

**CITY OF PONTIAC MICHIGAN
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MAY 27, 2020**

A regular meeting of the Board of Trustees was held on Wednesday, May 27, 2020 via remote conference. The meeting was called to order at 9:00 A.M.

ROLL CALL

TRUSTEES PRESENT

Sheldon Albritton, Chair (electronically)
Robert Giddings, Vice-Chair (electronically)
James Miriani (electronically)
Walter Moore (electronically)
Billie Swazer (electronically)
James Walker (electronically)
Deirdre Waterman, Mayor (electronically)
Patrice Waterman, City Council (electronically)
John White (electronically)

OTHERS

Don Corbin, Kennedy Capital (electronically)
Louise Gates, Gabriel, Roeder, Smith & Co (electronically)
Courtney Haynes, Mesirow Financial (electronically)
Chris McDonald, Kennedy Capital (electronically)
Janet Newcomb, Kennedy Capital (electronically)
Martha Payne, Mesirow Financial (electronically)
Mark Sacks, Mesirow Financial (electronically)
Phil Brown, (electronically)
Linda Watson, Retiree (electronically)
Cynthia Billings-Dunn, Asher Kelly (electronically)
David Lee, Dahab Associates (electronically)
Steven Roth, Dahab Associates (electronically)
Deborah Munson, Executive Director (electronically)

TRUSTEES ABSENT

Samantha Powell

PUBLIC COMMENT

Retiree Linda Watson asked when the Retirement Office would reopen for business.

MANAGER PRESENTATIONS

Kennedy Capital: Don Corbin; Chris McDonald; Janet Newcomb

Ms. Newcomb introduced herself and her colleagues to the Board. Mr. Corbin and Mr. McDonald discussed their firm, strategy and performance.

Mesirow Financial: Courtney Haynes; Martha Payne; Mark Sacks

Ms. Payne introduced herself and her colleagues to the Board. Ms. Payne, Mr. Sacks and Ms. Haynes discussed their firm, strategy and performance for Funds IV and VI.

2019 VALUATION PRESENTATION

Louise Gates - Gabriel, Roeder, Smith & Co.

Ms. Gates began the report by reviewing the Computed Employer Contributions referenced on page A-1. The Computed Employer Contributions for the City's fiscal year beginning July 1, 2021 is \$0. She noted the increase in plan assets and 19.71% return on plan assets in 2019 on page C-1. She contrasted this with the ~ (5%) return on plan assets in 2018 to demonstrate the recent volatility in the market. She noted that the plan pays about ~5% of the plan assets in annual benefit payments. She reviewed the Development of Valuation Assets on page C-4 and explained that this process helps smooth out some of the volatility in asset values over time. She reviewed the Schedule of Funding Progress and the historical

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Funded Percent on page E-1. She said that the System's funded ratio of 190.8% is one of the better funded ratios in the country and the plan is in a strong financial position.

Ms. Gates explained that the Reserve Transfers on page A-1 is an accounting entry and does not have any financial impact on the plan. She continued on to item #6 on page A-2 and noted that Michigan PA 202 of 2017 now requires municipal plan sponsors to report certain pension and healthcare liabilities to the state using Uniform Actuarial Assumptions. She noted the Uniform Assumptions are purely for reporting purposes and have no effect on how municipalities fund the liabilities. PA 202 also requires that retirement systems have an actuarial experience study performed every five years. In light of the potential asset transfer related to the IRS filing, she would advise that an experience study be performed prior to any assets being removed from the System. The purpose is to have the best possible assessment of pension plan liabilities before any assets are removed from the trust - that is the best time to have an experience study.

She explained that an experience study is a review and update on the actuarial assumptions that are used in preparing the valuation report. When an actuary values a System's liabilities, you are assigning a price tag to the value of all benefits which will be paid from the trust over the lifetimes of the beneficiaries. In order to do that, you need to make assumptions about future events. Two of the key assumptions are life expectancy, which is calculated using a mortality table. This tells us how long pension benefits are expected to be paid to retired members. The System's 1100 members are mostly retirees. The second assumption is the investment rate of return assumption, which is probably the most important assumption. The assets held in trust must generate investment income in order to meet the benefit obligations. The rate of return also affects the calculation of the liabilities. If the investment program falls short, the surplus will begin to shrink and – with the potential removal of assets from the pension fund – the rate of return assumption becomes even more important.

There was discussion regarding an experience study.

Ms. Gates said she could have the experience study done within six to eight weeks of receiving an analysis from Dahab.

Ms. Gates pointed out that the System pays out approximately 5% of its assets in benefits payments and estimated that – if assets were removed from the trust – the benefits payments could double to 10% of the trust annually. She said that there will be a greater need for asset liquidity in the event of an asset transfer and suggested there may be a need or desire for reduced investment risk. She asked whether the Board should consider changing the asset allocation.

Mr. Lee responded that Dahab would recommend a more conservative asset allocation if there is such a change in the cashflow constraints as a result of the asset transfer.

Trustee Deirdre Waterman confirmed that the consultant just needed to receive the cash outflows in order to complete the analysis they were performing. She also confirmed that the analysis which the consultant is doing is necessary to begin the process of an experience study. She requested that Dahab be provided the information they need at the earliest opportunity.

RESOLUTION 20–064 By Swazer, Supported by Walker

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Whereas, The responsibility for the direction and operation of the City of Pontiac General Employees' Retirement System and for making effective the provisions of the Retirement Ordinance are vested in the Board of Trustees; and

Whereas, The Retirement Ordinance provides that an actuarial valuation shall be made at the close of each fiscal year for the purpose of establishing the financial condition of the Retirement System and as a check on its current operating experience, and that the Secretary shall prepare each year the annual report of the Board to be submitted to the City Council showing among other things, a statement of assets, liabilities and reserves certified by the actuary; and

Whereas, The Retirement Ordinance further provides that an annual determination shall be made of the actuarial reserve requirements of the several annuities and benefits stipulated to be financed in addition to interest and other income accruing to the Retirement System by contributions by the members and by the City; and

Whereas, The actuary has computed the pension reserves and contributions necessary for the July 1, 2021 through June 30, 2022 fiscal year and has presented the Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System as of December 31, 2019 to the Retirement Board; now, therefore, be it

Resolved, that the Report of the Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System as of December 31, 2019 be accepted by the Retirement Board and be placed on file; and further

Resolved, that the City dollar contribution and payment schedule requirement contained on page A-1 thereof is hereby certified to the City Council as the amount necessary for the July 1, 2021 through June 30, 2022 fiscal year appropriation by the City Council to finance the pension reserves of the City of Pontiac General Employees' Retirement System; and further

Resolved, that the annual transfers implied on page A-1 thereof be authorized; and further

Resolved, that a copy of this resolution be provided to the actuary and copies of this resolution and the report of the 2019 Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System be provided to the City Council, and further

Resolved, that the Board receive and file the City of Pontiac General Employees' Retirement System GASB 67/68 actuarial report for the period ending December 31, 2019.

Resolved, That the Board approves and ratifies actions described in the Agenda for May 27, 2020 as amended.

ROLL CALL:

Albritton – Yes	Walker - Yes
Giddings – Yes	D. Waterman - Abs
Mirani – Yes	P. Waterman
Moore – Yes	White - Yes

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Swazer - Yes

AGENDA CHANGES

Miss Munson requested that the Consent Agenda be amended to add the amount of the monthly retiree payroll. She requested that New Business be amended to add the Performance Appraisals Policy and noted the Crain's article about Mayor Waterman under the Reports section of the agenda.

Trustee Giddings requested to correct the typo in the amount reported for the staff payroll.

APPROVAL OF CONSENT AGENDA

- A. Approval of the Minutes of the Regular Board Meeting held on April 29, 2020
- B. Ratification of Retiree Payroll & Staff Payroll

Retiree Pay Date May 27, 2020	\$1,989,893.14
Staff Pay Dates May 7 & 21, 2020	\$21,993.64

- C. Communications
 - FOIA Request From/To Evestment: May 18, 2020
 - EDRO: Flye v. Flye
- D. Financial Reports
 - Accounts Payable: May 2020
 - Dahab Associates Preliminary Report: April 2020
 - Attucks Manager-of-Managers Summary: April 2020
 - Statement of Changes: April 2020
- E. Private Equity and Real Estate Capital Calls & Distributions
- F. Retirement Benefits
 - 1. New Retirements
 - 2. Terminated Retirements

RETNO	NAME	Date of Death	Benefit Amount
701143	Burton, Leeora	04/03/2020	
1585	Frericks, Janet	05/09/2020	
2067	Milton, Dorothy	04/17/2020	
1697	Passage, Shirley	05/08/2020	
1473	Ramos, Frank	04/25/2020	
1154	Woodbury, Harold	03/23/2020	

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3. J&S Continued Benefits

RETNO	Retiree's Name	Survivor's Name	Date of Death	Amount
2101	Campbell, Michael	Campbell, Grace	05/07/2020	
1155	Felice, William	Felice, Phyllis	05/02/2020	

4. Re-Calculated Retirements

5. Disability Medical Re-Exams/Benefit Continuation

6. Refunds of Employee Contributions

RESOLUTION 20-065 By Moore, Supported by Swazer

Resolved, That the Board approves and ratifies actions described in the Agenda for May 27, 2020 as amended.

ROLL CALL:

Albritton – Yes Walker - Yes
Giddings – Yes D. Waterman - Yes
Mirani – Yes P. Waterman - Yes
Moore – Yes White - Yes
Swazer - Yes

CONSULTANTS

Oakbrook Post-Trade Analysis Report

Mr. Roth reviewed the report with the Board and noted that – due to less than expected volatility – the cost of the transition was \$25,000 instead of the estimated pre-trade amount of \$114,000.

Correspondence from Attucks RE: Matarin AUM

Mr. Roth reviewed the correspondence and noted the Attucks has full discretion over the manager-of-managers program. Matarin is one of the large cap core managers. Matarin's assets have declined materially due to market conditions and the loss of a large client. This is informational only and neither Attucks nor Dahab has concerns at this time about Matarin being a going concern.

2020 Manager Review Schedule Revised

Mr. Roth reported that the two new emerging managers – Decatur and Heard – will be invited to the July meeting. American Realty will be deferred to a later meeting.

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Performance Report: Q1 2020

Mr. Roth presented the Q1 2020 Performance Report. As of March 31, 2020, the portfolio was valued at \$431M. The fund returned (14.7%) year-to-date. The one-year return is (6.6%); the three-year return is 2.5%; the ten-year return is 6.8% net of fees.

RE: Period Rebalancing

RESOLUTION 20-066 By Moore, Supported by Miriani

Resolved, That the Board approves the Consultant's recommendation to rebalance the portfolio by transferring \$1.5M from First Eagle; \$1.5M from WCM Investment Management; \$1.5M from Victory Capital and \$1.5M from Robinson Capital to the cash manager to pay for benefits and expenses

ROLL CALL:

Albritton – Yes	Walker - Yes
Giddings – Yes	D. Waterman - Yes
Mirani – Yes	P. Waterman - Yes
Moore – Yes	White - Yes
Swazer - Yes	

REPORTS

Relocation Committee

Chairman Albritton reported that the office lease expires March 2021 and notice will need to be given to be given to the current landlord by September 1, 2020. He would like to see us relocate back into the City of Pontiac.

Personnel & Administration Committee

Disability Re-examination Results

Miss Munson reported that both committees reviewed the correspondence to the member notifying him of his appeal rights.

Disability Annual Procedures Report

Miss Munson reported that staff will start the annual income verification process in June as usual. She reminded the Board that recently passed law has extended the 2019 tax filing deadline until July 15, 2019.

Executive Director Evaluation

The committee discussed the evaluation and sent information to the Trustees.

Corresponding with Members via Email

Miss Munson reported that the staff had not been able to compile all of the information technology-related costs needed for the cost analysis and should have this reported completed next month.

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Experience Study

The committee directed that she contact the actuary to request a quote for an experience study.

Security Camera

Miss Munson reported that the committee had given additional guidance regarding building security and staff should have a completed report next month.

Correspondence to/from City RE: Supplemental Actuarial Analysis for \$400

Miss Munson reported that the City had contacted her regarding the process for renewing the \$400 temporary supplemental benefit but she has not yet received the request for an analysis.

Policy Review: Disability Re-examination and Appeals Procedure

Miss Munson reported that both committees are recommending approval.

Policy Review: Performance Appraisals Policy

Miss Munson reported the committee is recommending approval.

Finance Committee

Unaudited Financial Statements and Budget Update: Q1 2020

Miss Munson reported that the committee reviewed the reports which are included in the Consent Agenda.

Benefits Payments Audit

Miss Munson reported that the committee discussed this matter and directed that she reach out to Plante Moran to get preliminary pricing information for such an audit.

Chairman Moore asked when the matter of the pay increase for the Executive Director would be addressed.

Chairman Albritton suggested that the matter be deferred until all of the additional information could be reviewed.

Chairman Albritton left at 11:30 a.m.

EXECUTIVE DIRECTOR REPORT

Office Suite Open/Close Log 2019

This is for the Trustees' information.

Office Suite Open/Close Log January – April 2020

This is for the Trustees' information.

UNFINISHED BUSINESS

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RE: Resolution to Approve the Reexamination and Appeal Procedure Process

RESOLUTION 20–067 By Moore, Supported by Swazer

Resolved, That the Board approves the revisions to the Reexamination and Appeal Procedures for Disability Retirees.

ROLL CALL:

Giddings – Yes	Walker - Yes
Mirani – Yes	D. Waterman
Moore – Yes	P. Waterman - Yes
Swazer – Yes	White - Yes

NEW BUSINESS

RE: Resolution to Approve the Performance Appraisals Policy

RESOLUTION 20–068 By Moore, Supported by Miriani

Resolved, That the Board adopts the Performance Appraisals Policy.

ROLL CALL:

Giddings – Yes	Walker - Yes
Mirani – Yes	D. Waterman
Moore – Yes	P. Waterman - Yes
Swazer – Yes	White - Yes

LEGAL REPORT

SECURE Act Update

Ms. Billings-Dunn provided an update to her prior report, noting that the Council will need to adopt an ordinance update prior to December 31, 2024.

Robbins Geller Portfolio Monitoring Report

This is for the Trustees' information.

RE: Resolution to Authorize Chairman's Signature in Camping World Matter

RESOLUTION 20–069 By Moore, Supported by Walker

Resolved, That the Board authorizes the Chairman's signature on the Camping World Declaration in Support of the Settlement.

ROLL CALL:

Giddings – Yes	Walker - Yes
Mirani – Yes	D. Waterman - Yes
Moore – Yes	P. Waterman
Swazer – Yes	White - Yes

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SCHEDULING OF NEXT MEETING/ADJOURNMENT

Regular Meeting: Wednesday, June 24, 2020 9:00 a.m. – Retirement Office

RESOLUTION 20-070 By Moore, Supported by Swazer

Resolved, That the meeting of the Board of the Trustees of the Pontiac General Employees' Retirement System be adjourned 11:40 a.m.

ROLL CALL:

Giddings – Yes	Walker - Yes
Mirani – Yes	D. Waterman - Yes
Moore – Yes	P. Waterman
Swazer - Yes	White - Yes

I certify that the forgoing are the true and correct minutes of the meeting of the General Employees' Retirement System held on **May 27, 2020**. As recorded by Deborah Munson, reviewed and edited by Legal Counsel.