

**CITY OF PONTIAC, MICHIGAN  
POLICE AND FIRE RETIREMENT SYSTEM  
JUNE 24, 2010**

A regular meeting of the Board of Trustees was held on Thursday, June 24, 2010 at the Shrine Room, Main Level, City Hall, Pontiac, Michigan. The meeting was called to order at 9:31 a.m.

**TRUSTEES PRESENT**

Mayor, Leon Jukowski  
Matthew Nye  
Craig Storum, Chairman

**TRUSTEES ABSENT**

Brian Lee (*excused*)

**OTHERS PRESENT**

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.  
Chris Kuhn, Gray & Company  
Ellen Zimmermann, Retirement Systems Administrator  
Jane Arndt, M-Administrative Assistant  
Drew Fortney, PFFU Union Representative

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**CONSENT AGENDA**

- A. Minutes of Regular Meeting: May 27, 2010
- B. Communications:
  - 1. Correspondence from Oppenheimer Re: TCP Track Record
  - 2. Correspondence from Metropolitan Re: Partner Capital Account Analysis
  - 3. Correspondence from Oppenheimer re: June 30, 2010 Deadline
- C. Financial Reports:
  - 1. Financial Reports – May 2010
  - 2. Securities Lending –
  - 3. Accounts Payable – June 2010
  - 4. Capital Calls - None
- D. Remove from the Rolls:
- E. Application for Service Retirement
- F. Disability Re-Examinations
  - 1. Mark Hilborn
  - 2. Scott Wedge

**RESOLUTION 10-040** By Nye, Supported by Jukowski  
Resolved, That the consent agenda be approved.

Yeas: 3 - Nays: 0

## CONSULTANTS

### **Re: Gray & Company – Timber Allocation**

Mr. Kuhn recommended that the Board fund the \$2.5 million timber investment allocating 50% to the domestic fund and 50% to the international fund.

### **RESOLUTION 10-041** By Nye, Supported by Jukowski

Resolved, That the Board approve to fund the RMK Timberland Global Timberland Resources Fund investment allocating 50% to the U.S. Fund and 50% to the International Fund.

Yeas: 3 - Nays: 0

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## ADJOURNMENT

### **RESOLUTION 10-042** By Nye, Supported by Jukowski

Resolved, That the meeting be adjourned at 9:34 a.m.

Yeas: 3 – Nays: 0

*Mayor Jukowski left at 9:34 a.m.*

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*Discussion continued after the loss of quorum.*

## CONSULTANTS

### Fixed Income Transition - TCP Global Investment Management

Mr. Kuhn informed the Board that the transition from Oppenheimer to TCP Global Investment Management will not require a transition manager so there should be no associated costs.

### Total Fund Market Values as of June 22, 2010

Mr. Kuhn distributed the current market values of the Fund as of June 22, 2010. The current market value is \$223.7 million.

He briefly discussed the real estate allocation. Metropolitan still has \$3 million to call and Mesirow has \$3.5 million to call. It was determined that the amount of funds that have been called would be recorded on the statement going forward.

There was discussion that assets allocated to fixed income could be used to fund another fund of funds real estate manager.

#### Film Credit Investment

Mr. Kuhn said that he met with Ron Yee regarding a film credit investment. He reviewed the strategy and would not bring this to the Board at this time. Chairman Storum said he does not feel this fits within the asset allocation strategy.

Mr. Kuhn said this investment is based on tax credits provided in the Michigan Film Production Credit that allows for an assignable tax credit of up to 42% of the amount of a production company's expenditures incurred while producing a film in Michigan. It is a lot like securities lending with the company sharing in the reward but not taking any of the risk.

#### Real Estate Investment

Chairman Storum asked if this is a good time to put money into opportunistic real estate. Mr. Kuhn stated that the System already has a diverse real estate portfolio. There may be \$2 million to \$3 million or approximately 1% that can be allocated to existing managers or new managers.

### **REPORTS**

**Re: Chairman** – None

**Re: Secretary** - None

**Re: Trustees** - None

**Re: Administrator**

#### OPEB/Claims Data

There was continued discussion with regard to the retiree list needed for the OPEB. Ms. Billings felt that the Business Associate Agreement should be extended to Plante & Moran if they are being provided confidential information.

Chairman Storum told the Board that Larry Marshall had threatened to cut off retiree healthcare.

Ms. Billings confirmed that the Police & Fire VEBA cannot release assets without the claims information needed to verify the costs.

#### Reimbursements to City

Ms. Zimmermann stated that Carl Johnson from Plante & Moran has asked that the Retirement Office accelerate their payments for staff costs. They normally reimburse the City once per year for these costs. Staff costs have not been reimbursed for this year. Mr. Johnson is asking for monthly reimbursement of these costs.

There was further discussion regarding claims data. Ms. Zimmermann said that Mr. Johnson told her that there is actual claims data for January, 2010 through June, 2010. It appears that the

City is looking to get as much money as possible into the General Fund before the end of the fiscal year.

#### Police & Fire Retiree Payouts

Ms. Zimmermann asked for direction with regard to obtaining the PAS forms for the Police & Fire retirees who left in November. A letter was sent to Fred Leeb regarding the payouts. The Retirement Office has repeatedly tried to obtain the required PAS forms.

Chairman Storum directed Ms. Zimmermann on behalf of the Board to send a FOIA to the Human Resources Department for the PAS forms for the P&F retirees who left in November and that Ms. Billings also send a letter regarding the payouts to the new Emergency Financial Manager.

#### **Re: Legal**

#### Northern Trust

Ms. Billings reported that the Motion to Change Venue to Illinois was filed in the Pontiac Police and Fire Retirement System vs. Northern Trust and is currently pending. Once venue is changed, Bernstein will move to consolidate and to file an amended complaint including both the Pontiac Police and Fire Retirement System and the Pontiac GERS System with the Chicago Teachers case.

#### Fossil, Inc.

Ms. Billings reported that under advisement of the Court, limited discovery is proceeding.

#### UBS/AG Securities Class Action

Ms. Billings reported that the hearing on the Defendants' Motion to Dismiss has not been set. They will continue to advise the Board with respect to this matter.

#### Airgas Securities Litigation

Ms. Billings reported that discovery is continuing with document requests and depositions. She will continue to advise the Board with respect to this matter.

#### IRS Application for Determination Letter

Ms. Billings reported that the IRS contacted her requesting additional information. The information was provided and they are working to finalize the favorable determination. She will continue to advise the Board with respect to this matter.

#### Proposed Investment Management Agreement with TCP Global

Ms. Billings reported that TCP has agreed to all her changes including the fiduciary standard in accordance with Michigan Public Act 314 and their investment management fees will be based on the market value determined by the custodian bank. The Chairman will need to sign the TCP Global Investment Management Investment Agreement.

#### Proposed HEART Act Amendments

Ms. Billings described the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART). The HEART Act requires qualified plans to provide that a member who dies while in qualified military service is to be treated like a member who has resumed employment and has died during active employment. This provision applies retroactively to deaths occurring on or after January 1, 2007. There is no impact to the pension system as the system does not currently provide ancillary benefits to active members that are not available to deferred members. She stated that the amendment must be adopted prior to December 31, 2012 and advised that she will incorporate this amendment with the required IRS changes for the determination letter.

#### FBAR Reporting

Ms. Billings explained that the Report of Foreign Bank and Financial Accounts (FBAR) is an IRS required report that has to be filed if you own or have authority over a foreign financial account.

She asked Mr. Kuhn to confirm with all the investment managers of the Fund whether they have a financial account in a foreign country.

Artio Global Investors has confirmed that all their funds are domiciled in the United States.

Mr. Kuhn explained that obtaining the information from Thornburg Investment Management has been confusing and difficult. He will continue to work on the issue.

Ms. Zimmermann asked if the trustees have to file. Chairman Storum questioned why the trustees would have to file. Ms. Billings explained that the trustees would have to file based on their control of the assets of the Fund.

#### Electronic Mail Regarding IRC §420 Transfers and Michigan Public Act 28 of 1966

#### Royal Oak City Commission MERS Resolution

Ms. Billings indicated that the Royal Oak City Commission adopted a resolution opposing the proposed legislation contained in Senate Bill 1239 Distressed Municipal Pension System Act. This bill would seize control of distressed pension plans transferring their assets to the Municipal Employees Retirement Plan (MERS). This resolution contained very concise language in opposition of the proposed legislation and drives home what the act is about.

Chairman Storum directed Ms. Billings on behalf of the Board to draft a letter to the Pontiac City Council recommending that they consider a similar resolution.

#### Miscellaneous Articles

- The NAPPA Report, May 2010
- Pittsburgh Tribune-Review, June 1, 2010 – Public pension funds could be in for big shock
- IFEBP Benefits & Compensation Digest, June 2010 – Update on Trustees Expenses
- IFEBP Benefits & Compensation Digest, June 2010 – Trends in Fiduciary Liability Coverage
- BLB&G, The Advocate, Spring 2010

**Re: Union Representatives - None**

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**NEW BUSINESS**

**Re: GRS Program Change Fees**

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**UNFINISHED BUSINESS**

**Re: FOIA Re: Budget Costs**

**Re: HELPS Letter to Retirees**

**Re: Disaster Recovery Plan/Actuarial Software Search**

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**SCHEDULING OF NEXT MEETING**

Regular Meeting –Thursday, July 29, 2010 – Lion’s Den, City Hall

I certify that the foregoing are the true and correct minutes of the meeting of the Police and Fire Retirement System held on June 24, 2010.

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*As recorded by Jane Arndt*