

**CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREMENT SYSTEM
OCTOBER 25, 2012**

A regular meeting of the Board of Trustees was held on Thursday, October 25, 2012 at the City Council Conference Room, Second Level, City Hall, Pontiac, Michigan. The meeting was called to order at 11:03 a.m.

Trustees Present

Lon Britton
Leon Jukowski, Mayor
John Naglick, Secretary
Matthew Nye

Others Present

Matthew Henzi, Sullivan, Ward, Asher & Patton
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant

Trustees Absent

Craig Storum, Chairman (*absent*)

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – September 27, 2012
- B. Communications:
 - 1. Correspondence from Franklin Templeton Re: Global Bond Fund Summary Sept. 2012
 - 2. Correspondence from Loomis Sayles Re: Organizational Changes
 - 3. Correspondence from Metropolitan Real Estate Re: October 2012 Newsletter
 - 4. Correspondence from WHV Re: International Equity Newsletter Q3 2012
 - 5. Conference Information:
 - a. Alternative Investment Forum – Crain’s Detroit Business – Nov. 15, 2012
- C. Financial Reports:
 - 1. Financial Reports – September 2012
 - 2. Accounts Payable – October 2012
 - 3. Monthly Shared Expenses Transfer \$15,973.87
- D. Capital Calls: Distributions
 - 1. Mesirow MFIRE \$250,000.00
- E. Remove from the Rolls:
 - a. Donald Goodwin (deceased 10-15-12): surv. benefit of \$1,413.09/mo to Marion Goodwin
- F. Applications for Service Retirement:
 - 1. Patricia A. Rhodes – PPOA 12 years, 9 months Age 50 (off deferred)
- G. Final Benefit Calculations:
 - 1. Donald Russell #2635 \$3,383.61
 - 2. Thomas Rayner #2659 4,480.58

3. Kevin Harris	#2660	2,542.92
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H. Approval of EDRO Calculations:
1. Bryan Aranosian

RESOLUTION 12-081 By Nye, Supported by Britton
Resolved, That the consent agenda be approved.

Yeas: 4 - Nays: 0

CONSULTANTS

Re: Gray & Company

Mr. Kuhn distributed the Fund's flash report as of September 30, 2012 and the market values as of October 22, 2012.

As of September 30, 2012 the total Fund value was at \$228,548 million with quarterly performance of 4.26%.

He explained that this Fund's portfolio is more conservative than the Retiree Health Care Fund so there is less push up in performance from the equity market.

There is no current data with regard to the policy index. The real estate investments use the NCREIF benchmark which is updated quarterly.

Mid cap manager Munder Capital's performance came up short of the benchmark for the month and the quarter.

Small cap manager Loomis Sayles had back to back short quarters and underperformed versus the benchmark 11.86% versus 14.36% year-to-date.

Trustee Britton asked if the Board should be concerned regarding the organizational changes taking place at Loomis Sayles.

Mr. Kuhn indicated that Gray & Company are not concerned with the organizational changes at Loomis Sayles.

International equity manager Wentworth, Hauser & Violich and Thornburg's performance is even or slightly ahead of the benchmark for the quarter and year-to-date.

Fixed income performance was pretty strong for the quarter at 2.93% versus the benchmark at 1.40%.

The Northern Trust Intermediate Government/Credit Fund's performance was 1.47% for the quarter versus the benchmark at 1.40%.

Intermediate fixed income manager Garcia Hamilton returned strong performance at 3.60% versus 1.40%. They have a lot of their assets in spread products.

The Franklin Templeton Global Bond Fund had returns of 4.85% versus 2.78%. The JP Morgan Global Government Bond benchmark is an easy benchmark to beat because there are many opportunities in the global fixed income markets.

High yield manager Artio had a nice quarter with returns of 4.72% versus the benchmark at 4.61%.

The Goode Stable Value Fund was closed and the assets transitioned in August, 2012.

There are no updated real estate performance numbers to review.

The market values of the Plan at \$228,893 million did not change much from September 30, 2012. There was one distribution. He noted that the portfolio is overweight in cash which will be used for six months of benefit payments and the COLA. It should be at a normal level through the end of the year.

Trustee Naglick noted that the members' checks in November are important. He asked what is included in that check.

Trustee Britton stated that the November check includes the post retirement increase factor (PRIF). Most members receive 2% each year for a maximum of 25 years or 50%.

Trustee Naglick remarked that the market was down on Tuesday, October 23, 2012.

Mr. Kuhn told the Board that the market made some of the losses back on Wednesday, October 24, 2012.

REPORTS

Re: Chairman - None

Re: Secretary - None

Re: Trustees/Committees - None

Re: Administrator - None

Re: Legal

Electronic Meeting/House Bill 5335

Mr. Henzi reported that there is nothing new to report with regard to this matter. He will keep the trustees' updated in reference to this matter.

CAP Commercial Mortgage – Tax (Carryover)

Mr. Henzi reported that this is a carryover item. There is nothing new to report.

Ms. Zimmermann asked how long the tax appeal process takes.

Mr. Henzi indicated that it could take eighteen months at a minimum.

Amendment to Public Act 314/Senate Bill 797

Mr. Henzi reported that the amendment to Public Act 314 was passed by the State of Michigan Senate and House of Representatives. However, the Motion for Immediate Effect failed.

Mr. Kuhn indicated that there was concern that a number of pension systems would be out of compliance by not having their investment performance posted on the internet so they determined that the Bill will take effect April 1, 2013.

Mr. Henzi stated that this would not affect the System because it has its own website.

Third Party Administrator

Trustee Naglick asked about the contract documents regarding the TPA. He indicated that the GERS Board is concerned and wants to make sure there will not be an issue with the staff during the transition to BeneSys.

RESOLUTION 12-082 By Britton, Supported by Jukowski

Resolved, That the Board authorize Trustee Naglick to sign the BeneSys Contract.

Yeas: 4 – Nays: 0

Robbins Geller Portfolio Monitoring Report – Second Quarter 2012

Mr. Henzi reported that this is for the trustees' information.

Motley Rice Portfolio Monitoring Report – Third Quarter 2012

Mr. Henzi reported that this is for the trustees' information.

Miscellaneous Articles

- *PERiScope*: GASB 67/68 New Accounting Standards for Public Pension Plans
- GASB's New Pension Standards: Setting the Record Defined Benefit Plan

Re: Union Representatives – None

NEW BUSINESS

UNFINISHED BUSINESS

Re: Non Payment of City Contributions – Refer to Legal (Closed Session)

Re: Partial Plan Termination – Refer to Legal

Re: Rent/Overhead – Refer to Legal

Re: Transition to TPA – Refer to P&F VEBA Minutes

SCHEDULING OF NEXT MEETING

Regular Meeting – Thursday, December 6, 2012 – City Council Conference Room, Second Level, City Hall @ 10:00 a.m.

ADJOURNMENT

RESOLUTION 12-083 By Britton, Supported by Jukowski
Resolved, That the meeting be adjourned at 11:16 a.m.

Yeas: 4 – 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 October 25, 2012.

John Naglick, Secretary
As recorded by Jane Arndt