

**CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREMENT SYSTEM
JANUARY 27, 2011**

A regular meeting of the Board of Trustees was held on Thursday, January 27, 2011 at the City Council Conference Room, Second Level, City Hall, Pontiac, Michigan. The meeting was called to order at 9:15 a.m.

Trustees Present

Leon Jukowski, Mayor
Brian Lee, Chairman
John Naglick, Secretary
Matthew Nye
Craig Storum

Others Present

Matthew Henzi, Sullivan, Ward, Asher & Patton
Anthony Asher, Sullivan, Ward, Asher & Patton
Stuart Tompkins, Sullivan, Ward, Asher & Patton
Laurance Gray, Gray & Company
Chris Kuhn, Gray & Company
Gina Goodin, CB Richard Ellis
Dennis Griffin, CB Richard Ellis
John Latessa, Jr., CB Richard Ellis
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant
Jeffrey Hawkins
Larry Marshall, Retiree (*arrived at 9:18 a.m.*)

AGENDA CHANGES

CONSULTANTS

Re: Sullivan, Ward, Asher & Patton – CB Richard Ellis

Dennis Griffin from CB Richard Ellis said that their analysis estimated the property to be valued from \$400,000.00 to \$950,000.00 and the vacant lot at \$275,000.00. The annual management fees would be approximately \$191,439.00. The longer it takes to sell the property the more the value may decrease.

Trustee Nye asked how the operating expenses changed so dramatically especially for insurance and repairs.

Mr. Griffin said that the numbers Trustee Nye is referring to was the actual costs transferred over from the investor.

Gina Goodin from CB Richard Ellis said that expenses are lower for occupied buildings. Insurance is much higher for an unoccupied building.

Mr. Tompkins said that the insurance on the first document was based on the actual bill.

Ms. Goodin said that the original insurer would not insure an unoccupied building and CBRE has obtained insurance.

Mr. Tompkins said that the summer taxes are much higher but are not due until this coming August. The secured assets of \$90,000.00 should cover any out-of-pocket costs between January and August.

Trustee Nye confirmed that the State of Michigan was not obligated to pay any expenses going forward.

Trustee Jukowski asked how the utility costs were determined. Ms. Goodin said they used the average utility costs from similar sized vacant buildings.

Chairman Storum asked if their firm is familiar with the tax appeal process.

Mr. Tompkins said that Sullivan Ward would handle that for the System. There is a specific window to appeal which would be done on a contingency basis. The valuation is based on the appraisal and the City recognizes that property values have decreased. They would negotiate a reduction.

If the System decides to acquire the property there is an issue with the front parcel. Post execution the borrower obtained a quitclaim deed. This would have to be resolved before he could obtain title insurance. He confirmed that the \$95,000.00 tax bill is on the back parcel that they would appeal.

Chairman Storum acknowledged that the appeal window starts sometime in February going into March.

Mr. Tompkins said that the initial building appraisal was more than \$1 million.

Mr. Griffin said that there could be three outcomes. The Board could deny the appeal, not contest it or award an immediate tax reduction. He indicated that if they went to the tax tribunal there is a back log of more than two years.

Mr. Tompkins stated that if the reduction in the tax bill was \$30,000.00 their fee would be based on a percentage of that amount.

Chairman Storum confirmed that CBRE would also act as the realtor.

Trustee Nye asked at what point the System would begin to lose money.

Mr. Griffin said that they expect the System to come out ahead based on their analysis. If the market goes the other way the Board has a number of options.

Mr. Tompkins pointed out that there is \$90,000.00 in the fund to cover operating costs for approximately six months to a year.

Mr. Griffin said that CBRE will run the selling process nationally and put out a full marketing package. If the price has not moved they will reduce the price. Because the property was recently occupied it has more liquidity and is more appealing. The property location being north and west of Pontiac is also an advantage

Mr. Hawkins arrived at 9:32 a.m.

Mr. Tompkins said that federally funded programs through the Small Business Association help to make this an attractive transaction to entrepreneurs.

Mr. Marshall left at 9:33 a.m.

Chairman Storum said that he feels taking the property is a no lose situation with funds available to pay the operating costs for up to a year. They need to monitor the top line.

Mr. Tompkins said there is an issue obtaining the property deed and the title insurance that could take at least sixty days. The Board can make a decision after those issues are resolved.

Ms. Craft arrived at 9:39 a.m.

Trustee Nye expressed that a timeline needs to be established.

Ms. Craft left at 9:40 a.m.

Mr. Griffin explained the various sale options and probable sale prices based on the cost per square foot. He also indicated that the property could gain exposure through the FDIC.

Chairman Storum confirmed that it would take at least thirty days to clear up the title issue. He recommended that the Board move forward taking the step to get a good title.

Mr. Marshall returned at 9:41 a.m.

Mr. Asher asked Mr. Griffin to provide a brief overview of the sale process.

Mr. Griffin said that as an advisor to the Board he feels that the process is data driven and the System is going to make money in the sale process. There is the risk that some proceeds could be at risk. He said that the FDIC model is their best indicator. He would recommend fully marketing the property through July, 2011 which would be during the nicer time of year. The property is currently listed on the market at \$950,000.00. He relayed the current opinion of value and their anticipated net proceeds from the sales effort for 2011. However, there is nothing to indicate the specific value of the property. He suggested that the property be initially exposed for six months. He also felt that with the economy improving the building could be worth more in six months.

RESOLUTION 11-001 By Lee, Supported by Nye

Resolved, That the Board, subject to obtaining good title, enter the settlement agreement, and, based on CB RichardEllis’s recommendation, authorizes to market the property for the highest and best price, and that the progress be reviewed periodically with the Board pending final disposition of the property.

Roll Call:

| | |
|------------------------|-----------------------|
| Trustee Jukowski – Yea | Trustee Naglick – Yea |
| Trustee Lee – Yea | Chairman Storum – Yea |
| Trustee Nye - Yea | |

Motion Passed.

Mr. Griffin, Ms. Goodin, Mr. Latessa, Jr., and Mr. Tompkins left at 9:55 a.m.

CONSENT AGENDA

- A. Minutes of Regular Meeting: December 2, 2010
- B. Communications:
 - 1. Correspondence from Artio Global Re: Fact Sheet 11 / 10
 - 2. Correspondence from Northern Trust Re: Class Action Fees
 - 3. Correspondence from Metropolitan Real Estate Re: Capital Account Q3
 - 4. Correspondence from Munder Capital Re: Acquisition of Integrity Asset Mgmt.
 - 5. Correspondence from SWAP / Finance Director Re: Contributions
 - 6. Conferences
 - a. Investments Institute – IFEBP – April 11-13, 2011
 - b. One-Day Seminar – MAPERS – February 10, 2011
- C. Financial Reports:
 - 1. Financial Reports – November & December 2010
 - 2. Securities Lending – November & December 2010
 - 3. Accounts Payable – December 2010 & January 2011
 - 4. Q4 Due to / Due from \$415.33
- D. Remove from the Rolls:
 - 1. Blanche Marion (deceased 01-16-11)
- E. Application for Service Retirement
 - 1. Darence Betts – PPOA 22 years, 10 months Age 54
- F. Application for Deferred Retirement
 - 1. Joseph Marougi – PPOA 11 years, 3 months Pension Starts 9-1-2025
- G. Final Benefit Calculations

| | | |
|----------------------|-------|------------|
| 1. Dennis Henderson | #2514 | \$2,514.98 |
| 2. Gene Swartz | #2527 | 3,868.03 |
| 3. Timothy Samson | #2528 | 4,117.12 |
| 4. George Hamzik | #2531 | 4,464.67 |
| 5. Christopher Stone | #2540 | 3,213.24 |
| 6. Michael Pierce | #2541 | 4,538.25 |
| 7. Arturo Macias | #2545 | 3,456.25 |
| 8. Anthony Coney | #2546 | 3,774.56 |

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| 9. Timothy Campbell | #2525 | 5,275.46 |
| 10. Harvy Holland | #2516 | 5,466.31 |
| 11. Gordon Cooley | #2539 | 3,471.72 |
| 12. Jeffrey Swartz | #2535 | 3,458.42 |
| 13. Craig Storum | #2526 | 5,607.95 |
| 14. David Duddles | #2537 | 4,613.94 |
| 15. Gregory J. Taylor | #2530 | 4,100.21 |
| 16. Vincent Hayden | #2543 | 4,431.13 |
| H. Application for Refund of Accumulated Contributions | | |
| 1. Brian Archer – PPOA | \$6,704.18 | |
| 2. Darrin McAllister – PPOA | 14,780.01 | |
| 3. Andre Siner – PPOA | 1,033.05 | |
| 4. Raymond E. Wiggins – PPOA | 11,752.91 | |
| 5. Veneta R. Williams – PPOA | 758.79 | |

Trustee Lee asked that the sentence on page eleven of the minutes “Trustee Lee said that he had misunderstood the issue” be stricken from the record.

He also indicated that paragraph three on page thirteen be changed from “They are now paying a portion of their retirement and the VEBA” to “They are now paying a larger portion of their retirement and their VEBA.”

Ms. Zimmermann distributed additional final benefit calculations for Timothy Campbell, Harvy Holland, Gordon Cooley, Jeffrey Swartz, Craig Storum, David Duddles, Gregory J. Taylor and Vincent Hayden to be included in the agenda.

RESOLUTION 11-002 By Nye, Supported by Lee
Resolved, That the consent agenda be approved as amended.

Yeas: 5 - Nays: 0

CONSULTANTS (Continued)

Re: Gray & Company

Mr. Kuhn distributed the market values of the Fund as of January 17, 2011. Total Fund value was \$238.4 million which is up 10.02% from September 30, 2010. He reviewed the rolling one-year performance for Northern Trust Growth at 16.72%; Northern Trust Value at 15.51%; Loomis Sayles did well at 25.36% and WHV at 21.25%. They are expecting good number on the December 31, 2010 report. He also referred to the rebalancing information for the next six months.

Trustee Nye asked where the money goes when a mandate’s allocation is reduced. Mr. Kuhn said that the rebalancing raises cash to pay benefits and expenses along with anticipated real estate capital calls.

Trustee Nye asked if Gray & Company stays within the target when rebalancing.

Mr. Kuhn said that the norm is to use the mandate that is the most overweight. He also indicated that they recommended reducing the allocation to Northern Trust Intermediate Government because they are looking to eliminate that manager and move to an active fixed income strategy.

Chairman Storum asked when he anticipates beginning a search.

Mr. Kuhn provided an overview of the RMK Timberland contract issues. He indicated that there were issues with the contract being governed under Luxemburg Law including not being able to negotiate a Side Agreement. They were also unwilling to lower the indemnification standard from gross negligence to negligence. It was thought that one of the large European investor wanted the contract under Luxemburg Law.

The Board is at an impasse with RMK Timberland regarding the contract issues. They have looked for other international timber managers. Bob Hubbard went to twelve timber managers and none would sign off on lowering the indemnification to negligence for their international strategies. He asked if the Board wanted to stay with a domestic investment which has fewer restrictions than an international investment.

Chairman Storum asked why the gross negligence standard is insisted on in international timber.

Mr. Gray said that there is a big difference between gross negligence versus negligence from a Court perspective. No managers are willing to sign off. Some are wondering why this is the only Fund insisting on these standards. They are getting an interesting reputation in the investment world.

Mr. Asher said that this is an interesting issue and questioned why so many investors would sign a contract with gross negligence indemnification. If problems develop there is little that could be done. Legally, they would be remiss to recommend gross negligence to their clients.

Chairman Storum asked if the Board should look at domestic investments only. It seems that presently most of the opportunities are on the international side. He asked for the consultant's recommendation based on performance of 7% to 10% on a domestic timber investment and 10% to 15% on an international timber investment. He asked that Mr. Kuhn provide a recommendation based on a domestic timber allocation.

Mr. Gray said that the Board may have to walk away from this investment.

Mr. Kuhn said that in order to reach the 1% allocation or \$2 million for the timber investment they may need to trim back the Artio allocation.

Chairman Storum asked about the legislation that would increase the basket clause.

Mr. Henzi said that legislation died in committee in the Senate. That issue is included in the legal report.

Mr. Asher indicated that returns may be less on the high side but somewhat more moderate.

Mr. Kuhn said that he will bring a recommendation on fixed income and real estate to the next meeting.

Mr. Gray asked if the Board had any questions.

Goode Stable Value Memorandum

Ms. Zimmermann distributed a copy of a memorandum from Bruce Goode of Goode Stable Value.

Chairman Storum questioned whether Stable Value is still stable.

Mr. Gray said that the stability of Stable Value is based on insurance contracts which are based on the value of the underlying insurance companies. Fifteen years ago insurance companies were solid. However, with the AIG issue there is concern on how stable the insurance companies are now.

There are questions with Mr. Goode looking at portfolio holdings and converting to a Collective Trust from a Group Trust. This does offer more growth opportunities. He will be meeting with Mr. Goode in a couple of weeks to discuss his succession planning and smaller fund concerns. There is the question of who backs up the larger banks. This is the same issue they have with Hirayama Investments.

Trustee Jukowski left at 10:27 a.m.

Chairman Storum asked if there is a liquidity issue.

Mr. Gray said that is more of an issue with Hirayama Investments than with Goode. He will provide a short write-up on Goode.

REPORTS

Re: Chairman

Chairman Storum said that at the last meeting the Board sent a resolution to the General Employees Retirement System Board stating that they would pay 30% of the staff payroll. However, the GERS Board did not go along with the plan. He wanted to know what level of staffing would be needed for PFRS alone, be it one or two positions. He is open to discussion.

Ms. Zimmermann stated that the GERS trustees have a lot of union issues. If the Retirement Office pays their own payroll it brings up a number of union issues. During the meeting, Devin Scott reported that two of the Retirement Office positions had been taken by the union. GERS determined that the Retirement Office would not pay their own payroll and that the City would

be reimbursed monthly for payroll because the unions were trying to add two positions that are now non-union.

Chairman Storum said that one Board cannot be fully responsible for the staff payroll. He would entertain research into the separation of the employees from the City. He would also like to find out what level of staff is needed if Police & Fire were to separate from the City.

Mr. Asher said that they have addressed that issue in the legal report. He identified correspondence regarding the City's auditing process, reimbursement of Retirement staff payroll and the City's cash flow issues. There is also a letter from Plunkett Cooney recommending that the System pay their own payroll and a draft letter about the discontinuation of Medicare reimbursements to retirees effective March 1, 2011.

There is no reason why the City should wait for their reimbursement. However, there were some union issues being discussed at the General Employees Retirement System meeting and how this could affect the System's employees.

Trustee Naglick asked if the Retirement Systems can hire their own employees.

Chairman Storum said that the Board has confirmed they can have separate staff based on previous determinations presented by Ms. Billings.

Mr. Asher said that the PFRS Ordinance language indicates that the Secretary may employ clerical and professional services positions whose compensation would be fixed by City Council. There is also the question of the 70%/30% split. The Funds share many common issues and it is not unusual for administration to be split. He suggested that since the audit is conducted annually, the percentage split can be reviewed to insure the Fund is paying their appropriate share. The number of staff needed can also be determined. There may be some labor relations issues encountered. Can the System hire its own staff? Yes.

Ms. Zimmermann said that on behalf of her staff she feels that they deal primarily with confidential information which would make more sense for them to all be classified as non-union employees if there is to be a change. They work with people's tax withholding, insurance, pension and disability information. She understands that the unions want to retain positions but feels that a non-union classification is the most appropriate. Her staff are good people who work hard and make every effort to get the job done. She would rather not lose them. Classifying them as non-union would insure that.

Trustee Naglick asked if the Ordinance would be a stopping point or whether an offer could be made. He questioned whether the Fund would create a set of benefits for them. Currently, as City employees they report to the Finance Director and receive the benefits they are entitled to. The City could agree to work as an agency.

Trustee Nye indicated that the City agreeing to work as an agency would make the most sense.

Trustee Naglick stated that some Funds outsource their administrative process.

Mr. Asher said that the current issue is the City's cash flow issue.

Trustee Naglick stated that the GERS Board authorized the Fund to reimburse the City monthly for Retirement staff payroll.

Trustee Nye asked if the resolution should indicate that the next audit engagement should examine the 70%/30% split.

Trustee Lee said that the System may still encounter conflicts with how much work is being done for the City.

Trustee Naglick agreed that language could be added to the audit engagement letter.

Ms. Zimmermann said that she could draft a letter to the auditor regarding the 70%/30% split. Historically, the percentage split was based on the ratio of assets in the Fund.

Chairman Storum said that the System has been looking at this issue for a number of years. He feels it could be a conflict of interest with the Administrator working for the Finance Director. This is the perfect opportunity to look at the possible separation. He suggested hiring an outside firm to determine staff requirements. He said that he understands that both Systems have the same goals at times. He stated that they could hire a firm like Benesys to make the determination.

Trustee Naglick said that there could be a potential conflict with using Plante Moran to look into the issues. They act as the System's auditor as well as the City's Comptroller. He indicated that Raymond Robson is the City's auditor. The Board may want to look at someone different.

Trustee Nye asked if the System reimburses the City monthly for Retirement staff payroll would it help to alleviate the City's cash flow issues.

Chairman Storum said that he would like to research the staffing level and that it is past time for this System to reevaluate separating from the City and being an independent from GERS.

RESOLUTION 11-003 By Naglick, Supported by Nye

Resolved, That, understanding the City's cash flow problems, the Board shall reimburse the City of Pontiac for compensation for the Retirement System Administrator and staff upon receipt of a monthly cost invoice. In addition, the Police & Fire Retirement System will discontinue Medicare reimbursements to retirees effective March 1, 2011.

Yeas: 5 – Nays: 0

RESOLUTION 11-004 By Naglick, Supported by Nye

Resolved, That the Board direct legal counsel to research and recommend an independent firm to review staffing requirements for the Police & Fire Retirement System to become independent and separate from the City and the General Employees Retirement System.

Yeas: 5 – Nays: 0

Ms. Zimmermann was directed to add the review of the percentage split based on the workload and needs of this System into the audit engagement letter.

Legal counsel was directed to review the Ordinance and determine changes needed with regard to the separation of the System from the City.

Ms. Zimmermann noted that there has never been an allocation to the Police & Fire VEBA for staff costs though the work has increased.

Chairman Storum asked if board volunteers would be needed to review the findings.

It was determined that the Personnel Sub Committee could review the findings and report to the Board.

Chairman Storum said the Fund should pay the City monthly to reimburse staff cost based on the 30% until the accuracy of that split can be verified.

Re: Secretary - None

Re: Trustees

Re: Administrator

Ms. Zimmermann distributed a letter from the Emergency Financial Manager, Michael Stampfler sent to Jeffrey Hawkins regarding his retirement eligibility.

Employee Contributions

Ms. Zimmermann reported that \$213,000.00 was received for employee contributions from the City. A number of issues have been identified and they are currently analyzing the data.

Retiree 1099R's

Ms. Zimmermann reported that the 1099R's were sent out to retirees on January 14, 2011.

Form 945 - Annual Return of Withheld Federal Income Tax

Ms. Zimmermann reported that Form 945 was mailed on January 25, 2011.

Retirement Benefit Statements

Ms. Zimmermann reported that the retirement benefit statements will be sent out to the members on January 27, 2011.

Pension and VEBA Contributions

Ms. Zimmermann indicated that a request was sent to the City from Sullivan Ward regarding the VEBA contributions and whether they are treated similarly to retirement contributions. The correspondence asked that the City and union supply a written response.

It was determined that Police & Fire Retirement System members are currently contributing 5% versus 2.5%. They are asking if the 2.5% of employee contributions or employer contributions are refundable to members. The Retirement Office is looking to determine if the recent \$213,000.00 contribution payment is being tracked separately for each member and whether the additional 2.5% must be accounted for separately.

They are also looking at the report to find employee contributions in excess of 5%. During pay period number twenty-two some members were contributing more than 1.7% in addition to the 5%. When Payroll was asked why, Phyllis Long said that the former Human Resources Director instructed her to retroactively withhold contributions. Ms. Munson is looking at the data now.

Chairman Storum said that payroll should have a detailed report.

Ms. Zimmermann said that Ms. Munson asked for the detail on January 25, 2011 and is currently working to reconcile the contribution amounts.

Trustee Lee agreed that the difference in amounts should be confirmed. He understands that contributions are being paid retroactively but the percentages should be the same.

Trustee Naglick recommended that the issues be put in writing.

Contract with MAP

Ms. Zimmermann explained that there are two provisions in the MAP contract; one increasing the multiplier of the Final Average Compensation, and the other that increases the FAC when the Fund has a surplus. Because these provisions increase the benefit, a cost study is required.

Trustee Lee said that the contract was signed by Fred Leeb.

Ms. Zimmermann said that the contract was signed on October 4, 2010. However, in order for the increase in pension benefits to be authorized a cost study is required.

Chairman Storum asked if the cost study needs to be requested by the union or the City.

Ms. Zimmermann stated that the Board cannot pay for this cost study. Because of the City's poor pay history, the actuary now requires the assurances that someone authorizes the work in writing and acknowledges payment will be made.

The Board directed Ms. Zimmermann to send a letter to the union and the City stating that in order to for the benefit provisions to be legally implemented, actuarial cost studies are needed.

Re: Legal

Northern Trust

Mr. Henzi reported that the Motion to Dismiss hearing has been rescheduled to February 16, 2011.

Almost Family, Inc. Securities Litigation

Mr. Henzi reported that the Motion for Lead Plaintiff status has been withdrawn. The Court appointed another plaintiff with larger losses.

Fossil, Inc.

Mr. Henzi reported that the parties are working to reach a settlement. They will continue to advise the Board with respect to this matter.

UBS/AG Securities Class Action

Mr. Henzi reported that the Defendants' Motion to Dismiss is currently pending. They will continue to advise the Board with respect to this matter.

Airgas Securities Litigation

Mr. Henzi reported that the matter is currently at trial. They will continue to advise the Board with respect to this matter.

Correspondence Regarding City Contributions – Refer to Consultants

House Bill 5323

Mr. Henzi reported that House Bill 5323 proposed changes allowing greater diversification when investing retirement system assets. The bill died in committee in the State Senate.

IRS Application for Determination Letter

Mr. Henzi reported that this matter is still pending with the Internal Revenue Service.

Retirant Joel Felt

Mr. Henzi reported that Joel Felt's request to have his retirement benefit recalculated has been denied. This is for the trustees' information.

Atheros Communications, Inc.

Mr. Henzi reported that Atheros Communications has announced that they will be acquired by QUALCOMM, Inc. There is an issue related to the fair value of the stock based on its recent trading history. The System currently holds 4,075 shares of Atheros.

Because time was of the essence with regard to filing suit, the Chairman authorized the Administrator to sign the Verification and Affidavit as well as the Engagement. He asked that the Board ratify the Administrator's signature.

RESOLUTION 11-005 By Nye, Supported by Jukowski

Resolved, That the Board ratify Administrator Ellen Zimmermann's signature on the Verification and Affidavit as well as the Engagement Agreement in the Atheros Communications, Inc. securities litigation.

Yeas: 5 – Nays: 0

Fire Chief Jeffrey Hawkins Retirement

Mr. Henzi referred to attached correspondence between the City and Fire Chief Jeffrey Hawkins. The Attorney for the Emergency Financial Manager is attempting to amend the Collective Bargaining Agreement through a Memorandum of Understanding. The MOU needs to be signed between the City and the union. The City and the Chief Hawkins agreeing to this does not qualify the Chief for a retirement.

Correspondence was received on January 26, 2011 from the EFM documenting the steps that have been taken and sites the Retirement System's position. It indicates that the City has no control but has worked to remedy the situation. In order for Chief Hawkins to receive an additional year of service credit a MOU would have to be approved between the City and the union. Once submitted to the Retirement System the service credit would be granted.

Chief Hawkins said that the last communication indicated that it would have to be approved by the City and the union. However, he is not represented by Local 376. In 1996 he was given the opportunity to obtain the same pension benefit as Local 376.

This issue is not his mistake and he was told that he met the retirement requirements. He would not have retired if he had known that he did not have enough service credit for the early-out for Local 376. The calculation issue is not his fault. He has not received a pension benefit for the past couple of months. He pointed out that there is case law that favors the plan participant when there is ambiguity.

Chairman Storum said that the Board is here to administer the plan and legally the Board cannot grant him a pension benefit if he does not meet the qualifications.

Chief Hawkins said that the City has granted him the twenty-two years of service credit.

Chairman Storum said that if Chief Hawkins does not meet the criteria the Board cannot issue a pension.

Ms. Zimmermann personally apologized for the error. She stated that Chief Hawkins and Human Resources were notified immediately when the error was discovered.

Trustee Nye questioned whether it would be legal for the Board to grant an additional year of service credit.

Trustee Nye asked if the Chief questioned the staff regarding the service credit calculation error.

Mr. Asher said that the Board cannot grant service credit. A MOU needs to be signed between the City and the union.

Trustee Nye asked if Chief Hawkins receives the additional year of service credit who would fund the extra year. Mr. Asher said that the Retirement System would fund the additional year.

Trustee Naglick confirmed that the mistake was made by the Retirement System.

Trustee Jukowski said that if a lawsuit was filed it would not be against the union. As a litigator, because the Retirement Staff made the mistake, he questioned what a judge would say. He questioned whether the System has the ability to fix the issue.

Mr. Asher said that the issue could be resolved if the City and union sign the MOU. He asked if whether granting an additional year of service credit would cause a deficiency.

Chairman Storum said that a deficiency is not the issue. Under law a cost study would have to be done before the System could grant the benefit.

Trustee Nye said that if the MOU was signed this would alleviate the problem.

Trustee Jukowski asked what happens if the union decides not to sign the MOU. As an attorney he asks himself who would be at fault. He believes the Retirement Board would be sued and as a Board member he feels that he has an obligation to make Chief Hawkins whole. He questioned whether there would be any liability since the Retirement Office made the error which cost Chief Hawkins.

Mr. Asher said that he cannot provide Chief Hawkins with legal recourse. However, the Retirement Board cannot award a benefit. Damages could be awarded because the Union did not back its member. It is also a City issue. The situation could be resolved if the City and union signed the MOU.

Chairman Storum said that if the City hires Chief Hawkins back he could attain the additional service credit needed. Some burden falls on the Chief to verify his time.

He asked if the Chief had known he did not have enough time to qualify. Chief Hawkins replied that that was why he asked several times if Ms. Craft was sure of his time.

Trustee Nye said that the City lowered the number of years needed to retire as a one-time non-precedent setting deal.

Chairman Storum said that the Firefighters union has never made this type of deal but the Police union has in the past. He asked if the Chief told anyone he had purchased one year of service credit.

Trustee Nye stated that the Board has no ability to grant anything.

Mr. Asher again stated that a MOU was sent to the City. The City is working to resolve the issue and is waiting for the union to amend the Collective Bargaining Agreement.

Trustee Jukowski left at 12:03 p.m.

Chief Hawkins said that in 2007 the former Chief Wilburt McAdams was granted nine months of service credit in order to qualify when there was a window.

Chairman Storum said that Chief McAdams was given reciprocal time from his previous job.

Chief Hawkins asked how the contract can apply to Chief McAdams but not to him.

Mr. Asher said that Chief Hawkins position is not part of the bargaining unit but it does not preclude them from bargaining on his behalf.

Chairman Storum said that the situation is similar to 1996.

Chief Hawkins said that back in 1996 he paid 9% for his retirement when he was Non-Union before chiefs could make the election.

Chairman Storum said that has no relevance today.

Trustee Naglick confirmed that the MOU is currently before the union.

Aranosian Eligible Domestic Relations Order

For the Trustees' Information

Metropolitan Contracts

Mr. Henzi reported that Metropolitan Real Estate has confirmed that they will waive the administration fee of 0.35%.

Correspondence from Plunkett Cooney Regarding the 2009-10 Fiscal Year City of Pontiac Audit Refer to Consultants

Disability Retirant Scott Wedge

An individual contacted the Retirement Office indicating that a retiree is not disabled and has bragged about being on disability through the System. The individual refused to provide any identifying information.

It was determined that the member he was referring to is Scott Wedge and that this individual stated his opinion regarding Mr. Wedge's disability. He indicated that if the Retirement Board requires witnesses to testify to Mr. Wedge's physical capabilities, that he and his brother, along with several neighbors, would be willing to come forward.

Chairman Storum confirmed that the member has complied with the annually required re-exams and the Medical Director has determined that he continues to be permanently and totally disabled.

In Re: Gildan Activewear Securities Inc. Securities Litigation

Mr. Henzi reported that this litigation has been settled and the Proof of Claim has been filed on behalf of the Retirement System.

Correspondence from Plunkett Cooney Re: Retirement Department Employee Payroll

Refer to Consultants

Re: Union Representatives - None

NEW BUSINESS

Re: Police VEBA Contributions - Refer to Consultants

Re: Northern Trust Fee Schedule

Ms. Zimmermann reported that she received an updated fee schedule from Northern Trust. The cover letter indicated that the fee schedule has not changed. She is in the process of reviewing the fee schedule for any changes.

Chairman Storum asked about Northern Trust charging for securities litigation fees. Ms. Zimmermann explained that Northern Trust will charge 2% or a maximum of \$250.00 when the Retirement System receives payments for securities litigation.

RESOLUTION 11-006 By Naglick, Supported by Lee

Resolved, That the Board refer the securities litigation fee issue to legal counsel for review.

Yeas: 5 – Nays: 0

Re: Semi Annual Rebalancing

Ms. Zimmermann requested that the Board of Trustees approve the cash flow rebalancing plan as recommended by the consultant to pay for benefits and operations for the next six months.

RESOLUTION 11-007 By Lee, Supported by Nye

Resolved, That the Board approve the transfer of \$3,000,000 from the Northern Trust Russell 1000 Growth Fund, \$1,000,000 from Munder Mid Cap, \$1,000,000 from Loomis Sayles Small Cap and \$2,000,000 from Northern Trust LB Intermediate Government/Corporate Fund to fund benefits and operations for the next six months.

Re: City of Pontiac Audit Issue – Refer to Consultants

UNFINISHED BUSINESS

Re: Employee Contributions Due from City

Ms. Zimmermann reported that she is working to reconcile the reimbursement from the City.

Re: Hawkins Retirement – Refer to Legal

Re: HELPS Letter to Retirees

Ms. Zimmermann indicated that there have been no requests to date.

Re: Disaster Recovery Plan/Actuarial Software Search – Nothing New to Report

Re: Retirement Office Payroll – Refer to Consultants

SCHEDULING OF NEXT MEETING

Regular Meeting –Thursday, February 24, 2011 – City Council Conference Room, Second Level, City Hall @ 9:00 am

ADJOURNMENT

RESOLUTION 11-008 By Nye, Supported by Lee
Resolved, That the meeting be adjourned at 12:13 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 January 27, 2011.

John Naglick, Secretary
As recorded by Jane Arndt