

**CITY OF PONTIAC  
POLICE AND FIRE RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING MINUTES  
JULY 30, 2015**

A regular meeting of the Board of Trustees was held on Thursday, July 30, 2015, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

**Trustees Present**

Matt Nye, Chairman  
Lon Britton, Vice-Chairman, (phone-in, 8:55)  
Nevrus Nazarko, Secretary  
Craig Storum

**Others Present**

Matt Henzi, Sullivan, Ward, Asher & Patton  
Chris Kuhn, The Bogdahn Group  
Beth Bialy, Plante & Moran  
Liz Edwards, BeneSys, Inc.

**Trustees Absent**

Deirdre Waterman, Mayor (excused)

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**AGENDA CHANGES**

Beth Bialy of Plante & Moran came at 8:30 to present the 2014 audit report both for the Retirement System Fund and the VEBA. She presented the Retirement System Fund report first, so the VEBA meeting was suspended until after her presentation was complete, at which time the Retirement System meeting was suspended.

*Chairman Storum called the meeting to order at 8:40 a.m.*

**AUDITOR'S REPORT**

Beth Bialy of Plante & Moran presented and reviewed the 2014 audit report for the Retirement System. She noted that the fund gained 6.2% in 2014. Under GASB 67, the net pension liability is \$245M. The fund's fiduciary net position is \$240M, therefore the fund is 98% funded. The City will need to work through the net pension liability on its balance sheet. The actuary used the 1994 Group Annuity Mortality Table. Ms. Bialy believes this to be outdated. Attorney Henzi stated that the new actuary will use an updated table. Ms. Bialy then reviewed the Notes to the Financial Statements. She also reviewed the new table required under GASB 67. In her letter to the Board, she noted that some individuals were misclassified, and to notify the System of this. Attorney Henzi commented that the table shows that the City did not make its contribution for the 2012 plan year, however, the City did make the contribution, but did it in a later year. Ms. Bialy stated she would review this.

**RESOLUTION 15-031** By Nye, Supported by Britton

Resolved, That the 2014 auditor's report as prepared and presented by Plante & Moran, be approved.

Yeas: 4 – Nays: 0

*Ms. Bialy was thanked for her time and was excused from the meeting at 8:55 a.m.*

*Chairman Storum suspended the meeting at 8:55 a.m. The meeting was suspended until the conclusion of the VEBA meeting, and reconvened at 10:40 a.m.*

*Chairman Storum declared that a quorum was present and called the meeting to order at 10:40 a.m.*

#### **CONSENT AGENDA**

- A. Minutes of Regular Meeting – June 17, 2015
- B. Approval of Closed Session Minutes
- C. Financial Reports
  - 1. Financial Reports – May 31, 2015
  - 2. Bills for Ratification as of June, July, 2015
- D. Remove from Rolls:
  - 1. Victor Salazar, PPSA, #2020, DOD 07-18-2015, Patricia Spouse / Annuitant
- E. Final Benefit Calculations:
  - 1. Ian Kershaw, PPOA, #17361, DOR 07-01-2015, \$2,516.08

#### **RESOLUTION 15-032** By Nazarko, Supported by Nye

Resolved, That the items on the Consent Agenda for July 30, 2015, be approved.

Yeas: 4 - Nays: 0

#### **CONSULTANTS**

- A. The Bogdahn Group

Mr. Kuhn reviewed the Fund's position. He noted that the market is pulling back a bit. The fund received the contribution from the City which bumped up the cash value. We sent Burgundy \$7M, and will send an additional \$3M on August 3. Thornburg and WHV will go into the emerging markets category. There is no news with respect to Mesirow moving to Courtland.

Mr. Kuhn then presented his Emerging Markets review. Aberdeen has a \$10M minimum investment requirement, as do ClariVest and Fisher. He then reviewed the investment strategies and performance comparisons of Aberdeen, ClariVest, Fisher, LMCG, WCM, and Wells.

Trustee Britton stated he likes ClariVest. Trustee Nazarko asked Mr. Kuhn which he recommends. Mr. Kuhn stated that Fisher, ClariVest, and Aberdeen have the strongest relationships. Chairman Storum noted they have the strongest returns. Mr. Kuhn stated he leans towards Aberdeen. Trustee Nazarko agrees with Mr. Kuhn. Mr. Kuhn stated that ClariVest gives more midcap exposure, and the fees are the same. We would move funds from WHV and Thornburg, however he does not have a crystal ball. He believes Well Cap is the weakest, WCM has the shortest track record. He likes to see how funds come back after a credit crisis. Trustee Nye asked if we are moving totally out of Thornburg. Mr. Kuhn stated yes. Trustee Britton

believes there is a firm risk with Aberdeen. Mr. Kuhn stated they have a team approach, but are on a growth binge, and what if we are folded into a new team. Chairman Storum stated he wants to bring in Fisher to do a presentation. Trustee Britton stated it would be meaningless since Mr. Kuhn has already performed the due diligence. It was then

**RESOLUTION 15-033** By Britton, Supported by Nye  
Resolved, That a new account be established with ClariVest, be approved.

Yeas: 4 - Nays: 0

## **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 Henzi noted that Hagens Berman presented a possible class action/anti-trust suit regarding U.S. Treasuries purchased by the PFRS. The Department of Justice is investigating the alleged wrongdoing, which is the collusion by approximately 21 large banks in rigging the auction, and subsequent sale, of United States treasuries. Attorney Henzi advised that this is an interesting claim and the fact the Department of Justice is investigating gives credence to its allegations. It is a class action matter, filed as an anti-trust claim. Hagens Berman proposes to bear all risks and costs associated with the prosecuting lawsuit. If the claim fails, the fund incurs no cost. Attorney Henzi recommended retaining Hagens Berman to pursue the claim. Hagens Berman is very selective in the claims it pursues; this is the first lawsuit the firm recommended for the PFRS. It was then

**RESOLUTION 15-034** By Nye, Supported by Nazarko  
Resolved, That the PFRS retain Hagens Berman to prosecute a lawsuit regarding United States treasuries. Further, that the Chairman's signature of the retainer agreement is hereby ratified.

Yeas: 4 - Nays: 0

### **Attorney Report – General Matters:**

#### *Application for IRS Determination Letters for PFRS – Exhibit A*

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

#### *PFRS Redeposit Policy – Partial Plan Termination*

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

Political Contribution Disclosure / Fee Disclosure

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

GASB 67 Report Update

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

Burgundy Asset Management Subscription Agreement – Exhibit B

Attorney Henzi addressed this issue for the Board in the Attorney Report. After discussion and review, it was then

**RESOLUTION 15-035** By Nye, Supported by Britton

Resolved, That the Burgundy Asset Management Subscription Agreement be approved.

Yeas: 4 - Nays: 0

Revised Amendment to Open Meetings Act

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

Mark Hilborn DRO – Exhibit C

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

WHV Amendment – Exhibit F

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

2014 Audit Report – Exhibit G

Attorney Henzi addressed this issue for the Board in the Attorney Report. Attorney Henzi noted that State law states that the report must be published by June 30. Trustee Nazarko stated he does not believe the Board needs to approve it. Attorney Henzi commented that without approval, the Board cannot point out errors and have them corrected.

Changes to Michigan's FOIA Effective July 1, 2015 – Exhibit H

Attorney Henzi addressed this issue for the Board in the Attorney Report. Attorney Henzi presented and reviewed the new FOIA policy. It was then

**RESOLUTION 15-036** By Nazarko, Supported by Britton

Resolved, That the revised FOIA policy be approved.

Yeas: 4 - Nays: 0

Nyhart Actuarial Services Contract – Exhibit I

Attorney Henzi addressed this issue for the Board in the Attorney Report. Attorney Henzi presented and reviewed the revised Agreement. It was then

**RESOLUTION 15-037** By Nazarko, Supported by Britton  
Resolved, That the revised Nyhart Actuarial Services Contract be approved.

Yeas: 4 - Nays: 0

IRS Request for Form 900

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

Robert L. Brown QDRO – Exhibit J

Attorney Henzi addressed this issue for the Board in the Attorney Report. There was discussion with respect to Mr. Brown's second wife and if she should be VEBA-eligible. Attorney Henzi stated he will review this and update the Board at the August meeting. Mr. Brown had a pre-VEBA duty disability retirement that had not converted to a normal retirement when his disability ended.

Portfolio Monitoring Reports – Exhibit K

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

7-1-14 – 6-30-15 Fiscal Year ARC – Exhibit L

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

Miscellaneous Articles – Exhibit M

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

**RESOLUTION 15-038** By Britton, Supported by Nye  
Resolved, That the Board move to closed session to discuss pending litigation at 11:55 a.m.

Yeas: 4 - Nays: 0

*The Board moved to closed session at 11:55 a.m.*

*The Board returned from closed session at 12:05 p.m.*

**RESOLUTION 15-039** By Britton, Supported by Nye  
Resolved, That the Board approve the June 17, 2015, closed session minutes.

Yeas: 4 – Nays: 0

**UNFINISHED BUSINESS**

A. PFRS Redeposit Discussion; Discussed in the Attorney's Report

**NEW BUSINESS**

- A. Annual Required Contribution Deposit, 06-19-2015, \$2,327,949.00; Discussed in the Attorney's Report

**CORRESPONDENCE**

- A. Metropolitan Real Estate Partners VII Distribution, July 31, 2015
- B. Bradford Marzec, Greece on the Brink, July 8, 2015

**NEXT MEETING DATE:** August 27, 2015

**ADJOURNMENT**

**RESOLUTION 15-040** By Nazarko, Supported by Nye  
Further Resolved, That the meeting be adjourned at 12:12 p.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 July 30, 2015.



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Nevrus Nazarko, Secretary  
*As recorded by BeneSys*