

**CITY OF PONTIAC  
POLICE AND FIRE RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING MINUTES  
JUNE 30, 2016**

A regular meeting of the Board of Trustees was held on Thursday, June 30, 2016, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

**Trustees Present**

Craig Storum, Chairman  
Lon Britton  
Nevrus Nazarko, Secretary

**Others Present**

Matt Henzi, Sullivan, Ward, Asher & Patton  
Chris Kuhn, The Bogdahn Group  
Duane Menter, BeneSys, Inc.  
Chuck Wytrychowski, BeneSys, Inc.  
Liz Edwards, BeneSys, Inc.  
Ken Ayres

**Trustees Absent**

Matt Nye  
Deirdre Waterman, Mayor

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*Chairman Storum declared that a quorum was present and called the meeting to order at 10:43 a.m.*

**AGENDA CHANGES**

**CONSENT AGENDA**

- A. Minutes of Regular Meeting – March 31, 2016
- B. Minutes of Regular Meeting – May 25, 2016
- B. Financial Reports
  - 1. Financial Reports – April 30, 2016
  - 2. Bills for Ratification as of February, March, April, May, 2016
- C. Remove from Rolls:
  - 1. DeFlorio, James, DOD 05-16-2016; Carole Spouse / Annuitant
- D. Final Benefit Calculations:
  - 1. Marc Ferguson, PPOA, #17333, DOR 01-01-2016; \$2,980.36
  - 2. Franklin Moon, PPOA, #81659, DOR 06-01-2016; \$643.74
  - 3. Jose Garcia, PPOA, #81566, DOR 08-01-2016; In Progress
  - 4. Hermani Cristobal, PPSA, #17342. DOR 08-01-2016; In Progress

**RESOLUTION 16-020** By Nazarko, Supported by Britton  
Resolved, That the items on the Consent Agenda for June 30, 2016, be approved.

Yeas: 3 - Nays: 0

There was a motion made to move Kenneth Ayres up on the Agenda since he had been in attendance since 9:00 a.m

**RESOLUTION 16-021** By Britton, Supported by Nazarko  
Resolved, To move Kenneth Ayres, who is in attendance, up on the Agenda.

Yeas: 3 - Nays: 0

Attorney Henzi explained the history of Mr. Ayres' situation. Mr. Ayres is a deferred member who worked for the City from 2001 until July, 2005. The PPOA filed a grievance for wrongful termination. Mr. Ayres won his grievance at arbitration. The matter was litigated and Mr. Ayres eventually had the arbitration award confirmed by the Michigan Court of Appeals. As a result of the award, his termination date was extended from 2005 through 2007. Mr. Ayres made no contributions to the system for these two years that were the subject of his grievance. He stated that he was paid back pay for those two years, but that no contributions were withheld. If he was earning a salary, then Attorney Henzi needs to review this and it should be tabled until the next meeting so that he can review the Arbitration Award. Mr. Ayres commented that he should have six years and ten months of service. Attorney Henzi replied that he has to see if the Award gives him service credit or just back pay. Mr. Ayres replied that the Arbitration Award states he was to be made whole as far as pay and seniority. Trustee Britton commented that it is important to note that if there are two years of back pay, the City should have made contributions for him too. Attorney Henzi stated he agrees with this, and he also wants to look at whether the City included this back pay in payroll when calculating the City's annual pension contribution. Chairman Storum stated that Attorney Henzi will research this and it will be reviewed at the July 28 meeting. Mr. Ayres saw that his interest would continue when someone else's interest would stop. Attorney Henzi stated that it had nothing to do with time, but had to do with the partial termination.

Mr. Ayres left the meeting at 11:05 a.m.

## **CONSULTANTS**

### **A. The Bogdahn Group**

Christopher Kuhn of the Bogdahn Group reviewed the Fund's assets as of June 27, 2016. He noted that WHV performance has struggled and is down. He discussed moving funds from WHV to MLPs, which are energy based and trade like stocks. There are several kinds of them, they have gotten beaten up for the wrong reason. Investors will receive 75 basis points. There is room in the basket clause for this. It was then

**RESOLUTION 16-022** By Britton, Supported by Nazarko  
Resolved, To move funds from WHV to the Tortoise Capital Strategy MLP.

Yeas: 3 - Nays: 0

Mr. Kuhn stated that \$4 million to \$6 million will be transferred by July 31.

## REPORTS

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

## ATTORNEY'S REPORT

### Attorney Report – General Matters:

#### Political Contribution Disclosure Statement – Exhibit A

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

#### Fee Disclosure Statement – Exhibit B

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

#### Tammi Mathes – Exhibit C

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

#### Ferguson EDRO – Exhibit D

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

#### Frank Moon – Exhibit E

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

#### Chad Hermans – Exhibit F

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

#### Alan Knapp – Exhibit G

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

#### Request from Adam Rihner for Information re: WHV – Exhibit H

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

#### James Stefani – Exhibit I

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

Mr. Stefani has been receiving a disability pension benefit which will convert to a normal benefit when he attains age 55. The benefit increases by 10% if the retiree has a dependent child under the age of 18. His child was born in 2011. Trustee Nazarko stated he does not believe that he should be paid this amount retroactively, since Mr. Stefani should have applied for the benefit increase. Attorney Henzi stated that Mr. Stefani may very well say that no one from the system told him that the benefit was available to him. Also, it appears the child was born after his application. Mr. Wytrychowski stated that the system should have known that Mr. Stefani was eligible for the enhanced benefit upon the birth of the child. Chairman Storum stated that if on

disability, a member should receive all that they are due, and he believes he should be paid the retroactive amount. Trustee Britton somewhat agrees with Trustee Nazarko, but things have gotten so complicated over the years that it is not so open and shut any more. He agrees with Chairman Storum that he is eligible for the money, and that legal counsel should put a summary of the facts and timeline together for the Trustees to review at the next meeting.

*Trustee Nazarko leaves the meeting at 11:35 a.m. Since a quorum is no longer present, action items are tabled until the July 28, 2016, meeting.*

Mark Seay – Exhibit J

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

Raymond Wiggins – Exhibit K

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

Sally Chastain – Probate Court Order for Payment of Benefit – Exhibit L

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

Metropolitan Revised Executed Side Letter Agreement – Exhibit N

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

Correspondence to Auditor Regarding Pending Litigation

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

Robbins Geller Portfolio Monitoring Report – May 27, 2016 and Top 50 for 2015

Correspondence – Exhibit O

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

Hagens Berman – May 2, 2016 Portfolio Monitoring Report – Exhibit P

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

Motley Rice Portfolio Monitoring Report – 1<sup>st</sup> Quarter 2016 – Exhibit Q

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

Proposed Michigan Legislation – Items of Interest – Exhibit R

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

Application for IRS Determination Letters for PFRS

Legal requested that the IRS determine that the PFRS DB and DC Plans are qualified under the Internal Revenue Code and tax-exempt. On March 2, 2015, the IRS issued its Favorable Letter of Determination for the Retirement System's DC Plan, Plan Number 002. The Letter of Determination is in error since it qualifies the determination based on the City of Pontiac's adoption of proposed Ordinance amendments legal counsel submitted on November 20, 2014. These amendments were submitted relative to the Retirement System's DB Plan, Plan Number 001.

In response to our demands, the IRS is re-issuing the Defined Contribution Letter of Determination to delete the reference to the adoption of the proposed amendment. The IRS indicated that a Letter of Determination was issued for the Defined Benefit which does mention the proposed amendment. However, we still have not received the Letter. Once the IRS corrects and issues the Letters of Determination for the DC and DB Plans, we will submit the proposed amendment to the City of Pontiac City Council for approval.

Nyhart Actuarial Services Contract

We revised Nyhart's proposed contract for actuarial services. We are awaiting Nyhart's acceptance of the changes. Nyhart has also requested data from the Administrator in order to complete its VEBA actuarial valuation report.

The Importance of Retirement Plan Record Retention – Whose Job Is It Anyway? – Exhibit S  
Attorney Henzi addressed this issue for the Board in the Attorney Report.

10 Things You Should Know About Public Pension Disclosure Changes – Exhibit T  
Attorney Henzi addressed this issue for the Board in the Attorney Report.

**UNFINISHED BUSINESS**

A. Tammi Mathes Request for Re-Hearing

Attorney Henzi stated that under a QDRO, Tammi Mathes was underpaid for the last three years, and when the children all reached age 18, her benefit is suspended until she reaches age 55. Trustee Britton stated that the Pension Office should be sure to explain Plan options clearly when individuals are applying for pension benefits.

B. Chad Hermans Request for Buyout

Attorney Henzi stated that Mr. Hermans wants to participate in the buyout. Attorney Henzi advised that legal and BeneSys are auditing the buyout program to ensure all of those eligible for the program were offered the program.

C. Marc Seay

Attorney Henzi reviewed this in the Attorney's Report.

D. Raymond Wiggins, Redeposit Offer

Mr. Wiggins is requesting a buyout. This issue is tabled until the next meeting.

E. Patricia McNeary COLA Overpayment

Mrs. McNeary was paid a COLA payment in error in 2014 and 2015. She has repaid three payments of \$300, but we should pursue the payment agreement. Trustee Britton stated that it is

unfortunate that it happened, but the issue is between her and the Pension Administrator, not the Pension Fund. Attorney Henzi will bring recommendations to the July 28 meeting.

F. Al Knapp, Contribution Withdrawal Request

Attorney Henzi reviewed this in the Attorney's Report.

G. Kenneth Ayres Request for Buyout

This issue was addressed earlier in the meeting.

**NEW BUSINESS**

A. Review of Amortization of Unfunded Liability from 27 to 20 Years

B. Chubb Fiduciary Liability Policy Confirmation of Renewal Binder

**CORRESPONDENCE**

A. Metropolitan Real Estate Partners VI Distribution, May 5, 2016, \$102,152.32

B. Metropolitan Real Estate Partners VII Distribution, May 6, 2016, \$38,994.89

C. Seizert Capital Partners Correspondence, May 4, 2016

D. Northern Trust Class Action Litigation Settlement Check, \$20,996.49, May 17, 2016

E. Metropolitan Real Estate Partners Secondaries & Co-Investments Fund Side Letter 6-6, 2016

F. Metropolitan Real Estate Partners Capital Call, \$175,000, June 17, 2016

G. Wells Fargo / NP Private Debt ASP Fund Capital Call, \$320,000, June 28, 2016

H. Aberdeen Asset Management Correspondence, June 24, 2016

**NEXT MEETING DATE:** July 28, 2016

**ADJOURNMENT**

It was proposed by Chairman Storum and supported by Trustee Britton that the meeting be adjourned at 12:45 p.m.

I certify that the foregoing are the true and correct minutes of the meeting of the Police and Fire Retirement System held on June 30, 2016.



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Nevrus Nazarko, Secretary  
*As recorded by BeneSys*