maintain the Plan's qualified status.

Chairman Harrison indicated that the Sub-Committee discussed the Letter of Determination issue with respect to the required Ordinance amendments. The amendments are needed in order to maintain the System's tax-exempt status. It seems that the Transition Advisory Board (TAB) is dragging other points into what should be a housekeeping matter. The Trustees are willing to be active participants at the table with the City.

Trustee Moore stated that this is all about politics. The amendments are not something the GERS Board wants but are required by the IRS.

Mr. Henzi told the Board that he and Ms. Billings met with the City Administrator and indicated that a 420 Transfer cannot be done based on the amendments to the Retirement Ordinance alone.

There was a question on who would be responsible for legal fees if the System loses its tax-exempt status and the System has to take the issue to Court.

Trustee Bowman asked if the TAB could be held personally liable.

Mr. Henzi stated that if it is apparent that someone caused intentional harm to the Plan they could potentially be held liable.

Trustee Bowman stated that he would like it recorded in the minutes that the Board is not willing to play games with the TAB. The Board is trying to be prudent and transparent when it comes to dealing with the TAB.

Trustee Deirdre Waterman stated that she did not know the TAB or the City Administrator's position. She indicated that she received the Administrator's report a couple of hours prior to it going to the TAB and it included the recommendation not to approve the amendments. The TAB postponed their vote until they get answers to a list of questions they provided. Her concern is that neither side wants to get into litigation. This is where the City is vulnerable and

they do not want to pay another fine. The Board needs to get the answers and provide them to the TAB.

She understands that the System has to get periodic re-certification but questioned why the 420 Transfer was included this time. She questioned whether the two amendments could be separated at this point. It is a key point of argument for the TAB. She would like to be able to have the City be able to contact the IRS to see if the issues can be separated.

Mr. Henzi stated that the IRS periodically requires renewal of the System's tax-exempt status. This time was different because the System also sent in a filing in order to get approval for a 420 Transfer. He was with Ms. Billings when she talked with the IRS representative. The agent was emphatic that the Letter of Determination is conditioned on the adoption of the two amendments. The tax penalty is large.

Trustee Nazarko asked why the filings were sent in together.

Mr. Henzi explained that they were not sent in together. Because retiree health care was being terminated, Ms. Billings did not want recertification of the tax exempt status to hold up the approval for the language for the 420 transfer so she sent the request for the 420 transfer in first. The IRS lumped the two filings together. It just so happened that the System filed for approval for the 420 transfer language during the same window period that governmental plans were permitted to recertify their tax exempt status.

Trustee Deirdre Waterman stated that she would like to provide a report to the TAB Board. She would like someone from the City to contact the IRS to obtain the filings. She asked why the IRS combined the two filings.

Miss Munson stated that the two filings were not submitted together.

Trustee Deirdre Waterman said that she would like to verify that information from the source and be provided with the original filings.

Trustee Moore felt that any requests to the Board's attorney should come from the Board and be based on the Board's direction.

Trustee Deirdre Waterman indicated that that is why she made the request in front of the Board.

Chairman Harrison stated that to keep the meeting on track any requests to the Board's attorney be sent to the Executive Director and copied to the Board Officers.

There was lengthy discussion with respect to requesting information from the Board's attorney and the process that is in place.

Trustee Deirdre Waterman stated that she is here as a Board member and is making a motion to request the information from the Board's legal counsel.

She asked that the Board approve that a City representative could contact the Board's legal counsel to answer questions from the TAB with respect to the Ordinance amendments and 420 Transfer.

Trustee Nazarko indicated that the City needs the information to provide accurate information to the TAB. That should not circumvent the process. He brought the request to the Finance Sub-Committee meeting. The request can be sent to the Executive Director and the Chairman and copied to the Board.

Miss Munson indicated that all the information with respect to the questions about the Ordinance amendments, the 420 Transfer and their consolidation by the IRS was contained in Ms. Billings March 24, 2013 legal report which was presented to the Board, the Council and the City.

Trustee Moore stated that the Finance Sub-Committee also discussed the provider review process. The process has not been conducted for quite some time. He indicated that – per the policy - one provider will be reviewed each year starting with the Medical Director.

Trustee Deirdre Waterman made a motion requesting that the City's representative be allowed to contact the IRS for release of the original filings related to the tax exempt status and the 420 Transfer.

Miss Munson indicated that she has the filings and can forward them to Trustee Deirdre Waterman.

Trustee Deirdre Waterman withdrew her motion requesting the release of the System's original filings for tax exempt status and the 420 Transfer.

Mr. Asher provided procedural clarification with respect to where requests to the Board should be directed.

Trustee Nazarko did not feel that the request is about policy or procedure. As a member of the Board he should be able to contact the Board's legal counsel.

There was further discussion regarding how requests should be made to the Board or the Board's legal counsel.

The Board discussed how three of the Trustees wear two hats - one for the System, and one for the City.

Trustee Arndt indicated that the Board recently discussed that all requests go through the Executive Director. The Executive Director will forward the information on to the Chair, the Board or to specific Trustees as needed.

RESOLUTION 14-045 By D. Waterman, Supported by P. Waterman
Resolved, That the Board approve communication between the City's Representative (i.e. the Finance Director or Mayor) and the System's attorney with respect to questions posed by the

TAB regarding the required Ordinance amendments, and further that the Executive Director be copied on all communications.

Yeas: 10 – Nays: 1 (Trustee Bowman)

RESOLUTION 14-046 By Bowman, Supported by Giddings

Whereas, in order to maintain educational levels consistent with established fiduciary responsibilities, the Board has previously identified conferences which Trustees were generally expected to attend (depending on educational and background levels); and

Whereas, the following industry conferences provide the level of training and education in public plan policy, investments, the legal and regulatory environments, etc... that contribute significantly to Trustee development: CAPPP, IFEBP, NASP, NCPERS, Opal Public Funds and Spring and Fall MAPERS; and

Whereas, the Board of Trustees is governed by the Public Employee Retirement System Investment Act, Michigan Public Act 314 of 1965 as amended; and

Whereas, the Educational Policy incorporates the limits imposed by Michigan Public Act 314 of 1965; and

Whereas, the policy restriction limiting the number of conferences Trustees may attend could hinder Trustees in their ability to gain the expertise necessary to discharge their fiduciary responsibilities, therefore be it

Resolved, that the educational policy is amended to reinstate the authorization for Trustees to attend the CAPPP, annual meetings of IFEBP, NASP, NCPERS, Opal Public Funds and Spring and Fall MAPERS, and further

Resolved, that the language is removed from the policy which restricts the number of conferences that Trustees may attend.

Yeas: 10 – Nays: 1 (Trustee Gaffney)

RESOLUTION 14-047 By Gaffney, Supported by P. Waterman

Resolved, That the Board approve to hold the Annual Meeting on October 7, 2014.

Yeas: 11 – Nays: 0

Re: Executive Director

Annual Fee and Contribution Disclosure Forms

Miss Munson indicated that all forms related to the annual fee and campaign contribution disclosure process had been received.

UNFINISHED BUSINESS

Re: Section 420 Transfer – Retiree Healthcare – Refer to Finance Subcommittee

Re: Personnel Policies (Referred to Personnel Committee) – Pending

Re: Fiduciary/Dishonest Insurance (Referred to Finance Sub-Committee) – Pending

Re: Schedule Annual Meeting (Refer to Finance Sub-Committee)

NEW BUSINESS

Re: Ratification of Victory Capital Assignments – Refer to Executive Director

RESOLUTION 14-048 By Moore, Supported by Gaffney

Resolved, That the Board consents to the assignment of its investment management agreement to Victory Capital Management, Inc. (“Victory”), as described in the letter from Munder Capital Management, and acknowledges that it has received information about Victory, including its ADV Part 2A, as enclosed in the letter dated May 14, 2014.

Yeas: 11 – Nays: 0

Re: Legal

IRS Letter of Determination Submission for an IRC Section 420 Transfer – Refer to Finance Subcommittee

Request for Attorney General Opinion

Mr. Henzi reported that there is nothing new to report. They are still waiting for the Attorney General’s opinion.

Invesco Agreement

Mr. Henzi reported that legal counsel is currently negotiating a side agreement with regard to the Invesco Fund VI Agreement.

Consent to the Amendment to the GrayCo Alternative Partners I Limited Partnership Agreement

Mr. Henzi reported that an amendment has been made to the GrayCo Alternative Partners I Limited Partnership Agreement extending the 120 days to deliver the audited financial statements and tax information to each Partner after the end of the fiscal year to 150 days.

RESOLUTION 14-049 By Arndt, Supported by Bowman

Resolved, That the Board approve the amendment to the GrayCo Alternative Partners I Limited Partnership Agreement extending the delivery of the audited financial statements and tax information to each Partner from 120 days to 150 days after the end of the fiscal year.

Yeas: 11 – Nays: 0

Berwyn Group Compliance Certification

Mr. Henzi reported that there is a new law governing the Death Master File that is maintained by the Social Security Administration. The Berwyn Group has requested that the Board adopt an amendment indicating that they will keep the personal information confidential.

RESOLUTION 14-050 By Barnett, Supported by Moore

Resolved, That the Board ratify the Chairman’s signature on the Section 203 of the Bipartisan Budget Act of 2013 Compliance Certification submitted by the Berwyn Group.

Yeas: 11 – Nays: 0

Portfolio Monitoring Reports

- Robbins Geller April 2014 Monitoring Report

Proposed Amendment to Public Act 314 – “Detroit Pension Protection Act”

Mr. Henzi reported that this amendment only applies to cities with populations over 600,000 which includes providing detailed travel information.

RESOLUTION 14-051 By Gaffney, Supported by Bowman

Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

Trustee Arndt – yea	Chairman Harrison - yea
Trustee Barnett – yea	Trustee Moore - yea
Trustee Bowman - yea	Trustee Nazarko - yea
Trustee Gaffney – yea	Trustee Deirdre Waterman - yea
Trustee Giddings - yea	Trustee Patrice Waterman – yea
	Trustee Williams - yea

The Board moved to closed session at 1:25 p.m.

Ms. Miller, Ms. Swazer and Ms. Watson left at 1:25 p.m.

Trustee Williams left at 1:49 p.m.

The Board returned from closed session at 1:54 p.m.

RESOLUTION 014-052 By Moore, Supported by Nazarko
Resolved, That the Board approve the closed session minutes for April 23, 2014.

Yeas: 10 – Nays: 0

RESOLUTION 014-053 By Gaffney, Supported by Nazarko
Resolved, That the Board ratify the Chairman’s signature on the Dell retainer letter and certification agreement.

Yeas: 10 – Nays: 0

RESOLUTION 014-054 By Gaffney, Supported by Nazarko
Resolved, That the Board approve the recoupment from disability retiree Shellie Branner of the overpayment made due to the member exceeding his allowable earnings for 2012.

Yeas: 9 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: Tuesday, June 17, 2014 @ 10:00 a.m. – Retirement Office

ADJOURNMENT

RESOLUTION 14-055 By Bowman, Supported by Moore
Resolved, That the meeting be adjourned at 1:56 p.m.

Yeas: 9 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on May 28, 2014

As recorded by Jane Arndt