

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

**January 25, 2007**

A regular meeting of the Board of Trustees was held on Thursday, January 25, 2007 at the Lower Level Conference Room, Affinity Group Credit Union, 144 E. Pike Street, Pontiac, MI 48342. The meeting was called to order at 9:07 a.m.

**TRUSTEES PRESENT**

Craig Storum, Chairman  
Raymond Cochran, Secretary  
Brian Lee  
Thomas Miller

**TRUSTEES ABSENT**

Mayor, Clarence Phillips (*absent*)

**OTHERS PRESENT**

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.  
Robert Hubbard, Gray & Company  
Ellen Zimmermann, Retirement Systems Administrator  
Jane Arndt, M-Administrative Assistant

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**CONSENT AGENDA**

- A. Minutes of Regular Meeting: December 5, 2006
- B. Communications:
  - 1. Correspondence from Morgan Stanley RE: Portfolio Commentary
  - 2. Correspondence from DDJ Capital RE: November Market Overview
  - 3. Correspondence from Munder Capital RE: Completion of Buyout
  - 4. Correspondence from Steven Fellows, Esq. RE: Charles Herring
  - 5. Conference Information:
    - a. One Day Seminar Series – MAPERS - Feb. 22, 2007
    - b. Transition Management Conference – P&I – Feb 15, 2007 & March 1, 2007
    - c. 2007 Annual Legislative Conference – NCPERS – Feb. 5-7, 2007
    - d. Institutional Client Conference – Northern Trust – April 18-20, 2007
    - e. Client Training Conferences – Northern Trust - March 20 -21, 2007 ; June 26 -27, 2007 (will focus on GASB reporting) ; Oct 23-24, 2007
    - f. Trustees & Administrators Institutes – IFEBP – Feb 26-28, 2007 & June 11-13, 2007
    - g. Liability Driven Investing Summit – IMN – March 12-14, 2007
    - h. Technology Solutions for Public Fund Management & Operations – IMN – March 12-14, 2007
    - i. 12<sup>th</sup> Annual Public Funds Summit – IMN – March 12-14, 2007
    - j. 2007 Benefits Conference for Public Employees – IFEBP – March 5-6, 2007
    - k. Defined Benefit Plans: Fix or Freeze? – SRI – March 19-20, 2007
    - l. NCPERS Annual Conference – NCPERS - May 18-24, 2007

- m. 6<sup>th</sup> Annual Stars & Stripes – FRALLC – April 15-17, 2007
- n. Investment Courses at Wharton School – IFEBP – various dates
- C. Financial Reports:
  - 1. Financial Reports – November & Preliminary December 2006
  - 2. Securities Lending Report – October & November 2006
  - 3. Commission Recapture Report – November & December 2006
  - 4. Accounts Payable – December 2006 & January 2007
- D. Remove from the Rolls:
  - 1. Darryl Gracey (deceased 01-12-07)
- E. Refund of Accumulated Contributions:
  - 1. Scott Dykes – PPFU \$ 812.46
  - 2. Kenneth Harrison – PPOA 11,402.30
- F. Application for Service Retirement::
  - 1. Pashko Ivezaj – PPSA 26 years, 7 months Age 46
- G. Final Benefit Calculations:
  - 1. Brian York #2307 \$4,960.42
  - 2. Michael Story #2315 4,799.09
  - 3. Michael Joyce #2355 2,664.04

Trustee Lee said that under the Refund of Accumulated Contributions that it has Scott Dykes as a member of PPOA. He said it should be corrected to read PPFU.

Ms. Zimmermann requested that the staff be able to attend the Northern Trust Client Training sessions March 20, 2007 through March 21, 2007 and the June 26, 2007 through June 27, 2007.

**RESOLUTION 07-001** By Lee, Supported by Cochran

Resolved, That the Board approve Retirement Office staff attendance at the Northern Trust Client Training Conferences March 20-21, 2007 and June 26-27, 2007.

Yeas: 3 - Nays: 0

**RESOLUTION 07-002** By Cochran, Supported by Lee

Resolved, That the consent agenda for January 25, 2007 be approved as amended

Yeas: 3 - Nays: 0

Chairman Storum referred to a letter from Lon Britton included in the December 5, 2006 consent agenda regarding an IRC provision that allows an exemption to pay for retiree healthcare or long-term care insurance programs. He said that this issue may have more significance than first thought since the new contracts for PPSA and PPOA could include changes to healthcare benefits. He asked if the exemption only applies to retirees. Ms. Billings confirmed that it only applies to public safety retirees in pay status. However, she said the exemption could be used to pay for long-term care insurance. Chairman Storum suggested the information be sent to the City. Ms. Billings said she would send a memo to the City from the Board regarding the exemption. This memo would be separate from the other ordinance cleanup.

Trustee Lee said that the letter from Charles Herring's attorney was worded to imply that the Board advised Mr. Herring that he was entitled to a pension benefit. Ms. Billings said she will send a letter to his attorney with a copy to the Mayor's Office or legal counsel.

**RESOLUTION 07-003** By Lee, Supported by Cochran

Resolved, That the Board of Trustees direct legal counsel to send a letter Charles Herring's attorney.

Yeas: 3 – Nays: 0

**CONSULTANTS**

**Re: Sullivan, Ward, Asher & Patton, PC – CAPROC Update**

**RESOLUTION 07-004** By Cochran, Supported by Lee

Resolved, That the Board of Trustees move to closed session to discuss pending CAPROC litigation.

**Roll Call:**

Trustee Storum- yea                      Trustee Lee - yea  
Trustee Cochran - yea

*Moved to Closed Session at 9:17 a.m.*

*Returned From Closed Session at 9:28 a.m.*

**RESOLUTION 07-005** By Lee, Supported by Cochran

Resolved, That the Board of Trustees approve the closed session minutes from the December 5, 2006 meeting.

Yeas: 3 – Nays: 0

**Re: Gray & Company**

Mr. Hubbard updated the Board on the termination of Montag & Caldwell. He told the Board that the firm negotiated the fee down to 3 basis points for all Northern Trust index funds for PFRS and GERS.

He said that Mr. Gray is evaluating the large cap space and will report back in February. Ms. Stewart asked him to check with the Board to see if they're ready to move forward on the actuarial search. Trustee Storum asked when it was determined to search for a new actuary. Ms. Zimmermann said it was the meeting he missed when there was a discussion regarding the cost of their online estimate software for members. Trustee Miller had said that the bid was too high and made a motion to search for a new actuary. Ms. Stewart suggested that while searching for an actuary they could also look at what types of software are available. Mr. Hubbard said that they would coordinate the effort with Ms. Zimmermann: they will begin to search for prospects in February and March.

Mr. Hubbard said that the portfolio needs to be rebalanced to provide cash for benefit disbursements and operating expenses. He said that the new asset allocation is waiting on CAPROC. He said the assets would come from the Morgan Stanley International Equity account to be disbursed \$2.4 million to the cash manager account and the remaining assets of approximately \$39.4 million to be split evenly between Wentworth and Boston Company.

Trustee Storum asked how much real estate is under-funded. He commented that American Real Estate has only drawn down \$750,000. He said knowing the exact commitment would give the Board a better idea of how much real estate is under-funded. Ms. Zimmermann directed them to the manager mix in the agenda.

## **REPORTS**

**Re: Chairman** - None

**Re: Secretary** – None

**Re: Trustees**

**1. Real Estate Committee** – None

**Re: Staff**

### Custody Transition

Ms. Zimmermann reported that all the assets have transitioned. Some items were slow to transition but everything is complete. They need to wrap up the securities lending and commission management.

### Survivor Pension Issues

Ms. Zimmermann reported that the staff found an issue with Jane McLauren's beneficiary pension. When Ms. McLauren remarried she continued to receive the benefit from her deceased husband who was a member of PPSA. Ms. McLauren was a member of PPOA who had adopted an MOU that did not terminate the benefit upon remarriage, however, PPSA did not and her deceased husband was a member of PPSA. She said that she is working with PPSA to resolve the issue since they had intended to adopt the MOU but it never happened. Until the issue is resolved the benefit payment will stop.

Ms. Zimmermann also reported that the issue regarding a deceased retiree with no spouse and minor children has come up. She said that a letter had been sent to the bargaining groups some time ago but nothing has happened.

Ms. Billings said that the letter sent to the bargaining parties clarified the language in the ordinance. She said she would pull up the letter and send an opinion to the bargaining parties to resolve the issue.

Trustee Cochran asked about the changes. Ms. Billings said that the ordinance clearly defines that there is a benefit for the minor child when there is no spouse if the member's death is duty related. However, the ordinance language is not clear when the member's death is non-duty related.

Discussion followed regarding the issues and the proper use of MOUs. Trustee Storum suggested that the Board send a letter to Larry Marshall asking for cooperation in resolving these issues. He directed Ms. Zimmermann to draft a letter to Larry Marshall regarding the widow and minor children issues.

**Re: Legal**

Ferro Corporation Litigation

Settlement demand put out for \$7.5 million. Plaintiff's motion to dismiss is pending.

United Rentals

Ms. Billings reported that this matter is in the discovery phase of litigation.

Jarden

Ms. Billings reported that this matter is in the discovery phase of litigation.

Maxim

Ms. Billings reported that this matter is in the discovery phase of litigation.

Fossil, Inc.

Ms. Billings reported that this matter is in the discovery phase of litigation.

Tempur-Pedic International, Inc.

Ms. Billings reported that this matter is in the discovery phase of litigation.

Fiduciary Liability Insurance Renewal Application

Ms. Billings requested that the Board make a motion to authorize the signing of the fiduciary liability insurance renewal application.

**RESOLUTION 07-006** By Lee, Supported by Cochran

Resolved, That the Board authorize to continue the fiduciary liability insurance policy and authorize Chairman Storum to sign the necessary documents.

Yeas: 3 - Nays: 0

Bernstein Litowitz Institutional Investor Advocate

Trustee information

Tax Free Distributions to Public Safety Officers

Police & Fire Regular Meeting  
January 25, 2007

Discussed earlier in agenda

Trustee Storum asked if Montag & Caldwell had been transitioned to Northern Trust. Ms. Zimmermann said that the assets were transferred to Northern Trust but not into the index fund. She said that the contract needs to be signed before going forward. Ms. Billings said that the contract had just been received.

Trustee Storum asked about the end result target. Trustee Cochran asked Mr. Hubbard to clarify the targets.

Trustee Storum said he would like to do something different once the CAPROC issue is settled. Trustee Cochran commented that after CAPROC the numbers should be closer to reality. There was discussion regarding the amount of the CAPROC settlement. Trustee Storum asked if the target allocation to real estate is 10%.

**Re: Union Representatives – None**

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## **NEW BUSINESS**

### **Re: Semi Annual Cash Flow Rebalancing**

Ms. Zimmermann distributed the cash flow rebalancing information to the Board.

#### **RESOLUTION 07-007** By Cochran, Supported by Lee

Resolved, That the Board of Trustees approve the transfer of \$2,430,000 from the Morgan Stanley International Equity account to the Cash Manager account for the payment of benefits and operating expenses and the remaining (estimated) \$39,421,697 from Morgan Stanley to be split evening between Boston Company and Wentworth.

Yeas: 3 – Nays: 0

Trustee Storum said that he would like to attend the One-Day MAPERS Conference on February 22, 2007. However, the Board meeting is scheduled for that date. Trustee Lee, Ms. Munson and Ms. Zimmermann would also like to attend the conference. The Board asked if the meeting can be changed to February 21, 2007.

#### **RESOLUTION 07-008** By Cochran, Supported by Lee

Resolved, That Chairman Storum, Trustee Lee and staff be authorized to attend the MAPERS One-Day Seminar with the cost to be paid from the earnings of the fund.

Yeas: 3 – Nays: 0

#### **RESOLUTION 07-009** By Cochran, Supported by Lee

Resolved, That the Board of Trustees change the date of the February 2007 meeting from February 22, 2007 to February 21, 2007.

Yeas: 3 – Nays: 0

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**UNFINISHED BUSINESS**

**Re: Ordinance Clean-up – Tabled**

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**SCHEDULING OF NEXT MEETING** –Meeting on February 21, 2007 at 9:00 a.m., at the Lower Level Conference Room, Affinity Group Credit Union, 144 E. Pike Street, Pontiac, Michigan 48342.

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**ADJOURNMENT**

**RESOLUTION 07-010** By Lee, Supported by Cochran  
Resolved, That the meeting be adjourned at 10:02 a.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 January 25, 2007.

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Raymond Cochran, Secretary  
*As recorded by Jane Arndt*