

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
NOVEMBER 19, 2013**

A regular meeting of the Board of Trustees was held on Tuesday, November 19, 2013 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 10:01 a.m.

TRUSTEES PRESENT

Shirley Barnett
Koné Bowman, Vice Chair (*arr. at 10:04 am*)
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore
Nevrus Nazarko
Patrice Waterman
Kevin Williams

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Chris Kuhn, Gray & Company
Ellen Zimmermann, Executive Director
Jane Arndt, Executive Assistant
Claudia Filler, Retiree
Larry Marshall, Retiree (*arr. at 10:02 am*)
Billie Swazer, Retiree
Linda Watson, Retiree
Debra Woods, Retiree (*arr. at 10:08 am*)

TRUSTEES ABSENT

Leon Jukowski, Mayor (*absent*)

Chairman Harrison opened the meeting. He congratulated Trustee Giddings for being re-elected as the Hospital Trustee. He also welcomed two new trustees to the Board. Jane Arndt was elected as the new Active Trustee and Nevrus Nazarko was appointed to the Board by virtue of his position as the new Finance Director for the City of Pontiac.

PUBLIC DISCUSSION/UNION REPS

Chairman Harrison opened the meeting to public discussion.

Retiree, Linda Watson questioned when the election was held and how Ms. Arndt became a trustee on the Board.

Chairman Harrison indicated that Trustee Giddings was re-elected as the Hospital Trustee and Ms. Arndt was elected as the Active Trustee.

She questioned whether Ms. Arndt is an active member of the Retirement System since she is not an employee of the City.

Chairman Harrison indicated that the Board will cover this issue later in the meeting.

Ms. Watson stated that she is concerned that this is a conflict of interest. She did not feel it was appropriate for Ms. Arndt to be on the Board taking minutes and voting.

Chairman Harrison noted that this issue was brought up several years ago when Deborah Munson ran for a position on the Board. There was a legal opinion prepared at that time indicating that Ms. Munson could run for a Trustee position.

Ms. Watson indicated that there are not many City employees left and thought that you had to be an active City employee.

Ms. Zimmermann stated that Ms. Arndt and the Retirement Office Staff are active members of the System.

Ms. Billings reviewed the terms of the GERS Retirement Ordinance. She explained the trustee makeup of the Board. The Board structure includes: the Mayor; Finance Director; City Council member; three Trustee positions appointed by the City Council referred to as the Citizen Trustees; one Retiree Trustee elected by the retirees of the System; one Hospital Trustee elected by the deferred and retired hospital members of the System; two Member Trustees elected by the active, deferred and retired members and one Active Trustee elected by the active members of the System.

Ms. Arndt was nominated and elected as the Active Trustee to finish the term of Sheryl Stubblefield who was nominated and elected as the Active Trustee.

Ms. Watson asked that Ms. Billings clarify active member.

Ms. Billings read the Retirement Ordinance where it indicated the description of an active member and who is considered an active member of the Retirement System. The Retirement Ordinance was amended to include employees of the Retirement System after their transition from the City.

She understands why some of the members feel there is a perceived conflict of interest.

However, ERISA which is not applicable to public pension systems does indicate that as long as plan assets do not inure to the benefit of the party-in-interest they are not prohibited from providing services as long as they are necessary to the system and the compensation for the services are reasonable. Ms. Arndt is providing necessary services for the Retirement System and is receiving reasonable compensation.

She reviewed prohibited transactions language included in Public Act 314 under Section 13(8)(d) which is similar to that included in the federal law.

The Retirement Office employees were working for the City one year ago but are now employees of the Retirement System.

It is not impermissible for Retirement Office employees to be on the Board as long as they reclude themselves from discussions and voting in issues that directly affects their compensation. Ms. Watson again noted that the Board knew about this, that the issue lacked transparency and there was no discussion at the meeting prior to the election.

Chairman Harrison explained that the Retirement Office follows the same procedures for every election. There was transparency. However, this issue was not raised because a legal opinion had been provided several years ago.

He told the Board that Trustee Moore called him after the election raising concerns.

Trustee Moore described his involvement in the issue. He was not aware that Ms. Arndt was running for the Active Trustee position. It would have been his opinion that there could be a potential problem.

Ms. Billings noted that these are unusual circumstances but it is okay as long as she recuses herself from voting for employee employment or compensation issues.

Chairman Harrison indicated that the language indicates that there is not an issue with an employee of the Retirement System serving on the Board.

Trustee Gaffney did note a money manager could not be an employee of the System which would be a conflict.

Ms. Watson said that she just knows this is going to cause a conflict and she thought that the Board was moving away from these types of issues.

Retiree, Claudia Filler stated that she has concerns on how this looks even though it is legally covered. She questioned whether a standalone group like BeneSys could have one of their employees be a trustee on the Board. She urged the Board to prevent this from happening in the future.

Retiree, Larry Marshall asked whether Ms. Arndt is Ms. Zimmermann's boss or is Ms. Zimmermann her boss. He described the issue with Marc Seay when he was elected to the City Council when David Gorcyca indicated that he could not continue his job as a firefighter and also be on the City Council.

There was also a Pontiac School District employee who was elected to the Pontiac School Board that had to resign. He questioned whether the Board researched the issue. There needs to be a clear line. He asked for a copy of the legal opinion. He feels there could be serious issues down the road and that questions will be asked.

Chairman Harrison stated that everyone brought up good concerns and that when it came to the attention of the Board, they forwarded the issue to legal counsel for an opinion. It does not matter what we think only that it is not a violation of the law. Some of the trustees were aware that Ms. Arndt was running for the position and no concerns were raised.

This body does not create legislation and cannot change it because we think this could be an issue someday. Going forward the Board does have the authority to change the trustee position based on the demographics of the members.

Even though there may be a lot of opinions, the Board needs to know and follow the rules. That said, Ms. Arndt went through the process and was elected.

Retiree, Billie Swazer questioned the Emergency Manager's amendment to the Retirement Ordinance specifying that Retirement System employees are still active members of the System.

Trustee Gaffney indicated that the language in the Retirement Ordinance clearly states that they are active employees in the Retirement System.

Ms. Billings referred to Retirement Ordinance Amendment 2214

Trustee Moore and Ms. Billings both noted that this amendment was approved when the employees were transitioning from City employees to Retirement System employees.

Trustee Moore asked whether the Retirement System is now responsible for making contributions to the System on behalf of these employees.

Chairman Harrison stated that the System was always financially responsible for these employees. When they were City employees the Retirement System fully reimbursed the City for their salaries and benefits.

Ms. Swazer asked if Court employees were included in the election.

Ms. Arndt told the Board that the Court employees were included in the election. Their addresses were confirmed prior to election notices and materials being mailed to insure they had every opportunity to participate.

Trustee Moore asked what would happen if the Retirement Ordinance was deemed unconstitutional. He asked if there is a prevailing opinion from the Circuit Court with regard to the City Council and School Board litigation. This issue has not been subjected to litigation.

Ms. Billings stated that she will review the Marc Seay issue and anything that could be applicable and report to the Trustees at their January meeting.

Trustee Moore asked that Ms. Billings look at anything that could create a situation and whether it is a legal act. He also asked if attending conferences would create a workload or staffing issue in the Retirement Office.

Ms. Zimmermann stated that conference attendance has always been predicated on workload.

Trustee Moore again asked that Ms. Billings review the City Council opinion by Gorcyca.

Chairman Harrison explained that when Debra Woods was on the Board she had to get permission to attend conferences and the City was the employer.

Trustee Moore asked if it is different with the Retirement System being the employer.

Retiree, Debra Woods stated that when she was on the Board she was also a union representative and that she wore many hats. She had to get an agreement between the City and Labor Relations to attend conferences.

Personally, she feels this is a conflict of interest issue. There may be someone that has questions regarding the tallying of the votes. You need to look at everything. She worked with Ms. Arndt for a long time and knows that she would not do that but there are a lot of crazy people in the Retirement System. Ms. Billings need to make sure that everything is above board. She would not want the position to be challenged. She wants Ms. Arndt to be able to put her best foot forward with a clear mind as a Trustee on the Board.

Chairman Harrison stated that this is out of norm for the agenda, but he feels that at some point the Trustees need to state their opinions. We should not leave without dealing with the issues. This is not a new issue for him. He had some of the same concerns when Ms. Munson ran for a position on the Board which is why the Board requested a legal opinion then.

Trustee Williams stated that Trustees on the Board to protect the assets of the System. The Board has heard the members' concerns and will direct Ms. Billings to look at the issue and take it from there. The Board is here to listen and honor the concerns of its members.

Trustee Gaffney agreed with Trustee Williams and noted that there were new issues raised that require Ms. Billings to look at and she will take it from there.

Chairman Harrison asked if Trustee Nazarko would like to speak to the issue.

Trustee Nazarko stated that he feels that both sides have good points. He tends to go with the advice of legal counsel. However, in the spirit of cooperation the Board should take another look.

Trustee Bowman concurred with Trustee Williams. That is why the Board pays for management of their investments and for legal opinions.

Ms. Arndt came to him and asked if she should run. He thought it would be a good fit since she has the experience but now sees that there could be other issues. He was on the City Council when the Marc Seay issue arose. There was an argument between the City Council and the City when Mr. Seay was trying to get his position back. The Board needs to operate from a basis where they look at everything. However, he does not feel that there is an issue.

Trustee Waterman indicated that she can sympathize with Ms. Arndt. She is the President Pro Tem on the City Council and her Aunt was just elected Mayor. She has been on the City Council

for three years and eleven months but now there are people that have raised concerns of a conflict of interest.

She knows how to recuse herself from issues and abstain from voting. So she understands how Ms. Arndt feels.

Trustee Barnett said that Ms. Arndt would be a good trustee on the Board as would Ms. Zimmermann. Ms. Arndt is honest and is a good person. She agrees that legal counsel should do a thorough investigation and give the public the legal opinion.

Trustee Giddings expressed that he is a business wise CPA. He felt that there was not a conflict of interest since the staff member provided the information. There is no Board that does not have some sort of conflict of interest. You cannot try to find everything that might come up. Ms. Arndt would be a qualified representative. Everyone had a chance to run and vote. He felt that the Board should move on.

Trustee Moore stated that the Board will have to live with the legal opinion. However, laws change. They need to lobby to change the law. The Board should be able to set policy and prohibit against an employee being able to sit on the Board.

Chairman Harrison stated that he agrees with the Trustees that legal counsel should review the issue further and proceed with the legal opinion. This should bring closure to this issue.

Ms. Billings will bring back an opinion after reviewing the Marc Seay conflict of interest issue. Everyone at today's meeting had an opportunity to voice their opinion. The Attorney will provide a legal opinion according to the law. The Board is not hiding anything and there was transparency. He would like to move on.

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He asked if there was any other public discussion.

There was discussion whether the election should be certified pending the legal opinion. The Board chose to certify the Hospital Trustee election and direct legal counsel to proceed with a legal opinion regarding the Active Trustee position of the Board.

RESOLUTION 13-096 By Gaffney, Supported by Moore
Resolved, That the Board certify the Hospital Trustee results and table the certification of the Active Trustee results pending further legal review.

Yeas: 8 – Nays: 0
Abs: Trustee Nazarko

Mr. Marshall asked for a copy of the healthcare coverage for the Retirement Office Staff. He also indicated that Trustee Moore would like a copy.

Ms. Swazer questioned whether the Retirement Office staff received a substantial pay increase when they went from being City employees to Retirement System employees.

Trustee Gaffney stated that the Staff did not receive an increase at the time of separation effective February 1, 2012. They received a pay increase last summer with the full Board voting on the increase.

Trustee Moore agreed with Trustee Gaffney. He also stated that the Personnel Committee set up a process for future increases.

Ms. Watson said that she heard that the total personnel budget increased 43%.

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Trustee Gaffney explained that this System is no longer receiving a 30% contribution from the Police & Fire Retirement System.

AGENDA CHANGES - None

APPROVAL OF CONSENT AGENDA

- A. Approval of Minutes of Regular Meeting: October 30, 2013
- B. Communications
 - 1. Correspondence from AMBS Re: November 2013 Newsletter
 - 2. Correspondence from First Eagle Re: Sr Research Analyst & October Client Statement
 - 3. Conferences
 - a. NCPERS 2014 Legislative Conference – NCPERS – January 26-28, 2014
- C. Financial Reports
 - 1. Statement of Changes: October, 2013
 - 2. Accounts Payable: November, 2013
 - 3. Ratification of Capital Calls:
 - a. GrayCo Alts \$308,046
 - b. GrayCo Alts \$ 57,471
- D. Applications for Retirement, Final Calculations, Refunds, Re-Examinations
 - 1. Remove from the Rolls
 - a. Alice Pompea (deceased 10/11/13)
 - b. Donald Trumpour (deceased 10/29/13); survr bnft of \$1,528.31 to Rose Ann Trumpour
 - c. Haynes Wilson (deceased 09/21/13); survr bnft of \$429.15 to Betty Wilson
 - d. Beneita Zolman (deceased 10/18/13)
 - e. Mona Reveri (deceased 11/10/13)
 - f. William Allan (deceased 11/13/13)
 - 2. Application for Service Retirement:
 - 3. Final Benefit Calculations:

RESOLUTION 13-097 By Williams, Supported by Gaffney
Resolved, That the Board approve the consent agenda for November 19, 2013.

Yeas: 8 – Nays: 0
Abs: Trustee Nazarko

CONSULTANTS

General Employees Retirement System
Regular Meeting
November 19, 2013

Re: Gray & Company

2013 Third Quarter Performance Report Review

Mr. Kuhn provided a review of the third quarter performance report. He indicated that the Fed's decision to continue the quantitative easing program rallied markets around the globe.

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Chairman Harrison asked if the value of the dollar was kept low in order to keep interest rates low.

Mr. Kuhn explained that the decreased value of the dollar is due to the Fed adding more dollars into the system which helps exports. Countries like Japan want to see a weaker currency. Some currencies like China's are artificially low.

The total Plan value was up 5.61% for the quarter which was a little behind the policy index at 6.10%. He noted that the one-year performance at 17.20% versus 17.68% and three-year performance at 12.07% versus 12.54% did not reflect the credit crisis.

Five-year performance at 10.20% versus 9.85% and seven-year performance at 7.12% versus 6.62% include only a portion of the credit crisis. Ten-year performance at 7.91% versus 8.40% includes the entire credit crisis.

He reviewed the global market performance as of September 30, 2013. The S&P 500 quarterly performance was 5.3% versus one-year performance of 19.4%; Russell 2000 performance was 10.2% versus 30.1% and the MSCI EAFE was 11.6% versus 23.8% with a large part of the performance based on currency. Emerging market performance was 5.8% for the period versus 1.0% for the year. The individual bond market's performance was up for the period at 4.1% versus -5.7% for the year. The Barclays Aggregate performance for the quarter was 0.6% versus -1.7% for the year.

Chairman Harrison asked if investors should expect a market correction when quantitative easing stops.

Mr. Kuhn stated that when the Federal Reserve decreases quantitative easing it is likely that the market will go down or it could happen before the narrowing. You should expect to see a market sell off when the Fed starts tapering. Equities and fixed income will take a hit.

Trustee Nazarko asked about the negative performance numbers in the private equity allocation and whether the assets should be pulled out.

Mr. Kuhn explained that there is no third quarter data for the private equity investments. It takes approximately forty-five or sixty days after the quarter to get the numbers which is why performance is 0%, due to the numbers not being updated. Performance for this type of investment is done in a time weighted manner.

He explained the time weighted rate performance measuring and internal method and the internal rate of return when reporting performance for private equity investments. Cash flows are negated when using this method. The manager is responsible for putting the money to work.

When calculating performance using a time-weighted rate of return the assumption is that there is a single investment or beginning value at the start of a period and the growth or loss of market value is measured to the end of that period resulting in an internal rate of return.

He described the rally in the domestic equities market which was the driver of the performance numbers.

Trustee Moore asked what the difference is between domestic equity and private equity.

Mr. Kuhn explained that domestic equity is stocks that are traded and private equity is not traded. Investments in private equities are in companies with investors waiting for those companies to grow or for them to go public.

Trustee Moore also asked if there is a way to determine how this System ranks in the universe versus its peers.

Mr. Kuhn reviewed the System's performance versus the public fund universe. It is not a perfect apple to apple comparison. This Fund has to follow strict investment guidelines under Public Act 314 versus many of the other funds.

Trustee Bowman stated that this Fund does not have to swing for the fences versus other funds because of the funding ratio.

Mr. Kuhn noted that some funds have to take on riskier investments to meet their actuarial assumption.

Chairman Harrison also stated that most underfunded Systems were positioned right when they swung for the fences during this period and should have outperformed this Fund.

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Mr. Kuhn said that many funds with alternative investments did not do well. Equities were up 20% for the period but private equity, hedge fund and real estate investments did not kept pace. This Board has done very well with their investments.

Trustee Bowman stated that based on the funding ratio and level of assets, Gray & Company has done well managing the System's assets.

Chairman Harrison indicated that the Board still has to realize that the Fund has to meet its actuarial rate of return of 7.5%.

Trustee Moore asked based on the performance numbers how much would be available for a 420 Transfer.

Ms. Billings stated the System is still waiting for an opinion from the Attorney General. The amount available would be based on the prior year returns and fifty percent of the performance returns over 7.5%. She noted that the Board cannot act on this now. They could look at the end of year performance for 2013.

Mr. Kuhn stated that as of September 30, 2013 the performance is in the 13% to 14% range.

Trustee Moore asked for the actual dollar amount.

Trustee Gaffney noted that the amount would be 50% of the performance over 7.5%.

Ms. Billings stated that it would be 50% of everything over the 7.5%. However, there is still the question of the Attorney General's Opinion.

Chairman Harrison stated that once everything has been received the Board would hold public hearings before they would go through with a 420 Transfer.

Trustee Gaffney agreed that the Board would hold a public hearing prior to approving a 420 Transfer.

Ms. Billings stated that there are two separate issues with regard to a 420 Transfer including certain funding level requirements based on the Internal Revenue Code and how the available assets are determined under State Law Public Act 28 once clarification from the Attorney General is received.

Mr. Kuhn Noted the total Plan value was \$424 million at the beginning of the year; \$470 million as of September 30, 2013 and as of November, 2013 it was \$480 million. He questioned whether it would be based on the market value at the beginning of the year.

He also told the Board that five years ago the Fund's total value was \$402 million. Since that time more than \$90 million has been taken out and the Fund's value is now at \$480 million and still growing.

Equities outperformed the other investment classes.

The Gray Emerging Manager Large Cap performance for the period was 6.68% versus the benchmark at 5.25%.

Gray Michigan Large Cap Value saw returns of 5.39% versus 3.95%.

Long-time managers Munder Capital, Systematic, Kennedy Capital and Loomis Sayles did well for the period.

Performance for international equity manager First Eagle was not a surprise. They were added to the portfolio based on their defensive positions holding cash and gold.

Chairman Harrison confirmed that First Eagle is stingy during downturns in the market.

Mr. Kuhn stated that First Eagle will do really well during a market decline.

He told the Board that there are no performance numbers for WCM because they were just added to the portfolio.

Fixed income performance was flat except for high yield manager Peritus whose performance for the period was 4.24% versus the benchmark at 2.25%.

Intermediate fixed income manager Ambassador just caught up their performance. Being patient with this manager was the right move.

He reviewed the performance for GrayCo Alternative Partners I, L.P. He noted that contributions to date totaled \$3.5 million with an ending value of \$3.7 million and an annualized investment rate of return of 8.02%.

The average J-curve for private equity investments is approximately two to three years of negative performance before showing positive performance. However, two of these investments added to the portfolio during the market downturn prolonged the negative quarters. This should not be the case going forward with the average J-curve dropping to two years.

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Chairman Harrison told the Board that GrayCo had only three negative performance quarters.

Mr. Kuhn stated that the 8% performance was due to the hedge fund component in their portfolio. It was a better market for hedge funds. GrayCo's performance came up short versus the S&P.

The System has a longer history with the Mesirow private equity investment. This manager had a longer negative performance history. He referred to the total contributions of \$3.4 million with an ending value of \$3.7 million and an annualized internal rate of return of 7.34%.

Private equity manager Invesco has received contributions of \$1.6 million with an ending value of \$2.1 million and an annualized IRR of 9.25%.

Trustee Moore asked what determines the fee schedule.

Mr. Kuhn told the Board that there are varying fee schedules based on the asset class.

Trustee Moore asked if the fees are negotiable.

Mr. Kuhn stated that everything is negotiable.

Trustee Moore asked when fees are negotiated.

Mr. Kuhn stated that fees are negotiated at the beginning of the investment.

Trustee Giddings added that there are tiered fees based on the amount of the investment.

Mr. Kuhn stated that Systematic has a favored nation's clause that will not allow the manager to give one client a better fee than another client. That is why they have a tiered fee structure.

Revised Investment Policy Statement

Trustee Moore stated that there is a lot of terminology in the IPS that he is not familiar with and it is like reading a road map.

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Mr. Kuhn stated that he could provide educational sessions for the Trustees who are interested after the first of the year to talk about the asset liability study, derivatives and convertible bonds and the Investment Policy Statement.

They discussed the scheduling of the sessions and whether they should be held prior to a Board meeting or at a different time. Trustees can decide whether they will attend and which sessions.

Mr. Kuhn told the Board that the asset liability study is still being processed but should be completed by the end of next week.

They determined that the session could be at the end of meetings or meeting times could be staggered for educational sessions.

Trustee Giddings stated that he thought the session regarding the fixed income investment pertaining to derivatives and convertible bonds was to be part of the regular January, 2014 meeting.

Chairman Harrison stated that all the Trustees should attend the sessions dealing with derivatives, convertible bonds and the asset liability study.

Mr. Kuhn reviewed the flash report noting the System's current market value of \$482.6 million as of October 24, 2013.

He indicated due to the out performance in the equities market the asset allocation is not in compliance. Domestic equities are currently 5% over allocated. Normally, he and Ms. Zimmermann rebalance the portfolio every August and January.

This is a good time to sell off the equities and take the System's chips off the table and park the assets in cash to lock in the gains. They recommend taking \$11 million out of equities to be put into the cash account. This would show that the System is being prudent in reallocating the assets based on State Law.

Trustee Moore questioned putting the earnings in cash where there are no performance returns.

Chairman Harrison stated that this is when zero is our hero.

Mr. Kuhn stated that when the assets are put into the cash account they do not produce returns.

Chairman Harrison stated that they are expecting fixed income to produce negative returns especially when quantitative easing stops.

Trustee Moore questioned whether this is the best way to go without negatively impacting the performance of the Fund.

Chairman Harrison stated that they do not normally put a lot of assets in cash but this is the best choice for this situation.

Trustee Nazarko questioned why the consultant would recommend adding 5% to the private equity allocation totaling \$14 million when it has not performed well.

Mr. Kuhn stated that the target allocation is 5% but only \$10 million has been allocated to date. They may never reach the target allocation. It is also conceivable that these investments will never get to their target allocation.

Mr. Kuhn explained private equity investments to Trustee Nazarko with regard to committed capital, drawdowns and distributions. He noted that the manager can call for a drawdown of capital at the same time they are providing a distribution.

This type of investment provides diversification and provides a different return profile and exposure to the Fund. Equities are affected by the economy. However, private equity does move in sync with the economy so there is less impact and they will do better than fixed income.

Chairman Harrison stated that it seems the managers that are providing the best performance are being penalized.

Trustee Giddings asked how the consultant determines which manager to take assets from.

Mr. Kuhn stated that small cap has less assets allocated and mid cap is over allocated.

RESOLUTION 13-098 By Gaffney, Supported by Barnett

Resolved, That the Board ratify the transfer of \$4,000,000 from Gray & Company Large Cap Core (emerging), \$3,000,000 from Munder Mid Cap and \$4,000,000 from Systematic Mid Cap Value to the cash account to adjust the target allocation to domestic equities in the portfolio as recommended by the Investment Consultant.

Yeas: 8 – Nays: 0
Abs: Trustee Nazarko

Trustee Bowman asked if this includes a reallocation to private equity.

Trustee Gaffney noted that the allocation to private equity has already been committed.

Chairman Harrison asked if the Board is ready to adopt the revised Investment Policy Statement.

Trustee Giddings stated that the IPS is an evolving document.

Ms. Zimmermann stated that at last month's meeting the Board tabled the vote in order to have more time to review the changes to the IPS.

RESOLUTION 13-099 By Moore, Supported by Gaffney
Resolved, That the Board adopt the revisions to the Investment Policy Statement dated November 19, 2013.

Yeas: 8 – Nays: 0
Abs: Trustee Nazarko

Mr. Kuhn reported that there has been an organizational change at AMBS. This manager is part of the Michigan centric large cap value portfolio. They are merging with City National Rochdale in California. Gray & Company is comfortable with the merger. AMBS will still be managing the investments in Grand Rapids. There have been some changes which impact their administrative staff.

They will continue to monitor their work performance. He also stated that when this manager suffers poor performance they come back strong. They will continue to monitor their performance.

He also reported that First Eagle recently lost an analyst who passed away. This analyst was a gold and mining specialist. There are a number of analysts who share that work on that investment allocation in their portfolio. **REPORTS**

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Re: Chairman

Chairman Harrison advised the Board that members of the Budget Committee have been appointed including Trustee Bowman, Trustee Giddings, Trustee Moore and Trustee Waterman. The meeting dates will be sent out soon.

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He reported that the Ad Hoc Committee recently met.

Trustee Moore felt that the standard process for reporting information regarding the committees should be handled under the Committees tab under Reports.

Re: Secretary - None

Re: Trustees/Committees

Ad Hoc Committee

Trustee Bowman reported that the Request for Proposals from the consultants was received. Based on the information they are in the process of acquiring information from the Custodian to manage the investments at a substantially decreased rate.

Trustee Gaffney noted that the Personnel Committee has not scheduled another meeting to date.

Re: Executive Director

Cost of Living Adjustments

Ms. Zimmermann reported that the Cost of Living Adjustments (COLA) were processed and included in the November, 2013 pension benefit checks totaling \$2,214,110.00.

Certificate of Deposit Rollover

Ms. Zimmermann advised the Board that the \$5,000.00 Certificate of Deposit at the Credit Union is up for renewal. The current interest rate is 0.05%. The rollover happened prior to the meeting date. She indicated that the System is not required to maintain the CD in order to continue the VISA credit cards. If the Board decides to cash out the CD it will lose forty cents.

Trustee Moore asked Ms. Zimmermann for her recommendation.

Ms. Zimmermann recommended cashing out the CD and withdrawing the money from the Credit Union.

Trustee Compensation

Ms. Zimmermann reported that elected trustees are entitled to compensation based on Public Act 492 effective December 27, 2012 which amended the Public Employee Retirement Benefit Protection Public Act 100. According to Public Act 314 compensation is based on the hourly rate of the Active Trustee. This means that the current compensation will be based on Trustee Stubblefield's pay rate.

Trustee Barnett asked if the Trustees have to take the money.

Chairman Harrison and Trustee Gaffney confirmed that the Trustees have to take the compensation in order to be compliant with State Law.

Trustee Bowman asked if the Active Trustee is compensated.

Trustee Gaffney stated that the Active Trustee is compensated by receiving their salary while attending meetings. This only pertains to retired Trustees who are elected to the Board.

Trustee Bowman confirmed that the compensation is based on the pay rate of the current Active Trustee.

RESOLUTION 13-100 By Barnett, Supported by Bowman

Resolved, That the Board approve to compensate the elected retired Trustees based on the Active Trustee pay rate per Public Act 492.

Yeas: 8 – Nays: 0
Abs: Trustee Nazarko

Trustee Williams left at 12:38 p.m.

Re: Legal

IRS Letter of Determination Submission for an IRC Section 420 Transfer

Ms. Billings reported that on October 24, 2013 the IRS requested additional information regarding the Board's submission for the IRC Section 420 Transfer. The IRS has combined the IRC Section 420 Transfer with the request for qualification under IRC Section 401(a).

The IRS amended the submission and after reviewing the information sent a request for additional information. She sent the IRS the additional information on November 8, 2013.

She reviewed and provided information on her responses to the IRS regarding the recently requested information with regard to the Section 420 Transfer and the Section 401(a) submission for a general ruling.

She explained that two separate requests were submitted. The original request was submitted in May, 2013 to the IRS for the Section 420 Transfer and the submission for a general ruling under 401(a) was filed separately. She thanked the IRS for consolidating the two requests.

She also provided the adopted amendment to the Retirement Ordinance incorporating the Heart Act.

The IRS asked that an authorization for a qualified future transfer be provided. She replied that Section 420(f) specifically allows for qualified future transfers. Section 51(b) of the proposed amendment was drafted for compliance with this section of the Internal Revenue Code.

She submitted information that allows non-union members to choose whether they want to be in the defined benefit or in a defined contribution plan.

The IRS also asked for information on all City sponsored plans with ICMA. She provided a list of those plans.

The IRS also asked about automatic rollover provisions in Section 401(c)(3) of the Internal Revenue Code. She explained that the Retirement System does not allow for mandatory distributions.

She also included three recently adopted amendments to the Retirement Ordinance.

Trustee Moore asked how the benefits under the 420 Transfer can include Hospital members.

Ms. Billings told the Board that members have to be receiving healthcare the day before the transfer goes through. There could be an issue since no one is receiving healthcare through the City any longer.

Trustee Moore felt that these issues need to be dealt with prior to the transfer.

Request for Attorney General Opinion

Ms. Billings reported that to date she has not received a response from the Attorney General's Office.

Trustee Moore noted that it is strange that the State has been sitting on the request since July. If they were concerned about retiree healthcare the Attorney General would have issued his opinion by now.

He suggested going back to State Representative Tim Greimel asking him to make a more forceful pursuit. He also recommended reaching out to the State Senator.

She will keep the Board informed of any changes with regard to this matter.

Correspondence to Retiree Daniel Miller

Ms. Billings referred to her response to retiree Daniel Miller with regard to his request for his disability retirement to be reclassified as a duty disability. He believed that his settlement with the City of Pontiac based on his workman's compensation claim would provide him with four additional years of retirement service credit.

She also noted that he received an overpayment from August 7, 2007 through September 30, 2008 due to an error in the effective date of his disability retirement during which time he was still on the City's payroll.

Her response to Mr. Miller stated that he will receive retirement service credit for the weekly workman's compensation benefits he received from July 31, 2007 through January 16, 2008 and that his retirement benefit will be recalculated. The Redemption Order did not indicate that his disability was a duty versus a non-duty disability.

Trustee Moore questioned whether Mr. Miller was eligible for other benefits from the City.

The Public Employee Retirement Benefit Protection Act – Refer to Administrator

Robbins Geller October Portfolio Monitoring Report

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

UNFINISHED BUSINESS

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

Re: D. Miller Request for Consideration - Refer to Legal Report

Deleted: red

Re: Electronic Agendas - Pending

Ms. Arndt reported that the iPads have not been ordered. She asked if the Board would like maintenance agreements for their iPads.

There was also discussion regarding the setup of email accounts for the Board using the System's email domain.

Trustee Bowman indicated that the Trustees may require training for their iPads.

Re: Personnel Policies (Personnel Committee)

Ms. Billings advised the Board that the Personnel Policies have been reviewed. She indicated that some minor changes were made. She will be sending those to Ms. Zimmermann by end of day.

Re: Election Results: Hospital and Active Trustees – Refer to Public Discussion

NEW BUSINESS

Re: Proposed 2014 Board Meeting Calendar

Ms. Zimmermann requested that the Board approve the 2014 meeting calendar. She stated that since the Board had a conflict with the meeting falling close to the Thanksgiving holiday that they may want to change the date of the November, 2014 meeting to the first Wednesday in December, 2014.

The Board determined that the November, 2014 meeting would be scheduled on December 3, 2014.

RESOLUTION 13-101 By Moore, Supported by Gaffney

Resolved, That the Board approve the 2014 Board Meeting Calendar as amended.

Yeas: 6 – Nays: 0
Abs: Trustee Nazarko

RESOLUTION 13-102 By Moore, Supported by Gaffney

Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

| | |
|-------------------------|-------------------------|
| Trustee Barnett – yea | Chairman Harrison - yea |
| Vice Chair Bowman – yea | Trustee Moore – yea |
| Trustee Gaffney – yea | Trustee Nazarko - yea |
| Trustee Giddings - yea | |

The Board moved to closed session at 1:10 p.m.

Trustee Waterman, Ms. Arndt, Mr. Kuhn, Ms. Filler, Mr. Marshall, Ms. Swazer, Ms. Watson and Ms. Woods left at 1:10 p.m.

The Board returned from closed session at 1:17 p.m.

RESOLUTION 013-103 By Gaffney, Supported by Bowman
Resolved, That the Board approve the closed session minutes for October 30, 2013.

Yeas: 6 – Nays: 0
Abs: Trustee Nazarko

Trustee Moore welcomed Trustee Nazarko to the Board.

Trustee Nazarko indicated that he was appointed as the Finance Director for the City approximately one month ago. He received a unanimous vote from City Council for his appointment, which he was told is quite rare.

He told the Board that he comes to the City via the cities of Hamtramck and Novi.

He does not have an agenda and comes to the Board with an open mind. However, he does take a very conservative approach when it comes to the investments of the Retirement System.

Deleted: y

Trustee Gaffney concurred that she takes a conservative stand when it comes to the investments of the Fund.

SCHEDULING OF NEXT MEETING

Regular Meeting: Wednesday, January 29, 2013 @ 10:00 a.m. – Retirement Office

ADJOURNMENT

RESOLUTION 13-104 By Gaffney, Supported by Bowman
Resolved, That the meeting be adjourned at 1:21 p.m.

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Yeas: 6 – Nays: 0
Abs: Trustee Nazarko

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on November 19, 2013

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As recorded by Jane Arndt