

**CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREMENT SYSTEM**

January 22, 2009

A regular meeting of the Board of Trustees was held on Thursday, January 22, 2009 at the Shrine Room, Main Level, City Hall, 47450 Woodward Avenue, Pontiac, MI 48342. The meeting was called to order at 9:04 a.m.

TRUSTEES PRESENT

Brian Lee
Thomas Miller, Vice Chair
Sheryl Stubblefield, Secretary
Craig Storum, Chairman

TRUSTEES ABSENT

Mayor Clarence Phillips

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Chris Kuhn, Gray & Company
Ellen Zimmermann, Retirement Systems Administrator
Deborah Munson, Retirement Accountant
Lon Britton, Retiree
Doug Macquarie, PPOA

CONSENT AGENDA

- A. Minutes of Regular Meeting: December 1, 2008
- B. Communications:
 - 1. Correspondence from American Realty re: 2008 Year End Review
 - 2. Correspondence from The Boston Company re: Company Realignment
 - 3. Correspondence from DDJ Capital re: November Recap
 - 4. Correspondence from Oppenheimer Capital re: Transition/Personnel
- C. Conferences:
 - 1. Various Programs – IFEBP – various dates
 - 2. 2009 Annual Conference – NCPERS – May 1-7, 2009
 - 3. Institutional Investor Institute – III – April 22-24, 2009
 - 4. One-Day Seminar – MAPERS – February 6, 2009
- D. Financial Reports:
 - 1. Financial Reports – November & December 2008
 - 2. Commission Recapture Report – n/a
 - 3. Securities Lending – November & December 2008
 - 4. Accounts Payable – December & January 2009
 - 5. Due To / Due From Q4 2008
- E. Remove from the Rolls:
- F. Application for Service Retirement:
 - 1. Charles Brantley – PFFU 25 years, 0 months Age 45
- G. Application for Refund of Accumulated Contributions

- H. Final Benefit Calculations:
- I. Disability Re-Examinations:

Ms. Zimmermann requested permission to attend the MAPERS One Day Seminar.

RESOLUTION 09-005 By Miller, Supported by Lee

Resolved, That Ms. Zimmermann be approved to attend the MAPERS One Day Seminar with the expenses to be paid from the investment earnings of the fund.

Yeas: 4 - Nays: 0

RESOLUTION 09-006 By Miller, Supported by Lee

Resolved, That the consent agenda be approved as presented.

Yeas: 4 - Nays: 0

CONSULTANTS

Re: Gray & Company

Market Update

Mr. Kuhn distributed an un-audited flash report. He noted that real estate was not updated and these numbers will always lag. The total fund's return for the year-to-date was -20.76 and for the quarter-to-date was -10.73. Fixed income had a good quarter: DDJ, the high yield manager, did not do so well. These were market values as of Monday. Some of the fourth quarter volatility abated yet there is no return to normalcy on the credit side. They do not recommend any wholesale rebalancing at this time, although the fund is over in fixed income and under in equity.

The Boston Company Update

Mr. Kuhn said that Gray & Co had provided a questionnaire on process to The Boston Company. They have let 89 people go in January and some were on the international equity team, including analyst/portfolio managers. They were replaced with others within the firm. Their model is still in place.

This is the second time Boston Company has had staffing issues. Some of those who were brought in after the Munder lift-out are now gone and have been replaced. They let go one third of their staff. Mr. Kuhn recommended the Board do a search to find someone with more consistency. They may lose more staff after this change that are not comfortable with the new configuration. They may have to trim staff again since there has been no quick rebound in the market. Discussion followed regarding underperformance since their hire. Mr. Kuhn said the search report will be ready in February.

RESOLUTION 09-007 By Lee, Supported by Miller

Resolved, That Gray & Co. be authorized to conduct a search to replace The Boston Company for an international equity mandate.

Yeas: 4 – Nays: 0

DDJ Capital – Compliance

Mr. Kuhn said the high yield manager, DDJ, has been dealing with very difficult market conditions; they are down 30% and the index is down 26%. There is not much liquidity now. Bids are lower than normal. They have a security in the portfolio that has become more than 5% of the portfolio. The security, Eyecare Center, is now approximately 6% of the portfolio. They had three months to rectify the situation. They want to trim the position, but when it makes sense; they are requesting a three-month extension. They are asking to modify their own policy: this is a commingled fund.

RESOLUTION 09-008 By Miller, Supported by Lee

Resolved, That Board of Trustees approves the three-month extension to DDJ Capital to bring the Eyecare Center position into compliance with the 5% limitation.

Yeas: 4 – Nays: 0

REPORTS

Re: Chairman – none

Re: Secretary – none

Re: Trustees / Committees

Trustee Lee introduced Doug Macquarie, indicating that he is considering becoming the union representative from PPOA to the Board. He was welcomed by the trustees.

Re: Staff

Travel Expense

Ms. Zimmermann said that the new baggage charges imposed by the airlines will be reimbursed as part of trustee travel expense.

Disability Income Verification

This year there were two disability retirees who were over the allowable amount for earned income: Roy Johnson \$12,119 and Genelda Lavallis \$6,515. These amounts will be recovered.

Retirement Coordinator

Ms. Zimmermann reported that the Retirement Coordinator has completed her time assisting the Accounts Payable Division.

Off Site Document Storage

The old documents that had been stored in the Wesson Street facility have now been moved to a secure storage facility in Waterford.

Re: Legal

Fossil, Inc.

Ms. Billings reported that the litigation is proceeding through discovery.

Gildan Activewear, Inc.

Ms. Billings reported that the litigation is proceeding through discovery.

Jarden Securities Class Action

Ms. Billings reported that Coughlin Stoia will request the Court to reimburse Ms. Zimmermann's time on the case.

Maxim Integrated Products

Ms. Billings reported that the Defendant's Motion to Dismiss is still pending and the Court has not issued a ruling.

UBS/AG Securities Class Action

Ms. Billings reported that the securities litigation matter is proceeding through discovery.

United Rentals, Inc.

Ms. Billings reported that the parties have agreed to a \$27.5 million settlement. A hearing date has not been scheduled for the proposed settlement.

Northern Trust Securities Lending

Ms. Billings sent a letter to Northern Trust requesting information on their due diligence on the Lehman securities. Northern Trust responded that they will not provide the information as it is proprietary. Another letter was sent to them demanding the reports as they are a fiduciary. A meeting is scheduled for January 30, 2009 to discuss this matter.

CAPROC LLC

Ms. Billings shared correspondence that had been exchanged since the last meeting and discussed the status of the issue.

RMK Timberland Contracts

The Offering Memorandum and management rights documents have been received for the international portion of the investment only. The subscription documents are not yet available so no side letter negotiations could be completed. The first capital call was postponed and is now expected in March.

Fiduciary Liability Insurance

The policy is up for renewal in March.

RESOLUTION 09-010 By Miller, Supported by Lee

Resolved, That the Chairman be authorized to sign the application for the renewal of the fiduciary liability insurance.

Yeas: 4 – Nays: 0

Re: Union Representatives

Mr. Macquarie thanked the Board for the welcome.

NEW BUSINESS

Re: Medical Director

A letter was received from MWorks indicating that they will no longer be providing disability examinations. Ms. Zimmermann contacted Dr. Roth, who was surprised to hear it. He was checking with those who administer the program and was hopeful that he would be able to continue. Mr. Kuhn said another of his clients uses MWorks and they were informed that while MWorks is no longer conducting exams, they will not prohibit a doctor from doing exams and using their facility.

Re: Minute Master

Gabriel Roeder sent an email message indicating that, based on their letter from 2006, the 2007 Minute Master data is now available only on line. Ms. Zimmermann logged in to find that the information was not fully available for 2007 and notified them of this. They then called Ms. Arndt requesting documents be sent. The letter from 2006 indicated that data prior to 2007 would not be on line, although the Retirement Office has it in binders. To have it put on line would cost between \$25,000 and \$30,000 according to the 2006 letter.

Ms. Zimmermann indicated the annual cost is approximately \$5,000. She also indicated that the minutes are maintained on line in the Retirement Office. She felt that the cost was high and that, since the information is available in the office in a format that can be searched, she may try to set it up on the Microsoft Access program. Discussion followed regarding back up copies that can be stored off site. Trustee Miller offered to store back up copies in the credit union vault.

RESOLUTION 09-010 By Lee, Supported by Stubblefield

Resolved, that the Board approve to cancel the Minute Master service and maintain back up copies of Board minutes and resolutions off site.

Yeas: 3 – Nays: 0

Re: HELPS Program

Ms. Zimmermann said that a request had been received from a retiree to implement the HELPS program for retired public safety members. The program allows a retiree a tax deduction of up to \$3,000 per year for health insurance including long term care insurance, provided the premiums are paid directly from the member's pension.

Mr. Britton felt it was not a big issue for payroll. Since the System uses ADP, a member can have three or four deductions to an institution such as an insurance company. Members could authorize a direct deposit to that institution and it should not take an extraordinary effort.

Ms. Munson said that a member can have up to three electronic transfers per retiree. It would have to be set up like a bank account; the insurance company would have to have it set up on their end to receive the payment. We would need to make sure the receiving entity can receive the payment.

Trustee Miller said it is just a distribution and is a benefit to the members. Discussion followed regarding the best way to communicate the benefit to retirees. Ms. Zimmermann suggested that information be sent explaining the program and that it would be best to design forms using those provided by NCPERS as a model.

RESOLUTION 09-011 By Miller, Supported by Lee

Resolved, that the Retirement Office move forward with implementing the HELPS program for retirees.

Yeas: 4 – Nays: 0

Mr. Britton left at 10:05 a.m.

Re: Semi-Annual Rebalancing

Mr. Kuhn indicated that the rebalancing presented will provide for benefits and operations, but will not rebalance between asset classes at this time. Ms. Zimmermann said that the amounts also include funding for draw downs for real estate and private equity.

RESOLUTION 09-012 By Miller, Supported by Lee

Resolved, That the Board of Trustees approve the transfer of \$4,000,000 from Oppenheimer Capital and \$2,500,000 from NTGI Int. G/C Index to fund benefits and operations for the next six months.

Yeas: 4 – Nays: 0

UNFINISHED BUSINESS

Re: Actuarial Software Search

No response has been received from Ms. Sorenson. Ms. Zimmermann has identified four firms from the vendors provided by NCPERS's website that have a product for public retirement funds. She will be drafting an RFI or RFP to obtain more information.

Trustee Stubblefield left at 10:07 a.m.

Re: Document Storage / Disaster Recovery Plan

The old documents previously stored at the Wesson Street facility have been moved to a secure facility in Waterford. The disaster recover plan is being drafted and consideration is being given to offsite hosting of programs at a remote location with automatic back-up capabilities. Discussion followed.

Re: Securities Lending Deficiency – See Legal

Reports are provided on a weekly basis, webcasts are being presented, however, the deficiency remains.

SCHEDULING OF NEXT MEETING

Regular Meeting on February 26, 2009 at 9:00 a.m., in the Shrine Room, City Hall, Pontiac, Michigan.

ADJOURNMENT

RESOLUTION 09-013 By Lee, Supported by Miller
Resolved, That the meeting be adjourned at 10:30 p.m.

Yeas: 3 – 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 December 1, 2008.

As recorded by E.Zimmermann