

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
FEBRUARY 28, 2013**

A regular meeting of the Board of Trustees was held on Thursday, February 28, 2013 at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan. The meeting was called to order at 11:35 a.m.

Trustees Present

Lon Britton
Leon Jukowski, Mayor
John Naglick, Secretary
Craig Storum, Chairman

Others Present

Chris Kuhn, Gray & Company
Matthew Henzi, Sullivan, Ward, Asher & Patton
Chuck Wytrychowski, BeneSys, Inc.
Darris Garoufalis, BeneSys, Inc., (*excused*)
Liz Edwards, BeneSys, Inc.

Trustees Absent

Matthew Nye, Vice Chairman, (*excused*)

The meeting was called to order at 11:35 a.m.

AGENDA CHANGES

Move Consent Agenda Items C, 1, 2, 3, and 5, and Item F 12 to the New Business Item.

CONSENT AGENDA

- A. Approval of Minutes of Regular Meeting: January 31, 2013
- B. Minutes of Special Closed Session Meeting: January 31, 2013
- C. Communications
 - 1. Emergency Financial Manager, Insurance Opt-Out Payments to Retirees, February 19, 2013, moved to New Business
 - 2. Emergency Financial Manager, Payment of Unused Sick Leave, February 19, 2013, moved to New Business
 - 3. Emergency Financial Manager, letter to retirees with respect to change in life insurance amount effective March 1, 2013, moved to New Business
 - 4. Upcoming Sale of Artio Global Investors to Aberdeen Asset Management, Second Quarter 2013
 - 5. Participant Letter – D. Agar moved to New Business
- D. Financial Reports
 - 1. Financial Reports – December 2012
 - 2. Accounts Payable – December 2012
- E. Remove from Rolls:
 - 1. Sidney Miller, (deceased 12-4-2012), no beneficiary
 - 2. Bertha Ferguson, (deceased 12-7-2012), no beneficiary
- F. Final Benefit Calculations:
 - 1. David Lyons – PFFU # 2572 \$1,047.28
 - 2. Jerri Gray – PPOA # 2628 \$1,039.92

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3. Timothy O'Neill – PPOA	# 2637	\$ 844.66
4. Robert Miller – PPSA	# 2641	\$5,742.53
5. Wendy Keelty Reyes – PPSA	# 2642	\$5,739.88
6. Louis Rainge – PFFU	# 2667	\$3,276.73
7. Bradley Riggs – PFFU	# 2669	\$5,119.61
8. Jeffrey Nye – PFFU	# 2673	\$3,726.38
9. Quinton Guyton – PFFU	# 2674	\$3,906.99
10. Donald Claeys – PFFU	# 2675	\$4,058.19
11. William Reyes – PFFU	# 2677	\$3,309.34
12. Nels Olsen – PFFU	# 2680	\$3,951.05
\$344.32 due back to Fund from member, moved to New Business		
13. Brian Thomas – PPSA	# 2700	\$3,710.13
14. Patricia Rhodes – PPOA	# 2705	\$2,088.07

RESOLUTION 13-007 By Britton, Supported by Naglick
Resolved, That the Consent Agenda for February 28, 2013, be approved.

Yeas: 4 - Nays: 0

CONSULTANTS

A. Gray & Company

- a. Asset Summary – February 25, 2013
- b. Flash Performance – January 31, 2013
- c. QTR Performance Report – December 31, 2012
- d. Act 314 Update – February, 2013

Re: Gray & Company – Performance Review

Mr. Kuhn reviewed the fourth quarter performance for 2012, for the month ending January 31, 2013, and for the month through February 25, 2013. He advised that the Munder, Loomis and International funds were a little short, Wentworth, Franklin, and American Realty funds have been matching their benchmarks.

Performance for the month of January was up 3.2%, and for the year up 1.73%. Mr. Kuhn recommended no changes to the cash account at this time.

Mr. Kuhn discussed the upcoming sale of Artio Global Investors to Aberdeen Asset Management. He stated that Aberdeen has struggled in the Fixed Income market, whereas Artio does well in that market. He does not foresee much change to the team, and he has no major concerns at this time.

Mr. Kuhn discussed Public Act 314 and its ramifications. He noted that the equity allocation is well within guidelines. Within Fixed Income, Artio can be increased and Franklin Templeton continues in global asset management. Attorney Henzi will review Mesirow's real estate investment, and the "basket clause" bucket language, and will prepare a report that analyzes how it directly affects the Trust investments.

REPORTS

- A. Chairman
- B. Secretary
- C. Trustees Committees

Trustee Britton: Trustee Britton received a call from retired Police Lieutenant Brian McGlaughlin. Mr. McGlaughlin was complimentary to BeneSys and the prompt service it provided him. However, when he provided his information to BeneSys for the calculation, he was told his retro amount would not be included until the November 2013 payment. Under the old administrative rules, the COLA was paid once annually in November. However, Mr. Wytrychowski believes the COLA should be included now, and will make Mr. McGlaughlin whole and will address the issue.

- D. Legal, Attorney's Report, Sullivan, Ward, Asher & Patton, P.C., Matthew Henzi

Legal: Attorney Henzi advised that, that on February 14, 2013, the Pontiac City Council approved the Board's requested amendment to the PFRS Ordinance regarding Letter of Determination for Defined Contribution Plan so that the Ordinance will be in line with IRS regulations.

Attorney Henzi discussed the status of the Gabriel Roeder pension calculation software situation. Gabriel Roeder would charge BeneSys an additional \$6,000 for access to the software. He will determine if the Fund can keep the software through September 2013, or if Gabriel Roeder would refund the prorated amount. Mr. Wytrychowski wants to ensure we have all the data elements that we need in order to continue to prepare ongoing calculations and participant statements. Attorney Henzi advised the Board that it has three options. First, it could keep the software and BeneSys would be required to sign a contract to renew the software lease beginning October 1, 2013. Second, it could keep the software but BeneSys would not have access. In this case, we would have to rely on former staff members to provide assistance. Third, the Board could terminate that contract and obtain a refund for the remainder of the contract period. The Board directed legal to notify Gabriel Roeder that it will keep the software for the time being. Legal will work with BeneSys to determine whether BeneSys needs the software to perform its function as administrator and report back to the Board at the next meeting.

Attorney Henzi obtained a second signature for the Robbins Geller Rudman & Dowd Portfolio Monitoring Engagement Agreement.

There was discussion with respect to David Agar and the HELPS Act. Attorney Henzi advised that he sent correspondence to David Agar, a retiree, who questioned whether he would be able to use the HELPS Act to use \$3,000, tax free, to pay for health care expenses from his pension income despite the fact that he retired under an early retirement. Attorney Henzi advised that, at present, the Internal Revenue Code is clear that a retiree who retires before the normal retirement age of 50 is not entitled to use the HELPS Act. However, the IRS is contemplating a revision to the Rule. Attorney Henzi advised Mr. Agar to obtain an opinion from a second tax professional given the lack of clarity on this Rule.

Attorney Henzi provided the Board with Bernstein Litowitz' Portfolio Monitoring Report for the 4th Quarter of 2012.

Attorney Henzi provided the Board with a memo regarding changes to PA 314.

There was discussion with respect to Public Act 492.

RESOLUTION 13-008 By Britton, Supported by Naglick
Resolved, That legal counsel will determine compensation to be paid to elected trustees on the Board.

Yeas: 4 - Nays: 0

Attorney Henzi provided a memo regarding Michigan's tax on public retirement system pension income, specifically PA 597 of 2012, which provides for increased exemptions for retirees who receive pension income from a retirement system that did not participate in the Social Security Act. Attorney Henzi advised that he would revise the memo to make clear the effective date of the new Act and provide it to the Trustees.

The Fund must use the oldest spouse's age, even if the individual is not the safety officer. Attorney Henzi will draft a letter to send to affected individuals and bring to the March Board meeting.

Attorney Henzi discussed items under Public Act 314. An Ethics Policy needs to be included on the Summary Annual Report. He will draft the Policy and bring to the March Board meeting. He will also draft website disclosure language. Attorney Henzi further reviewed the topic of political contributions from the Fund.

RESOLUTION 13-009 By Britton, Supported by Naglick
Resolved, That the Ethics policy shall provide that the trustees shall not accept political contributions from any service provider or investment manager who does work for the system.

Yeas: 4 - Nays: 0

E. Members / Retirees

RESOLUTION 13-006 By Britton, Supported by Naglick
Resolved, That the Board move to closed session to discuss pending issues jointly with the Veba Board at 9:44.

Yeas: 4 – Nays: 0

The Board moved to closed session at 9:44 a.m.

Mr. Kuhn left at 9:44 a.m.

The Board returned from closed session at 11:08 a.m.

NEW BUSINESS

- A. Emergency Financial Manager, Insurance Opt-Out Payments to Retirees, February 19, 2013. There was discussion with respect to this letter. Trustee Britton directed Mr. Wytrychowski to quantify the potential savings this could realize for the Fund.

Human Resources will need to provide information as to who was participating in the opt-out program prior to this direction.

- B. Emergency Financial Manager, Payment of Unused Sick Leave, February 19, 2013. There was discussion with respect to this letter. Trustee Naglick stated that payment of unused sick leave was not included in calculations for vested deferred retirees who at retirement would receive 50% of the amount. Trustee Britton stated that language was contained in police and firefighter contracts that an eligible retiree was paid 50% of the sick bank which was computed into final average pay.

RESOLUTION 13-010 By Britton, Supported by Naglick

Resolved, That Attorney Henzi will meet with the Emergency Financial Manager to review the labor contracts and analyze what is provided.

Yeas: 4 – Nays: 0

- C. Participant Letter from D. Agar, Attorney Henzi will study the grievance and the release, and will report at the March Board meeting.
- D. Nels Olsen – PFFU. \$344.32 is due back to the Fund from the member. This amount will be corrected from his next pension check, and the Board will be notified when it is accomplished.

UNFINISHED BUSINESS

SCHEDULING OF NEXT MEETING

Regular Meeting – Thursday, March 28, 2013 – BeneSys Inc., 700 Tower Dr., Suite 300, Troy, MI 48098 @ 10:00 a.m. (Tentative)

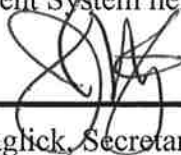
ADJOURNMENT

RESOLUTION 13-011 By Naglick, Supported by Britton

Resolved, That the meeting be adjourned at 12:55 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 February 28, 2013.



John Naglick, Secretary
As recorded by BeneSys