

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
APRIL 23, 2014**

A regular meeting of the Board of Trustees was held on Wednesday, April 23, 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 10:07 a.m.

TRUSTEES PRESENT

Jane Arndt
Koné Bowman, Vice Chair
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore
Nevrus Nazarko
Deirdre Waterman, Mayor (*arr. at 11:32 am*)
Patrice Waterman
Kevin Williams

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Matilda Zoto, Sullivan Ward, Asher & Patton
Chris Kuhn, Gray & Company
Deborah Munson, Interim Executive Director
Tommy Goodman, Deferred Retiree
Peggy Hardiman, Retiree
Larry Marshall, Retiree (*arr. at 10:12 am*)
Judy Moyet, Retiree
Billie Swazer, Retiree
Linda Watson, Retiree
Debra Woods, Retiree (*arr. at 10:12 am*)

TRUSTEES ABSENT

Shirley Barnett (*excused*)

PUBLIC DISCUSSION/UNION REPS

Chairman Harrison opened the meeting to public discussion.

Retiree, Peggy Hardiman stated that she received a letter from the Retirement Board last month indicating that they are looking at changes with regard to the administration of the Retirement Office due to the passing of Ms. Zimmermann. She was concerned that she did not receive the letter early enough to attend the March, 2014 meeting.

Trustee Arndt and Trustee Gaffney noted that a letter was sent out to the member informing them of the RFP and Executive Director search.

Ms. Hardiman asked about the search and whether the Board has any candidates in mind.

Chairman Harrison noted that the Board will provide an update later in the meeting.

Retiree, Linda Watson asked if the Onyx litigation is completed.

Ms. Billings stated that to date the litigation is ongoing and is not complete.

Ms. Watson questioned two accounts payables charges including Pensions & Investments and Vicki Bazzell.

Miss Munson indicated that the Pensions & Investments charge was for advertising the Request for Proposal and the search for the Executive Director position.

Vicki Bazzell provides the janitorial services for the Retirement Offices and bills the System monthly.

Ms. Watson also asked if the audit contract issue for the GrayCo Alternatives investment with regard to the 180 days has been resolved.

Ms. Billings stated that she is working with Larry Gray on the issue, but there is no formal contract to date. She indicated that Mr. Gray is working with the auditor to amend the contract so it is acceptable to both parties. They are looking at changing the number of days somewhere between 120 days and 180 days.

Ms. Watson asked why it is taking so long to resolve the issue. This issue was brought to the Board almost one year ago.

Mr. Kuhn indicated that Gray & Company contacted their legal counsel to redraft the contract with a target date for this year's audit.

Ms. Watson also asked about the issue with regard to the Retirement System owing the City money.

Debra Woods and Larry Marshall arrived at 10:12 a.m.

Miss Munson explained that the City owed the Retirement System money for the sick and vacation banks for the Retirement Office staff at the time of their separation from the City.

Deferred retiree, Tommy Goodman told the Board that he has been coming to the meetings trying to resolve the issue of getting his retirement benefit.

He explained that the Housing Commission was separated from the City under the Emergency Manager, Michael Stampfler. This caused him to be kicked out of the SAEA Union where he paid dues for twenty-six years. Housing Commission employees were not allowed to continue in the Retirement System.

He worked for the City for twenty-eight years, but is not being allowed to retire. The reason he is not able to apply for his retirement benefit appears to be that when the Housing Commission separated from the City instead of indicating "laid off" on his PAS form it indicated "Other". He has no way of knowing if he goes back to the City if he can get them to change the PAS form.

Ms. Billings indicated that Mr. Goodman originally approached the City regarding his service credit for his permanent part-time service about a year ago. At the time, Human Resources Director and Trustee John Naglick looked into the issue and it was determined that Mr. Goodman was entitled to receive retirement service credit for his permanent part-time service which resulted in a cost study being processed.

There were two members who went through arbitration to get their permanent part-time service credited and thereby became eligible to retire under the SAEA CBA's early-out provision. Mr. Goodman is now requesting to be allowed to retire immediately. She has reviewed the CBA and the Ordinance and the Retirement Board does not have the authority to allow Mr. Goodman to retire under the early-out provision of the contract.

Ms. Billings reminded the Board that the Housing Commission separated from the City effective September 17, 2011. On October 26, 2011 a PAS was processed for Mr. Goodman. The reason for termination indicated on the PAS form is "Other" as opposed to "Laid Off" which is another option on the PAS form.

Trustee Moore asked if Mr. Goodman had any breaks in service from 1985 through 2011. He also questioned why the Housing Commission separated from the City and if it was based on the Emergency Manager's Executive Order.

Mr. Goodman stated that he believes there was an issue where the Housing Commission was suing the City.

Trustee Gaffney stated that at the time of the separation Mr. Goodman became a deferred vested member.

Trustee Moore also asked if the Housing employees continued to receive retirement service credit.

Mr. Goodman stated that the Emergency Manager terminated retirement system membership for Housing employees but that other groups were allowed to keep their membership.

Ms. Billings stated that Mr. Goodman had approximately eighteen years of service credit when his employment with the City was terminated. Deferred vested members with ten years of service credit can retire at age sixty and members with twenty-five years of service credit can retire at age fifty-five. Mr. Goodman has eighteen years and nine months of service credit so he will be eligible to collect his pension benefit when he attains age sixty.

Ms. Billings reviewed the circumstances with regard to Linda Chambers, Leonard Smith and Alvin Hardy under her written legal opinion.

On February 24, 2007 Leonard Smith retired under the CBA rule of 70 points based on the granting of his permanent part-time service. It appears that he may have been threatened with being laid off which is why he applied for retirement.

Alvin Hardy was terminated in November, 2003 when he did not return to work from a disability leave. He was rehired on July 12, 2007 and laid off on July 13, 2007. The Human Resources Director awarded Mr. Hardy two years of additional service credit which allowed Mr. Hardy to retire under the CBA Rule of 65 points.

Trustee Moore asked why Mr. Hardy was terminated.

Retiree, Larry Marshall indicated that Mr. Hardy exhausted his leave and did not return to work and was terminated based on the SAEA Contract. The additional service credit and pursuant retirement were awarded based on a grievance award.

Mr. Goodman told the Board that he worked the same jobs as Linda Chambers and Leonard Smith and that they had essentially the same employment records with the City. The only difference is that he transferred to the Housing Commission and Ms. Chambers and Mr. Smith remained employees of Community and Human Services. He feels he should be allowed to retire under the same CBA early-out provision.

Trustee Moore stated that you cannot get a right out of a wrong. This was an injustice to Mr. Goodman with the Emergency Manager picking and choosing who would get benefits. That is the issue. He asked if Ms. Billings had any additional information to provide.

Ms. Billings indicated that she has presented the information to the Board and that the difference is that the other employees were actually laid off by the City and Mr. Goodman was not. He continued his employment with the Housing Commission.

Chairman Harrison stated that the Board and the Retirement System are not responsible for what has been done. Based on Ms. Billings information from the City, the real issue is that the Retirement System does not have the ability to resolve the problem. He asked whether the issue is that the Emergency Manager checked off "Other" versus "Laid Off" on the PAS form.

Trustee Gaffney asked if the PAS forms for Linda Chambers, Leonard Smith and Alvin Hardy all indicated "Laid Off" and Tommy Goodman's indicated "Other".

Trustee Moore stated that the City Council recently passed a resolution to get a cost study for similarly situated employees. He indicated that the Mayor and Trustee Nazarko could have influence over the powers that be and could assist in righting a wrong.

Chairman Harrison stated that Mr. Goodman's fight is with the City.

Chairman Harrison asked if Mr. Goodman could engage Trustee Nazarko in his capacity as Finance Director for the City.

Trustee Moore stated that Mr. Goodman needs an advocate to discuss his situation with the powers that be.

Trustee Nazarko explained that he works with the Mayor and City Council but any actions taken still have to go before the Transition Advisory Board. Mr. Goodman needs to be aware that he is working against some other powers. He needs to understand that he has to take all the information into consideration and that he will have to see if the process can be restarted.

Chairman Harrison told the Board that they could keep discussing the issue but there is nothing they can do to resolve it. Trustee Nazarko has indicated that he will assist Mr. Goodman with the issue.

Mr. Goodman left at 10:42 a.m.

AGENDA CHANGES - None

APPROVAL OF CONSENT AGENDA

- A. Approval of Minutes of Regular Meeting: March 26, 2014
- B. Communications:
 - 1. Correspondence from Ambassador Re: April 2014 Market Update
 - 2. Correspondence from Ambassador Re: April 2014 Status Update
 - 3. Correspondence from First Eagle Re: March 2014 Client Statement
 - 4. Correspondence from Gray & Company Re: Market Overview
 - 5. Correspondence from Munder Capital Re: Change in Ownership/Victory Capital Acquisition
 - 6. Correspondence from NorthPointe Re: Q1 2014 Newsletter
 - 7. Correspondence with Joseph Conway Re: FOIA Request
 - 8. Correspondence with Greenberg Traurig Re: FOIA Request
 - 9. Conferences:
 - a. Certificate of Achievement in Public Plan Policy – IFEBP: June 3 - 6
 - b. Litigation and Michigan’s Pension Funds – BLB&G: June 17
 - c. Accounting and Auditing Institute – IFEBP: June 23 - 25
 - d. 2014 Trustees and Administrators Institute – IFEBP: June 22 - 25
 - e. International Society of CEBS – ISCEBS: September 7 - 10
 - f. Public Policy Forum – IFEBP: September 7 - 10
 - g. 60th Annual Employee Benefits Conference – IFEBP: October 11 - 15
- C. Financial Reports:
 - 1. Statements of Changes: March 2014
 - 2. Accounts Payable: April 2014
 - 3. Northern Trust Gray & Company Performance Reports – March 2014
 - 4. Ratification of Capital Calls:
 - a. GrayCo Alts Capital Call \$97,701.00
 - b. Mesirow Fund IV Distribution \$150,000.00
- D. Applications for Retirement, Final Calculations, Refunds, Re-examinations
 - 1. Remove from the Rolls:
 - a. Audley Bailey (deceased 03/29/14)
 - b. Leo Crivea (deceased 04/02/14): Option III Benefit of \$549.52 (+\$400) to Barbara Crivea
 - 2. Applications for Service Retirement:

- a. Shelby Medlock – Local 2002 8 yrs 4 mos Age 60 (Off Deferred – Partial Plan Term.)
- b. Donald Price – PMEA 12 yrs 11 mos Age 60 (Off Deferred)
- 3. Final Benefit Calculations:
 - a. Shelby Medlock #2754
- 4. Request for Refund of Accumulated Contributions:

RESOLUTION 14-033 By Gaffney, Supported by Bowman
Resolved, That the Board approve the consent agenda for April 23, 2014.

Yeas: 9 – Nays: 0

CONSULTANTS

Re: Gray & Company

Market Review

Mr. Kuhn reported that 2014 has been a bumpy year for the market. The System lost money in January and gained it back in February then lost some money early in April but has made it back. He indicated that he does not have the performance numbers for the quarter. Equities were up 1.5%. Mid cap investments have performed very well but small cap investments have performed badly.

Currently the asset allocation is over allocated in equities and under allocated to fixed income. They are working to trim the portfolio back to the target allocation.

He asked if the Board had any questions regarding the market value of the Fund as of April 21, 2014.

Chairman Harrison asked if quantitative easing is still an unknown. He asked Mr. Kuhn when he thought the market correction would occur and what kind of changes to expect in the economy. Some are looking for quantitative easing to go out into 2017. It also seems that emerging markets are becoming the new safe haven.

Mr. Kuhn stated that the volatility in the market is driven by the Fed. They are continuing the reduction of quantitative easing. It has helped keep the rates in the fixed income market down. In December the Fed made an announcement that they would be tapering quantitative easing and in March it was down to \$55 billion. He felt that the selloff in the market will happen gradually with the tapering of quantitative easing. He also indicated that quantitative easing should be completed by the end of the year. However, the Fed still has a portfolio with trillions of dollars of treasuries.

Chairman Harrison asked what has quantitative easing done for the lay person. It has only helped the big financial institutions.

Mr. Kuhn stated that there have been some benefits. They are hoping that they see GDP growth around 3%.

Chairman Harrison asked if it has in any way helped unemployment.

Mr. Kuhn stated that there is no way to measure whether it has been responsible for the decrease in the unemployment rate. Unemployment numbers are based on a number of variables.

Chairman Harrison felt that this will have a negative impact on the economy.

Mr. Kuhn stated that it will depend on how the economy and markets work through the tapering. Many believe that there are issues with pent up demand. If GDP growth is around 3% the economy will be fine. If it stays around 1½% it could drive interest rates up. They are hoping that corporations will start spending more money which will lead to hiring. He explained how it could affect the local economy and the multiplier effect including the expansion of companies, capital goods and people.

He does not think that the economy will fair that well and that it seems too optimistic. He expects to see the same reaction in the market that happened during the first quarter. Fixed income has made all their money during the first quarter. Some think rates will stay around 2% to 2½% while others think they will lose 5% to 10%. Inflation is still running low around 1% to 1½ % but could be around 4% to 5% at the end of the yield curve. You see healthier yields when the front end of the curve comes up.

He told the Board that last year emerging market investments did not do well versus equities. China is an exports-based economy and they want their people to buy their goods. This decrease in China's infrastructure spending has caused a material drop off of natural resources which has caused some companies to struggle which in turn has caused issues in resource rich economies such as- Brazil, India and Russia.

Chairman Harrison asked what Mr. Kuhn feels performance will be going forward.

Mr. Kuhn stated that he believes it is time to buy. He feels that the U.S. may be overpriced and the emerging markets could be undervalued. They will provide further analysis during the asset liability study.

Victory Capital Buyout of Munder Capital

Chairman Harrison asked if Gray & Company has done their due diligence with regard to the Munder Capital buy out by Victory Capital.

Mr. Kuhn told the Board that Victory Capital is the asset management arm of Key Bank. They had a stake in the private equity arm of Munder Capital. He spoke with Ed Goard and Andrea Leistra last week. He was told that the Munder investment managers have bought equity in the new company. There have been no changes in managers or personnel. The only effects will be in the back office, information technology and legal. This will give them the ability to market more products and to gather assets. However, they are not going to share resources.

Trustee Nazarko noted that Munder Capital has more assets under management than Victory Capital.

Trustee Waterman noted that Munder Capital has \$18.6 billion in assets under management versus Victory Capital at \$18.4 billion.

Trustee Nazarko noted that the normal rule of thumb is that the buyout is done by the company with more assets. Key Bank is a small regional bank. He questioned if there is any concern that 20% of the System's portfolio will be managed by the new firm.

Mr. Kuhn stated that Gray & Company wants to make sure that there are no material changes with the firm. Tony Dong will still manage the mid cap portfolio with the same support staff and the same is true for the fixed income portfolio. It is important to note that the Munder Capital personnel are buying into the new company.

Prior to the buyout Munder Capital was 25% employee owned and 75% outside owned versus the new company at 20% employee owned and 80% outside owned. He also stated that five large pension funds own stock in the company. The bottom line is that there will be more additional earnings for the equity holders by consolidating the back office function. The private equity arm was able to cash out. It does make sense for the Board to place the manager on watch and follow the transition.

Trustee Giddings stated that Munder Capital has gone through several ownership changes. He asked if Victory Capital had a reason for making this transition as well as the private equity arm.

The Board determined that they would put investment manager Munder Capital on watch.

RESOLUTION 14-034 By Moore, Supported by Waterman
Resolved, That the Board direct the investment consultant Gray & Company to put mid cap and fixed income manager Munder Capital on watch during the transition to Victory Capital.

Yeas: 9 – Nays: 0

Ambassador Capital Update

Mr. Kuhn told the Board that Ambassador Capital's hearing date with the SEC has been scheduled for May 5, 2014. Their performance exceeded that of the benchmark for the first quarter at 1.74% versus 1%. There was concern that they could be distracted from managing their fixed income portfolio. This has not proven to be true.

Special Education Session Dates

The Board discussed which dates would work best to hold the educational sessions.

Miss Munson indicated that there was discussion to schedule the session for May 15, 2014.

It was determined that Ambassador could come in and provide an update at the May 28, 2014 regular meeting.

After discussion, it was determined that the special education session would be held on May 15, 2014 at 10:00 a.m.

REPORTS

Re: Chairman - None

Re: Trustees/Committees

Personnel Committee

Trustee Gaffney stated that the Committee has been receiving applications for the Executive Director position and Proposals for the Third Party Administrator function.

She explained that the committee has no preconceived notion of any person or company. They are looking at what would be best for the Fund.

There is a sub-committee meeting scheduled on April 28, 2014 to review the information. They will prepare their recommendation to the Board.

Finance Committee

Trustee Moore told the Board that the committee met on April 22, 2014. They looked at the budget numbers and feel they are pretty solid numbers.

There are a couple of individuals that do not have internet access so they are working to provide that access and directed the Trustees to contact Miss Munson if they had a need.

They are also looking to upgrade the technology to give the Board the ability to project their meeting material on the wall instead of using paper. The staff has put together a plan for approximately \$1,500.00 that would give the Board this capability.

Chairman Harrison stated that when the actuary and auditors come in they could also use the projector for their presentations.

Trustee Moore also indicated that they are looking at scheduling the annual meeting after the audit is completed. They are looking at venues and for the meeting to be held near the beginning of fall. They feel this is a good time for the Board to reach out to the membership and that members will be home from vacation at that time of year.

He told the Board that there is no financial or regulatory reporting that needs to be submitted to the State. The budget is included in the Summary Annual Report based on the requirements under Public Act 314.

He also pointed out that the System has never had a formal policy for the supplemental actuarial valuation.

Trustee/Mayor Waterman arrived at 11:32 a.m.

The committee discussed the 420 Transfer and the obstacles that needed to be overcome. The main obstacle is that everyone needs to be in a current healthcare plan. There would also be other obstacles that Ms. Billings will address.

The committee is looking at dishonesty insurance and told the Board that Vice Chair Bowman will assist with that issue based on his industry knowledge.

Miss Munson told the Board that the Summary Annual Report will include the 2014 budget and a projected 2015 budget.

Trustee/Mayor Waterman confirmed that the details of the summary budget are available to Board members.

Trustee Nazarko questioned why the 2014 budget has an increase of \$4 million for pension benefit payments. He felt that the annual budget should reflect four times the amount recorded.

Miss Munson explained that the additional \$400/month increase that retirees received in September of last year are being budgeted for a full year in 2014 versus 4 months in 2013. She stated that the activity through March is actual general ledger activity and not one-fourth of the budget.

Trustee Moore noted that the budget will be amended periodically. In terms of an actual budget it is a good plan.

Trustee Moore stated that based on the fiscal year they feel the budget is on target.

RESOLUTION 14-035 By Nazarko, Supported by P. Waterman
Resolved, That the Board adopt the 2014 General Employees' Retirement System Expenditures Budget as presented.

Yeas: 10 – Nays: 0

Re: Executive Director

Northern Trust Performance Report

Miss Munson reported that the March 2014 performance report for the GrayCo investments provided by Northern Trust is in the agenda packet.

Supplemental Actuarial Analyses (Cost Study) Policy

Miss Munson indicated that the Board periodically receives requests for supplemental actuarial analysis and that there is a standard process to responding to the requests. She asked that the Board formally adopt a policy for processing supplemental actuarial valuations.

She was asked to read the resolution adopting the policy.

Trustee Moore asked that the policy/resolution include that a copy of the study is sent to the Board.

RESOLUTION 14-036 By P. Waterman, Supported by Nazarko

Whereas, the Retirement System is responsible for directing the work of the Retirement Office staff and the actuary with respect to supplemental actuarial analyses (cost studies) as may be requested from time to time, and

Whereas, Public Act 314 as amended prohibits Retirement System assets from being used to pay for actuarial expenses related to supplemental actuarial analyses, therefore be it

Resolved, that all supplemental actuarial analyses approved by the Board shall be paid to the actuary by the City, Union or other individual so authorized by the Board to pay in advance of any work commencing with respect to the analyses and that a copy of the supplemental actuarial analyses be provided to the Board upon completion.

Yeas: 10 – Nays: 0

UNFINISHED BUSINESS

Re: Section 420 Transfer – Retiree Healthcare – Refer to Legal Report

Re: Personnel Policies (Referred to Personnel Committee) – No Action

Re: Goodman Legal Opinion – Refer to Public Discussion

Re: Schedule Special Education Session/Ambassador Presentation – Refer to Consultant

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

NEW BUSINESS

Re: Supplemental Actuarial Analysis Request Policy – Refer to Executive Director

Re: Aberdeen Request for Proof of Citizenship

Miss Munson indicated that when the System's investment in the Artio International Equity Fund was liquidated, Artio calculated the value of the investment at the net asset value. Net

asset value is gross of any receivables including tax reclaims. Artio was acquired by Aberdeen subsequent our liquidation.

The International fund was assessed some taxes and now Aberdeen is trying to collect the taxes withheld by the foreign entities. In order to recoup the taxes some countries require a Proof of Citizenship of the international fund investors. Aberdeen is requesting that the System file for these Proofs of Citizenship for 2010 and 2011. The forms would need to be filed with the IRS and cost \$85 each to file.

Trustee Nazarko questioned whether as a nontaxable entity the System would be required to provide a Proof of Citizenship.

Ms. Billings explained that the United States negotiates tax treaties with foreign entities. The investment manager has to show proof that the investors were U.S. residents during the years for which they seek to recover the taxes. Most often this process is done through the custodial bank.

Mr. Kuhn stated that he would ask Aberdeen to reimburse the cost to file the form with the IRS.

Ms. Munson noted that Aberdeen has already indicated their willingness to reimburse the System for the filing fees.

Trustee Moore asked if the Board should wait for Ms. Billings to review the issue prior to their approval.

Ms. Billings told the Board that she does not have a problem legally with the System filing the IRS Form 6166. However she does question why the System has to pay the fee.

Miss Munson indicated that the System has to pay the fee when they file the form with the IRS. She requested that the Board approve the filing of the necessary forms and the \$170.00 payment to the IRS.

RESOLUTION 14-037 By Gaffney, Supported by Williams

Resolved, That the Board approve the filing of the Form 6166 for tax years 2010 and 2011 and the payment of \$170.00 to the IRS in order to obtain the necessary proofs of citizenship required in order for Aberdeen to recoup taxes paid on the Artio International Equity Group Trust, provided that Aberdeen agrees to reimburse the System for the \$170.00.

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Yeas: 10 – Nays: 0

Re: Legal

Ms. Billings introduced Attorney, Matilda Zoto to the Board. Ms. Zoto has been on the benefit team at Sullivan Ward for approximately one year. Ms. Billings wanted to give her the opportunity to attend a pension board meeting.

IRS Letter of Determination Submission for an IRC Section 420 Transfer

Ms. Billings reported that she met with the City Council Finance Subcommittee, the Mayor and Finance Director Nazarko to go over the amendments needed to be adopted by May 1, 2014.

The IRS is clear that the amendments need to be adopted by May 1, 2014. If the amendments are not adopted by that date but are adopted prior to August 1, 2014, the IRS may permit the system to go through its Voluntary Compliance Program but the City will be required to pay a fee of \$500.00. If the City does not adopt the amendments by August 1, 2014, they will be required to pay a fee of \$15,000.00 based on the number of participants. Retirement assets cannot be used to pay this fee.

Trustee Nazarko stated that it would be a good idea to take the Ordinance amendments to Council for adoption and then let the TAB Board approve them at their May meeting.

Ms. Billings stated that it is her recommendation for the City to pay the \$500.00 and go through the VCP process

Trustee/Mayor Waterman indicated that she has a meeting scheduled with the City's attorney Stephen Hitchcock and she will discuss how get approval for the amendments.

Trustee Moore asked if that is her area of responsibility.

Trustee/Mayor Waterman indicated that she negotiated with the State Treasury Department. The TAB Board has approved powers to her with some key litigation issues. Under State supervision the City is required to file a two-year budget. The 2014-2015 budget does not reflect the structural deficit but the 2015-2016 budget shows a structural deficit of \$16 million. She has to provide the budget by May 7, 2014.

She resolved that this would help her get people to the tables but with that are certain realities. She cannot wait for the Courts to decide her strategy.

She indicated that the Retirement Board needs to determine who will represent them at the table. There are a lot of issues that need to be resolved.

Chairman Harrison stated that he and Trustee Waterman initiated discussions with the City. It is time to get back to the table. The Board was willing to open up a dialogue with the City and things were going well.

Trustee Moore stated that under the supervision of the Emergency Manager the City was going to save money but now there is still a projected \$13 million deficit. He would need proof from them and would not put a lot of trust in their numbers and would wait to receive the information.

Trustee Gaffney stated that retiree healthcare is not the purview of this Board.

Trustee Nazarko indicated that the deficit is related to retiree healthcare. The City does not have the ability to pay that liability. The Emergency Manager also left the VEBA open which means that the contribution numbers had to be included in the budget. The deficit is not related to any other issues. Retiree healthcare accounts for \$6 million, the Police & Fire VEBA accounts for another \$4.5 million.

Trustee Waterman stated that the 420 Transfer will be on the Council's agenda for the following meeting on May 1, 2014.

Trustee Gaffney stated that as the Chairman of the General VEBA Fund she would like to know if the City has contributions to that Fund on their books.

Trustee Waterman stated that a letter should be sent to Attorney Hitchcock regarding the Retirement Ordinance amendments.

There was discussion on who should represent the Retirement System at the table with the City.

Trustee Bowman left at 12:26 p.m.

Trustee Moore stated that he would like an agenda. He does not want to meet just to meet.

Trustee/Mayor Waterman indicated that the Board may want to determine what authority the Finance Committee would be given at the meeting.

The Board determined that the members of the Finance Subcommittee would represent the Retirement System at the table with the City.

Trustee Williams asked if this is accomplishing the Mayor's goals with regard to bringing the Retirement System to the table.

Trustee/Mayor Waterman indicated that the Board's mandate to send the Finance Subcommittee to these meetings is in line with her request.

Ms. Hardiman, Ms. Moyet and Ms. Watson left at 12:37 p.m.

Trustee Gaffney confirmed that the full Board will not be relinquishing authority to the Finance Subcommittee during these meetings.

Chairman Harrison confirmed that the full Board has to vote on all issues affecting the Retirement System.

RESOLUTION 14-038 By Nazarko, Supported by Waterman
Resolved, That the Board approve the Finance Sub-Committee to represent the Retirement System at meetings with the City of Pontiac.

Yeas: 9 – Nays: 0

Request for Attorney General Opinion

Ms. Billings reported that she is still waiting for the Attorney General's opinion.

Lewis EDRO

Ms. Billings reported that this is for the Trustees' information.

Legal Opinion Regarding Mr. Goodman's Request for an Immediate Benefit

Refer to public discussion.

Invesco Agreement

Ms. Billings indicated that she reviewed the Invesco Fund VI Agreement. She recommended an amendment of the most favored nation's clause; the five day drawdown notice to ten days; confirmed that the investment would be subject to FOIA based on the limitations of alternative investments, the removal of indemnification and the elimination of gross negligence.

She indicated that she has to negotiate with the investment manager for these changes to be made.

Portfolio Monitoring Reports

- Robbins Geller March 2014 International and Domestic Report
- Motley Rice First Quarter 2014 Report

Ms. Billings reported that this is for the Trustees' information.

Miscellaneous Articles

- Bernstein Litowitz – The Advocate
- Pension and Investments – Treasury Department Starting a Unit that Includes Oversight of Public Pension Funds

Ms. Billings reported that they are seeing more focus and monitoring in the public pension sector.

FOIA Requests

Trustee Moore asked what was being requested in the FOIA requests included in the consent agenda.

Ms. Billings stated that one of the FOIA requests appeared to be concerning the Gray & Company issue in Atlanta.

The other request was from a small law firm asking for the System's fiduciary liability insurance information from 2006 forward.

RESOLUTION 14-039 By Gaffney, Supported by Williams
Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

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

The Board moved to closed session at 12:47 p.m.

Mr. Marshall, Ms. Swazer and Ms. Woods left at 12:47 p.m.

The Board returned from closed session at 1:15 p.m.

RESOLUTION 014-040 By Moore, Supported by P. Waterman
Resolved, That the Board approve the closed session minutes for March 26, 2014.

Yeas: 9 – Nays: 0

RESOLUTION 014-041 By Moore, Supported by P. Waterman
Resolved, That the Board ratify the Chairman’s signature on the Healthways, Inc. and MGM Books and Records request.

Yeas: 9 – Nays: 0

SCHEDULING OF NEXT MEETING

Special Meeting: Thursday, May 15, 2014 @ 10:00 a.m. – Retirement Office
Regular Meeting: Wednesday, May 28, 2014 @ 10:00 a.m. – Retirement Office

ADJOURNMENT

RESOLUTION 14-042 By Moore, Supported by P. Waterman
Resolved, That the meeting be adjourned at 1:17 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 April 23, 2014

As recorded by Jane Arndt