

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
FEBRUARY 28, 2014**

A regular meeting of the Board of Trustees was held on Friday, February 28, 2014, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan. The meeting was called to order at 11:30 a.m.

Trustees Present

Matt Nye, Chairman
Lon Britton
Nevrus Nazarko, Secretary
Craig Storum
Deirdre Waterman, Mayor

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, Gray & Company
Chuck Wytrychowski, BeneSys, Inc.
Liz Edwards, BeneSys, Inc.

Trustees Absent

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – January 21, 2014
- B. Approval of Closed Session Minutes
- C. Financial Reports
 - 1. Financial Reports – December 31, 2013
 - 2. Bills for Ratification as of February, 2014
- D. Remove from Rolls as of December 31, 2013: N / A
- E. Final Benefit Calculations: N / A
- F. BNY Mellon, Class Action Settlement, January 6, 2014, \$23.11

RESOLUTION 14-007 By Britton, Supported by Nye
Resolved, That the items on the Consent Agenda for February 28, 2014, be approved.

Yeas: 5 - Nays: 0

CONSULTANTS

- A. Gray & Company
 - 1. Summary Table – February 15, 2014
 - 2. Executive Summary Table – September 30, 2013
 - 3. Alternative Investment Review
 - 4. Performance Report – December 31, 2013

Gray & Company – Performance Review

Mr. Kuhn discussed current Fund positions. He noted the Fund had a 4.95% increase in the third quarter of 2013, even though the Mesirow International Real Estate Fund had a 2.3% loss for the period. He then noted that the Fund was up 5½ percent for the fourth quarter of 2013, and had an overall increase of 17% for the year. He stated that the Pension Fund is more conservatively invested than the VEBA fund. He noted that Munder and Loomis Sayles outperformed their benchmarks for the year, and that Wentworth, Hauser & Violich outperformed for the quarter, but struggled during the year because of the international markets. He noted that Thornburg is a little under its benchmark, and is on his “internal watch list.” Fixed income generated some growth, Barclays was down around 2%, and Garcia Hamilton was up a little over 1%. He noted that Aberdeen has had a loss of managers therefore he has sent them a letter that they are now on the watch list.

Mr. Kuhn noted that the Fund paid out a lot in benefits during 2013, but still had positive investment return. When compared to other municipal peer groups, the Fund is in the top 10th percentile for performance.

Mr. Kuhn noted that Mesirow has had a few managers leave and has a drain of talent. He is going to an on-site meeting with them in a few weeks. They will be working with Courtland out of Cleveland. He will have more detail on the situation for our next meeting.

Mr. Kuhn then reviewed the updated market value comparison. Rhumblin had not been updated for February, so the total Fund amount will be higher. Ambassador is on hold, and there are no new issues since our last meeting. Bloomfield will probably do a capital call. He then discussed different investment strategies. Outside of core real estate, the manager makes a large difference in performance. He discussed risk factors.

Trustee Britton stated he has concerns with a lack of transparency with hedge funds and private equity funds. He has no interest in investing in private equity, and some interest in hedge and Timberland. Chairman Storum agrees with Trustee Britton. Mr. Kuhn stated he will do a presentation on one manager each month. Trustee Britton suggests we do a separate two-hour meeting and review two funds in depth. Chairman Storum stated he is concerned about cash flow. It was agreed that there will be a special meeting in June, the date to be determined. Mr. Kuhn will send out pre-meeting materials for review.

Mr. Kuhn noted that Aberdeen revised their reporting process again. There were issues with the change from Artio which was probably both an Artio and Northern Trust issue.

REPORTS

- A. Chairman
- B. Secretary
- C. Trustees Committees
- D. Legal, Attorney's Report, Sullivan, Ward, Asher & Patton, P.C., Matthew Henzi

Attorney Report – General Matters:

Application for IRS Determination Letters for PFRS

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Electronic Meeting / House Bill 4363

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Response to Political Contribution Disclosure Statements

Attorney Henzi and BeneSys will review and respond.

Casey Crampton

Casey Crampton was a police officer, employed by the City whose hire date was December 16, 1998. His position was eliminated by layoff due to work force/cost reduction on February 20, 2008. He was recalled per the PPOA Agreement to temporarily replace another officer while on medical leave for one year effective August 27, 2008. In accordance with Emergency Manager Financial Order S-30, he was permanently laid off effective November 26, 2010. He is 40 years old. Mr. Crampton approached BeneSys about whether he qualified for a benefit. He withdrew his contributions when he was first laid off on February 20, 2008. However, he returned to work six months later on August 28, 2008. He failed to repay his contributions after return to work, as required by the Ordinance. Therefore, Mr. Crampton is vested for his service from August 27, 2008 through November 26, 2010. Attorney Henzi sent him a letter explaining his vested service calculation and has not yet heard back from him.

Fay Guyton – Request for Explanation of Benefit Calculation

Attorney Henzi sent her a letter explaining her calculation is correct.

Estate of Bill Glency – Letters of Conservatorship

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Bloomfield Capital

Attorney Henzi stated that all the documents are signed and the account will be funded in March.

PFRS Redeposit Policy – Partial Plan Termination

Attorney Henzi discussed the draft of a letter to vested terminated participants of the Fund who have not yet begun to receive their pension payments. The letter gives them the opportunity to elect to receive their contribution amounts and receive a matching contribution from the Fund. In return, the participants who elect to receive their contributions and matching contribution benefit now will receive no future benefits from the Fund. There was discussion. Trustee Nye commented that participants closer to retirement age probably would not do this, while younger participants may be more likely to consider this. He would want more information with respect

to the options and effects of such a decision, and asked would we want to conduct an explanatory meeting. Chairman Storum stated that we know it is allowed both under the City's Ordinance and Internal Revenue Service guidelines. Trustee Nazarko asked if they held the monies for three years, can the Fund let them back in? How much money are we talking? Trustee Nye stated that an investigation has been done. He does not remember how many it affects, but the goal is to give them an option they did not have at the time of the layoffs.

RESOLUTION 14-008 By Nye, Supported by Britton

Resolved, That the drafting of a letter to be sent to vested terminated Retirement Fund participants with respect to buying out their pension benefit, be approved.

Yeas: 5 - Nays: 0

Public Employee Retirement Benefit Protection ACT PA 492

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Robbins Geller January 2014 Portfolio Monitoring Report

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Bernstein Litowitz 4th Quarter 2013 Portfolio Monitoring Report

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Motley Rice 4th Quarter 2013 Portfolio Monitoring Report

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Miscellaneous Articles

Attorney Henzi addressed these articles for the Board in the Attorney Report.

RESOLUTION 14-009 By Nye, Supported by Britton

Resolved, That the Board move to closed session to discuss pending litigation at 12:17 p.m.

Yeas: 5 - Nays: 0

The Board moved to closed session at 12:17 p.m.

The Board returned from closed session at 12:23 p.m.

RESOLUTION 14-010 By Britton, Supported by Nye

Resolved, That the Board approve action on the items discussed in closed session.

Yeas: 5 - Nays: 0

RESOLUTION 14-011 By Waterman, Supported by Britton
Resolved, That the Board approve the January 21, 2014, closed session minutes.

Yeas: 5 – Nays: 0

UNFINISHED BUSINESS

NEW BUSINESS

A. Disability Audit Process

There was discussion about the Disability Audit Process. Mr. Wytrychowski stated that those on disability should at some point transfer to a Normal Retirement status, or provide ongoing documentation of SSD disability, or go for an independent medical exam to verify they are still disabled. Chairman Storum stated that a policy exists. Attorney Henzi stated he should have it. He asked if we are interested in doing it all at once or spacing it out throughout the year.

Trustee Britton stated a member called him, concerned about income verification. The individual is on disability but had the opportunity to do a different job and make more money, and there is no longer a police or fire position with the City to come back to. How do we benchmark it? If they were going to come back to regular duty with the City it would be a different story, but it's an outdated rule we no longer need. Attorney Henzi noted that it is in the Ordinance. Trustee Britton asked why benchmark when there is nothing to benchmark to? Attorney Henzi stated if someone is disabled and the Board finds out he can work, then disability is eliminated or reduced per the Ordinance. But, this is reviewed on a case by case basis as the Board could waive it. Trustee Nye stated we have to hold ourselves to some standards. Chairman Storum noted that GERS employees would still be subject to it. Attorney Henzi stated he will review this and give his recommendation.

B. Request from City for BeneSys to Send the Monthly Pension Payroll/Deduction Registers

Mr. Wytrychowski stated that BeneSys last gave the monthly payroll register to the City in November 2013, as they wanted to monitor the health care deductions. Chairman Storum stated he does not see the need for the City to have that information. Trustee Nye agrees. Trustee Nazarko stated he thinks it should be transparent and be provided when requested. He wants the lines of communication with the City to be kept open. They will use the information to keep the finances in order.

Chairman Storum asked what benefit does it serve if they know the amounts are being deducted? Trustee Nazarko stated that the pre-VEBA retirees are billed separately and we want to know who is paying for what. Maybe at some point if an agreement is reached it could be annual, but the City still needs to know. Trustee Nye asked if it is to see/track financials. Trustee Nazarko stated it was probably to know what to bill the non-VEBA retirees, since the City is the funding source. Trustee Waterman agrees with Trustee Nazarko that it is to ensure that all are covered,

and does not see why it should not be provided. Trustee Nye asked that with the lack of information going back and forth lately, why does it need to go? Trustee Britton asked if you already bill OPEB, why do it now? Trustee Nazarko stated they need to know what we withhold so the City can properly bill. He said he would send out an e-mail explaining why this should be done. Attorney Henzi stated that under PA 314, there are certain prohibitions for turning over information and he wants to check and ensure it is okay to do this.

CORRESPONDENCE

- A. Metropolitan Real Estate Partners VI Third Quarter Investor Letter, January 29, 2014
- B. Aberdeen Global High Income Fund – Revised Reporting, January 30, 2014
- C. Metropolitan Real Estate Partners VI Distribution to Occur on March 5, 2014, February 20, 2014
- D. Metropolitan Real Estate Partners VII Capital Call Notification, February 26, 2014, \$32,000

NEXT MEETING DATE: March 27, 2014

RESOLUTION 14-012 By Nye, Supported by Britton
Further Resolved, That the meeting be adjourned at 12:27 p.m.

Yeas: 5 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the Police and Fire Retirement System held on February 28, 2014.



Nevrus Nazarko, Secretary
As recorded by BeneSys