

**CITY OF PONTIAC  
POLICE AND FIRE RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING MINUTES  
JULY 31, 2014**

A regular meeting of the Board of Trustees was held on Thursday, July 31, 2014, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

**Trustees Present**

Lon Britton  
Nevrus Nazarko, Secretary  
Matt Nye  
Craig Storum, Chairman

**Others Present**

Matt Henzi, Sullivan, Ward, Asher & Patton  
Chris Kuhn, Gray & Company  
Chuck Wytrychowski, BeneSys, Inc.  
Liz Edwards, BeneSys, Inc.  
Denise Jones, Rodwan Consulting Company

**Trustees Absent**

Deirdre Waterman, Mayor (Excused)

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*Chairman Storum declared that a quorum was present and called the meeting to order at 9:15 a.m. to accommodate the schedule of Ms. Jones of the Rodwan Consulting Company.*

**AGENDA CHANGES**

Ms. Jones of Rodwan Consulting Company reviewed the December 31, 2013, actuarial valuation at 9:15 a.m., concurrent with the VEBA meeting.

Ms. Jones reviewed the funding value of assets. The ratio of the funding value of accrued assets to accrued liabilities was 91.3% as of December 31, 2013. She reviewed the computed contributions for the fiscal year beginning July 1, 2015. A 29-year amortization period was used, a decrease of one year from the prior year's valuation. The unfunded actuarial accrued liability is \$21,432,105, compared to \$28,512,578 for the period ending December 31, 2012. The total accrued liability for benefit payments is \$224,757,600, and for vested terminated members is \$22,391,439, leaving an unfunded accrued liability of \$21,432,105. The funding percentage is 91.3%. The computed contribution amount based on the December 31, 2013, data was assumed to apply to the fiscal year beginning July 1, 2015. The computed contribution amount has been adjusted for 7.5% interest for the time lag between the valuation date and mid-way through the 2015/2016 fiscal year.

Trustee Britton noted that the December 31, 2013, beginning market value of assets has a typographical error. He also noted that on line 4, for the average valuation of assets, the December 31, 2013 figure should be \$212,723,258 not \$212,723,528. He believes that net contributions are low, that the numbers are off, and that the 2012 contributions are low. Attorney Henzi suggested that we should perhaps include the table that used to be included – if contributions are for two years this should be noted.

Mr. Wytrychowski noted that there were \$44,842 in employee contributions for the 2012 year, because firefighters were active employees for two months. Employer contributions were \$2,000,000. He stated we can redo prior balance sheets so this is more accurately reflected.

Trustee Nazarko asked what is the logic of smoothing down from market values. Ms. Jones stated that this accounts for market value fluctuations, and that smoothing is a consistent technique to reflect fluctuations.

Chairman Storum asked how did we come up with \$900,000 for the 2014 contribution. Chairman Storum commented that he had never seen it the same for two years in a row. Trustee Nye commented that perhaps that is why the 2015 contribution is up – the 2013 was too low. Attorney Henzi stated it is either \$1,450,000 or it is one year off – it is not \$901,000 or \$2,300,000. Attorney Henzi advised that the City and Board entered into a settlement agreement whereby the City paid three years' of contributions. This settlement was effectuated in early 2013. Chairman Storum stated the valuation should be finalized. Attorney Henzi stated that he and Ms. Jones will meet to chart the history, and that he and Mr. Wytrychowski will meet to prepare a detailed chart of contributions for the past five years. He asked Trustee Nazarko if he agreed that the contribution for 2015 should be \$2,000,000. Trustee Nazarko stated that he has budgeted for it, but the State of Michigan must review. Trustee Britton stated that we are therefore not adopting the valuation at this time.

The trustees thanked Ms. Jones for her time, and she left the meeting at 9:45 a.m.

*Chairman Storum suspended the meeting at 9:45. The Meeting was suspended until the conclusion of the VEBA meeting, and reconvened at 12:23 p.m.*

#### **CONSENT AGENDA**

- A. Minutes of Regular Meeting – June 26, 2014
- B. Approval of Closed Session Minutes
- C. Financial Reports
  - 1. Financial Reports – May 31, 2014
  - 2. Bills for Ratification as of July, 2014
- D. Remove from Rolls: N / A
- E. Final Benefit Calculations: N / A

**RESOLUTION 14-030** By Nazarko, Supported by Britton

Resolved, That the items on the Consent Agenda for July 31, 2014, as amended, be approved.

Yeas: 4 - Nays: 0

It was noted to pay last month's actuarial invoice, but not to pay the current month's actuarial invoice until we receive the corrected actuarial valuation.

## **CONSULTANTS**

### **A. Gray & Company**

1. Summary Table – July 25, 2014
2. International Equity Manager Information
3. Millennium International LTD, Fact Sheet
4. OZ Master Fund Profile
5. Introduction to Timberlands – Tabled to Next Meeting

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

Mr. Kuhn noted that Thornburg's June 30 results were disappointing, but the fund is still performing well. He then reviewed the International Equity Manager Information. He reviewed the different managers' strategies and profiles. Wentworth's strategy is different from other managers' positions, positioning for long-term trends rather than emerging markets. He feels that Burgundy and WCM are good compliments to Wentworth. He reviewed the comparisons between managers as of March 31, 2014, and the values as of December 31, 2013. He likes Burgundy's performance. He reviewed the rolling one year, three year, and five year performances, and who under - out performed. He is not as concerned with the one year periods, but more with the three year then the five year.

### **RESOLUTION 14-031** By Britton, Supported by Nazarko

Resolved, That the fund enter into negotiations with Burgundy, dependent upon fee structures, and if fee structures are unfavorable, then enter into negotiations with WCM, be approved.

Yeas: 4 - Nays: 0

Mr. Kuhn discussed two Hedge Fund managers, Millenium International LTD, and OZ Master Fund. They are core hedge fund managers, and have a multi-strategy process in place. Mr. Kuhn stated he would like to send the contracts to Attorney Henzi to review.

Mr. Kuhn's Timberland presentation was then tabled until the August 28, 2014, meeting.

## **REPORTS**

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

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

#### *Application for IRS Determination Letters for PFRS*

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

Neil Craig – Overpayment After Death

Attorney Henzi explained that this participant passed away on November 20, 2013. His surviving spouse passed away on November 29, 2013. The Administrator was not notified of the deaths. As such, an overpayment was made in the amount of \$5,527.09. Since the last meeting, Legal searched the Oakland County Probate Court records to find whether an estate was made. There was no estate identified. The Administrator has made unsuccessful attempts to contact the two children of the Participant. The Administrator investigated making a claim for reimbursement from the Participant's bank. The deadline to make such a claim has passed. Given the length of time since the surviving spouse's death, it is highly likely the balance was paid to the heirs. Legal sent correspondence to the heirs.

Public Employee Retirement Benefit Protection ACT PA 492 (Exhibit B)

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

Follow-Up with Service Providers Regarding Fee Disclosure Statement and Political Contribution Disclosure Statement (Exhibit C)

Attorney Henzi sent a reminder to six service providers requesting they return their forms. The Administrator is working on ensuring all required documents are up-to-date.

Board Elections

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

Proposed Amendment to Open Meetings Act Regarding FOIA Requests

A bill was introduced in the House which would amend Michigan's Freedom of Information Act (FOIA) by requiring a public body to waive the fee for reproducing public records if the request for records is made by an elected public official in furtherance of his/her duties as an elected public official. The bill was referred to committee on May 27, 2014.

Miscellaneous Articles (Exhibit E)

- The Significance of *Halliburton Co v Erica P. John Fund Ruling*: Permission to Proceed as Before, *Motley Rice*
- House Democrats Seek to Protect Workers in Municipal Bankruptcy, *Bloomberg*

Portfolio Monitoring Reports (Exhibit F)

- Motley Rice, 2<sup>nd</sup> Quarter 2014
- Robbins Geller

Trustee Nye asked Attorney Henzi about the status of the vested terminated participant buyout. Attorney Henzi stated he will have the letter and form to present to the Trustees at the next meeting.

**UNFINISHED BUSINESS**

- A. Trustee Elections
- B. Participant Website
- C. Munder Capital Management / Victory Capital Management Acquisition Consent Form

Trustee elections were addressed in the Attorney's Report.

The participant website is in progress.

The Munder Capital Management / Victory Capital Management Acquisition Consent Form was reviewed. The issue is tabled until the August meeting.

**NEW BUSINESS**

**CORRESPONDENCE**

**NEXT MEETING DATE:** Scheduled for August 28, 2014

**RESOLUTION 14-032** By Nazarko, Supported by Nye  
Further Resolved, That the meeting be adjourned at 1:15 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 31, 2014.



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Nevrus Nazarko, Secretary  
*As recorded by BeneSys*