

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
AUGUST 25, 2016**

A regular meeting of the Board of Trustees was held on Thursday, August 25, 2016, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

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

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

Trustees Absent

Deirdre Waterman, Mayor

Chairman Storum declared that a quorum was present and called the meeting to order at 9:35 a.m.

AGENDA CHANGES

CONSENT AGENDA

A. Minutes of Regular Meeting – July 28, 2016

Trustee Nazarko commented that there was a resolution at the July meeting that authorized the Finance Director to get a cost study from the actuary to continue the \$400 payment for another year. The resolution was not included in the minutes, but should be added to them.

B. Financial Reports

1. Financial Reports – June 30, 2016
2. Bills for Ratification as of July, August, 2016

C. Remove from Rolls:

1. Carrie, Darrell, DOD 08-10-2016; Lillian Spouse / Annuitant

D. Final Benefit Calculations:

1. Jose Garcia, PPOA, #81566, DOR 08-01-2016; In Progress
4. Hermani Cristobal, PPSA, #17342. DOR 08-01-2016; In Progress

RESOLUTION 16-032 By Britton, Supported by Nazarko

Resolved, That the items on the Consent Agenda for August 25, 2016, be approved, with the July minutes to be amended as discussed.

Yeas: 4 - Nays: 0

CONSULTANTS

A. The Bogdahn Group

Christopher Kuhn of the Bogdahn Group, presented the quarterly report of Fund's assets as of June 30, 2016. He noted that the pension fund did better than the VEBA. Domestic equity and fixed income investments were down a bit. The one year returns were up around 2% which was in the top 20%. This fund takes on less risk than the VEBA.

Mr. Kuhn then noted that the fund is short on equity. Munder had a difficult quarter, Loomis Sayle underperformed the benchmark. This has been typical this quarter for midcap managers. He noted that REITS, utilities, and telecommunications have been the strongest performers. He believes the managers are doing the right thing but are still underperforming. WHV was up 3% in June, and we are out of them now. We just have a token position in Thornburg at this time, and are using it to make payments. Burgundy is doing an exceptional job. Franklin-Templeton has hurt us this quarter. Aberdeen continues to struggle, and he will talk to them tomorrow. The American Fund is not doing well compared to peers. They have been below 25% where their peers have been above 25%. All of the Metropolitan funds have seen double digit returns. Neuberger Berman and Sankaty have not reported their second quarter results at this time. Chairman Storum asked if we should move some of the American funds into another real estate fund. Mr. Kuhn replied that we have done that by moving funds into Metropolitan. It will be a source for Tortoise. It will be entered in at a lower fee rate because Attorney Henzi got the contract pushed through. We are also getting distributions from Metropolitan and Bloomfield.

Mr. Kuhn then reviewed the Investment Policy Statement. The current statement was adopted in December, 2013. Mr. Kuhn presented the updated draft for review. He stated that the Bogdahn Group has taken performance standards out of policies and have them as addendums to the policy specific for each fund. Language has been added to the section describing the Investment Consultant and their responsibilities. This places more onus of responsibility on the consultant rather than on the trustees.

Mr. Kuhn reviewed the target allocations for the fund. Trustee Nazarko asked if this is our current allocation. Mr. Kuhn replied that it is very close to what the fund has today. He explained that high yield shows nothing because the Aberdeen investment amount was just liquidated. Changes were made to the Equity Guidelines section pursuant to PA 314. The Investment Performance Objectives section was also updated. He stated that he tried to consolidate the Communications section. The Appendix mirrors the current Appendix. Trustee Nazarko asked for a red-lined copy. Mr. Kuhn stated that he tried to do one, but with so many changes to the statement, the document would be very large. Trustee Nazarko asked if there should be a note that references the Addendum. Mr. Kuhn stated that if there is more than 5%, then we should revisit the IPS. But with new funds, maybe not.

Attorney Henzi stated that maybe we could target this at the next Roundtable. Trustee Britton asked if the benchmark chart was for the VEBA. Mr. Kuhn stated that it is, and he will correct it. Trustee Britton asked if we will review this at the next meeting. Mr. Kuhn stated that we will. He stated he also tweaked the Watch provisions, and made it less structured.

REPORTS

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

ATTORNEY'S REPORT

Trustee Nazarko asked Attorney Henzi about the actuary's work on potential options that would revise the 2018 ARC. Attorney Henzi stated that he spoke with Mr. Merlak at Nyhart about the 2018 ARC. Mr. Merlak does have options with respect to changing amortizations, and will have something to present at the September or October meeting. If there are different ideas and he revises the report, there would be an additional \$1,500 fee. Trustee Nazarko commented that a change in assumptions would increase costs. Chairman Storum stated that we have worked with the City in order to meet in the middle, and suggested Nyhart be invited to the October meeting. Attorney Henzi asked if the City would consider paying its ARC on a monthly basis. Trustee Nazarko stated that a quarterly contribution would be more realistic. It was then

RESOLUTION 16-033 By Nye, Supported by Nazarko

Resolved, That Nyhart Actuarial Services be engaged to research and present options for revising the 2018 ARC.

Yeas: 4 - Nays: 0

Trustee Nye asked if a beneficiary receives a COLA payment based on the participant's or the beneficiary's dollar amount. Attorney Henzi stated that is a good question. Is it based on the participant's for the first payment, and the beneficiary's thereafter? He will check and report back. Trustee Britton stated that past practice has been to base it on the beneficiary's. Trustee Nye asked if we should review this. Trustee Britton commented that we did it last year after the Wargel case. Attorney Henzi commented that Plante & Moran probably reviewed this as well. Chairman Storum commented that it is always best to have the administrator / legal counsel address items.

Attorney Report – General Matters:

Frank Moon

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

Chad Hermans

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

Raymond Wiggins – Exhibit A

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

Ken Ayres – Exhibit B

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

Patricia McNeary Overpayment

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

Tortoise Direct Opportunities Fund – Fully Executed Investment Agreement – Exhibit D

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

Dispute of IRS Penalty Increase – Exhibit E

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

Proposed Michigan Legislation – Items of Interest

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

Application for IRS Determination Letters - PFRS

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

Koteles

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

Wall Street Journal Articles – Exhibit F

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

Robbins Geller July 29, 2016, Portfolio Monitoring Report – Exhibit G

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

Bernstein Litowitz Portfolio Monitoring Report 2nd Quarter 2016 – Exhibit H

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

On the Record with Robbins Geller Rudman & Dowd 3rd Quarter 2016 – Exhibit I

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

DOL Commences Retirement Plan Audits for Compliance with Code §401(a)(9) – Exhibit J

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

MotleyRice Portfolio Monitoring Report 2nd Quarter 2016 – Exhibit K

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

Request from PEI Media for Investor Profile Information – Exhibit L

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

UNFINISHED BUSINESS

A. Chad Hermans Request for Buyout

Attorney Henzi addressed this in the Attorney Report.

B. Patricia McNeary COLA Overpayment

Attorney Henzi addressed this in the Attorney Report.

C. Ken Ayres, Deferred Buyout

Attorney Henzi addressed this in the Attorney's Report.

D. Raymond Wiggins, Redeposit Offer

Attorney Henzi addressed this in the Attorney's Report.

E. Tammi Mathes, Request for Re-Hearing

Tammi Mathes appeal request was addressed on the Litigation Report. Ms. Mathes sent letters and documents to legal counsel and asked to be put on the September agenda. At the July meeting, the Trustees question whether she may receive a COLA benefit while her benefit is suspended until age 55. Attorney Henzi stated he found no rule on how to do this so the Board must decide. There is no writing that permits or prohibits the payment of a COLA benefit to Mrs. Mathes. Trustee Nazarko stated that the COLA is attached to a monthly benefit so how can she receive it? Trustee Britton agreed with Trustee Nazarko. Trustee Nye disagrees with the rule that she must wait until age 55. Attorney Henzi stated that if Mr. Mathes had selected the Regular Option, then she would not have to wait. Chairman Storum stated that we should listen to their appeal before making a decision. Trustee Nye asked if we can look at another plan to see what they do. Attorney Henzi stated that he will research this.

F. Franklin Moon, Request for Buyout

Attorney Henzi addressed this in the Attorney's Report.

G. Robert Koteles, Determination of Reciprocity Vesting

Attorney Henzi addressed this in the Attorney's Report.

H. Revised Benefit Estimate Letter

The revised benefit estimate letter was reviewed.

I. Reconciliation of Health Care Deductions

Trustee Nazarko stated that he provided a spreadsheet which showed the \$400 payments. Trustee Britton asked who paid and who was invoiced. Tying it to the health care benefit is difficult and it needs to be simplified. They should be sent a check for seven months for \$2,800, since there is no easy way to reconcile this. Trustee Nazarko stated he should be given some names and he will review, and he is willing to do whatever it takes to do the reconciliation; to just give it to them is to pay for what they did not receive. Trustee Britton stated that trying to get backup from retirees is not possible. Trustee Nazarko said he is closing this week, that he was given a list from 2013 during the Emergency Manager period that he is considering writing off, and that he will send the list today. Trustee Britton asked that if there are seventy people,

what effort has the City made since 2013 to recoup the amounts? Trustee Nazarko stated they have been invoiced but not paid. Trustee Britton asked if the City would go to litigation to get the amounts. Trustee Nazarko said yes it would. Trustee Britton stated that if we go after them, then they have the money to pay. It was then

RESOLUTION 16-034 By Britton, Supported by Nye

Resolved, That individuals be paid an additional \$400 / month for seven months from the VEBA for health care coverage.

Yeas: 3 - Nays: 1

NEW BUSINESS

CORRESPONDENCE

- A. Metropolitan Real Estate Partners VII Distribution, August 18, 2016, \$8,209.45
- B. Metropolitan Real Estate Partners VI Distribution, August 19, 2016, \$17,025.39
- C. Metropolitan Real Estate Partners VII Flowers, L.P. Capital Call, September 9, 2016, \$94,349.00
- D. Metropolitan Real Estate Partners VII Distribution, August 26, 2016, \$47,888.46

NEXT MEETING DATE: September 29, 2016

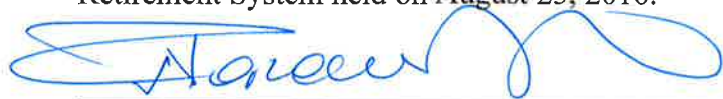
ADJOURNMENT

It was proposed by Trustee Nye and supported by Trustee Nazarko that the meeting be adjourned at 11:30 a.m.

RESOLUTION 16-035 By Nye, Supported by Nazarko
Further Resolved, That the meeting be adjourned at 11:30 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 August 25, 2016.



Nevrus Nazarko, Secretary
As recorded by BeneSys