

**CITY OF PONTIAC MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MAY 29, 2019**

A meeting of the Board of Trustees was held on Wednesday, May 29, 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
John Balint
Robert Giddings
Walter Moore, Chairman (*telephonically*)
Billie Swazer
James Walker (*arr @ 10:06 a.m.*)
Patrice Waterman, City Council
John White (*arr @ 10:02 a.m.*)

OTHERS PRESENT

Cynthia Billings-Dunn, Sullivan, Ward, Asher & Patton
Sherrie Berg
Anthony, Chubb, City Attorney
Louise Gates, GRS Retirement Consulting
David Lee, Dahab & Associates
Deborah Munson, Executive Director
Hughey Newsome, Interim Finance Director
Gloria Miller, City Councilwoman
Linda Watson, Retiree
Kathi McNally, Retiree

TRUSTEES ABSENT

Janice Gaffney - excused
Deirdre Waterman, Mayor

Chairman Moore opened the meeting at 10:00 A.M.

Trustee White arr. @ 10:02 a.m.

PUBLIC COMMENT - None

Trustee Walker arr. @ 10:06 a.m.

AGENDA CHANGES

Miss Munson requested that Unfinished Business Item A and New Business Item A be moved to the beginning of the agenda. Miss Munson requested that the Consent Agenda be amended to include approval for Phillip Moore and her to attend the Plante Moran Governmental Training and for Vice-Chair Albritton and her to attend the Value Edge conference. Trustee Patrice Waterman requested to attend the Value Edge conference. Miss Munson requested that the Reports section be amended to include the invitation to the State of the City Address being held on June 12, 2019; Trustee Swazer's NCPERS TEDS Certificate and an email regarding the City's Finance Director. She requested that the New Business section be amended to add a resolution to approve a waiver of the Training and Education policy for Chairman Moore. She requested that the Legal section be amended to include the Piedmont investment agreement Fee Schedule and the legal opinion regarding the Ex-Officio Trustee.

Trustee Patrice Waterman requested that the legal opinion regarding the Ex-Officio Trustee be moved to the beginning of the agenda.

Legal Opinion RE: Ex-Officio Trustee

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Ms. Billings-Dunn reviewed the legal opinion regarding the Ex-Officio Appointment of Mr. Hughey Newsome to the Board of Trustees dated May 28, 2019. She summarized it by stating that - unless Mr. Newsome's appointment to be the City's Finance Director is approved by the City Council - he is not eligible to serve as an Ex-Officio Trustee on the Retirement System Board.

RE: Resolution to Approve Request for Supplemental Actuarial Analysis and Experience Study

Ms. Gates provided a recap of her meeting with the finance sub-committee to discuss preliminary actuarial calculations related to the potential transfer of assets from the pension trust into a potential retiree healthcare trust. She indicated that this is new territory for her and that she has more questions regarding the process. Some things which occurred to her are whether there are excess assets using the Miller Canfield assumptions and whether the conditions of the settlement agreement with the City be met using them. She used the 2018 valuation results to show the Board the amount of excess assets and funded status using the Board-adopted rate of return and how the amount of the excess assets are likely to change as a result of using the rate of return requested by Miller Canfield. Using the Miller Canfield rate of return, the plan could have a higher accrued liability, a lower funded ratio and a lower value of excess assets. She said that the results she is showing are preliminary but she wanted to bring this to the Board so they would understand what she is seeing with respect to the assumptions being requested by Miller Canfield.

Miss Munson responded to Chairman Moore's question that the System's Cost Study policy requires that the Board approves all requests prior to submission to the actuary, that the requesting party accept responsibility for the actuarial fees and that a copy of the report be provided to the Board.

There was additional discussion and questions about the Miller Canfield assumptions and the IRS submission.

Chairman Moore noted that the City had agreed to make a presentation to the Board today regarding the IRS submission.

Trustee Giddings left at 10:32 a.m.

RESOLUTION 19 – 058 By P. Waterman, Supported by Balint
Resolved, That the Board table the Approval of the Request for the Supplemental Actuarial Analysis and Experience Study until the City provides additional information.

Yeas: 7 – Nays: 0

Trustee Giddings returned at 10:34 a.m.

RE: Resolution to Approve 2018 Valuation

RESOLUTION 19 – 059 By Swazer, Supported by P. Waterman

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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, 2020 through June 30, 2021 fiscal year and has presented the Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System as of December 31, 2018 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, 2018 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, 2020 through June 30, 2021 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 2018 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, 2018.

Yeas: 8 – Nays: 0

APPROVAL OF CONSENT AGENDA

- A. Approval of the Minutes of the Regular Board Meeting held on April 24, 2019
- B. Ratification of Retiree Payroll & Staff Payroll

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Retiree Pay Date May 29, 2019 TOTAL PENSION PAYROLL	\$2,041,947.90
Staff Pay Date May 9 & 23, 2019 TOTAL STAFF PAYROLL	\$21,477.72

C. Communications

- Plante Moran Annual Government Training: June 20, 2019 (Novi, MI)
- Intercontinental Investor Meeting: July 15, 2019 (Belmont, MA)
- ValueEdge Public Funds Forum: September 3 – 5, 2019 (Park City, UT)
- IFEBP Annual Conference: October 20 – 23, 2019 (San Diego, CA)

D. Financial Reports

- Accounts Payable: May 2019
- Dahab Associates Preliminary Report: April 2019
- Attucks Manager-of-Manager Summary: April 2019
- Statement of Changes: April 2019
- Q1 2019 Unaudited Financial Statements

E. Private Equity Capital Calls & Distributions

- Mesirov Fund IV Distribution – May 28, 2019: \$60,000

F. Retirement Benefits

1. New Retirements

RETNO	NAME	EFFECTIVE DATE	AMOUNT
2896	Speaks, Angela	6/1/2019	
2897	Campbell, Allen	5/1/2019	

Bold type entry indicates Reciprocal service credit

2. Terminated Retirements

RETNO	NAME	DATE OF DEATH	BENEFIT AMOUNT

3. J&S Continued Retirements

RETNO	RETIREE	DATE OF DEATH	SURVIVOR	AMOUNT
1937	Kline, Gary	5/15/2019	Kline, Barbara	

4. Re-calculated Retirements

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RETNO	NAME	EFFECTIVE DATE	REASON FOR CHANGE	NEW AMOUNT
2883	Chamberlain, Bernadette	9/7/2018	Final	
2891	Croskey, Renee	1/1/2018	Final	
2887	Stewart, Janice	10/10/2018	Final	
2893	Vaughn, Bryant	1/1/2018	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

6. Refunds of Employee Contributions

RETNO	NAME	REASON	AMOUNT

RESOLUTION 19 – 060 By Swazer, Supported by P. Waterman

Resolved, That the Board approves and ratifies actions described in the Consent Agenda as amended for May 29, 2019

Yeas: 8 – Nays: 0

CONSULTANTS

Q1 2019 Performance Report

Mr. Lee reviewed the Performance Report for Q1 2019. The fund returned 9.1% net-of-fees for the quarter. He also reviewed the handout with updated market values.

Emerging Manager Program Update

Mr. Lee summarized the changes to the emerging manager program that were presented to the finance committee for consideration. Attucks Asset Management is the manager-of-managers and oversees two large-cap equity programs; an emerging manager program consisting of four underlying managers and a Michigan-based manager program consisting of two underlying managers. Dahab has recommended the following changes: allocate 12% of the portfolio to emerging managers; change the emerging manager-of-managers program mandate from large-cap to all-cap benchmarked to the R3000 All-Cap Index; graduate the two Michigan-based managers to a direct relationship with the System.

RESOLUTION 19 – 061 By P. Waterman, Supported by Walker

Resolved, That the Board approves the Consultant’s recommendations to:

- Allocate \$60M to Emerging Managers
- Change the Emerging Manager-of-Managers Program Mandate to All-Cap
- Benchmark the Emerging Manager-of-Managers Program portfolio to the Russell 3000 All-

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- Cap Index
- Graduate the Michigan-based managers to direct relationships
- Retain Northern Trust as Transition Manager, and, further

Resolved, That the Board authorizes the Chairman's signature on necessary documents, pending legal review.

Yeas: 8 – Nays: 0

REPORTS

Personnel & Administration Committee

Miss Munson reported that the Personnel Committee did not meet this month.

Finance Committee

New Investments

Miss Munson reported that the finance committee received an update on the four recently hired investment managers. The signed investment documents for American Realty and TerraCap have been sent to the managers and we are awaiting the executed documents. The Piedmont investment documents have been signed and she expects to receive the executed documents this week. She reported that Bloomfield Capital had requested to meet with the Trustees and that Chairman Moore had invited them to attend yesterday's finance committee meeting. Bloomfield Capital has not yet responded or returned their initial disclosures. The committee directed that she follow-up with the manager and request a written response as well as the disclosures.

Victory Capital Fee Reduction

Miss Munson reported that the committee reviewed the Victory Capital revised fee structures and are recommending both for approval.

Asset Transition Update

None

Q1 2019 Unaudited Financial Statements and Budget Update

Miss Munson reported that this is informational only

Bernstein, Litowitz Request

Miss Munson reported that the committee considered the Bernstein, Litowitz request to provide access to the System's portfolio data to WealthTechs.

Trustees - None

Chairman

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Chairman Moore reported that he has appointed Trustee Balint to the Personnel and Administration Committee and Trustee White to the Finance Committee.

EXECUTIVE DIRECTOR REPORT

Correspondence to/from City RE: IRS Filing

Miss Munson reported that this is informational only

Supplemental Actuarial Analysis Background Memo

Miss Munson reported that this is informational only

Walmart Settlement Mailing

Miss Munson reported that the notice was mailed to members on May 2, 2019.

MAPERS Certificate of Attendance

Disability Annual Procedures Report

Asset Transition Update – See Finance Committee

UNFINISHED BUSINESS

**RE: Resolution to Approve Request for Supplemental Actuarial Analysis and Experience Study -
See Above Res. 19-058**

NEW BUSINESS

RE: Resolution to Approve Victory Capital Incore Revised Fee Structure

Miss Munson explained that Victory Capital manages two portfolios for the System – one fixed income and one mid-cap. Currently – for the purpose of calculating the management fee – the two portfolios are combined and the fees are applied to the total value. Victory would like to bill each portfolio separately. If approved, the fee structure for the mid-cap account would remain the same but the fee structure on the fixed income account would be reduced to rates more in-line with the System’s other fixed income account.

RESOLUTION 19 – 062 By Albritton, Supported by Walker

Resolved, That the Board hereby authorizes the Chairman’s signature on the Victory Capital/Incore Fixed Income Exhibit B Fee Schedule effective January 1, 2019 reducing the investment management fees to 0.25% on the first \$25M; 0.20% on the next \$25M; 0.15% on the next \$50M; and 0.10% on assets exceeding \$100M.

Yeas: 8 - Nays: 0

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RE: Resolution to Approve Victory Mid-Cap Revised Fee Structure

RESOLUTION 19 – 063 By P. Waterman, Supported by Albritton

Resolved, That the Board hereby authorizes the Chairman's signature on the Victory Capital Mid-Cap Exhibit B Fee Schedule effective January 1, 2019 fixing the investment management fees at 0.45% on the first \$25M; 0.35% on the next \$25M; 0.30% on the next \$50M and 0.25% on assets exceeding \$100M.

RE: Resolution to Approve Request for Assistance

RESOLUTION 19 – 064 By Walker, Supported by Balint

Resolved, That the Board approves that the CPREA request for assistance to be handled pursuant to the Parties-In-Interest Policy

Yeas: 8 - Nays: 0

LEGAL REPORT

GERS Termination Update

Ms. Billings-Dunn reported that this correspondence between her and the City is informational only and noted that the City has not yet approved her assistance to Miller Canfield with respect to the IRS submission.

Investment Advisory Agreement with Piedmont Investment Advisors

Ms. Billings-Dunn reported that she amended the agreement to ensure compliance with Public Act 314 and they have acknowledged their fiduciary status. She ensured that their invoicing will be set up according to standards in place with other managers, arbitration was eliminated and a 'no discrimination clause' was added. The agreement is in a legally acceptable format.

Revised Victory Fee Schedule

Ms. Billings-Dunn referenced the red-lined version and reported that there were minor changes to the fee schedule.

Amendment for Northern Trust Transition Management Agreement

Ms. Billings-Dunn reported that there were no changes to the amendment for the Northern Trust Transition Agreement.

Correspondence Regarding Retiree Ralph Baugh

Ms. Billings-Dunn reviewed her correspondence regarding this member. She recommended reaching out to the Friend of the Court and offered to draft the letter.

Motley Rice 1st Quarter 2019 Portfolio Monitoring Report

For informational purposes only.

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Robbins Geller April 2019 Portfolio Monitoring Report

For informational purposes only.

Bernstein Litowitz Portfolio Monitoring Authorization

Ms. Billings-Dunn reported that Bernstein, Litowitz has requested that the Board authorize Northern Trust to provide access to the System's portfolio data to a third-party - WealthTechs.

Trustee Giddings confirmed that the other portfolio monitoring firms have not requested that we provide access to a third party. He suggested that the System receive a copy of the agreement between Bernstein, Litowitz and WealthTechs.

RESOLUTION 19 – 065 By Giddings, Supported by Swazer

Resolved, That the Board approves to authorize Northern Trust to provide access to the System's portfolio data to WealthTechs on behalf of Bernstein Litowitz, provided that the System receives a copy of the agreement between WealthTechs and Bernstein, Litowitz.

Yeas: 8 - Nays: 0

RE: Resolution to Waive Training & Education Policy

Trustee Albritton indicated that he did not receive a receipt for a taxi ride at the NCPERS conference and requested a waiver of the Training & Education Policy's reimbursement requirement.

RESOLUTION 19 – 066 By Swazer, Supported by Walker

Resolved, That the Board approves to waive reimbursement pursuant to the System's Training & Education Policy's.

Yeas: 8 - Nays: 0

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Regular Meeting: Wednesday, June 19, 2019 10:00 a.m. – Retirement Office

RESOLUTION 19 – 067 By Swazer, Supported by Walker

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

Yeas: 8 – Nays: 0

I certify that the forgoing are the true
and correct minutes of the meeting of

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the General Employees Retirement
System held on May 29, 2019

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