

**CITY OF PONTIAC, MICHIGAN  
POLICE AND FIRE RETIREMENT SYSTEM  
FEBRUARY 23, 2012**

A regular meeting of the Board of Trustees was held on Thursday, January 26, 2012 at the City Council Conference Room, Second Level, City Hall, Pontiac, Michigan. The meeting was called to order at 9:44 a.m.

**Trustees Present**

Lon Britton (*by phone*)  
Leon Jukowski, Mayor  
John Naglick, Secretary

**Others Present**

Matthew Henzi, Sullivan, Ward, Asher & Patton  
Chris Kuhn, Gray & Company  
Ellen Zimmermann, Retirement Administrator  
Jane Arndt, M-Administrative Assistant  
Fred Joiner, Retiree

**Trustees Absent**

Craig Storum, Chairman (*excused*)  
Matthew Nye (*excused*)

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**AGENDA CHANGES**

Trustee Britton requested that Acting Chairman, John Naglick move the Investment Consultant, Chris Kuhn up on the agenda.

**CONSULTANTS**

**Re: Gray & Company – Fourth Quarter 2011 Performance Report**

Mr. Kuhn reported that the equity markets did well but this Fund has less allocated to equities and real estate than the VEBA Fund.

Total Fund performance was 6.21% versus the policy index at 6.36% with one-year performance of 0.21% versus 2.84%. He noted that real estate performance numbers have not been reported for the quarter. They anticipate that Mesirov and Metropolitan will have positive returns that will bump up the Fund's performance. This Fund has more of a conservative mix.

A big chunk of the underperformance came from the international equity managers who did not keep pace during the year.

The fixed income allocation is more conservative than the policy index due to the allocation to stable value. Stable value performance did not keep pace with the rally in fixed income. Stable value is intended to provide value to the portfolio during a rising interest rate environment. Stable value is a nice anchor in the portfolio.

Mid cap manager, Munder Capital Management had a decent year with performance of 1.45% versus the benchmark at -1.73%; quarterly performance of 10.98% versus 12.99% and three-year performance of 20.01% versus 19.58%.

Loomis Sayles had an incredible year with outperformance during both the third and fourth quarters. Quarterly performance was 17.23% versus the benchmark at 15.97% and one-year performance was -0.32% versus -5.5%.

Munder did not have the same performance during the third and fourth quarters. They must have not been positioned as well and their portfolio lagged.

Trustee Naglick noted that Loomis Sayles has strong performance in all the Systems' portfolios.

Mr. Kuhn indicated that both Systems are invested in the same small cap portfolio.

International equity manager Wentworth, Hauser & Violich has a volatile, thematic portfolio. When oil is up their performance is up when oil is down their performance is down. Their one-year performance was -13.78% versus -12.14% with quarterly performance of 13.44% versus 3.33%.

Thornburg International Equity has more of a core structure and is relatively new in the portfolio. They were slightly behind the benchmark for the year at -13.05% versus -12.14%.

Fixed income manager Garcia Hamilton just had their first full quarter in the portfolio and they are off to a good start.

High yield manager Artio is a hard portfolio to match because their strategy does not look like any of the benchmarks in their asset class. They have some interesting things in their portfolio including foreign securities and can be up to 25% non-U.S. This was a disappointing year for them and they did not keep pace with their benchmark. Their international equity team is also having a difficult time and Gray & Company is keeping track of them.

Trustee Naglick asked if the two people he met at the GERS Manager Review Meeting are the ones who manage the high yield portfolio.

Mr. Kuhn explained that Rebecca Kubick is the client service representative and Brian Holland is the international equity portfolio manager.

Trustee Britton confirmed that Artio is not the international equity manager in the Police & Fire portfolio.

Core real estate manager American Realty reported quarterly performance of 2.77% versus their benchmark at 2.96% and one-year performance of 15.07% versus 14.26%.

He indicated that American Realty's benchmark is not the best comparison.

He referred to the NCREIF ODCE Fund Index which is a better comparison which takes the average of all core real estate funds. The NCREIF has no leverage in their portfolio.

American Realty is more conservative and has a higher occupancy rate. They feel more comfortable when looking at their transactions. There could have been an issue with the appraisal of their properties because they are more conservative. Their performance numbers are more reliable versus a year ago.

They are anticipating good performance numbers from Metropolitan and Mesirow.

Trustee Naglick confirmed that the System is out of the securities lending program.

Mr. Kuhn indicated that the System has exited everything and that the separate accounts and index funds have all been transitioned to non-lending funds.

Trustee Naglick also asked about the CAPROC receivable.

Mr. Kuhn noted that Northern Trust still has CAPROC valued as \$2.4 million on the statement. The Baldwin Road property has been sold and will be written off by Northern Trust.

Ms. Zimmermann indicated that the property was recently sold and that the accounting will be done in the current year and the account will be closed.

Trustee Naglick stated that the buyer of the property immediately relisted the property with CBRE.

Trustee Naglick also asked if the Police & Fire System has a manager round table.

Ms. Zimmermann indicated that the Police & Fire Manager Review Meeting will be held on May 23, 2012 immediately following the MAPERS Conference and the regular meeting will be held on May 31, 2012.

Mr. Kuhn questioned the status of the Franklin Templeton Contract.

Mr. Henzi indicated that the agreement has been signed.

Trustee Britton asked the amount of the allocation and where the assets are coming from.

Mr. Kuhn stated that the allocation is \$9 million which will come from the Northern Trust LB Intermediate Government/Credit Index Fund. This allocation equals 4.3% of the Fund.

Trustee Britton stated that he has some concerns about the fixed income allocation and the addition of active management.

*Mr. Kuhn left at 10:05 a.m.*

## **CONSENT AGENDA**

A. Minutes of Regular Meeting – January 26, 2012

Police & Fire Regular Meeting  
February 23, 2012

- B. Communications:
  - 1. Correspondence from Artio Global Re: Newsletter
  - 2. Correspondence from Loomis Sayles Re: Client Service Reorganization
  - 3. Correspondence from Munder Capital Re: Equity Analyst Change
  - 4. Correspondence from Metropolitan Real Estate Re: Investor Letter
  - 5. Conference Information:
    - a. NCPERS Annual Conference – May 5-10, 2012
    - b. Public Employee Benefits Update – IFEBP – June 18, 2012
    - c. CAPP – IFEBP – June 19-22, 2012
    - d. Investments Institute – IFEBP – April 23-25, 2012
- C. Financial Reports:
  - 1. Financial Reports - January 2012
  - 2. Securities Lending- December 2011
  - 3. Accounts Payable – February 2012
  - 4. Due To / Due From
- D. Capital Calls:
  - 1. Mesirov MFIRE                      \$250,473
- E. Death Audit
- F. Remove from the Rolls:
  - 1. Inis Slater (deceased 12-02-11)
- G. Application for Service Retirement:
- H. Application for Deferred Retirement
- I. Application for Disability Retirement
- J. Final Benefit Calculations:
  - 1. Bryan Flye                      #2508                      \$4,962.63
- K. Application for Refund of Accumulated Contributions
- L. Disability Re-Examination
- M. Request for Change of Retirement Effective Date
  - 1. Darryl Fowlkes
  - 2. Brad Riggs
  - 3. Bryan Aranosian
  - 4. Don Claeys

**RESOLUTION 12-011** By Jukowski, Supported by Britton  
 Resolved, That the consent agenda be approved.

Yeas: 3 - Nays: 0

Trustee Britton inquired about the change of effective retirement date for the firefighters.

Ms. Zimmermann indicated that some of the command staff that were retiring had a scheduling conflict with their shift on January 31, 2012 which caused them to change their retirement dates.

Trustee Britton thanked Ms. Zimmermann, Ms. Arndt and Mr. Henzi for sending the agenda packets, legal reports and all applicable information to him in pdf format.

Trustee Jukowski also requested to receive his materials in pdf format going forward.

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## **REPORTS**

**Re: Chairman** - None

**Re: Secretary** - None

**Re: Trustees** - None

**Re: Administrator**

### Baldwin Road Property Sale

Ms. Zimmermann reported that the proceeds from the sale of the Baldwin Road property were received on February 16, 2012 and totaled \$347,228.16.

### Retirement Office Staff Sick & Vacation Pay Transfer

Ms. Zimmermann reported that the liability for the staff's sick and vacation pay has been transferred from the City to the Retirement Systems.

**Re: Legal**

### James Tate – Application for Duty Disability

Mr. Henzi reported that he sent a FOIA asking for the call logs and personal information regarding Officer Tate from Brian Lee.

Ms. Zimmermann reported that Brian Lee brought the call logs and applicable information to the Retirement Office on Wednesday, February 22, 2012. However, she did not have time to go through the information prior to the meeting.

Mr. Henzi noted that Officer Tate is a thirty-eight year old police officer. He is verifying whether Officer Tate engaged in sedentary or vigorous work in the days leading up to his disability. He has a unique injury and is only eligible to collect a benefit if it is duty-related. The Board has to make the decision on this case.

They will continue this matter further during closed session.

### Partial Termination

Mr. Henzi thanked Ms. Zimmermann, Trustee Jukowski and Trustee Naglick for assisting in obtaining a copy of the layoff list. He has broken down the list he received. However, he was notified by Human Resources that the layoffs started in 2005 through 2007. He questioned whether members could have been vested in 2008 based on the systematic downsizing.

He has confirmed that the System took a 20% hit on July 31, 2011 with the departure of the police department.

In his opinion there are two primary vesting dates when the police department was outsourced and when the fire department was outsourced. He is looking for one more list.

Ms. Zimmermann indicated that she has the layoff lists from 2008 through 2011 and she has requested the layoff lists for 2005 through 2007. There will be three more years when the report is generated.

#### Franklin Templeton Global Bond Plus Investment – Refer to Consultant

##### MAP Cost Study

Mr. Henzi reported that Ms. Rodwan has been paid and that the cost study was authorized.

Ms. Zimmermann stated that she contacted Emergency Manager Stampfler's legal counsel, Gary Francis, with regard to the final average calculation (FAC) issue. She was told that the tentative agreement was done by Emergency Manager Leeb. She contacted Brian Lee and asked whether he has any recall of what was agreed upon.

When they negotiated this benefit they did not know that the police department would be outsourced.

Trustee Jukowski indicated that Emergency Manager Leeb was against outsourcing the police department.

Mr. Henzi indicated that Brian Lee was going to talk with Jason Teelander to obtain further information.

There was also an issue regarding the ratification date. Ms. Zimmermann stated that she was told the ratification date was the date that MAP signed the agreement.

She sent an email to Ed Wertz to determine what the intent of the parties was with regard to the 3% multiplier. She questioned whether the benefit was only available for those members who began drawing a pension benefit during the years that contract is valid. She received an email stating that Emergency Manager Stampfler had agreed to the terms but did not negotiate the contract. She will request clarification from both parties.

##### Hiring Retirement System Office Staff

Ms. Zimmermann reported that the payroll function has been transferred to the Systems, the insurance is in place and the leave balances will follow the staff. The union issue is still pending due to Larry Marshall's questions regarding the agreement. The staff is moving ahead and doing the work.

Trustee Naglick confirmed that the staff is moving ahead and that Ms. Craft is getting paid.



**RESOLUTION 12-016** By Jukowski, Supported by Britton  
Resolved, That the Board ratify the Secretary's signature on the audit agreement with Rehman.

Yeas: 3 – Nays: 0

**Re: Union Representatives** - None

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## **NEW BUSINESS**

### **Re: Additional Payroll cost Information**

Ms. Zimmermann reported that this is a copy of an issue that was submitted to the GERS Board. The member had requested that an additional payroll be run for the COLA benefit. The GERS Board requested information on how much an additional payroll would cost the System.

### **Re: Contributions Invoice July – December 2011**

Ms. Zimmermann reported that this is the invoice for contributions due from the City.

Trustee Naglick stated that now that the Board has the information from the actuarial report it should not change a lot. Retroactively it will change the contribution requirements. This will help the Emergency Manager determine what the City's obligation is going forward.

He also asked if the 2011 valuation can be expedited.

Trustee Britton inquired whether the 2011 actuarial valuation could include January and February 2012. It would provide a better picture of the liabilities going forward.

Ms. Zimmermann indicated that the actuary will take what happened this year into consideration when compiling the service and wage data for calculation and will note it in the report.

Trustee Britton asked if this would have to be done next year.

Ms. Zimmermann pointed out that the report has to be done each year.

Trustee Britton stated that he would like to see the most current data and asked if the report can be customized. He asked that Ms. Zimmermann research his request and report back at the next meeting.

Ms. Zimmermann confirmed that the trustees would like a fourteen month actuarial valuation report.

Trustee Naglick noted that this would help determine the funding obligation going forward.

Ms. Zimmermann asked if the 2012 valuation report would be a ten-month or overlapping one year report.

Trustee Britton recommended that Ms. Rodwan come to the next meeting to discuss what options there are having the most current and accurate information when compiling the valuation report.

Ms. Zimmermann told the Board that Ms. Munson has been working on the 2011 valuation data and is almost done.

Trustee Naglick agreed that the Board should bring Ms. Rodwan in to determine the best option.

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## **UNFINISHED BUSINESS**

**Re: Non Payment of City Contributions** – Refer to Legal (Closed Session)

**Re: Actuarial Cost Study MAP** – Refer to Legal

### **Re: Rules & Regulations Revision**

Ms. Zimmermann indicated that the amended Rules & Regulations are included in the agenda packet. She noted that the trustees can update the copy in their handbooks for future reference.

**Re: James Tate – Application for Duty Disability** – Refer to Legal (Closed Session)

**Re: Partial Plan Termination** – Refer to Legal

### **Re: Electronic Meetings**

Ms. Zimmermann reported that she has not had time to research the technology needed to hold electronic meetings. She would like to defer this item to Trustee Britton.

Trustee Naglick said that the Board should go through a fact finding process on what is needed to move forward with electronic meetings.

Trustee Britton asked if the System has a credit card available to purchase iPads. He will get together with Ms. Zimmermann within the next two weeks to look into the issue.

### **Re: Rent / Overhead**

Trustee Naglick indicated that he asked Ms. Zimmermann for the historical data on what the System has paid the City for their occupancy. There was a question whether Retirement should reimburse the City for the small space they occupy. He wants to take this to the Emergency Manager to determine what amount the System should reimburse the City.

Trustee Britton stated that this sounds reasonable. However, if the System is going to pay the City rent, Ms. Zimmermann should have a say in where they are located and retirees should have easy access to this space. They should not have to discuss confidential information along side people standing in line to pay their water bills.

Trustee Naglick noted that they clearly recognize there are issues. They feel that the Human Resources space would be a better area for the staff.

Trustee Britton indicated the rent should be comparable to other spaces in Pontiac. The Retirement Office is pathetically behind in the times and the older retirees should have a waiting area where they can sit down.

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## **SCHEDULING OF NEXT MEETING**

Regular Meeting – Thursday, March 22, 2012 – City Council Conference Room, Second Level, City Hall @ 9:00 am

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## **ADJOURNMENT**

**RESOLUTION 12-017** By Jukowski, Supported by Britton  
Resolved, That the meeting be adjourned at 10:54 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 February 23, 2012.

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John Naglick, Secretary  
*As recorded by Jane Arndt*