

**CITY OF PONTIAC MICHIGAN
GENERAL EMPLOYEES' RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**

A special meeting of the Board of Trustees was held on Friday, September 18, 2020 via remote conference. The meeting was called to order at 2:00 P.M.

TRUSTEES PRESENT

Sheldon Albritton, Chair
James Miriani (electronically)
Walter Moore (electronically)
Samantha Powell (electronically)
Billie Swazer
James Walker (electronically) *arr @ 2:10 p.m.*
Deirdre Waterman, Mayor (electronically) *arr @ 2:17 p.m.*
John White (electronically)

OTHERS

Louise Gates, GRS (electronically)
Larry Fumarolo, Northern Trust (electronically)
Linda Watson, Retiree (electronically)
David Lee, Dahab Associates (electronically)
Steven Roth, Dahab Associates (electronically)
Cynthia Billings-Dunn, Asher Kelly (electronically)
Deborah Munson, Executive Director

TRUSTEES ABSENT

Robert Giddings, Vice-Chair
Patrice Waterman, City Council

PUBLIC COMMENT

GERS TRANSITION ADMINISTRATIVE MATTERS

Miss Munson explained that at the City Council meeting on Tuesday, the Mayor indicated that the City would be presenting the City Council with resolutions next week which would establish the termination date for the GERS and the establishment date of the Reestablished GERS. The proposed termination date would be January 31, 2021 and the establishment date would be February 1, 2021. Miss Munson reached out to Ms. Gates to discuss the experience study which GRS is in the process of conducting as well as the proposed termination/reestablishment dates and actuarial studies required to effect the transition.

Louise Gates – Gabriel, Roeder Smith & Co.

Ms. Gates began by reviewing the email from Samantha Kopacz regarding the additional information being requested by the City related to the IRS filing and GERS termination/reestablishment. The experience study is something that is done to review and update actuarial assumptions to ensure that they continue to be appropriate for the purpose of measuring the System's liabilities. She expects to have the report to the Board in time for the December 2, 2020 meeting. The Board would then review the recommendations and take any necessary actions. The updated assumptions would then be used in the next annual GERS valuation. In terms of what may be required for the purpose of the asset transfer, GRS would use that information to calculate the liabilities in connection with the plan termination and whatever assets need to be transferred. She added that GRS' role in the process is to calculate the liabilities of the plan.

Ms. Billings-Dunn asked whether the timing of the termination/reestablishment would present an issue for preparing the final valuation if the experience study isn't completed until December.

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Ms. Gates responded the experience study is based on the results of the most recent valuation, so we will have a liability calculation. If the termination date is January 31, 2021, there would be no way GRS could perform a December 31, 2020 or January 31, 2021 valuation. What GRS would do is use the information from the experience study to project the liabilities forward in the event the termination happens January 31, 2021. In the event the termination date is later, then possibly there would be enough time to do the valuation. As a practical matter, GRS would probably have to do some sort of projection of liabilities to the termination date because it is not going to perfectly coincide with the December 31st plan year.

Chairman Albritton said that one of his concerns is that the City administration came up with an arbitrary termination date of January 31, 2021 and that no one from the GERS had any input into the selection of the date. He noted that this is important to note in light of the many and complicated tasks that will be required of the GERS – such as the division and transition of the assets. He asked how that date was determined.

Trustee Moore responded that he does not believe anyone around the table today can answer the question. He said he does not believe the termination date is what will drive the process; reality will drive the process in his opinion. The Board needs to determine what reality is. Whatever the date ends up being, he believes everyone (including the IRS) is flexible enough to adjust to reality because you cannot do what you cannot do. As fiduciaries, the Trustees need to determine what reality is and communicate that to the powers that be. No one can make decisions for the Board but the Board.

Miss Munson asked whether the Council could change the termination/reestablishment dates after they had been submitted to the IRS.

Ms. Billings-Dunn responded that this is a conversation Samantha Kopacz should have. She said Ms. Kopacz indicated at the Tuesday Council meeting that the termination date would be dependent on timely IRS approval. It is not certain that the IRS will make its' ruling before then. That is a conversation she should have with the IRS. The Board should figure out the timeline of what the Board can do and when can it be done and convey that to Ms. Kopacz and to the City.

Trustee Swazer said she attended yesterday's VEBA meeting and one of the things Ms. Kopacz indicated was that the IRS required a termination date in order to proceed with their review of the transaction. She said that the Council will be asked to approve the GERS termination ordinance and noted the timeframe required for the Council to adopt an ordinance, including the second reading.

Trustee Moore suggested that a working committee be established consisting of representatives of all of the various entities that would include the Board's professional advisors. The committee could come up with a realistic termination date. There should be people from the GERS along with Ms. Kopacz, and people from the PFRS, the Mayor and the City Council. This is a major project and if there were people from the various approving bodies working together with the System's consultants, we could get it done. If we work independently, it takes time to communicate with the people who are not around the table and it just draws it out that much longer.

Trustee Swazer asked why January 31, 2021 was selected as the termination date.

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Trustee Deirdre Waterman responded that the IRS has been in contact with Ms. Kopacz about the GERS termination/reestablishment documents which were filed. The questions in the email are questions which the IRS needs to move the process along. Given that there are so many things which need to be done, the IRS wanted the City to set a date of termination because that seems to be something they need in order to move on to the next steps is her understanding based on what Ms. Kopacz has relayed to the Council and the VEBA Board. The January 31, 2021 date was selected because it seemed that those things which needed to be done could be done within that period of time.

Chairman Albritton confirmed with Trustee Deirdre Waterman that the IRS requested a date. He said that if we would work collectively as a group, then information wouldn't have to be shuttled back and forth; we would all be getting the same information at the same time. The GERS was not consulted about what work is still required and how long it would take to ensure the transition occurs timely.

Trustee Deirdre Waterman clarified that what needed to be completed by January 31, 2021 is the experience study, not all of the terms of the settlement agreement. She referred the Trustees back to Ms. Kopacz's email.

Trustee Moore suggested that Ms. Kopacz be invited to the next Board meeting to make the same presentation which was made to the Council as well as the VEBA Board.

Miss Munson directed the Trustees to the presentation Ms. Kopacz provided to the City Council. The presentation gives a history of the CPREA litigation, the terms of the settlement agreement, where things stand today and what remains to be done. The Board would like to get an understanding of what the termination date means for the GERS as far as what would be required of the System's actuary, investment consultant, custodian and so on as well as the timeframe for accomplishing everything.

Trustee Moore asked what is expected to happen on January 31, 2021.

Trustee Deirdre Waterman said believes the termination date may be a date for valuation purposes and does not mean everything has to be completed by January 31, 2021. She quoted from a document which she indicated was authored by Ms. Kopacz "A proposed termination date of January 31, 2021 would be very clean for valuation purposes. The question is whether we can get the experience study and supplemental actuarial analysis conducted by then." It is up to the GERS Board how quickly we can get those things.

Ms. Gates reiterated that the experience study would be presented to the Board at the December 2, 2020 meeting. She said that it is possible but not likely that the report could be finished sooner.

Chairman Albritton reiterated that had the Board been brought in at the beginning, we could have collectively determined an appropriate termination date to ensure we have accurate information. We do not want to rush through and provide partial information. He believes it is imperative that we work together. It is unfair to set a date without discussing it with the System's actuary and other advisors.

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Trustee Deirdre Waterman said that that date was picked because a date needed to be submitted to the Council. The Council has not approved it yet. They are waiting to hear from this Board when the information will be available and – depending on what this Board says - the date submitted to the Council could be changed depending on how soon they can get the information.

Trustee Walker concurred that a date should not have been selected without consulting all of the parties.

Trustee Deirdre Waterman said that it is a suggested date and if the Board wants to change it, they will change it.

Chairman Albritton said the Board would consult with the actuary, the consultant and the attorney to ensure the Board has all of the pertinent information. The Board will then come up with an appropriate date where we could have the correct information and then we can move forward. A lot of the information will come from the actuary and we do not want to rush their work.

Ms. Gates said it is possible they could have the report to the Board before December 2, 2020 then we could meet as a group and discuss the content of the report. At that point, the Board could make a decision or ponder the report and make a decision at the January meeting. The other element of this is the valuation; the experience study will be used for the December 31, 2020 GERS valuation.

Ms. Billings-Dunn added that it is possible that the valuation would be done after the termination date. Ms. Kopacz needs to be part of this conversation because she is in direct contact with the IRS.

There was additional discussion and a consensus that a working group composed of the System's advisors, the City, the Council, the new VEBA Board and PFRS is the best way to work collectively to move this process forward.

Mr. Fumarolo explained that – because the GERS is being terminated and a new entity established - the process of transferring the assets to the new GERS will involve setting up all new accounts for the System's ~25 investment portfolios. He said that – with respect to the proposed termination date – the plan's fiscal year is December 31st and that some of the alternative investments are valued quarterly. Often, those financial statements are received until 2 – 3 months after quarter end. He suggested that in addition to measuring the liabilities on the termination date, a valuation of the assets would also need to be made as of the termination date. He volunteered to be a part of future meetings.

Mr. Lee said that to have a clean transfer, all of the assets would need to be transferred from the old GERS to the Reestablished GERS. Assets would then be transferred from the new GERS to the new VEBA in-kind. In terms of the assets, we would need to have a decision point: will the asset allocation for the new GERS change and how will it change relative to what we have today. From there we will need to apportion the assets to the new VEBA accounts. It will probably be a two-step process where we have a preliminary valuation of the assets as of a certain point in time and transfer the access assets of 130% to the new VEBA accounts. Then we would need to do a 'true-up' in the next quarter once a final valuation has been done for the less liquid investments. He noted that the new VEBA would need to select investment managers, execute investment management agreements, conduct an asset allocation study and adopt investment policy guidelines, etc.

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There was additional discussion about forming a steering committee comprised of representatives from the various entities.

Chairman Albritton thanked everyone for taking the time to attend the meeting. He said he and the Executive Director would reach out to the Mayor to try to put together a team. In the meantime, the Board needs to do what it needs to do with respect to the experience study and giving the System's advisors the time they need to do the work necessary and properly advise on the transition.

Ms. Gates noted that the liabilities could be evaluated as of a certain date but the information would not be available until 2 or 3 months later. She added that it doesn't matter what the date is. As a practical matter from GRS' perspective, the calculation could be any date. It could be December 31, 2020 which would dovetail with the valuation. The issue is you do a liability calculation on that date and compare that to the value of the assets on that date. However, the point in time at which money actually leaves the trust is some different date in the future. There is going to be lag time between when the calculations are done and when the money leaves the trust. It becomes a matter for the Board to decide because the other consideration would be how much value could your assets potentially lose in that time period; we are still in a pandemic and the economy is not in good shape right now.

Chairman Albritton asked the advisors to work together to come up with a realistic date. This matter will be discussed again in the finance and regular Board meetings this month. He directed that Miss Munson send an invitation to Ms. Kopacz to attend the September 30, 2020 meeting.

ADJOURNMENT

RESOLUTION 20-114 By Moore, Supported by Swazer

Resolved, That the meeting of the Board of Trustees of the Pontiac General Employees' Retirement System be adjourned at 3:15 p.m.

Yeas: 8 – Nays: 0

I certify that the forgoing are the true and correct minutes of the meeting of the General Employees' Retirement System held on September 18, 2020.

*As recorded by Deborah Munson, reviewed and edited by
Legal Counsel*