

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JUNE 6, 2016**

A special meeting of the Board of Trustees was held on Monday, June 6, 2016 at the Retirement Office located at 2201 Auburn Road, Suite B, Auburn Hills, MI 48326. The meeting was called to order at 1:34 p.m.

TRUSTEES PRESENT

Sheldon Albritton	Nevrus Nazarko, Secretary
Jane Arndt	Billie Swazer
Koné Bowman (<i>by telephone</i>)	Deirdre Waterman, Mayor (<i>arrived at 1:37 p.m.</i>)
Jan Gaffney	Patrice Waterman, City Council President
Robert Giddings	Kevin Williams, Vice Chair
Walter Moore, Chairman	

OTHERS PRESENT

Cynthia Billings, Sullivan Ward
Deborah Munson, Interim Executive Director
Clarissa Cayton-Grigsby

Chairman Moore opened the meeting at 1:34 p.m.

PUBLIC COMMENT

NEW BUSINESS

Re: Selection of Investment Consultant

Chairman Moore told the Board the meeting is being held to discuss the selection of the new financial consultant for the System.

He indicated that he has an email indicating that information was provided to the press regarding the System's process for selecting the financial consultant. He felt that the information should not have been disclosed to the press and that any information provided outside of the meeting should come from the Board.

Miss Munson indicated that she spoke with a reporter and only provided a summary of what occurred at the public meeting.

Chairman Moore asked that Miss Munson provide a summary of what occurred at the ad hoc committee on June 2, 2016.

Miss Munson reported that the ad hoc committee reviewed the four investment consultant's proposal scores and their Form ADV 2A Brochures. Based on the scores and the Form ADV 2A Brochures the committee determined that they would proceed with the three finalists that were originally selected and had made presentations to the Board at the May 25, 2016 meeting.

Chairman Moore indicated that he did not completely understand the information that had been presented at the committee meeting and requested further review. He asked Miss Munson to provide the Board with a copy of the Form ADV Part 2A information.

Miss Munson indicated that she provided copies of the ADV information to the committee at the June 2, 2016 meeting where it was reviewed.

Trustee Patrice Waterman asked which Trustees are on the ad hoc committee.

Miss Munson indicated that Trustees Albritton, Gaffney, Giddings and Deirdre Waterman are on the committee. Chairman Moore chairs the committee.

Trustee Nazarko indicated that based on the committee's scores Marquette came in last. He indicated that - by virtue of the information - he does not believe that the Board should spend any further time reviewing the information and should continue with making their decision-making process.

Trustee Deirdre Waterman questioned whether the process for review of Marquette had been set in the resolution at the May 25, 2016 meeting and requested that the motion be read for the Board.

Miss Munson read the resolution to the Board. "Resolved, that the Board allow the proposal for investment consulting services submitted by Marquette Associates be reviewed along with the other three finalists."

Chairman Moore indicated that he is just trying to make sure that the information brought to the committee concerning the ADV's is brought to the Board and that any questions are answered.

Trustee Deirdre Waterman stated that the committee reviewed the information and the recommendation from the committee was that Marquette Associates would be eliminated from the process.

Chairman Moore felt that further clarification was needed before making the recommendation to the Board. He asked what information determined that Marquette Associates would be eliminated.

Trustee Deirdre Waterman indicated that the report from the ad hoc committee was that Marquette Associates was eliminated.

There was discussion regarding the review of the scores and whether the scores should remain anonymous.

Trustee Nazarko indicated that he is not part of the committee. However, he believes that the Trustees are professionals and that their scores should remain anonymous. He also wondered whether there are questions regarding the scoring.

Trustee Swazer asked why there are only four scores for Marquette Associates.

It was noted that two members of the committee did not submit fully completed scoring sheets.

Trustee Gaffney indicated that the average is based on the scores that were submitted.

Trustee Patrice Waterman agreed that the scoring should remain anonymous. She felt that knowing who scored the proposals how could sway votes. She requested that the Board move forward.

Trustee Deirdre Waterman indicated that the committee has made their recommendation. She questioned whether there is a process that could be identified on how to move forward with this decision.

Chairman Moore indicated that the information submitted in Marquette's ADV was the main reason they were eliminated.

Trustee Nazarko indicated that Marquette Associates was not included in the first group. Now the ad hoc committee determined that Marquette did not meet the requirements. This issue can be discussed but the meeting was called to select a financial consultant based on the three recommended finalists.

Trustee Bowman indicated that if the Board goes over the information it could taint the process. The Board was called to vote for one of the three consultants recommended by the ad hoc committee.

Chairman Moore questioned why the Board cannot go over the information.

Trustee Bowman noted that the ad hoc committee has come forward with their recommendation for three finalists.

Trustee Nazarko indicated that the Board delegated the selection decision to the ad hoc committee. The full Board should not be added to that process.

Vice Chair Williams indicated he would like clarification based on the information provided by Marquette.

It was determined that the Form ADV Part 2A Brochure information would be reviewed by the Board.

Miss Munson began the review of the ADV's. She indicated that the original three finalists included a copy of their Form ADV 2A brochure with their proposals. However, Marquette did not and she obtained a copy from the SEC website for their review.

She explained that the Form ADV Part 2A is filed annually by investment advisers with the SEC and anytime there is a material change at the firm. This is the primary disclosure document that investment advisers provide to their clients that contains information regarding the types of services offered, their fee schedule, disciplinary information, conflicts of interest and information regarding the key personnel of the firm.

The Bogdahn Group's ADV disclosed disciplinary information from 2008 when their Director of Consulting entered into an Acceptance, Waiver & Consent Agreement with FINRA.

Miss Munson read their disclosure regarding charitable contributions. "The Bogdahn Group donates to charitable organizations that are affiliated with their clients; supported by clients, and/or are supported by an individual employed by one of their clients. Such contributions may raise a potential conflict of interest."

There were no notable disclosures for Dahab Associates.

Miss Munson reviewed the financial industry activities disclosure by Meketa Investment Group which indicates that some of Meketa's private markets advisory services personnel may have the right to serve on the advisory boards of the private pooled investment vehicles in which their clients invest. Such persons may receive reimbursements from the relevant private market investment managers for direct expenses incurred in connection with advisory board activities.

The first page of Marquette Associate's ADV indicates that as of March 30, 2016 that Marquette Associates has discretionary authority over certain clients' assets in order to directly manage the portfolio. The ADV form also indicates that Marquette serves as a consultant to various pension plans as a qualified professional asset manager QPAM. This was not disclosed in their proposal.

Under 'other financial industry activities and affiliations' Marquette Associates disclosed its wholly-owned subsidiary, Fiduciary Consultants, Inc. which is a SEC-registered investment adviser. Marquette may receive fees and income from FCI from its consolidated operations as a wholly-owned subsidiary of Marquette. Marquette indicated in their proposal that they had no subsidiaries or affiliates.

Trustee Deirdre Waterman indicated the committee's vote was unanimous to exclude Marquette from further review. She added that the information provided by Marquette was contradictory to what they submitted in their proposal.

Trustee Giddings indicated that Wells Fargo and Callan disclosed similar information in their proposals.

Miss Munson indicated that in labeled Appendix C of the proposal Marquette was asked if they have any parent or subsidiary companies, affiliates or joint ventures. Marquette responded that investment consulting represents 100% of their firm's revenue.

She noted Marquette bought two companies, Archstone Portfolio Solutions, LLC and Fiduciary Consultants, Inc. Archstone Portfolio Solutions, LLC is no longer a separate company.

Chairman Moore asked if the reason this was not reported is that the company ceased to exist.

Trustee Gaffney indicated that this information is contradictory to what Marquette reported in their proposal.

Miss Munson stated that with respect to the questions in the RFP regarding brokerage practices Marquette's ADV indicates that they recommend the use of Charles Schwab & Company as custodian and broker-dealer for its clients' trades. She read from the ADV that Marquette "may receive from Schwab, without cost to MAI, research reports, Schwab ratings, Schwab Mutual Funds and ETF Lists, Schwab Charts and basic research. In general MAI does not use any of the items received from Schwab."

Chairman Moore asked if this was a way to save money for their clients.

Miss Munson responded that perhaps that is true. The issue is that it was not disclosed in their proposal.

Trustee Deirdre Waterman indicated that this is another contradiction from what was submitted in their proposal.

Trustee Deirdre Waterman thanked the Interim Executive Director for her thorough review of the firms' ADV's.

Miss Munson asked if there were any further questions.

Trustee Williams stated that he felt it was important for the Board to receive answers to their questions.

There was discussion regarding minutes from the committee meetings being provided to the Board.

Trustee Giddings left at 2:32 p.m.

Chairman Moore indicated that staff has been directed to provide a summary of the committee meetings with a full report to the Board.

RESOLUTION 16-092 By D. Waterman, Supported by Nazarko
Resolved, That the Board move forward with the three finalists.

Yeas: 10 – Nays: 0

Trustee Giddings returned at 2:36 p.m.

Trustee Deirdre Waterman asked if there is a process defined for selecting the service provider. She also asked if it would be best for the Board to rank their decisions.

Chairman Moore indicated that the committee brought three finalists to the Board for review. The Trustees were also offered a copy of the video including the interviews to determine which candidate they favor. He stated that the site visit will be scheduled to make sure that the selected candidate has the resources stated in their proposal. He opened the floor to discussion.

Trustee Deirdre Waterman reminded the Chair that the committee had determined that the Board should rank the finalists so that – in the event that the on-site is not successful – an alternate firm will have already been selected by the Board.

Chairman Moore concurred.

Trustee Patrice Waterman indicated she favors Dahab Associates. She like that they stated at the beginning that they have no skin in the game with respect to manager selection, etc... She felt that they are critical thinkers. She liked the insight they provided with regard to the System's portfolio during their presentation. She stated that she took copious notes during the presentations.

Trustee Giddings asked about the article that was provided with an article entitled "Conflict Free Retirement Plan Advisors." All three of the finalists were noted in the article. Dahab Associates was the only truly independent consultant indicated in the article.

Trustee Deirdre Waterman indicated the committee took their time to complete the scoring matrix. Dahab Associates received the highest score. Bogdahn was second with Meketa coming in third. Bogdahn and Meketa's scores were very close together. The scoring was consistent. She indicated that based on the scores Dahab received four first place votes; Bogdahn received two first place votes and two second place votes.

Trustee Nazarko asked what the scoring weight was for the consultant's fee schedules.

Miss Munson indicated that the scoring wasn't weighted and that the fee section was allotted 125 out of 1000 points.

Trustee Arndt indicated that she received an email from Chris Kuhn of The Bogdahn Group approximately one hour after the last meeting concluded inquiring about how their presentation went. She stated that receiving the email made her uncomfortable. She immediately forwarded the email to the Miss Munson without responding. She reminded the Trustees about the Peritus account change in 2014 and indicated that this is the second time Mr. Kuhn has put her in an uncomfortable position.

Trustee Giddings indicated that we would be an important client to Dahab and noted their competitive fee schedule.

Mr. Giddings indicated he was not impressed with Meketa's presentation and that he was offended that their fees were negotiable. We are a public plan and we put an RFP out there. He believes that Meketa should have responded with their best offer.

Trustee Patrice Waterman noted that The Bogdahn Group said the same thing about their fee being negotiable. She noted that at the meeting she had inquired into the amount that was being paid to the current investment consultant. The Bogdahn Group's presenter specifically indicated that the fee shouldn't be a deal-breaker.

Trustee Giddings also indicated that Meketa indicated that they are about diversity, yet ten minutes later during their presentation they indicated that they would eliminate the Board's emerging managers which are minority and women-owned firms.

Chairman Moore asked what the client to consultant ratio is for Dahab Associates.

Miss Munson indicated that each consultant has approximately 8½ clients each.

RESOLUTION 16-093 By P. Waterman, Supported by Swazer

Resolved, That the Board selects Dahab Associates as its Investment Consultant effective July 1, 2016 pending legal review and execution of investment consultant agreement and a satisfactory report from the investment consultant ad-hoc due diligence review team.

Roll Call:

Trustee Albritton – yea
Trustee Arndt – yea
Trustee Bowman – yea
Trustee Gaffney – yea
Trustee Giddings – yea
Chairman Moore – yea

Trustee Nazarko – yea
Trustee Swazer - yea
Trustee D. Waterman - yea
Trustee P. Waterman - yea
Vice Chair Williams - yea

Chair Walter Moore indicated that the Board should take another vote ranking the remaining investment consultants and selecting an alternate firm in the event an additional on-site visit is needed.

RESOLUTION 16-094 By Nazarko, Supported by Gaffney

Resolved, In the event that Dahab Associates is eliminated from consideration based on the recommendation of the on-site team the following vendor shall be selected as the alternate

Roll Call:

Trustee Albritton – Meketa
Trustee Arndt – Bogdahn
Trustee Bowman – Bogdahn
Trustee Gaffney – Bogdahn
Trustee Giddings – Bogdahn
Chairman Moore – Meketa

Trustee Nazarko – Bogdahn
Trustee Swazer – Bogdahn
Trustee D. Waterman – Meketa
Trustee P. Waterman – Meketa
Vice Chair Williams – Meketa

Trustee Bowman left at 2:57 p.m.

Chairman Moore felt that the Board needs a process on how information is provided to the public. He does not believe that information should be provided to the public until after the process is complete. He was concerned that the consulting firms that had been eliminated had not been notified when the information was reported in the press.

Miss Munson indicated that a reporter called and she only provided information that had been made public in the Board meeting.

Trustee Giddings asked whether we were still in a quiet period. He felt that after the May 2016 Board meeting the consultants that had been eliminated from the process should have been notified.

Trustee Deirdre Waterman stated that she found it hard to interpret what Chairman Moore is objecting to. She stated that there is nothing objectionable to what the Interim Executive Director disclosed. Once you have a public meeting this has all been disclosed. She felt that the RFP process should include a notice to the providers that have been eliminated.

Trustee Nazarko felt it was important to get the site visit completed and get the new investment consultant on board.

Chairman Moore also felt that there should be a communication from the Board notifying the respondents whether they are under consideration.

The Board directed Miss Munson to send a communication to the eliminated candidates.

It was determined that Trustee Deirdre Waterman, Chairman Moore and Miss Munson would be the members of the ad hoc investment consultant due diligence review team.

Ms. Billings indicated she would like to start working on the contract with Dahab Associates as soon as possible.

Trustee Swazer confirmed that Gray & Company would stay on as investment consultant in the event that their services are needed.

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Regular Meeting: Wednesday, June 29, 2016 at 10:00 a.m. – Retirement Office

RESOLUTION 16-095 By Nazarko, Supported by Gaffney
Resolved, That the meeting of the Board of Trustees of the City of Pontiac General Employees' Retirement System be adjourned at 3:08 p.m.

Yeas: 10 – Nays: 0

I certify that the foregoing are the true and correct minutes of the special meeting of the General Employees Retirement System held on June 6, 2016

As recorded by Jane Arndt