

**CITY OF PONTIAC  
POLICE AND FIRE RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING MINUTES  
AUGUST 29, 2013**

A regular meeting of the Board of Trustees was held on Thursday, August 29, 2013, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan. The meeting was called to order at 12:48 p.m.

**Trustees Present**

Matt Nye, Chairman  
Lon Britton  
John Naglick, Secretary  
Craig Storum  
Leon Jukowski, Mayor

**Others Present**

Matt Henzi, Sullivan, Ward, Asher & Patton  
Chris Kuhn, Gray & Company  
Denise Jones, Rodwan Consulting Company  
Beth Bialy, Plante & Moran  
Nick Tochman, Plante & Moran  
Chuck Wytrychowski, BeneSys, Inc.  
Liz Edwards, BeneSys, Inc.

**Trustees Absent**

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**AGENDA CHANGES**

A. Plante & Moran

Mr. Tochman reviewed the audit for the plan year ending December 31, 2012. He reviewed employer and employee contributions made to the Trust, and benefits paid from the Trust for the 2011 and 2012 plan years. He stated that 71% of fund assets are invested in domestic equities and fixed income funds. The total fund gained 12% in 2012. He noted that there was an increase in net assets, and an increase of \$23M in the fair value of investments. There was also an increase in the benefit amount payouts. He noted that because of Michigan Public Act 436, there was a change in the contributions receivable. The plan experienced a partial termination as of March 1, 2012. The plan uses 5-year smoothing under the actuarial assumptions methods. As of December 31, 2012, the plan is 88% funded, but he notes the outstanding 2012 City contributions in the amount of \$1,467,987 are not reflected.

**CONSENT AGENDA**

- A. Minutes of Regular Meeting – July 25, 2013
- B. Revised Minutes of Regular Meeting – June 27, 2013
- C. Financial Reports
  - 1. Financial Reports – June 30, 2013
  - 2. Bills for Ratification as of July 31, 2013

- D. Remove from Rolls as of July 31, 2013
  - 1. Mathes, Oliver (deceased 08-03-2013), spouse Tammi is beneficiary and annuitant
  - 2. LaForge, Margaret (deceased 07-12-2013), annuitant of Donald
  - 3. Rayner, Emma (deceased 08-12-2013), annuitant of Albert
- E. Final Benefit Calculations: Morton, Timothy - PPOA #17355; \$2,402.66
- F. FOIA Request, Zack Cziryak, Financial Investment News, July 30, 2013
- G. Sullivan, Ward, Asher & Patton Tax Appeal Refund, \$15,357.92: From Veba Consent Agenda

**RESOLUTION 13-050** By Nye, Supported by Britton

Resolved, That the items on the Consent Agenda for August 29, 2013, be approved.

Yeas: 5 - Nays: 0

**CONSULTANTS**

- A. Rodwan Consulting Company
  - a. Revised Actuarial Valuation, December 31, 2012
  - b. Cash Flow and Accrued Liability Projection, August 8, 2013
  - c. Actuarial Impact of Proposed Increase to Non-Veba Retirees, August 16, 2013
  - d. Supplementary Report, Forfeiture of Benefits, November 9, 2012
- B. Gray & Company
  - a. Summary Table – August 23, 2013
  - b. Performance Report – June 30, 2013
  - c. Investment Policy Statement Draft, August, 2013

**Rodwan Consulting Company – Revised Actuarial Valuation Review**

Denise Jones of the Rodwan Consulting Company presented the revised Pension Actuarial Valuation for the period ending December 31, 2012. The valuation was prepared under the old calculation rates. The total amount of the City's contribution was calculated to be \$2,327,949. Trustee Nye asked what the difference would be between using a 20-year annualized rate versus a perpetual rate. Ms. Jones stated that it could be risky. The unfunded liability spread over 30 years is \$28,512,578. She discussed the change in assets allocated between March 31, 2012, and December 31, 2012. She then reviewed the accrued liability for retirees and beneficiaries in pay status, and for vested terminated members who are not yet in pay status. She noted that the amortization period changed from an open 20-year period to a closed 30-year period. She noted that there were 450 retirees and beneficiaries in pay status as of December 31, 2012, receiving \$15,643,144 in annual benefit payments. She broke this down by age groups and by service/disability/beneficiary groups. Attorney Henzi asked if the contribution should be for the 2014 plan year. Trustee Naglick stated that yes, that is what was budgeted by the City. Trustee Britton commented on the cash flow projection that in 2041, the plan would be overfunded, and the last year for contributions would be 2036.

**RESOLUTION 13-051** By Britton, Supported by Jukowski  
Resolved, That the revised Actuarial Valuation for December 31, 2012, be approved.

Yeas: 5 - Nays: 0

There was discussion with respect to the actuarial impact to the plan on the increase to non-Veba retirees as a result of the health care deductions. Ms. Jones stated that it was reduced because of a correction to the covered member counts.

**RESOLUTION 13-052** By Britton, Supported by Nye  
Resolved, That letters be sent to deferred vested members with respect to the pension buyout.

Yeas: 5 - Nays: 0

### **Gray & Company – Performance Review**

Mr. Kuhn noted that the fund is up 13% for the 12-month period ending June 30, 2013. Real estate appeared weak, but was skewed because of lack of numbers from American Realty. Both Munder and Loomis Sayles were slightly up. Franklin Templeton was slightly down for this quarter. Trustee Britton asked if there were any changes since the Artio-Aberdeen merger. Mr. Kuhn replied not really, they have lost some individuals, but he has asked the Chicago office to research. American Realty was up as well in this quarter. The internal rate of return since September 2008 is \$4.1 million. The funds are very close to their target allocations.

Mr. Kuhn then presented and discussed the Investment Policy Statement draft. He will add language to include BeneSys as the plan administrator, and language expanding on target funds.

There was discussion with respect to Bloomfield Capital. Mr. Kuhn commented that it is a new organization, therefore has exposure risk. It has a \$2.5M capitalization requirement, therefore he is concerned that it is not a diversified portfolio. Trustee Britton is inclined to give them the benefit of the doubt. Mr. Kuhn asked what would happen if one partner leaves. Trustee Britton asked if they have a “key man clause.”

### **REPORTS**

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

Trustee Naglick commented that the City Hall Meeting with respect to the cancellation of retiree medical benefits just concluded. Any non-Medicare participant may choose Blue Cross Blue Shield “GlidePath” up until September 30. Any Medicare participant has 21 days to select. Trustee Britton asked if we can put pressure on City Council to approve bringing pre-Veba

retirees into the Veba now? Trustee Nye wants to get the e-mail addresses for as many participants as possible, so we can communicate by e-mail.

**Attorney Report – General Matters:** Attorney Henzi presented the paperwork for Trustee Naglick’s signature to terminate the contract with Gabriel, Roeder, Smith and Company.

**RESOLUTION 13-053** By Nye, Supported by Britton

Resolved, That Trustee Naglick sign the paperwork to terminate the contract between the City of Pontiac Police & Fire Retirement System and Gabriel, Roeder, Smith and Company.

Yeas: 5 - Nays: 0

Attorney Henzi presented communication from CAP Commercial Mortgage, LLC about its upcoming dissolution.

Attorney Henzi then presented the revised Ethics Policy for review and discussion. He noted that he included language with respect to campaign contributions and gifts.

**RESOLUTION 13-054** By Nye, Supported by Britton

Resolved, That the revised Ethics Policy be approved and adopted.

Yeas: 5 - Nays: 0

Attorney Henzi then presented the Investment Fees Disclosure Statement paperwork. Investment service providers must complete this paperwork on an annual basis under Michigan PA 314.

**RESOLUTION 13-055** By Nye, Supported by Britton

Resolved, That the Investment Fees Disclosure Statement be distributed to the investment managers for signatures.

Yeas: 5 - Nays: 0

**RESOLUTION 13-056** By Britton, Supported by Naglick

Resolved, That the Investment Fees Disclosure Statement be distributed to Ambassador Capital Management for completion and signatures.

Yeas: 5 - Nays: 0

**UNFINISHED BUSINESS**

A. FuzeBox is tabled until the September 26 meeting.

## **NEW BUSINESS**

A. Review of the 30-Day Waiver Form and/or Application Receipt Form.

We will review the current form with Attorney Henzi.

## **SCHEDULING OF NEXT MEETING**

Regular Meeting – Thursday, September 26, 2013 – BeneSys Inc., 700 Tower Dr., Suite 300, Troy, MI 48098 at 10:00 a.m. (Tentative)

## **ADJOURNMENT**

**RESOLUTION 13-057** By Britton, Supported by Nye  
Resolved, That the meeting be adjourned at 2:50 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 August 29, 2013.



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John Naglick, Secretary  
*As recorded by BeneSys*