

**CITY OF PONTIAC MICHIGAN
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES
JUNE 19, 2019**

A meeting of the Board of Trustees was held on Wednesday, June 19, 2019, at the Pontiac General Employees' Retirement System, 2201 Auburn Rd., Suite B, Auburn Hills, MI 48326. The meeting was called to order at 10:00 A.M.

TRUSTEES PRESENT

Sheldon Albritton, Vice-Chair (*telephonically*)
John Balint
Robert Giddings
Walter Moore, Chairman (*telephonically*)
Billie Swazer
James Walker (*arr. @ 10:26 a.m.*)
Patrice Waterman, City Council

OTHERS PRESENT

Mehdi Al-Hassan – Plante Moran
Cynthia Billings-Dunn, Sullivan, Ward, Asher & Patton
Claudia Filler - Retiree
Joe Kowalski – Plante Moran
Deborah Munson, Executive Director
Kristy Neumann, Executive Assistant
Manju Patnaik – Plante Moran
Linda Watson – City Retiree

TRUSTEES ABSENT

Deirdre Waterman, Mayor
John White - excused

Chairman Moore opened the meeting at 10:02 A.M.

PUBLIC COMMENT

Linda Watson asked questions regarding the accounts payable and the retiree payroll.

REQUEST FOR SUPPLEMENTAL ACTUARIAL ANALYSIS AND EXPERIENCE STUDY

Chairman Moore reported that Samantha Kopacz contacted the System and indicated that the Mayor has requested that Ms. Kopacz's presentation be tabled until July.

RESOLUTION 19 – 068 By P. Waterman, Supported by Swazer

Resolved, That the Board approves to table the City's requests for a supplemental actuarial analysis using the alternate assumptions: 3.5% rate of return and Pub-2010 Public Retirement Plans Mortality Tables and an Experience Study.

Yeas: 6 – Nays: 0

2018 AUDIT PRESENTATION

Joe Kowalski - Partner, Plante Moran
Manju Patnaik – Manager in Charge of Plan, Plante Moran

Mr. Kowalski and Ms. Patnaik introduced themselves. Ms. Patnaik presented the Independent Auditor's Report for 2018 which contains their formal opinion of the financial statements. She stated that they were

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able to issue an unmodified opinion. Ms. Patnaik presented the MD&A, which contains management's comments about the financial statements. She reviewed the Statement of Fiduciary Net Position which was \$454,173,920 as of December 31, 2018. The Net Position at the beginning of the year was \$506,436,677 and the System had losses and/or deductions which totaled (\$52,262,757) for the year. She reviewed the rest of the report including what would be reported as the City's net pension asset as well as a review of the System's actuarial assumptions and how they impact the reported numbers.

James Walker arrived @ 10:26 a.m.

Mr. Kowalski presented the Letter to the Board which includes Required Communications. He noted that they did not discover any internal control deficiencies or experience any difficulties in performing the audit. He reported that there were no disagreements with management, no corrected or uncorrected mistakes and no significant findings. He said that the System was prepared for the audit and thanked the staff for their assistance.

RESOLUTION 19 – 069 By P. Waterman, Supported by Swazer

Resolved, That the Board approves to receive and file the 2018 Audited Financial Statements as presented by Plante Moran, and, further resolved that the Board directs the Executive Director to provide a copy of the 2018 Audited Financial Statements to the City.

Roll Call:

Albritton – Yes	Swazer – Yes
Balint – Yes	Walker – Yes
Giddings – Yes	P. Waterman – Yes
Moore – Yes	

AGENDA CHANGES

Miss Munson requested that New Business be amended to add two resolutions. The first is a resolution to waive the Training & Education Policy reimbursement requirement for Chairman Moore; the second is to waive it for Trustee Patrice Waterman. She requested that the Consent Agenda be amended to approve Chairman Moore's attendance at the ValueEdge conference.

RE: Resolution to Approve Waiver to Training & Education Policy Reimbursement Requirement

RESOLUTION 19 – 070 By Swazer, Supported by Balint

Resolved, That the Board approves to waive the reimbursement requirement of the Training & Education Policy for Chairman Moore's NASP cancellation fee and Patrice Waterman's baggage receipt.

Yeas: 7 – Nays: 0

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Trustee P. Waterman requested that the May 29, 2019 meeting minutes be amended reflect that Linda Watson and Kathy McNally were in attendance.

APPROVAL OF CONSENT AGENDA

- A. Approval of the Minutes of the Regular Board Meeting held on May 29, 2019
- B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date June 26, 2019 TOTAL PENSION PAYROLL	UNAVAILABLE
Staff Pay Date June 6 & 20, 2019 TOTAL STAFF PAYROLL	\$21,477.74

- C. Communications
 - FOIA Request to/from Ballard Spahr: June 3, 2019
 - FOIA Request from/to Public Plan IQ: June 6, 2019
 - Correspondence from Wellington RE: Dealing Terms
 - Invesco Investor Conference: September 18, 2019 (New York, NY)
- D. Financial Reports
 - Accounts Payable: June 2019
 - Dahab Associates Preliminary Report: May 2019
 - Statement of Changes: April 2019
- E. Private Equity and Real Estate Capital Calls & Distributions
 - American Realty Strategic Value Fund Capital Call: June 27, 2019 \$556,000
 - Mesirow Fund IV Distribution: May 30, 2019 \$75,000

- F. Retirement Benefits
 - 1. New Retirements

RETNO	NAME	EFFECTIVE DATE	AMOUNT
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Bold type entry indicates Reciprocal service credit

- 2. Terminated Retirements

RETNO	NAME	DATE OF DEATH	BENEFIT AMOUNT
1041	Newton, Evelyn	4/12/2019	

- 3. J&S Continued Retirements

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RETNO	RETIREE	DATE OF DEATH	SURVIVOR	AMOUNT
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4. Re-calculated Retirements

RETNO	NAME	EFFECTIVE DATE	REASON FOR CHANGE	NEW AMOUNT
2826	Brady, Rochelle	1/1/2018	Final	
2897	Campbell, Allen	5/1/2019	Final	
2892	Fortune, Mary	1/1/2018	Final	
2890	Luther, David	1/1/2019	Final	

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

5. Disability Medical Re-Exams/Benefit Continuation

RETNO	NAME	REASON
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6. Refunds of Employee Contributions

RETNO	NAME	REASON	AMOUNT
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RESOLUTION 19 – 071 By P. Waterman, Supported by Swazer

Resolved, That the Board approves and ratifies the actions described in the Consent Agenda as amended for June 19, 2019

Yeas: 7 – Nays: 0

CONSULTANTS

RE: IPS Amendment

Mr. Roth presented the red-line copy of the revisions to the System's Investment Policy Statement. He reviewed the revisions to the cover page and pages 9 and 11 to reflect the changes the Emerging Manager Program which were approved at the May 29, 2019 meeting.

Trustee Albritton noted that originally \$12 Million was earmarked for allocation to three debt/value-add managers. He asked whether there is still an additional amount to allocate to the asset class since only two of the managers will be funded. He asked whether the System has met its target allocation for real estate.

Mr. Roth responded that the target and actual allocations are simply a function of the market. The System had in excess of \$500M when the \$12M was originally calculated as being 10% of the Fund. The Fund is now down to approximately \$480M. He noted that the target allocation is 10% and the actual allocation

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is approximately 9.6% based on current market values. If the equity markets increase in the future, the Fund will pull money out of equities and put it into real estate. Dahab will continue to monitor and recommend adjustments in the future.

RESOLUTION 19 – 072 By P. Waterman, Supported by Swazer

Resolved, That the Board approves to amend the Investment Policy Statement Asset Allocation as recommended by the Consultant:

Equity		60%	(Permissible Range) 50-65%
All Cap	Russell 3000	12%	8 – 15 %
Large Cap	Russell 1000	11%	8 – 14 %
Mid Cap	Russell Mid-Cap	16%	12 – 20 %
Small Cap	Russell 2000	11%	8 – 14 %
International	MSCI ACWI ex-US	5%	3 – 7 %
Emerging Markets	MSCI Emerging Markets	5%	3 – 7 %
Core Fixed Income	Bloomberg Barclays US Aggregate	25%	20 – 30 %
Real Estate	NCREIF ODCE	10%	7 – 10 %
Private Equity	Cambridge Private Equity	5%	3 – 7.5%
Cash		0%	0 – 5 %

Yeas: 7 – Nays: 0

RE: Periodic Rebalancing

Mr. Roth reviewed the rebalancing spreadsheet which includes market values as of June 10, 2019. The report includes an adjustment to raise cash to cover the American Realty capital call in the amount of \$556,000.

RESOLUTION 19 – 073 By P. Waterman, Supported by Swazer

Resolved, That the Board approves the Consultant's recommendations to rebalance the portfolio by transferring \$3,278,000 each from Kennedy Capital and Loomis, Sayles to provide for benefits and operating expenses.

Yeas: 7 – Nays: 0

Preliminary Performance Report – May 2019

Mr. Roth presented the preliminary performance summary as of May 31, 2019. The Fund's market value was \$479,062,993. Fund performance for the month was -3.5%; -1.1% QTD, 8.0% YTD; 1.8 one-year; 8.0% three-year performance; 6.0% five-year performance; 10.1% ten-year performance and 8.1% since inception.

REPORTS

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Personnel & Administrative Committee

Chairman Moore reported that the Personnel & Administration Committee did not meet this month. He announced that Trustee Gaffney has resigned from the Board. He announced that he has appointed Trustee Swazer as the committee's new Chair.

Finance Committee

Miss Munson reported that the committee had reviewed the items which were disposed of under the Consultant's section

Bloomfield Capital Fund V Update

Miss Munson reported that the committee reviewed correspondence from Bloomfield Capital which was the third real estate firm to whom the Board had committed \$4M. The finance committee directed at the last meeting that she follow up with the manager to request a written response as well as their disclosures. The manager notified the System that they are declining an investment at this time.

GrayCo Alternatives I 2018 Audited Financial Statements

Miss Munson reported these statements are included in the agenda for informational purposes and she will forward the underlying fund commentary as soon as it is available.

Correspondence

Miss Munson reported that the committee reviewed the correspondence included in the Consent Agenda.

Asset Transition Update

Miss Munson confirmed that the assets had been successfully transferred to the Piedmont mid-cap index fund and that Dahab would be providing a post-trade analysis at the July meeting.

She referenced the initial capital call notice from American Realty.

She reported that Terracap had sent a notice that they would be calling their capital but she had just received an updated email that the capital call will be postponed.

She reported that the Northpointe investment agreement review is moving along smoothly. She had a few additional questions which she has sent to the attorney.

She reported that there was a miscommunication about the Seizer investment. We understood that by graduating Seizer from the manager-of-managers program, Seizer would continue to manage the assets in the same fashion as a separately managed account for a certain fee. That fee schedule that was presented to the Board is not for a separately managed account – it is for a commingled fund. A separately managed account would cost 10 bps more. She has received the investment documents for both types of accounts and she and the attorney will provide a summary to the finance committee next month.

Trustee Patrice Waterman expressed hesitation about moving forward if Seizer is proposing a change after the Board had approved the graduation.

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Ms. Billings-Dunn confirmed that Seizert will offer a separately managed account, but it would be at a fee rate that is higher than what is currently paid for the manager-of-managers program.

Mr. Roth confirmed that it was Dahab that did not communicate to the committee that the fee is for a commingled fund. Their discussions with Seizert were more focused on getting the best possible fee structure for the System. They believe Seizert is a good firm and their opinion of this investment won't change whether the Board decides to invest with Seizert through a separately managed account or the commingled fund.

Chairman Moore summarized by stating that the attorney, the consultant and the Executive Director would review and summarize the various investment options for the finance committee. This matter will then be brought back before the Board for a decision

Funding Policy

Miss Munson reported that the Finance Committee received a first draft of the proposed Funding Policy.

Duty-Disability Member Determined to Be No Longer Disabled

Miss Munson reported that the committee reviewed the Medical Director's report and are recommending that the Board reclassify the member as non-disabled. The member's CBA requires that – once the member exhausts the System's appeal process – the member is required to report to the City. The member's disability pension cannot be revoked until the City determines that the member is capable of returning to work.

Trustee Swazer confirmed that the member continues to receive his pension during the appeal process.

Trustee Walker confirmed that the Bloomfield Capital correspondence would be sent to the full Board.

Trustees

None

EXECUTIVE DIRECTOR REPORT

GrayCo Alternatives I 2018 Audited Financial Statements – See Finance Committee

Disability Annual Procedures Monthly Report

Miss Munson reported that there are there are two members requiring re-examination and both have been scheduled for July. She reported that the annual Income Verification Initial Notices were mailed on June 10, 2019

Asset Transition Update – See Finance Committee

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Final Benefit Calculations

Miss Munson reported that final benefit calculations had been completed for all members who retired between January 2018 through May 2019.

UNFINISHED BUSINESS

None

NEW BUSINESS

RE: Resolution to Reclassify Disabled Retiree

Miss Munson summarized the re-examination and appeal processes. She said that a letter will be sent to the member notifying him of the Board's action. The member has ten days from the date of the letter to file an appeal. The City is provided regular updates of each step in the process but no action is required on their part at this time.

There was additional discussion.

RESOLUTION 19 – 074 By P. Waterman, Supported by Walker

Resolved, That the Board approves to terminate the member's disability classification and to reclassify the member as non-disabled, subject to the appeal process.

Yeas: 7 - Nays: 0

RE: Resolution to Schedule the Annual Meeting

RESOLUTION 19 – 075 By Balint, Supported by Walker

Resolved, that the Board will hold its Annual Meeting on Tuesday, October 29, 2019

Yeas: 7 - Nays: 0

RE: Resolution to Approve Member-Trustee Election Calendar

Miss Munson noted that the Ordinance requires that vacancies are filled within ninety days of occurrence. The proposed calendar would have the Board certify the election results at their August 28, 2019 meeting.

Trustee Swazer reported that she sent an email suggesting that the Election Calendar be posted to the website, that all correspondence be retained permanently – including returned mail and that members be required to print and sign their ballot envelopes.

Notice of Vacancy Mailed to Members
Candidate Statement Deadline

Friday, June 28, 2019
Thursday, July 25, 2019

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Deadline to Withdraw Candidate Statement	Monday, July 29, 2019
Selection of Board Canvasser	Wednesday, July 31, 2019
Notice of General Election/Ballots Mailed	Friday, August 2, 2019
Votes Tabulated	Monday, August 26, 2019
Notice Mailed to Members	Tuesday, August 27, 2019

RESOLUTION 19 – 076 By Swazer, Supported by P. Waterman
Resolved, That the Board approves the Member-Trustee Election Calendar.

Yeas: 7 - Nays: 0

RE: Resolution to Approve 2018 Summary Annual Report

RESOLUTION 19 – 077 By P. Waterman, Supported by Swazer
Resolved, That the Board authorizes the issuance of the 2018 Summary Annual Report.

Yeas: 7 - Nays: 0

LEGAL REPORT

New Trustee Orientation

Ms. Billings-Dunn reported that she had met with Trustees Balint and White for a new trustee orientation. She will schedule a date for Trustee Walker.

NorthPointe Investment Agreement

Ms. Billings-Dunn referenced the red-line version of the agreement currently in negotiation. She will review and advise on the additional questions from Miss Munson.

Correspondence RE: Retiree Ralph Baugh

Ms. Billings-Dunn provided copies of the correspondence she sent to the parties for informational purposes.

Fees received by Sullivan Ward from Securities Litigation Matters

Ms. Billings-Dunn reported there were no changes in the fees.

Re: Resolution to go into Closed Session

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

RESOLUTION 19 – 078 By Swazer, Supported by Walker
Resolved, That the Board approves to go into closed session to discuss the Camping World; Dell Inc; Equifax; McDermott; Livent; the Bernstein, Litowitz Non-Disclosure Agreement.

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Roll Call:

Albritton – Yes	Swazer – Yes
Balint – Yes	Walker – Yes
Giddings – Yes	P. Waterman – Yes
Moore – Yes	

The Board moved to closed session at 11:40 a.m.

The Board returned from closed session at 11:45 a.m.

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Regular Meeting: Wednesday, July 31, 2019 10:00 a.m. – Retirement Office

RESOLUTION 19 – 080 By P. Waterman, Supported by Swazer

Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 11:50 A.M.

Yeas: 7 – Nays: 0

I certify that the forgoing are the true and correct minutes of the meeting of the General Employees' Retirement System held on June 19, 2019

As recorded by Kristy Neumann, reviewed and edited by Legal Counsel and Executive Director