

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

A regular meeting of the Board of Trustees was held on Wednesday, June 23, 2021 via remote conference. The meeting was called to order at 8:51 A.M.

TRUSTEES PRESENT

Sheldon Albritton, Chair – Auburn Hills, Oakland County, Michigan
Robert Giddings, Vice-Chair – Auburn Hills, Oakland County, Michigan
James Miriani (electronically) – Oakland Township, Oakland County, Michigan
Walter Moore (electronically) – Lantana, Denton County, Texas
Billie Swazer – Auburn Hills, Oakland County, Michigan
James Walker (electronically) *arr 8:55 AM* – Pontiac, Oakland County, Michigan
Deirdre Waterman, Mayor (electronically) – Pontiac, Oakland County, Michigan
John White (electronically) – Pontiac, Oakland County, Michigan

TRUSTEES ABSENT

Darin Carrington – excused
Samantha Powell
Patrice Waterman – excused

OTHERS

Linda Watson, Retiree (electronically)
Cynthia Billings-Dunn, Asher Kelly
Matt Henzi, Asher Kelly (electronically)
David Lee, Dahab Associates (electronically)
Steven Roth, Dahab Associates (electronically)
Mizuki Kanno, Executive Assistant
Deborah Munson, Executive Director

PUBLIC COMMENT

Linda Watson inquired about Trustee Powell.

Chairman Albritton responded that it will be discussed at this meeting.

AGENDA CHANGES: NONE

CONSENT AGENDA

RE: Approval of Minutes of the Regular Board Meeting held on May 28, 2021.

RESOLUTION 21-020 By Moore, Supported by Giddings

Resolved, That the Board approves and ratifies actions described in the Consent Agenda for June 23, 2021.

ROLL CALL:

Albritton – Yes Swazer – Yes

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Giddings – Yes
Miriani – Yes
Moore – Yes

D. Waterman – Yes
White – Yes

CONSULTANT

Initial Asset Allocation

Mr. Roth presented the scenario analysis of the asset split between the new GERS and the new VEBA. He explained that there has not been a clarity on which value to be used to determine the split, and that the value and the timing have a large impact on the GERS portfolio value at post-split. He showed three different scenarios to show the impact. He stated that the asset value utilized at time of split does change the scenario. He explained that Scenario 3 uses the market value as of May 28, 2021, and \$373M will go to GERS and \$212M will go to VEBA. Scenario 1 uses the actuarial asset value as of December 31, 2020. \$373M will go to GERS, and that amount taken out of the actuarial asset value of \$507 will go to VEBA, then there is a leftover of \$77M which will be put back to GERS, therefore, total of \$451M will go to GERS and \$134M will go to VEBA. Scenario 2 uses the market value as of March 31, 2021, and the System is left with \$384M. He stated that this analysis is for discussion purposes and to understand the impact of the outstanding question of what value to use for the split. He also explained that each equity manager in proportion will be taken to the new VEBA as well as one core real estate manager. GERS portfolio will still be diversified portfolio, and there will be no impact other than assets leaving. The new VEBA will have similar fully diversified portfolio from day one.

Trustee Deirdre Waterman informed to the Board that a meeting was scheduled for June 23, 2021 with Mr. Gibbs who is representing CPREA to make decisions on the outstanding questions, and he cancelled it. She stated that she is trying to reschedule the meeting to keep things moving along. She reported that Mr. Gibbs has not given any alternate time for the meeting.

Chairman Albritton stated that the reason why the System had Dahab put this together is to be prepared and know what to expect coming down the line. Understanding that these numbers will change, some kind of parameter was necessary as navigating through this process over the next several weeks in order to get all the necessary parties involved to move this forward.

Trustee Moore stated that this information was discussed at the finance committee meeting and that his understanding was that Ms. Billings-Dunn indicated that the amount to be used would be the total amount as of the transfer date.

Ms. Billings-Dunn responded that it was her opinion, however, as she indicated in her opinion, that the City and CPREA could amend their settlement to provide for a different number, for example if they did not intend to fund the VEBA at 200%.

Trustee Moore stated that this will certainly be discussed when the meeting occurs which Trustee Deirdre Waterman mentioned.

Chairman Albritton requested that Trustee Deirdre Waterman allow him and Vice-Chair Giddings to know when the next meeting is scheduled so they can sit in the meeting.

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Trustee Deirdre Waterman asked Chairman Albritton send a request to John Clark and Alec Gibbs who are the originators of the meeting.

Trustee White asked for clarification regarding the asset transfer. He asked if his assumption is correct that the asset amount will be determined at the time of the transfer, but that is not the same as the liabilities which are to be accounted for as of March 31, 2021 which would be the latest audited amount of liabilities.

Ms. Billings-Dunn responded that her interpretation of the settlement agreement is that 130% of the pension liability as of the date of termination, March 31, 2021 will go to the new GERS and the excess assets will go to the new VEBA. She explained that the market could have gone down, but with the market doing so well since the whole agreement was negotiated, Miss Munson pointed out at the last meeting that the excess assets will put the VEBA in a super-funded position. She stated that it was her understanding that the City and CPREA are evaluating this situation. Her interpretation of the settlement agreement is that 130% of the pension liabilities, not the total assets, will go to the new GERS and everything in excess will go to the new VEBA.

Trustee White stated that his question was that the liabilities are locked in stone.

Ms. Billings-Dunn responded that 130% of the liabilities has been determined to be \$373M according to the Consultant's report.

Mr. Lee stated that it is according to what Dahab has as a current parameter, and should any parameters change regarding the liabilities, the value of 130% calculation will change as well.

Ms. Billings-Dunn stated that the actuary is still working on the report making that determination of the liabilities as of the termination date.

Trustee Swazer stated that the actuary cannot finish the report because the City has not supplied the answers to the outstanding questions.

Mr. Lee explained that the document presented is a reference for everyone to understand the situation and have a conversation where this would be going with the different conditions. He stated that those conditions such as the actuarial value and the market value will change and there is no clarity on that as of now. He also stated that Dahab can assure that the assets can be moved over quickly, and they have already given a look at what is reasonable to have diversified portfolio for both the new GERS and the new VEBA. The challenge now is to get the exact dollar amount that will actually be transferred to the VEBA.

Trustee Miriani asked how much the Police & Fire VEBA will be kicked in and if that amount is approximately \$43M.

Miss Munson responded that \$43M came from their 2019 audited financial statements and that her understanding is that the VEBA assets have increased at this point.

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Trustee Swazer stated that it is supposed to be about \$50M according to the VEBA Board meeting.

Chairman Albritton stated that number is subject to change as well.

TRUSTEES REPORT: NONE

NEW BUSINESS

RE: Resolution to Approve Revised Kennedy Agreement

RESOLUTION 21-021 By Moore, Supported by Swazer

Resolved, That the Board authorizes the Chairman's signature on the revised Kennedy Capital Management Investment Management Agreement.

ROLL CALL:

Albritton – Yes	Swazer – Yes
Giddings – Yes	Walker – Yes
Miriani – Yes	D. Waterman – Yes
Moore – Yes	White – Yes

RE: Resolution to Declare Active-Member Trustee Vacancy

RESOLUTION 21-022 By Moore, Supported by Walker

Whereas, The responsibility for the direction and operation of the City of Pontiac Reestablished 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 a vacancy in the office of Trustee shall occur: (1) if the Trustee ceases to be eligible for nomination for the position being held, or (2) the Trustee fails to meet the standards of attendance as adopted by the Board; and

Whereas, The Retirement System's Board of Trustees Standards of Attendance Policy provides that Trustees shall be permitted four (4) absences from regular Board meetings in each calendar year. And, if a Trustee is absent from four (4) meetings in a calendar year, the Board shall evaluate such Trustee's Board participation and may vote to declare a vacancy of the position of any non-Ex Officio Trustee who fails to meet the standards of the Attendance Policy, and

Whereas, The Active-Member Trustee has missed four (4) regular Board meetings in 2021; now, therefore, be it

Resolved, that the Board of Trustees hereby declares a vacancy in the office of the Active-Member Trustee; and further

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Resolved, that the Board approves the proposed Active-Member Trustee Election Calendar.

ROLL CALL:

Albritton – Yes	Swazer – Yes
Giddings – Yes	Walker – Yes
Miriani – Yes	D. Waterman – Yes
Moore – Yes	White – Yes

SCHEDULING OF NEXT MEETING/ADJOURNMENT

Regular Meeting: Wednesday July 28, 2021 8:45 a.m.

RESOLUTION 21-023 By Swazer, Supported by Walker

Resolved, That the meeting of the Board of Trustees of the Pontiac Reestablished General Employees' Retirement System be adjourned at 9:14 a.m.

ROLL CALL:

Albritton – Yes	Swazer – Yes
Giddings – Yes	Walker – Yes
Miriani – Yes	D. Waterman – Yes
Moore – 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 June 23, 2021.

As recorded by Mizuki Kanno, reviewed and edited by Legal Counsel and the Executive Director