

**CITY OF PONTIAC, MICHIGAN  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
MARCH 30, 2016**

A regular meeting of the Board of Trustees was held on Wednesday, March 30, 2016 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 10:04 a.m.

**TRUSTEES PRESENT**

Sheldon Albritton  
Jane Arndt  
Shirley Barnett (*By phone*)  
Koné Bowman  
Janice Gaffney  
Robert Giddings, Chairman  
Walter Moore, Vice Chair  
Nevrus Nazarko  
Deirdre Waterman  
Patrice Waterman

**TRUSTEES ABSENT**

**OTHERS PRESENT**

Cynthia Billings, Sullivan Ward Asher & Patton  
Matt Henzi, Sullivan Ward Asher & Patton  
Kurt Lofters (*By phone*)  
Deborah Munson, Interim Executive Director  
John Clark, Giarmarco, Mullins & Horton, P.C.  
Clarissa Cayton-Grigsby  
Linda Hasson, Pontiac Resident  
Larry Marshall, Retiree  
Billie Swazer, Retiree  
Linda Watson, Retiree

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*Chairman Giddings opened the meeting at 10:04 a.m.*

**PUBLIC COMMENT**

Retiree, Billie Swazer told the Board that the GERS meetings are a topic of discussion at the TAB meetings including the reappointment of Trustee Bowman, the Gray & Company resignation and the Executive Director resignation. The Mayor has made allegations that the Board is in a state of chaos and more transparency is needed.

She questioned whether something is going on with the Board that is causing this anxiety. As a retiree and citizen she is concerned. She asked that there be more transparency.

City resident, Linda Hasson expressed her concerns about the Board and conduct at the meetings. She felt that the January 27, 2016 and February 24, 2016 meetings were chaotic. She is concerned about the Board. She said that the people involved in the situation do not represent the best interests of the System and stated that this group is not functioning as a Board.

She questioned whether there is an email policy. She also stated that an email sent from Chairman Giddings to Trustee Arndt was provided to persons outside of the Retirement Office. Councilperson Holland asked that she read the email and asked if she thought Chairman Giddings was a racist based on the email. She believes that that is what has caused some people to call

Chairman Giddings a racist. One Councilperson told her that the only reason there is an issue is because Chairman Giddings is not black.

She stated that it is not professional to utilize email against one another and there is no reason to take copies of emails outside of the Retirement Office to use against each other.

This conduct cannot continue. She also noted that Ms. Carter's conduct at the January 27, 2016 was unprofessional.

She told the Board that the Retirement Ordinance from 2008 posted online is not the one being utilized. The Board should know what version of the Plan Document is being used.

She also asked about the 420 Transfer and whether there has been an opinion issued by the Attorney General. This could cause a large decrease in the funding level of the Retirement System.

She told the Board that their conduct is appalling and the public displays are disgusting. There are people that have worked hard for the past four years to keep the System intact and running. The Board should cooperate and stop the bad behavior.

#### **DISCLOSURE OF CONFLICT OF INTEREST**

Legal counsel, John Clark noted his appearance at prior GERS Board meetings. He was asked to attend this meeting by the Mayor who has requested a legal opinion regarding GERS legal representation.

Trustee Moore asked if Mr. Clark represents the City Council and whether Council was provided an opinion.

Trustee Deirdre Waterman stated the opinion was delivered to her under the protection of attorney-client privilege.

*Mr. Lofters left at 10:18 a.m.*

Trustee Moore questioned how 'Disclosure of Conflict of Interest' was added to the agenda. He asked what does disclosure of conflict of interest even mean.

Chairman Giddings indicated that he put the item on the agenda as a normal part of procedure. It is here so Trustees and providers can acknowledge if they have a conflict of interest.

Trustee Moore indicated that the Chairman had told him that the Mayor asked for this to be added to the agenda. He does not believe that the Chairman should determine what is included on the agenda and he believes it should not be on the agenda.

Chairman Giddings indicated there has not been a change on how items are added to the agenda. The Chairman has always set the agenda. He feels it is important for Trustees to disclose any conflict of interest which is why he reported his investments in Peritus ETFs at the last meeting.

He explained during the Finance Sub-committee meeting that the attorney was asked if there would be a conflict of interest with him signing the Northern Trust Asset Reconciliation based on his small investment in the Peritus ETF. The attorney indicated there is no conflict of interest since we were selling the assets.

Trustee Deirdre Waterman said that she was astounded that there would be an objection to adding a declaration of conflict of interest to the agenda. She prides the Chair for bringing best practices to the Board.

The public's confidence has been shaken based on the Board's behavior. Disclosure of conflict of interest is included on agendas for most Boards. There should not be an objection based on the Board's ethical duty. She asked that the meeting move forward with that part of the agenda.

Trustee Moore stated he is not questioning whether people should disclose a conflict of interest. But he thinks this is a setup and being used as a political tool. He is also concerned that the item was placed at the top of the agenda. As fiduciaries the Board needs to take care of the retirees and the business of the Board. If there is a need to disclose a conflict of interest it should be brought but not as a general topic on the agenda. He also feels that the Board should question how items are added to the agenda and to make sure they are brought in an orderly fashion.

Chairman Giddings asked if there were any conflict of interests to disclose.

Trustee Deirdre Waterman indicated there has been no declaration of a conflict of interest by the Board's legal counsel regarding her involvement in the mediation between the City and CPREA. Based on her knowledge regarding the settlement, over the past ten months the Mediator has recognized Ms. Billings as a representative of this Board as its' observer.

During this proceeding she realized that there may be some conflict of interest declaration that legal counsel needs to make to the Board. The Board's legal counsel could not make a declaration based on the confidentiality order. The Mediator has lifted the confidentiality order so Ms. Billings can talk about her role in the mediation. It is important for the Board to have confidence in their legal counsel's opinions.

She provided examples of disclosure reports from what she described as other ethically-operating legal firms the City works with and their reporting of their conflicts of interest. These firms provide these documents to the City if they feel there is an issue that could pose a potential conflict of interest with the City. She confirmed that the firms were asked if their disclosure documents could be used. Some information has been redacted to protect the firms' client confidentiality.

The Mediator realized that if the Board does not have confidence in their legal counsel or feel there is self-interest, it could derail the whole settlement. In defense of the settlement he felt it needed to move forward in a way that provided exposure that indicated what the representation was in the settlement. She indicated that the Mediator has directed Ms. Billings to disclose any conflicts.

She asked if the legal representative from Sullivan Ward was ready to make the disclosure.

Trustee Moore asked that the agenda item be tabled.

Trustee Patrice Waterman indicated legal counsel would probably like to respond to these statements.

Mr. Henzi indicated he disagrees with some of the statements made today. Cynthia can tell the Board what the Mediator requested be disclosed. He will follow up after Ms. Billings makes her statement. He has no conflict of interest. He suggested that the disclosure is made and then talk about the settlement.

Trustee Moore stated that he would like to make a correction to the Mayor's statement indicating that this Board asked Ms. Billings to sit in on the mediation. It is his recollection that the Mediator requested Ms. Billings representing GERS and Mr. Henzi representing the P&F VEBA to sit in on the mediation. He does not remember the Board ever asking Ms. Billings to take part in the mediation.

Mr. Henzi agreed that that statement was true. He felt it would be easier if everyone knew the terms of the proposed settlement.

Trustee Moore felt that it is important to note that the Board did not ask or direct Ms. Billings to sit in on the mediation. The Mediator himself directed as a part of the lawsuit from the Judge that they be involved.

Ms. Billings stated she would like to read a statement she prepared regarding her part in the mediation. The statement was approved by the Mediator, the City's legal counsel John Clark and the Retirees' Association attorney before she put it in her letter to the Trustees.

Ms. Billings statement:

"The parties to the mediation are considering the concept of terminating the City of Pontiac General Employees Retirement System and transferring its assets to an entity that will assume the pension obligations plus a cushion with the expectations that excess funds may be used to pay health benefits to existing GERS retirees and others as explained below. The City proposed to use MERS as the vehicle to achieve this result.

The undersigned was requested by the Mediator to provide an opinion on a very technical issue as to the ability of the City of Pontiac to terminate GERS and transfer its assets to another City-sponsored pension plan that would assume the pension liabilities of the existing GERS Plan with the expectation that the funds in excess of the amount needed to satisfy that pension liability plus a cushion may revert to the City to be to pay health benefits for existing GERS retirees.

It was my opinion that the City of Pontiac (with union and IRS approval) could terminate the GERS plan and establish a new, locally controlled defined benefit plan. Further, excess assets could revert to the City, provided the GERS Ordinance is amended to allow for a reversion. I recommended that if the parties pursued this option, that the GERS plan be submitted to the IRS for a Determination Letter on its termination and at the same time, the replacement plan be submitted to the IRS for its initial tax qualification letter.

The current proposed settlement being negotiated would create a new VEBA Trust, funded by the excess funding created by the termination of the GERS System and 100% of the Police and Fire VEBA assets. This new VEBA would provide benefits for all retirees eligible for healthcare.

I did not bill GERS for this legal research and opinion. If the litigants agree to implement this process and retain our firm to assist, we would charge an hourly fee.”

Mr. Henzi stated that in early 2015 the general consensus with those involved in the mediation was that the GERS Plan would be terminated and a new Retirement System formed and a new VEBA Trust would be created combining the remaining GERS assets and the Police & Fire VEBA Trust. The Mediator directed Cynthia to issue an opinion on whether that was lawful. He indicated that John Clark, Walter Moore, Nevrus Nazarko, the Mayor, Jan Gaffney and other CPREA members were there. No one raised an issue of a conflict at that time.

A few months ago lawyers for the City and CPREA came to them and asked them if they would perform some work to implement this settlement. At that time the word ‘conflict’ came up.

Ms. Billings stated that the word ‘conflict’ came up by the Mayor.

Mr. Henzi does not believe there is a conflict of interest because Ms. Billings was directed by the Mediator and empowered by a Federal District Court Judge.

He indicated that if you consider the Mediator to be the client the interest of the GERS Plan and that of the other client are not materially adverse.

He indicated that they discussed with Mr. Dryker specifically in writing and verbally during a telephone conference the conflict issue. There was discussion as to whether they should make a disclosure to the Board and his comment was that until the City hires them there is no conflict or second client to do this work for.

Mr. Henzi stated that Mr. Dryker told the City that if they want to hire Sullivan Ward they should do that. Sullivan Ward has not been contacted by the City.

Mr. Henzi indicated that he has the email chain with the Federal Mediator. They were told to make a statement today to present the contours of the settlement agreement. He will be making a similar presentation at tomorrow’s Police & Fire Board Meeting.

With respect to the perceived conflict, the only work that could be questioned was the work that the Mediator directed Cynthia to do.

Trustee Deirdre Waterman indicated she has other insight into the matter. The Mediator is not just addressing the issue regarding the conflict of interest. The Mediator found out that Ms. Billings will be paid by CPREA for the providing an opinion when the mediation ends.

There is an issue with Ms. Billings not declaring having a monetary interest in the outcome of the mediation. The Mediator realized what was occurring and gave Ms. Billings a mandate to disclose. She also noted that Mr. Henzi should disclose this issue to the Police & Fire Retirement System.

There is a conflict of interest that needs to be disclosed by Sullivan Ward and Ms. Billings since she is the primary legal counsel for the GERS Board.

Another potential issue has been raised with Sullivan Ward representing both Systems including the Police & Fire Retirement System, the P&F VEBA Trust and GERS due to their interests not being aligned. It is important that everything is transparent. The Mediator was concerned that if there is a lack of transparency there could be cause for an appeal.

She stated her intention is to share the legal opinion with the City Council.

Ms. Billings stated that she was ordered to provide the opinion by the Federal Mediator

Mr. Henzi stated that the parties in the mediation looked to Ms. Billings as the pension system expert.

The question was asked whether there has been a conversation on who has the authority to appoint the new Board. There was no information provided relevant to the question.

Ms. Billings stated she did not have the authority to provide the information to the Board until March 29, 2016.

Mr. Henzi indicated he anticipated an issue regarding Sullivan Ward's representation of both Systems, so he contacted the Mediator. Mr. Dryker drafted a response indicating there is no conflict with Sullivan Ward representing both Systems.

Trustee Deirdre Waterman explained the opinion and asked about the memorandum sent to Ms. Billings.

Chairman Giddings indicated he reviewed Ms. Billings' responses to the questions in the memorandum. As a retiree that has no health insurance he has concerns that the Board's legal counsel is not protecting the interest of all the retirees in the System. He also has some of the same concerns expressed by the Mayor.

Trustee Patrice Waterman indicated that some of the retirees in attendance are involved in the mediation and should have the option of expressing their opinions.

Trustee Moore stated the City has known all along what was going on in the mediation and now they are adding items to the agenda to create controversy.

Retiree, Linda Watson stated there are three Trustees on the Board that are in collusion to misrepresent the issues.

Trustee Arndt stated she is disturbed by what has been presented. She felt that all retirees of the System need to be represented and questioned legal counsel's involvement in the mediation.

Trustee Bowman confirmed that people are allowed to speak during the meeting, but they have to speak from fact. He used the example that there were seven individuals on City Council that had seven different opinions.

Trustee Deirdre Waterman conveyed that it is important that this Board be truthful and ethical. The conflict of issue has been discussed and it is time to move forward on the agenda. The dispute has been addressed with the System's legal counsel and is being disputed by the City's attorney.

Trustee Moore asked why the declaration of conflict of interest cannot be removed from the agenda.

Chairman Giddings questioned why there is an issue with conflict of interest being on the agenda.

Trustee Moore made a motion to have declaration of conflict of interest removed from the agenda. There was no support for the motion.

Trustee Albritton stated if there is a conflict of interest it has not been proven and he does not feel that the Board's legal counsel has done anything unethical. He does not like the way the Board is operating. The Board's responsibility is to make sure money is available for retiree benefits. He felt a separate meeting should be held to discuss the issue.

Trustee Deirdre Waterman agreed that the Board should be responsible to the System and the retirees to assure the retirees are taken care of.

Trustee Moore expressed again his concern regarding the conflict of interest agenda item.

Trustee Bowman indicated he has to leave early and asked the Board to move forward with issues and agenda items that need to be voted on.

### **AGENDA CHANGES**

Miss Munson requested that the GFOA 2016 Annual Conference attendance request for Trustee Nazarko and MAPERS attendance for herself be added to the Consent Agenda. She also indicated that the Gray & Company status update was added to their meeting handouts.

### **RESOLUTION 16-050** By Moore, Supported by Bowman

Resolved, That the Board approves to add the GFOA 2016 Annual Conference attendance request by Trustee Nazarko and MAPERS Spring Conference by Miss Munson and the Gray & Company status update to the Consent Agenda.

Yeas: 10 – Nays: 0

### **APPROVAL OF CONSENT AGENDA**

- A. Approval of the Minutes of the Regular Board Meeting held February 24, 2016
- B. Approval of the Minutes of the Special Board Meeting held March 7, 2016

C. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date: March 30, 2016

**TOTAL PENSION PAYROLL** \$1,954,531.97

Staff PPE March 3<sup>rd</sup>, 17<sup>th</sup> & 31<sup>st</sup>

**TOTAL STAFF PAYROLL** \$ 36,535.20

D. Communications:

1. Correspondence from Attucks Re: Herndon (attachments available upon request)
2. Correspondence from Attucks Re: City National Rochdale
3. Correspondence from Attucks Re: Lombardia Capital Partners
4. GFOA Annual Conference: May 22-25, 2016 (Toronto, Canada)
5. MAPERS Spring Conference: May 21-23, 2016 (Mt. Pleasant, MI)
6. NCPERS Annual Conference: May 14-19, 2016 (San Diego, CA)
7. Correspondence Re: Trustee Bowman
8. FOIA Request from/to Linda Hasson – March, 2016

E. Financial Reports:

1. Gray & Company Status Update
2. Accounts Payables – March, 2016
3. Commission/Directed Brokerage Report: 2014 & 2015
4. Attucks Asset Management, Manager of Managers Report – Emerging Manager & Michigan LCV – February 29, 2016
5. Statement of Changes – February, 2016

F. Private Equity / Capital Calls & Distributions

G. Applications for Retirement, Final Calculations, Refunds, Re-examinations

1. New Retirements

| Ret No. | Name | Years/Months of Service | Union | Age | Retirement Option | Monthly Benefit* | Effective Date |
|---------|------|-------------------------|-------|-----|-------------------|------------------|----------------|
|         |      |                         |       |     |                   |                  |                |

*\*Emergency Manager Order S-307 as amended July 2015: Retiree is eligible for the temporary \$400.00 per month supplemental benefit until sunset date of September 1, 2016.*

***Bold type entry indicates Reciprocal Service Credit with another eligible agency or municipality.***

2. Terminated Retirements (Deaths)

| Ret No. | Name             | Date of Death | If Beneficiary Member Name | Benefit Amount | Union or Dept. |
|---------|------------------|---------------|----------------------------|----------------|----------------|
| 1613    | Warren, Dorothy  | 03.18.2016    |                            | \$537.59       | Hospital       |
| 599     | Martinez, Leila  | 02.27.2016    |                            | \$327.62       | Hospital       |
| 1106    | Skelton, Phyllis | 02.17.2016    |                            | \$663.52       | Hospital       |

3. J&S Continued Retirements

| Ret No. | Name          | Date of Death | Survivor's Name    | Member Benefit | Beneficiary Benefit | Union or Dept. |
|---------|---------------|---------------|--------------------|----------------|---------------------|----------------|
| 1341    | Bates, James  | 03.09.2016    | Bates, Ann Marie   | \$428.20       | \$214.10            | Non-Union      |
| 2299    | Simmons, Mary | 03.05.2016    | Simmons, Sylvester | \$1,697.14     | \$848.57            | Teamsters      |



|      |                |            |                 |            |            |            |
|------|----------------|------------|-----------------|------------|------------|------------|
| 2493 | Stevens, Linda | 02.05.2016 | Stevens, Terrel | \$2,064.74 | \$1,032.37 | Teamsters  |
| 613  | Myers, Richard | 12.04.2015 | Myers, Joan     | \$469.37   | \$469.37   | Local 2002 |

#### 4. Pop-Up Continued Retirements

| Ret No. | Beneficiary's Name | Date of Death | Retiree's Name | J&S Option | Benefit Amount | Union or Dept. |
|---------|--------------------|---------------|----------------|------------|----------------|----------------|
|         |                    |               |                |            |                |                |

*When beneficiary precedes Retirant in death, the monthly benefit "pops up" to what would have been the monthly Regular benefit amount (plus applicable COLA).*

#### 5. Recalculated Retirements

| Ret No. | Name | Effective Date | Reason For Change | New Amount |
|---------|------|----------------|-------------------|------------|
|         |      |                |                   |            |

#### 6. Disability Medical Re-Exams/Benefit Continuation

| Ret No. | Name | Reason | Benefit Amount | Union or Dept. |
|---------|------|--------|----------------|----------------|
|         |      |        |                |                |

#### 7. Refunds of Employee Contributions

#### 8. EDRO Benefits

| Ret No. | Name              | Alternate Payee | Reason              | Effective Date |
|---------|-------------------|-----------------|---------------------|----------------|
| 2252    | Contreras, Miguel | Molina, Marina  | Alt. Payee Deceased | 01.01.2015     |

### **RESOLUTION 16-051** By Gaffney, Supported by Nazarko

Resolved, That the Board approves and ratifies actions described in the Consent Agenda for March 30, 2016 as amended.

Yeas: 10 – Nays: 0

*Mr. Lofters returned to the meeting at 11:26 a.m.*

## **CONSULTANT**

### **Re: Gray & Company**

Mr. Lofters explained that going forward it is more cost effective for him to call into the GERS meetings. Gray & Company will still provide deliverables including the monthly flash report and the performance reports for the first and second quarters of 2016.

He provided an overview of the System's performance based on the February, 2016 flash report. The total fund value as of February 29, 2016 was \$436.3 million.

He described the various issues causing the volatility in the market including the Fed holding off on raising rates and the impact China has on global growth.

He reviewed the individual managers and their performance by asset class.

He also described the Fund's ranking versus the public fund universe. The Fund ranks with the best in the public fund universe consistently ranking in the top quartile and percentile.

As of March 28, 2016 the total fund value was \$448.1 million.

Timeline of Peritus Transition – Refer to Finance Subcommittee

Real Estate Presentation (Core and Value)

It was determined that the Board will review real estate investments once a new consultant is selected.

*Mr. Lofters left the meeting at 11:38 a.m.*

## **COMMITTEE REPORTS**

### **Re: Chairman**

Chairman Giddings discussed the agenda format and whether to revert back to the previous format.

There was discussion regarding the resolutions being written prior to the meeting.

Trustee Gaffney indicated she likes the more organic way, however she does not feel including pre-written resolutions inhibits the Board's ability to change the wording of the resolution.

It was determined the Board would continue with the new agenda format.

Mr. Giddings reported that Miss Munson had reimbursed the System for the reprinting of the 2014 Summary Annual Report.

Miss Munson told the Trustees that she normally takes full control of the process and this year she did not do that which is why she took responsibility for the cost of the reprint. She showed the Trustees samples of the original and reprinted 2014 SAR.

### Personnel Subcommittee

Trustee Bowman reported the Personnel Committee met on March 21, 2016.

The Committee determined that an RFP for legal services would be sent out based on the Board's service provider policy that indicates service providers will be reviewed every five years.

He explained that the Committee had looked at using Charters to determine the various responsibilities of Board and Staff. However, they are now looking at the Police & Fire Rules and Regulations as a way to streamline the process. Trustee Gaffney spent a lot of time putting together and editing the Charters.

The Committee approved the hiring of an Accounting Clerk for the Retirement Office.

He discussed the Committee's concerns regarding legal counsel's involvement in the mediation and that the City is looking to take the pension assets of the Fund to pay for City retiree healthcare.

He thanked Trustee Albritton for his time canvassing the Retiree Trustee election.

The non-spouse benefit issue was tabled.

The Committee reviewed the issue of overpayments to retirees and the use of an outside firm to recoup pension assets. Further review is required.

#### Finance SubCommittee

Chairman Giddings deferred to Miss Munson regarding the hiring of an accounting clerk.

Miss Munson indicated that the resolution previously approved by the Board was to hire a temporary accounting clerk for a maximum of thirty hours per week. She has identified a candidate that will be leaving a permanent position in order to take the temporary position. However she has asked for forty hours per week.

Miss Munson asked the Board to approve the increase in hours from thirty to forty hours per week.

She noted the billing rate for the accounting clerk would be \$41.00 per hour. The Committee approved a billing rate of \$38.00. The staffing company indicated that the accounting clerk's pay rate would be adjusted based on the decreased billing rate.

The Board determined that they would approve a billing rate of \$41.00 per hour.

#### **RESOLUTION 16-052** By Waterman, Supported by Moore

Resolved, That the Board authorizes the hiring of a temporary accounting clerk by the Retirement Office for up to forty hours per week at a maximum bill rate of \$41.00 per hour.

Yeas: 10 – Nays: 0

The Board discussed the temporary increase for Ms. Arndt. Ms. Arndt is responsible for additional duties because of the current office staffing level. The Board would like to give her a 5% temporary increase but a question was raised at the last regular meeting of whether those Trustees receiving compensation under Michigan PA 492 of 2012 could vote for an increase for Ms. Arndt since their compensation is tied to hers.

The attorney indicated that PA 492 was never intended to impede the normal operation of the System and she did not believe that it would be an issue for the those Trustees who receive the PA 492 compensation to vote for the increase to Mrs. Arndt.

There is not otherwise a majority of the Board who could vote to implement the will of the Board.

**RESOLUTION 16-053** By Gaffney, Supported by P. Waterman

Resolved, That the Board of Trustees approve a 5% temporary pay increase for Ms. Arndt retroactive to February 1, 2016.

Yeas: 9 – Nays: 0

Abs: (Arndt)

Trustee Bowman read the System's Service Provider and Consultant Review Policy dated September 17, 2003. He stated that - based on the policy - the Board has agreed to review bids for professional services every five years. He further described the policy.

Miss Munson read the resolution for the issuance of an RFP for legal services.

Trustee Gaffney felt the legal services RFP should be postponed while the Board works on the Investment Consultant RFP.

Trustee Moore questioned whether there are procedures in place that indicate how the GERS Board operates. He discussed how the Oakland County Board of Commissioners operated when he was a part of it stating that issues are brought to the Board and then referred to Committee. He felt that a process needs to be established to determine how issues are brought to the Board.

He indicated that there are new Board members and felt the issue should wait for those Trustees before moving forward.

The Chairman should not be able to put items on agenda. Order needs to be established on the Board.

Chairman Giddings stated this is how the Board has worked in the past. He questioned why the past practices need to be changed.

Trustee Moore discussed how the Board established committees and processes. He noted the Ad-Hoc Committee was formed as part of the process to hire a new Investment Consultant.

Trustee Bowman pointed out various issues including the budget and equipment purchases that came through the committee process to the Board.

There was further discussion regarding the RFP process.

Trustee Nazarko discussed how the legal fees have increased under the current firm versus the former firm. The billing of \$160,000.00 per year equates to the System's legal counsel working four hours per day every day on behalf of the System. He noted that it has been seven years since there was a review of the System's legal services provider.

There was continued Board discussion regarding the origination of agenda items at the committee level being brought to the Board.

**RESOLUTION 16-054** By Bowman, Supported by D. Waterman

Resolved, That the Board approves the issuance of a RFP for legal services and authorizes the Personnel Subcommittee to approve a timeframe for completion.

**Roll Call:**

|                         |                                |
|-------------------------|--------------------------------|
| Trustee Albritton – Nay | Chairman Giddings – Yea        |
| Trustee Arndt – Yea     | Trustee Moore – Nay            |
| Trustee Barnett – Yea   | Trustee Nazarko – Yea          |
| Trustee Bowman – Yea    | Trustee Deirdre Waterman – Yea |
| Trustee Gaffney – Nay   | Trustee Patrice Waterman – Nay |

Motion Passed: 6 Yeas – 4 Nays

Trustee Moore indicated he would like to deny the motion until the next meeting.

Trustee Moore made a motion to “Deny this motion and that we enter it this on the minutes of the next meeting” Trustee Barnett asked that the motion be repeated. Mr. Moore state “I move that we enter this motion on the minutes of the next meeting”

Chairman Giddings asked that someone explain the motion. Mr. Moore stated that all it requires is a second and this motion is suspended until the next meeting.

Trustee Albritton seconded the motion.

There was discussion of whether the motion was a valid parliamentary action.

Miss Munson asked Ms. Billings and Mr. Henzi their opinion. They both indicated that they did not know.

Mr. Moore assured the Trustees that it is a proper motion.

Mayor Waterman suggested moving forward with the agenda.

Miss Munson stated that legal should provide an opinion prior to the next meeting because the matter must be resolved.

**EXECUTIVE DIRECTOR**

Miss Munson thanked Trustee Albritton for his time serving as canvasser. She told the Board that she was very pleased with the turnout (470 votes were cast). She told the Board of the member who was so committed to voting that she came into the office on Good Friday to cast her ballot.

Miss Munson thanked the members for their participation and congratulated Ms. Swazer on winning the election.

She noted the list of 8 Intents to Respond to the Investment Consultant RFP included in the handouts. The Ad-Hoc will meet within the next two weeks to develop an evaluation process.

The annual letters to deferred members were mailed on March 17, 2016.

## **UNFINISHED BUSINESS**

### **Re: Adoption of Revised 2016 Expense Budget for Pontiac GERS**

**RESOLUTION 16-055** By Gaffney, Supported by Bowman  
Resolved, That the Board adopt the revised 2016 expense budget as presented.

Yeas: 10 – Nays: 0

**Re: Account Establishment with Transworld Systems** (Remove from Agenda)

**Re: Adoption of Board Charters** (Referred to Committee)

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## **NEW BUSINESS**

### **Re: Certify 2016 Trustee Election – Member Trustee - Janice Gaffney**

**RESOLUTION 16-056** By Moore, Supported by P. Waterman  
Whereas, a vacancy will occur on the General Employees' Retirement System Board of Trustees when the Member-Trustee term currently held by Janice Gaffney expires on March 31, 2016; and

Whereas, all City active, retired and deferred vested members of the System have been given the opportunity to file nominating petitions for the vacant Trustee term; and

Whereas, only one nominating petition has been filed for this vacancy;

Now, Therefore, Be it resolved that the Board of Trustees hereby declares that Janice, Gaffney, a retiree of the City of Pontiac, having met all requirements to serve as Member-Trustee, is officially re-elected to the office of Member-Trustee for a term beginning on April 1, 2016 and expiring on March 31, 2020.

Yeas: 10 - Nays: 0

### **Re: Certify 2016 Trustee Election – Retiree Trustee**

Miss Munson distributed election results to the Board of Trustees. The Retiree Trustee election results showed that Billie Swazer received the greatest number of votes and was duly elected to the office of Retiree Trustee of the General Employees Retirement System. Miss Munson requested that the Board approve a resolution to adopt the official election results.

**RESOLUTION 16-057** By Moore Supported by Waterman

Whereas, a General Election for Retiree Trustee to the Board was conducted on March 28, 2016; and

Whereas, the official results of the election have been canvassed and hereby certified by the Board of Trustees, and

Therefore, Be it resolved that the Board of Trustees hereby declares that Billie Swazer, a retiree of the City of Pontiac General Employees' Retirement System, having met all requirements to serve as Retiree Trustee, is officially elected to the office of Retiree Trustee for a term beginning on April 1, 2016 and expiring on March 31, 2020.

Yeas: 10 – Nays: 0

*Trustee Arndt left at 11:13 a.m.*

**Re: Business Insurance Renewal**

Miss Munson requested that the Board approve the renewal of the business insurance policy with The Hartford for the period of April 11, 2016 through April 11, 2017 as recommended by the Finance Subcommittee.

**RESOLUTION 16-058** By D. Waterman, Supported by Gaffney

Resolved, That the Board approve the renewal of the Business Insurance Policy with the Hartford for the period of April 11, 2016 through April 11, 2017.

Yeas: 9 - Nays: 0

**Re: Postage Machine Lease Renewal**

Miss Munson reported that the Finance Sub-committee has recommended that the Board approve the renewal of the postage machine lease for a period of three years.

**RESOLUTION 16-059** By P. Waterman, Supported by Bowman

Resolved, That the Board approve the renewal of the postage machine lease for a period of three years.

Yeas: 9 – Nays: 0

**Re: Actuarial Review of Non-Spouse Benefit Payment Amounts**

Miss Munson explained that the actuarial software calculates the pension benefits for retirees. The finance sub-committee has had discussions on the calculation of the amount of the reduction of a benefit for non-spouse beneficiaries.

*Trustee Arndt returned at 11:18 a.m.*

There were 14 members who selected non-spouse beneficiaries in the past 2 years. Of those, seven had opted to leave a benefit to that non-spouse beneficiary. Nyhart has indicated they will review the calculations for a total cost of \$1,000.00.

Trustee Gaffney questioned whether this would require a supplemental valuation under Public Act 314.

Ms. Billings indicated that it did not.

**RESOLUTION 16-060** By Nazarko, Supported by P. Waterman

Resolved, That the Board approves the expense for the actuary to review seven (7) non-spouse benefit amounts.

Yeas: 10 – Nays: 0

**Re: Resolution for Charlie Harrison**

Miss Munson read the resolution prepared to honor former Chairman Harrison's service to the Retirement System.

Trustee Deirdre Waterman spoke about Chairman Harrison's position as State Representative where he was an advocate for the City of Pontiac. Even with health challenges he is someone who represents the best of Pontiac.

Trustee Bowman told the Board that Chairman Harrison took the helm of the System during turbulent times.

Trustee Moore said the remarks and resolution reminds him of a wake. Charlie was a Trustee on the Board for sixteen years and the Chairman for ten years. This is no way to treat a person who served the System.

Trustee Nazarko thanked Chairman Harrison for his service, his work and his contribution to this Board. He indicated that he is welcome back to the Board anytime. This is not a wake. He valued Chairman Harrison's input and contributions to the Board. He also noted that the System spent a lot of money to educate the former chairman. He noted how he assisted Chairman Harrison when he had a misunderstanding with the City. He is proud to say that he helped Chairman Harrison stay on the Board.

Chairman Giddings stated that the resolution was is no way intended to slight Charlie. He asked for suggestions on how to celebrate Charlie's service to the System.

**RESOLUTION 16-061** By P. Waterman, Supported by Gaffney

Whereas, Charlie Harrison, III has served as a Trustee on the City of Pontiac General Employees' Retirement System pursuant to the applicable Retirement System provisions since 2001 and as Board Chair since April 2006 and

Whereas, Charlie Harrison, III displayed an understanding of the fiduciary responsibilities a Trustee must have to serve the members and beneficiaries of the Retirement System, and



Whereas, Charlie Harrison, III carried out his fiduciary responsibilities with dedication, scholarship and many long hours in volunteer service on behalf of the Board and the members and beneficiaries of the Retirement System, and

Whereas, Charlie Harrison, III exhibited endless energy in discharging his responsibilities as Chair and was instrumental in the System's smooth transition after the sudden untimely passing of former Executive Director, Ellen Zimmermann, therefore be it

Resolved, That the Board of Trustees, on behalf of itself and all concerned, hereby expresses its gratitude and appreciation to Chairman Harrison for his extended service and leadership as a Trustee and Chair and be it further

Resolved, Charlie Harrison, III shall be forever remembered for the numerous contributions he has made to the Retirement System and the community, and be it further

Resolved, That the Board of Trustees, on behalf of all the aforementioned parties, says "Thank you for the years of sacrifice of your time and energy on behalf of the Retirement System and its members."

Yeas: 10 – Nays: 0

**Re: Asset Reconciliation – Oppenheimer Liquidation**

Chairman Giddings reported that the Finance Sub-committee met with Kathleen Colin and Behzad Mansouri from Oppenheimer regarding the liquidation of the Peritus high yield portfolio. The liquidation had been temporarily stopped pending the Committee's review. The Committee was satisfied with the report from Oppenheimer regarding the liquidation process. The Finance Sub-committee is recommending Oppenheimer resume the liquidation of the Peritus high yield portfolio.

**RESOLUTION 16-062** By Gaffney, Supported by P. Waterman

Resolved, That the Board ratifies the Chairman's signature on the Northern Trust asset reconciliation.

Yeas: 9 – Nays: 0

Abs: 1 (Trustee Nazarko)

Mr. Giddings stated that – going forward – we are going to have more clear-cut directives and procedures as to what exactly we're doing when we liquidate or transition securities because this took six months before the transition from Peritus to Brandywine actually occurred.

Mr. Giddings referred to the correspondence from Attucks' regarding the termination of Herndon and National City Rochdale. They are required to notify the Board of changes to the underlying portfolios. Mr. Giddings noted that Attucks could choose to utilize a transition manager but the System would pay the costs.

Mr. Giddings described the recent decision with Herndon where Attucks was going to use a transition manager but decided not after further discussions with the custodian and Miss Munson.

He stated that it is just one of those things of which we have to be careful. It is not unusual. When Gray & Company was the manager-of-managers it was the same case.

Mr. Giddings informed the Board that we had received some guidelines on what an email policy should contain. We do need to put some procedures in place but it has been tabled for now.

## **Legal Report**

### Kelly Services Customer Services Agreement

Ms. Billings reported that she reviewed the Kelly Services Customer Services Agreement directed by Miss Munson. She was notified the Retirement Office did not utilize Kelly Services for temporary services.

### Hardaway Beneficiary Nomination

Ms. Billings provided a review of the correspondence sent to Ms. Hardaway indicating that a member can only nominate a beneficiary who has an insurable interest in the retirant's life. The Executive Director will follow up with Ms. Hardaway.

### Durable Power of Attorney for Joan Myers

Ms. Billings reported that she reviewed the Power of Attorney for Joan Myers. This is for the Trustees' information.

### Robbins Geller February 2016 Monitoring Report

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

### Employer Email Review/Confidentiality Policy

Ms. Billings reported this issue is currently being reviewed at the Committee level.

### Systems "Application of the Michigan Reciprocal Retirement Act

Ms. Billings reported that she was asked to review the Michigan Reciprocal Retirement Act and the method used to determine if a member is eligible for a retirement benefit. The Retirement Office currently uses full-time employment versus service credit.

### Official Memorandum from Deborah Munson Interim Executive Director dated March 15, 2016

### 2015 Legal File

Ms. Billings reported she has provided a reconstructed copy of the 2015 legal file per Miss Munson's request.

Chairman Giddings indicated this is one of the files that were missing from the Retirement Office.

### Big Lots Securities Litigation

Ms. Billings indicated that the Court has denied the defendant's motion to dismiss. The litigation is moving forward with the discovery phase.

Trustee Moore stated the letter sent to legal counsel is a witch hunt. This is no way to treat people who have served the System well.

Ms. Hasson asked if the Attorney General ever provided an Opinion regarding the 420 Transfer.

Trustee Moore asked how the questions in the memorandum sent to Ms. Billings came up.

Chairman Giddings indicated they came from the Personnel Committee.

Trustee Bowman indicated that questions were brought forward by the Personnel Committee. He asked if Trustee Moore had an issue with the Committee bringing forth the questions. The Committee asked the Interim Executive Director to send out an email regarding any questions they may have for legal counsel. Very few Trustees responded. This was a way to streamline the questions coming up in Board meetings. Everyone had an opportunity to respond.

Ms. Billings read her response to the seventeen questions posed to her in correspondence sent from Miss Munson on March 15, 2016. For the convenience of the Trustees she restated the questions and provided her responses.

1. In your role as Counsel to the GERS Board, have all the necessary and appropriate steps been taken in handling the resignation of the former Executive Director, Cecelia Carter. If not, what advice or opinion have you given the Board that you feel is necessary to protect the board?

**RESPONSE:**

As Matt Henzi and I discussed with the Board at the February 24, 2016 meeting, we would have recommended that the Board obtain a release from Ms. Carter prior to her termination. In addition, we also discussed the issue with the votes that were taken during the February 1, 2016 special board meeting.

2. Explain why your billing is seven times higher than the previous firm retained by the Board.

**RESPONSE:**

Sullivan Ward's hourly rate for General pension matters is \$150.00 per hour. This rate has not changed since 2008. Since Sullivan Ward was retained by the Board, the nature of legal services needed by the System drastically changed, due in part to the City's distressed finances and the State's appointment of three different emergency managers. Many novel legal issues were addressed including, but not limited to partial plan termination, the privatization of the GERS Board/Staff and Internal Revenue Code 420 Transfers to pay for retiree healthcare. There have been numerous complex litigation matters including CAPROC, Onyx and Nexos. All of our invoices are detailed down to 1/10<sup>th</sup> of an hour. Further, we have never seen prior counsel's invoices and cannot compare the services provided in order to fully respond.

3. What is the value of you attending every meeting including committee meetings and agenda review? Do you think your attendance at all the Board's meetings is necessary to our functioning as a Board and, if not, what advice have you given to the Board to modify this procedure?

**RESPONSE:**

We do believe there is value in attending Committee and Trustee meetings including agenda review. However, we serve at the pleasure of the Board. If the Board does not desire our attendance at these meetings we will comply with the Board's direction.

4. It has been brought to some Trustees' attention that minutes of the Board meetings have been regularly sent to you for review prior to being reviewed by the Board for approval at the next meeting. Why is that necessary? Do you recall any substantive changes that you have made to the minutes in the past two years prior to the draft being submitted to the Board for approval?

**RESPONSE:**

We do believe that it is important for legal counsel to review minutes. However, any and all changes suggested by legal counsel were always made in redline with final approval resting with the Executive Director/Recording Secretary.

5. Prior to her resignation, the former Executive Director, Cecelia Carter had implied some inappropriate usage of the credit cards that have been distributed to Board members for educational purposes. Are you aware of any such inappropriate use? If such inappropriate use were documented, what do you feel would be your responsibility to disclose that to the Board and render an opinion about the need for Board action?

**RESPONSE:**

Legal counsel does not currently review Trustees' credit card statements. This matter has historically been the responsibility of the Executive Director. However, Interim Executive Director Deborah Munson showed me a spreadsheet indicating that certain Trustees had personal expenditures on their credit cards in 2014 (when she was the Interim ED) and 2015 (when Ms. Carter was ED).

On February 8, 2016, Miss Munson advised me that Trustees Harrison and Bowman had personal expenditures on their credit cards in 2014 but they had both repaid the System. She also stated that Trustee Harrison had an outstanding expenditure from 2015 for a car rental that he used to transport other GERS Trustees including Trustees Arndt and Giddings while they were at a conference. She indicated that she was unable to pay this expenditure pursuant to past practice without Board resolution approving same. I advised Miss Munson that pursuant to the Trustees' expense policy, car rentals are an acceptable expenditure and do not require specific Trustee approval. Miss Munson also advised me that in 2015 Trustees P. Waterman and Nazarko had incurred expenditures for gasoline while attending conferences. Both of these expenditures were immediately repaid.

6. You were assigned to attend the OPEB mediation sessions on behalf of the GERS Board as an observer since the Board is not a party in the litigation. Is there any other role you have played in regard to the mediation and do you stand to gain any financial interest from it?

**RESPONSE:**

The parties to the Mediation are considering the concept of terminating the City of Pontiac General Employees' Retirement System ("GERS") and transferring its assets to an entity that will assume the pension obligations, plus a cushion, with the expectations that excess funds may be used to pay health benefits to existing GERS retirees and others as explained below. The City proposed to use MERS as the vehicle to achieve this result.

The undersigned was requested by the mediator to provide an opinion on a very technical issue, as to the ability of the City of Pontiac to terminate GERS and transfer its assets to another city-sponsored pension plan that would assume the pension liabilities of the existing GERS plan, with the expectation that funds in excess of the amount needed to satisfy that liability plus a cushion, may revert to the City to be used to pay health benefits to existing GERS' retirees.

It was my opinion that the City of Pontiac (with union and IRS approval) could terminate the GERS Plan and establish a new, locally controlled defined benefit plan. Further, excess assets could revert to the City, provided the GERS Ordinance is amended to allow for a reversion. I recommended that if the parties pursued this option, that the GERS Plan be submitted to the IRS for a Determination Letter on its termination and at the same time, the replacement plan be submitted to the IRS for its initial tax qualification letter.

The current proposed settlement being negotiated would create a new VEBA Trust funded by the excess funding created by the termination of the GERS System and 100% of the Police and Fire VEBA assets. This new VEBA would provide benefits for all retirees eligible for health care.

The current proposed settlement being negotiated would create a new VEBA Trust, funded by the excess funding created by the termination of the GERS System and 100% of the Police and Fire VEBA assets. This new VEBA would provide benefits for all retirees eligible for health care.

I did not bill GERS for this legal research and opinion. If the litigants agree to implement this process and retain our firm to assist, we would charge an hourly fee.

7. How have you fulfilled your ethical obligation to inform the Board of any potential conflicts of interest that either you or your firm may have in representing the GERS Board?

RESPONSE:

As discussed at the February 24, 2016 Board meeting, neither myself nor Sullivan Ward have any potential conflicts of interest in representing the GERS Board.

8. What was the intended purpose of both you and Attorney Matt Henzi attending the February, 2016 GERS Board meeting which was a variation from your usual and customary procedure? Generally, you have been capable of giving the litigation report. What was different about the February report?

RESPONSE:

As stated during the February meeting, Mr. Henzi attended largely due to the number of issues that had come up between the January and February 2016 meetings. The only reason he presented the litigation report was because he had the most recent involvement in it; otherwise, I would have presented that report

9. Why was the former Executive Director's telephone call with Matt Henzi on 10/01/15 regarding the Roy Dixon sentencing billed at the litigation rate of \$250 per hour? (Follow-up from January)

RESPONSE:

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Litigation matters including the Onyx matter are billed for partners at a rate of \$250.00 per hour.

10. Why was GERS billed .2 of an hour from Matt Henzi on October 1, 2015 for "Review of Change of Internal Control Notification from Bogdahn Group?"

RESPONSE:

This was inadvertently billed to GERS instead of the Police and Fire System. We will credit the System the \$30.00 that was inadvertently billed.

11. You indicated at the March 7, 2016 special meeting that you did not have time to research the other question that was asked of you with respect to the Oppenheimer matter. What is your opinion of the action taken by the former Executive Director to turn over control of the securities in the Peritus portfolio to Oppenheimer for liquidation without having secured any agreement between the System and Oppenheimer? Would you please describe any risks to the System by not having an agreement?

RESPONSE:

It is my understanding that the former Executive Director issued a letter of direction appointing Oppenheimer as an execution only broker/dealer under the recommendation of the Investment Consultant. As stated by Oppenheimer at the March 23, 2016 Finance Committee meeting, it is their position that the letter of direction to Northern Trust listing them as the execution broker along with the verbal instruction from the Executive Director was an agreement. In order to evaluate the risks of that agreement, I would request input from the Investment Consultant or another investment expert. If the Consultant or another investment expert can show that Oppenheimer was negligent in their duties as execution only broker/dealer, the Retirement System should pursue recourse against them.

12. The Trustees resolved at that special meeting to continue with the liquidation of the Peritus portfolio and even to use Oppenheimer if an agreement could be secured. Subsequent to the meeting, Oppenheimer refused to sign off on the post-trade reconciliation of the remaining portfolio. Do you see any potential conflicts or concerns for the System if it pursues an agreement with Oppenheimer to continue the liquidation in light of this?

RESPONSE:

At this time, I do not know what it means "to refuse to sign off on the post-trade reconciliation of the remaining portfolio." I would request clarification from the consultant. However, at the March 23, 2016, Finance Committee meeting, the Consultant stated that Gray and Company had previously provided a written recommendation to continue using the expert services of Oppenheimer as the execution broker and that they still stand by that recommendation. If a different agreement is entered into with Oppenheimer, it should not limit Oppenheimer's liability for any past transactions in this particular liquidation process.

13. Your conclusion in your March 7, 2016 legal opinion, "Based on the above, it appears that the assets were being transitioned out of Peritus under the guidance of the Investment Consultant as requested by the Board through Resolution 15-024." That resolution was from April 2015 and authorized the transfer of the assets from Peritus to an index fund. The assets were not transferred to an index fund and no further action was taken with respect to transferring them

until November 2015. What is your opinion of the failure of the former Executive Director to implement the directive of the Board to transfer the assets to an index fund in April 2015?

RESPONSE:

To date, I have not been provided any information to show that the former Executive Director failed to implement the directive of the Board. Generally speaking, these matters would be handled by the Investment Consultant. Inasmuch as the resolution states, "Resolved, that the Board authorized the termination of high yield manager Peritus Capital Management and to transfer the assets to an index fund under the guidance of the Investment Consultant," I would defer to the Consultant with respect to this matter.

14. Email(s) have been presented to the Board establishing that you wrote to Council President Waterman stating that you drafted letters to the RTAB and the Pontiac City Administrator challenging the RTAB's authority to confirm Council appointments to the GERS Board and insisting on the eligibility of Charlie Harrison and Kone Bowman to continue to serve on the Board. You have now changed your opinion to the Board and have stated Kone Bowman is not eligible. Explain this change and the apparent conflicting opinions.

RESPONSE:

I have never given an opinion that Kone Bowman is not eligible to continue to serve on the Board. My opinion has always been that he continues to serve until his replacement is appointed and qualified. At the February, 2016 meeting Mr. Henzi and I took the position that he should continue to participate.

15. In relation to question above, how do you explain the conflict in your role of authoring and giving advice to the Council in this controversial matter which was not the direction or in the interest of the full board?

RESPONSE:

There was no legal conflict in my providing this assistance to Council.

16. The Board had voted to terminate the Peritus high yield holdings in April, 2015 but this resolution was not executed until November, 2015. The Fund has realized a \$3.6 million loss from this transaction which has now come under closer scrutiny. From the research that you have done on this matter, what was (were) the reason(s) for this delay and, in your opinion, did the Fund suffer additional loss because of this delay?

RESPONSE:

I would defer to the System's Investment Consultant with respect to this matter.

17. Our investment manager resigned from renewal of his contract with the Board after what you termed "a failure to disclose" while he was on "watch status" that the Board had assigned you to monitor. Explain your reasoning that the GERS Board had no authority or responsibility to report this sequence to the SEC by which Gray & Company is now under investigation for allegedly a similar complaint from another pension fund.

RESPONSE:

I believe the reference to “investment manager” in your above question is meant to be the “investment consultant.” To the extent your question suggests he resigned as a result of my opinion, the consultant made it clear in his resignation letter that he was resigning for other reasons. Further, I did not tell the Board they had no authority or responsibility to report this matter to the SEC. I advised the Board that because they did not enter into the investment, they did not incur damages as a result of the consultant’s lack of disclosure concerning his affiliation with the investment.

Ms. Billings explained that she did not have the authority from the Federal Magistrate until March 28, 2016 to provide the information with regard to question seven.

Trustee Deirdre Waterman indicated she submitted several questions in the letter. She asked Ms. Billings if the minutes are still being censored.

She also asked if Ms. Billings has an opinion regarding the City’s legal opinion.

She questioned Ms. Billings' participation in the OPEB mediation and also questioned whether she was there on behalf of the System based on her opinion on how the System could be dismantled.

She also noted that it has been stated that the City has been pushing for a State takeover of the Pension System. They have never considered moving the System to MERS or a State takeover.

Trustee Moore indicated that the mediation is between CPREA and the City.

Mr. Henzi indicated it has never been indicated how the local option came up. They are not aware of what is discussed in secret. Mr. Dryker has considered the concept of terminating the City of Pontiac General Employees' Retirement System ("GERS") and transferring its assets to a new local entity. A new VEBA Trust will be created with the excess GERS funds combined with the P&F VEBA. The funds will be used to pay health benefits to existing GERS and Police & Fire retirees.

The Mediator did not tell Sullivan Ward what to disclose to the GERS Board. He also noted that the City Attorney’s memo does not say that Sullivan Ward has a conflict of interest. It is important for everyone to know that the City’s Attorney is indicating that there could be a conflict regarding their representation of both Systems.

Trustee Bowman stated this is not in the best interest of the System. If the funding level decreases the City would have to meet the pension obligation. And, if the City cannot make the contribution it would be put on the backs of the taxpayers.

Mr. Henzi stated the City would be incentivized to put enough money in the new System so they could make it through three 2008 market downturns.

There was discussion regarding who would designate the Board composition for the new System. It was not determined who would appoint the new Trustees on the Board. It was noted that all groups would be represented.



Trustee Arndt confirmed that the only Police & Fire System that would be terminated would be the Police & Fire VEBA in order to create one VEBA Trust for both GERS and Police & Fire. The Police & Fire Retirement System would not be affected by these changes and would remain intact.

Trustee Bowman stated based on the funding level of the Police & Fire VEBA they would be more than willing to join a new VEBA in order to preserve their benefits.

*Trustee Bowman left at 1:47 p.m.*

There was also discussion regarding the Peritus investment termination and liquidation. By not moving the assets into an index fund as directed by the Board at the April, 2015 meeting, the investment experienced realized losses of \$3.8 million or 18% of the portfolio prior to the liquidation process. The questions was also raised as to whether legal counsel should have made the Board aware that their directive to move the Peritus assets into an index fund was not followed which resulted in the realized losses.

Ms. Billings indicated that investment issues are the responsibility of the Investment Consultant.

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#### **SCHEDULING OF NEXT MEETING/ADJOURNMENT**

Regular Meeting: Wednesday, April 27, 2016 @ 10:00 a.m. – Retirement Office

**RESOLUTION 16-063** By D. Waterman, Supported by Nazarko

Resolved, That the meeting of the Board of Trustees of the City of Pontiac General Employees' Retirement System be adjourned at 2:00 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 March 30, 2016

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*As recorded by Jane Arndt*