

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
AUGUST 28, 2014**

A regular meeting of the Board of Trustees was held on Thursday, August 28, 2014, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Trustees Present

Lon Britton
Nevrus Nazarko, Secretary
Matt Nye
Deirdre Waterman, Mayor

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, Gray & Company
Liz Edwards, BeneSys, Inc.
Beth Bialy, Plante & Moran
Manju Patnaik, Plante & Moran

Trustees Absent

Craig Storum, Chairman (Excused)

Vice-Chairman Britton declared that a quorum was present and called the meeting to order at 9:25 a.m. to accommodate the schedule of Ms. Bialy and Ms. Patnaik of Plante & Moran.

AGENDA CHANGES

Ms. Bialy of Plante & Moran reviewed the December 31, 2013, Auditor's Report at 9:25 a.m., concurrent with the VEBA meeting.

Ms. Bialy reviewed the Audit Letter for the period ending December 31, 2013. She discussed the Letter and some of the items it contained. She noted that there are no new policies that need adoption. Ms. Bialy then discussed two new pension standards under GASB. GASB Statement No. 67, Financial Reporting for Pension Plans, will be effective for the year ending December 31, 2014. This requires the actuary to prepare additional calculations for net pension liability, and is calculated a bit differently. GASB Statement No. 68, Accounting and Financial Reporting for Pension, will be effective for the City for the year ending June 30, 2015. The City will have to record unfunded liability on the balance sheet. The City will need to receive the System's accounting figures as of December 31, 2014, with the beginning liability as of January 1, 2014, or as of 2013. Trustee Nazarko stated that we close reports as of June 30, and asked if the valuations can be done as of June 30. Ms. Bialy stated that she has seen plans run on a fiscal year basis, but keep the valuations as of December 31. It would need to be a year ahead for contribution purposes. She will look into this and respond to the Board with additional information.

Ms. Patnaik then reviewed the Auditors Report in greater detail. The Auditors Opinion notes that the financial statements present the Plan's position in accordance with generally accepted accounting principles. The Fund had a net investment income increase of \$11 million for the

year, and a net increase in its net position of \$17.5 million. She reviewed the Fund's asset allocation and investment results, and the Statement of Fiduciary Net Position and Changes in Net Position as of December 31, 2013. She then reviewed the Notes to the Financial Statements. She noted that the City is operating under Michigan Public Act 436 of 2012, and discussed the impact of partial plan termination and plan closure. She then reviewed the Schedule of Funding Progress through December 31, 2012.

Trustee Nye asked when does the Actuarial Report need to be completed? Ms. Bialy stated it should be completed at the end of April or early May, but if we move to June under GASB, then it will give them more time to complete it. Trustee Britton noted that twenty years ago, the Retirement System changed from using a fiscal to using a calendar year to assist the City's ability to budget for its actuarial required contribution which was due sometime in the future. However, as years have gone by and changes have been made in the way the City pays its ARC, the Retirement System is not receiving the ARC until the absolute end of the fiscal year.

The Trustees thanked Ms. Bialy and Ms. Patnaik for their time, and they left the meeting at 9:55 a.m.

Vice-Chairman Britton suspended the meeting at 9:55 a.m. The Meeting was suspended until the conclusion of the VEBA meeting, and reconvened at 12:25 p.m.

CONSENT AGENDA

- A. Minutes of Regular Meeting – July 31, 2014
- B. Approval of Closed Session Minutes
- C. Financial Reports
 - 1. Financial Reports – June 30, 2014
 - 2. Bills for Ratification as of August, 2014
- D. Remove from Rolls:
 - 1. Raymond Dickinson, DOD 8-01-2014, Spouse Carol, Beneficiary and Annuitant; \$1,764.24
 - 2. Thomas Amos, DOD 8-07-2014, Spouse Frances, Beneficiary and Annuitant; \$2,308.77
 - 3. Wilbur Carrier, DOD 8-09-2014, Spouse Beulah, Beneficiary and Annuitant; \$1,509.10
- E. Final Benefit Calculations: N / A
- F. QDRO
 - 1. Nancy Riggs, \$972.73 / month

RESOLUTION 14-033 By Nazarko, Supported by Nye

Resolved, That the items on the Consent Agenda for August 28, 2014, as amended, be approved, after deleting the second sentence of the first paragraph on page 5 of the July 31, 2014, Minutes.

Yeas: 4 - Nays: 0

CONSULTANTS

A. Gray & Company

1. Summary Table – August 22, 2014
2. Executive Summary, December 31, 2013
3. Executive Summary, March 31, 2014
4. Performance Report, June 30, 2014
5. Thornburg Investment Manager Announcement
6. Introduction to Timberlands – Tabled to Next Meeting

Gray & Company – Performance Review

Mr. Kuhn noted that he did not get December 31, 2013, information from Metropolitan Real Estate until May so he can now review the year-end figures. Real estate was up 4.05% for the fourth quarter of 2013. Trustee Nye asked what was the delay, and is it a problem? Mr. Kuhn stated that it was not a problem, but it was unusually slow this time. He noted that the Fund picked up as of March 31, 2014, as well, and did great against the benchmark as of June 30, 2014. He stated that this Fund is not as aggressively invested as the VEBA.

Mr. Kuhn noted that Munder Capital is a bit short this quarter. Trustee Britton commented that patience is growing thin with Munder as they are always a bit behind. Mr. Kuhn stated that WHV had a great quarter.

Mr. Kuhn stated he had an extensive conversation with Burgundy Asset Management after letting them know they got the account. They are absolutely an investment-results firm. He noted that they may, however, be more volatile.

Mr. Kuhn stated that Garcia Hamilton did very well this quarter, and Aberdeen seems to have found its way. In the Cumulative Comparison Peer Group Ranking against other government funds, the numbers are not as strong as the VEBA, but they will go up when the real estate numbers hit. He noted that the equity markets have done well.

Mr. Kuhn's Timberland presentation was then tabled until a future 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:

Attorney Henzi advised that the Retirement System's suit against Northern Trust for securities lending litigation remains pending.

RESOLUTION 14-034 By Nye, Supported by Nazarko
Resolved, That the Board move to closed session to discuss pending litigation at 12:35 p.m.

Yeas: 4 - Nays: 0

*The Board moved to closed session at 12:35 p.m.
The Board returned from closed session at 12:50 p.m.*

RESOLUTION 14-035 By Nazarko, Supported by Waterman
Resolved, That the Board approve the July 31, 2014, closed session minutes.

Yeas: 4 – Nays: 0

RESOLUTION 14-036 By Nazarko, Supported by Waterman
Resolved, That the Board approve action on the items discussed in closed session.

Yeas: 4 – Nays: 0

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.

Marion Goodwin Power of Attorney – Exhibit B
Attorney Henzi addressed this issue for the Board in the Attorney Report.

PFRS Redeposit Policy – Partial Plan Termination – Exhibit C
Attorney Henzi addressed this issue for the Board in the Attorney Report. The letter and form to members was reviewed, and they will be mailed to members before the next meeting.

Follow Up with Service Providers Regarding Fee Disclosure Statement and Political Contribution Disclosure Statement – Exhibit D

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

Board Election By Declaration

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

RESOLUTION 14-037 By Nazarko, Supported by Waterman Resolved, That the Board approve the elections of Trustee Nye and Trustee Britton by Declaration.

Yeas: 4 – Nays: 0

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

James Tate v Necole Tate EDRO – Exhibit E

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

Bradley Riggs v Nancy Riggs EDRO – Exhibit F

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

Portfolio Monitoring Report July 25, 2014 – Exhibit G

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

Proposed Revision to Rules and Regulations

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

Open Invoice from City re: Administrative Expenses June 1, 2011 – Jan. 31, 2012

Trustee Nazarko presented a revised invoice from the City showing the 2012 breakdown for prorated administrative expenses. Attorney Henzi advised that he met with Deborah Munson, who presently is the General Employees' Retirement System's Interim Director. Ms. Munson was the accountant for the GERS and PFRS during this period. Attorney Henzi advised that he sought Ms. Munson's input and that, together, they reviewed the City's open invoice. Attorney Henzi advised that Ms. Munson believed that the PFRS actually owed a sum of approximately \$1,300 less than invoiced. Trustee Nazarko remained steadfast that he believed the open invoice was correct. There was discussion about whether the Board should simply split the disputed amount of \$1,300 in half. There was consensus to do so. After review, it was agreed that the Pension Fund would pay the \$79,595.47 in administrative expenses, and the VEBA would pay nothing.

RESOLUTION 14-038 By Nye, Supported by Nazarko
Resolved, That the Board approve payment to the City of the prorated 2012 administrative expenses of \$79,595.47 from the Pension Fund.

Yeas: 4 – Nays: 0

Millenium Management LLC Investment Management Agreement

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

Burgundy Asset Management

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

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 September meeting when Mr. Kuhn is present.

NEW BUSINESS

- A. Bloomfield Capital Income Fund II Distribution, \$44,876.71

It was noted that Bloomfield Capital Income Fund II made a distribution to the Fund in the amount of \$44,876.71.

- B. Northern Trust Limited Power of Attorney

The Northern Trust Limited Power of Attorney letter and form were presented for signature. The issue is tabled until the September meeting when Mr. Kuhn is present.

- C. MAPERS 2014 Fall Conference

CORRESPONDENCE

- A. Garcia Hamilton Announcement

NEXT MEETING DATE: Scheduled for September 24, 2014

ADJOURNMENT

RESOLUTION 14-039 By Nazarko, Supported by Nye
Further Resolved, That the meeting be adjourned at 1:07 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 August 28, 2014.



Nevrus Nazarko, Secretary
As recorded by BeneSys