

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
MAY 29, 2014**

A regular meeting of the Board of Trustees was held on Thursday, May 29, 2014, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Trustees Present

Lon Britton
Nevrus Nazarko, Secretary
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

Craig Storum, Chairman
Matt Nye

Vice-Chairman Britton declared that a quorum was present and called the meeting to order at 12:37 p.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – April 28, 2014
- B. Approval of Closed Session Minutes
- C. Financial Reports
 - 1. Financial Reports – March 31, 2014
 - 2. Bills for Ratification as of May, 2014
- D. Remove from Rolls as of April 3, 2014: Tracy McKenna, DOD 04-03-2014
- E. Remove from Rolls as of April 16, 2014: Belinda Cox, DOD 04-16-2014
- F. Final Benefit Calculations: N / A

RESOLUTION 14-021 By Nazarko, Supported by Waterman
Resolved, That the items on the Consent Agenda for May 29, 2014, be approved.

Yeas: 3 - Nays: 0

Trustee Britton noted that he learned that retiree Neil McCormack had passed away in mid-May. BeneSys had not yet been notified of this at the time of the meeting.

CONSULTANTS

A. Gray & Company

1. Summary Table – May 21, 2014
2. Executive Summary Report – March 31, 2014
3. Metropolitan Real Estate Investment Performance Review, December 31, 2013
4. Introduction to Hedge Funds – Tabled to Next Meeting
5. Introduction to Timberlands – Tabled to Next Meeting

Gray & Company – Performance Review

Mr. Kuhn discussed current Fund positions. He stated the Real Estate funds had not yet reported the March 31, 2014, positions. The International Fund had a negative quarter; this fund is more conservative than the VEBA fund. LS Investment and Rhumblin performed in line with their benchmarks. Munder was slightly behind its benchmark, as was Loomis Sayles. Wentworth Hauser had a good quarter. Thornburg was down a lot; one quarter of being down you can live with, but it brings down the one and three year returns as well. He recommends placing them on watch. Trustee Britton can see putting them on watch until the end of June, then bring in other possibilities for review if they are still down. Franklin Templeton has been steady. Aberdeen is a big-plus contributor. They have focused on the portfolio and assets. He feels that they may have strengthened after the Artio transition. American Realty Advisors had a good quarter. Trustee Britton asked about Mesirow. They are time-weighted and seem to be constantly lagging. Mr. Kuhn stated that they had had personnel changes, but they will attend the June Board of Trustees meeting. They are weak but improving. We cannot terminate them at this point of time. He stated they are now partnered with Courtland and are cherry-picking what Courtland sees as good opportunities. He stated the post-2008 managers seem to be doing better.

Mr. Kuhn commented that the fund was up \$2,000,000 for the quarter. We will transfer \$5,000,000 next week to cash. He believes that this is the time to begin investing in emerging markets going forward. He will initiate a search for funds, and probably present his finding at the July meeting. He then noted that Munder had announced a merger, and that after the merger, the names will change. The current CIO will probably maintain the same role in the new setup.

Mr. Kuhn stated that he is also thinking of increasing alternatives such as hedge funds – hedge, timber and infrastructure. He has not seen strategies they are excited about in infrastructure, and his biggest concern is liquidity: it makes it more of a buyer's market than a seller's. We can invest in equity, bond, real estate, and 15% in other investments under PA 314. The only thing we have in the "basket" at this time is Mesirow. Trustee Nazarko asked Mr. Kuhn to bring the latest basket clause and qualified investment information and room for Hedge funds to the next meeting. Attorney Henzi stated he will send everyone the summary of the PA 314 amendment. Mr. Kuhn stated he will review hedge fund information at the next meeting. Mayor Waterman asked if there is a limit on managers or new business? Mr. Kuhn stated we do not track that, but in our IPS, there is for political contributions.

There was discussion with respect to Thornburg and it was recommended we put them on watch.

RESOLUTION 14-022 By Waterman, Supported by Nazarko
Resolved, That Thornburg International Equity be placed on watch for performance issues through June 30, 2014, be approved.

Yeas: 3 - Nays: 0

Mr. Kuhn's presentations on the Introduction to Hedge Funds, and Introduction to Timberlands was tabled until the next meeting.

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.

Neil Craig – Overpayment After Death (Exhibit A)

Attorney Henzi explained that this participant passed away on November 20, 2013. His surviving spouse passed away on November 29, 2013. The Administrator was not notified of the deaths. As such, an overpayment was made in the amount of \$5,527.09. Since the last meeting, the Administrator has made unsuccessful attempts to contact the two children of the Participant. Attorney Henzi sent a letter to the heirs and has received no response at this time. Trustee Nazarko would leave this open for three months given the situation, and if there is no response by September, just close the issue.

Genelda Lavallis – Request for Conversion to Normal Retirement Benefit (Exhibit B)

Attorney Henzi explained that this participant requested that her retirement benefit be converted from non-duty disability to normal retirement now that she reached age 55. She has 10 years of service. Attorney Henzi has reviewed this matter and opines that the ordinance does not allow for non-duty disability benefits to convert to normal benefits. Ms. Lavallis was told to submit a written request explaining her position. No such request was sent. Since the last meeting, she has requested a copy of her file. Attorney Henzi will send correspondence requesting that Ms. Lavallis send a written request explaining her position and that, based on the information provided, she does not qualify for conversion to a normal benefit.

Paul Stachowiak – Request for Recalculated Benefit (Exhibit C)

Attorney Henzi addressed this issue for the Board in the Attorney Report. Mr. Stachowiak requested a benefit recalculation. Attorney Henzi believes he is in error and asked him for additional information, but has not heard back from him. He signed the Early Out Waiver for his check, and was given 24 years of service. Attorney Henzi wants to send him a letter stating he

signed the Agreement that he would not apply for a recalculation. He will send him a copy of these documents.

PFRS Redeposit Policy – Partial Plan Termination (Exhibit D)

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

Public Employee Retirement Benefit Protection ACT PA 492 (Exhibit E)

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

PFRS and VEBA Liability Insurance Renewal – (Exhibit F)

Attorney Henzi noted that the Administrator has forwarded the renewal application to Union Services Agency. The premiums for the 2014 – 2015 year are \$27,848 for the Retirement System, and \$1,000 for the VEBA. Coverage limits remain the same.

RESOLUTION 14-023 By Nazarko, Supported by Waterman

Resolved, That the liability coverage policy with the Chubb Insurance Company be renewed at a \$1,000,000 liability limit, and \$50,000 deductible be approved.

Yeas: 3 – Nays: 0

Hugh Pettway v Waterford

Hugh Pettway is a deferred vested who is currently employed as a firefighter with Waterford Township. We were contacted by counsel for Waterford Township who indicated that Mr. Pettway initiated a lawsuit against Waterford Township arising out of his employment. Counsel for the Township issued a subpoena requesting pension records from Mr. Pettway through the PFRS. Legal reviewed Mr. Pettway's file and responded to the subpoena by producing the portion of the file that is not otherwise confidential according to PA 314. The matter is closed.

Follow-Up with Service Providers Regarding Fee Disclosure Statement and Political Contribution Disclosure Statement (Exhibit G)

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

Proposed 2014 Budget (Exhibit H)

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

Riggs EDRO (Exhibit I)

Attorney Henzi sent a letter to the attorney stating they need to make changes to the EDRO.

Correspondence to Auditor Regarding Litigation in 2013 (Exhibit J)

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

Robbins Geller Portfolio Monitoring Report April 25, 2014 (Exhibit K)

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

Tim Morton – Audit Request for Clarification of Eligibility of Retirement (Exhibit L)
Attorney Henzi addressed this issue for the Board in the Attorney Report.

Various Articles – (Exhibit M)

Attorney Henzi presented various articles for the Trustees' review.

UNFINISHED BUSINESS

- A. Neil Craig, Overpayment Recoupment
- B. Casey Crampton
- C. Paul / Tracey Stachowiak EDRO
- D. Bradley / Nancy Riggs EDRO
- E. Scott Wedge / Christopher Young, Duty Disability
- E. Participant Website

Neil Craig's overpayment recoupment issue was addressed in the Attorney's Report.

Paul / Tracey Stachowiak's EDRO was addressed in the Attorney's Report.

Bradley / Nancy Rigg's EDRO was addressed in the Attorney's Report.

There was discussion with respect to duty disabilities and Final Average Salary used for pension calculations. Mr. Wedge and Mr. Young were on a duty disability. This only coordinates service for purposes of pension in that they do continue to accrue years of service while on a duty disability. Attorney Henzi stated he will draft this into a formal memo.

Trustee Britton stated that if you go back to the early 1980's, we see vesting change to ten years of service sometime after 1980. Attorney Henzi stated there is no rule on the earliest retirement, so age fifty with ten years of service is okay. Attorney Henzi stated he will draft this into a formal memo.

The participant website is in progress. It will take special programming as some documents typically are not contained on private employers' websites.

NEW BUSINESS

- A. Chubb Fiduciary Liability Insurance Renewal
- B. Munder Capital Management / Victory Capital Management Acquisition Consent Form
- C. Bloomfield Capital Income Fund II Distribution, \$8,438.36
- D. Check from Pontiac GERS, \$12,835.43
- E. Metropolitan Real Estate Trust Distribution, \$187,278

The Chubb Fiduciary Liability Insurance Renewal was addressed in the Attorney's Report.

Munder Capital Management / Victory Capital Management Acquisition Consent Form is tabled until the next meeting.

CORRESPONDENCE

- A. Updated ADV Disclosure Form, Gray & Company
- B. WHV International Equity Strategy)

NEXT MEETING DATE: Scheduled for June 26, 2014

RESOLUTION 14-024 By Nazarko, Supported by Waterman
Further Resolved, That the meeting be adjourned at 1:12 p.m.

Yeas: 3 – 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 May 29, 2014.

Nevrus Nazarko, Secretary
As recorded by BeneSys