CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREMENT SYSTEM

May 29, 2008

A regular meeting of the Board of Trustees was held on Thursday, May 29, 2008 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
Raymond Cochran, Secretary
Brian Lee
Thomas Miller
Craig Storum, Chairman

TRUSTEES ABSENT
Mayor, Clarence Phillips *(absent)*

OTHERS PRESENT
Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Andrew Kelsen, Gray& Company
Chris Kuhn, Gray & Company
Tiffany Hartley, Gray & Company
L. Michael Kelley, Forest Investment Associates
V. Scott Bond, Forest Investment Associates
James W. McBride, RMK Timberland Group
Ellen Zimmermann, Retirement Systems Administrator
Jane Arndt, M-Administrative Assistant

CONSENT AGENDA

A. Minutes of Regular Meeting: April 21, 2008
B. Communications:
   1. Correspondence from DDJ Capital Re: April Market Overview
   2. Correspondence from Sullivan Ward Asher & Patton Re: Council Ordinance
   3. Correspondence from Sullivan Ward Asher & Patton Re: Florida Inspections
   4. Correspondence from The Boston Co Re: Mellon Trustee
   5. Correspondence Re: Fire Chief Pension System Election
   6. Conferences:
      a. 54th Annual Employee Benefits Conference – IFEBP – Nov. 16-19, 2008
      b. Year End Financial Statement Adj. Training – MGFOA – June 19, 2008
C. Financial Reports:
   1. Financial Reports – April 2008
   2. Commission Recapture Report – March 2008
   3. Securities Lending – April 2008
   4. Accounts Payable – May 2008
D. Remove from the Rolls:
   1. Glen Carter (deceased 01-27-06): survivor benefit of $1980.37/mo. to Susan Carter

E. Final Pension Calculations
   1. Glenn Carter PFFU $2,316.71
   2. Scott Wedge PFFU 3,376.98 minor child attains age

F. Application for Refund of Accumulated Contributions
   1. Jason Bailey – PFFU $1,923.84
   2. John Johnson – PPOA 10,501.76

G. Application for Disability Retirement:
   1. Anthony D. Collier (information only)

RESOLUTION 08-035 By Lee, Supported by Cochran
Resolved, That the consent agenda be approved as presented.

Yeas: 4 - Nays: 0

Ms. Zimmermann requested that the Board approve Deborah Munson's attendance at the MGFOA Year-End Financial Statement Adjustment Training being held on June 19, 2008.

RESOLUTION 08-036 By Miller, Supported by Cochran
Resolved, That the Board approve Ms. Munson's attendance at the MGFOA Year-End Financial Statement Adjustment Training being held on June 19, 2008, with the costs to be paid from the investment earnings of the Fund.

Yeas: 4 - Nays: 0

CONSULTANTS

Re: Gray & Company –Timber Presentations
Mr. Kelsen said that Forest Investment Associates, L.P. (FIA) and RMK Timberland Group were asked to make presentations for the Board's consideration. Both timber managers offer good diverse exposure to the timber asset class. FIA is a domestic manager; RMK invests in both domestic and international timberland. FIA is employee-owned and RMK is bank-owned. They are both great firms and would be a good addition to the portfolio.

Forest Investment Associates, LP
L. Michael Kelly, President, Chairman of Investment and Executive Committee
V. Scott Bond, Vice President, Director of Marketing & Client Relations

Mr. Kelly introduced himself and Mr. Bond to the Board. He said that Forest Investment Associates was founded on May 10, 1986.

Since inception they have managed sixteen separate account relationships. They currently have $2.25 billion in assets under management. Since 2004 they have had two pooled funds totaling $750 million with ninety institutional investors. Their investors have been with them for a long time. Their timberland investments are all domestic totaling two million acres in fifteen states.

They are an employee-owned firm of forty-four employees with thirty-four owning equity. The company was founded by three individuals and they recently bought out the last individual who owned 2/3 of the company. The transaction closed on January 31, 2008.

They are strictly forestry based. They are comprised of twenty-one professional foresters that are highly educated with twenty-one holding bachelor degrees and twelve having advanced degrees in soils and genetics.

Their headquarters is in Atlanta, Georgia. They also have offices in Pennsylvania and Mississippi.

Trustee Miller asked if they are 100% employee-owned. Mr. Kelly confirmed that they are 100% employee-owned. In order to raise capital they utilized an outside partner for a fixed amount of dollars financed over a period of eleven years with the partner receiving a percentage of the revenues. The terms of the contract do not give voting rights to the partner.

Mr. Kelly reviewed the organizational chart. There are five teams with Mr. Bond heading up the marketing team and Charles VanOver in charge of the real estate transactions. Marc Walley, a Registered Forester, leads the portfolio management team along with Michael Hart and Matthew Whitley. Samuel Grice is a CFA who is responsible for the investment assets and revenues and is highly experienced in portfolio reviews. In 2006, Broad Arrow Timber Company was formed with Michael Cerchiaro as Manager, as part of a transaction with International Paper. Sarah Hall is a talented individual who works on the marketing and real estate aspect of the investment.

He discussed their pre-fee annualized returns utilizing the NCREIF timberland index. Year-to-date combined returns were 21.1%, with three-year returns of 12.9%; five-year returns at 11.2% and since inception they have returned 12.3%.

Trustee Miller asked how fires affect timberland investments. Mr. Kelly said that you see the majority of fires in the west which are caused by lightening. In the south the timberland landscape is a different terrain and fire controls are more effective. However, in 2005 there was a fire in northern Florida and southern Georgia in the Okefenokee Swamp. It was a federal and state-managed burn that they thought was contained. Swamp fires are difficult to put out. They can burn for years. Three of their clients were affected. Mr. Kelly said that some value was written off but the portfolio was not overly affected. Trustee Miller asked if that is why they build geographic diversity into the portfolio.

He described the managed timberland properties by county. Most of their timberland investments are concentrated in the south. Their timber investments are geographically diverse. They were one of the first firms to invest in high quality hardwoods. They have been managing hardwood timberland in New York and Pennsylvania since 1995.

Trustee Miller asked if they have any timberland investments outside of the United States. Mr. Kelly said they are looking in South America and moving offshore. Trustee Miller asked if it is more expensive or cheaper to bring in international timber. Mr. Kelly said it would depend on currency transactions. Mr. Bond said with international investments you would anticipate higher returns with more associated risk.

Mr. Bond said that Michael Kelly has run the company since 2003 and there has been little turnover. They have a fully diversified fund: their timber commitments are spread throughout the United States. Their FIA Timbers Partner Fund II is modeled after Fund I which was comprised of high quality properties. Fund I produced exceptional returns by creating value through partnerships.

He described one of their conservation partnerships. He said that they purchased 70,000 acres of a working forest in Northern Wisconsin from International Paper in 2006 for $70 million where they managed the trees. The investment included $25 million in conservation capital which came from The Nature Conservancy and $45 million of investment capital from FIA.

He gave an example of an opportunistic hardwood investment made in high quality northern hardwoods in Pennsylvania. The initial transaction was in 1997 for $200 million in black cherry timberland. The net cash flow from timber and land sales was $100 million. The property was sold in 2005 for $400 million.

He discussed the financing structure demands in the timber market and the specialized expertise required. Their management has significant corporate finance experience. Tom Healy has thirty years of experience. He was a former partner with Goldman Sachs and was the Under Secretary of Treasury during the Reagan administration.

He discussed IRC 1031 and the importance of an exchange bank deal structure that can minimize or postpone paying taxes on gains by reinvesting in similar properties. It also allows the option to move from a bid strategy to a negotiated strategy.

He said they are looking to invest a small portion of the portfolio in international timberland. Their focus would be in South America where they can grow the same trees grown in the southern US. Mr. Kelly said that the Loblolly pines grow faster in South America. He said they would only invest in areas that utilize Silva culture and the actual growing of trees.

Trustee Lee asked if the product would stay in South America. Mr. Kelly said that there is a vibrant modern paper market in Brazil. They would not be involved with logging or chip export. He said you will begin to see an increased globalization of the forest product industry with a number of forest products from Brazil on the shelves of retailers like Home Depot.

Mr. Bond said their focus is to purchase and manage properties well and sell them well. He reviewed their individual land sales and said that they have sold nearly 400,000 acres of timberland for proceeds exceeding $925 million in over 425 separate transactions during the last twenty-two years. Since 2004 their individual land sales have been greater than $2 million. They look for timberland properties for more than timber to create other sources of value. Mr. Kelly said that Sarah Hall is excellent at recognizing these opportunities.

Mr. Bond said that they have the first TIMO project approved by the Chicago Climate Exchange. Carbon credits will begin trading in 2008 on the FIA-managed Pennsylvania hardwoods. Mr. Kelly said that all the presidential candidates have interest in carbon trading and turning forest fiber into bio energy as an alternative energy investment.

Trustee Cochran left at 10:06 a.m.

Chairman Storum asked them to describe the carbon credit trading. Mr. Kelly said that when a tree grows is stores carbon and water in its trunk taking carbon monoxide from the air. Companies will buy credits in forests to offset their carbon emissions. Mr. Bond said that if the market exists they should extract the essential value from the property in a sustainable fashion. He said that the FIA Timber Fund II will close in August, 2008 and it will be a ten year fund.

Trustee Miller questioned whether they were well along in establishing the fund.

Chairman Storum asked if most of the land sold is with timber on it. Mr. Bond said that 90% of their focus is on timber production. Some properties have additional value. He referred to a table reflecting opportunistic sales where standing timber was removed prior to the sale.

Mr. Kelly and Mr. Bond left at 10:09 a.m.

RMK Timberland Group
James W. McBride, Vice President

Mr. McBride introduced himself to the Board.

The RMK Timberland Group was founded in 1981. They were the first TIMO to enter the institutional investor space. They started off as the First Bank of Atlanta and were bought by Wachovia. In 2003 First Union acquired Wachovia and sold off the timber operations to Regions Bank. The Timberland Group is a business unit of Regions Morgan Keegan. They have a number of offices across the southern United States and an office in Uruguay.

They have $1.5 billion in assets under management in ten commingled funds and sixteen separate accounts.

He reviewed the organizational chart indicating that the chart is divided by timberland managers and portfolio managers. He said that they are portfolio managers versus deal driven. Most importantly they are looking to meet the client’s needs. He said that the senior management group has a lot of experience in the industry with seven foresters and most coming out of the forest product industry or timberland management.

He said that this is their thirteenth commingled fund during their history. He said that five of the funds acquired management disposition. They are primarily a southern timberland manager but they have properties in East Texas up through Virginia, Tennessee and Kentucky. They have some properties in the Great Lakes region in Wisconsin.

In 2005 they began investing in timberland outside of the United States owning 100,000 acres in Brazil and Uruguay. He said that Chile and Argentina are difficult countries in which to buy.

He said that domestic timberland performance returns are similar to real estate at 10% to 12%. He said outside the United States returns are higher but you assume more risk.

Trustee Miller asked if they manage forests. Mr. McBride said that they sell the tree on the stump to avoid possible UBIT (Unrelated Business Income Tax) issues.

He reviewed how trees grow in correlation with building a timber portfolio. Emerging growth has a 12% to 14% growth rate the first ten years. This timber would be used for pulpwood. Established growth has an 8% to 10% growth rate for ten to twenty years and is used for chip-n-saw. Mature growth has a 2% to 4% growth rate and is used for saw timber.

Trustee Cochran returned at 10:22 a.m.

Given the recent conditions and volatility in the housing market the strategy for their current portfolio has been weighted with younger trees. It is important to diversify the portfolio by age and classes of timber growth.

He discussed the timberland transactions transition in the United States. From 2000 to 2005 per-acre prices were stable. Increased prices for timberland have caused a change in how and where you look. These increases were not due to the value of the trees but were based on land values. Some of the timberland has become too expensive to buy. They moved away from the coast and high value land and made investments in east Texas, northern Alabama, southern Tennessee and northern Mississippi. They have diversified outside of the United States to achieve better value.

Trustee Miller asked about the various growth cycles and how they pertain to value. He asked if the cutting of the trees would be considered the cash cycle. Trustee Lee asked how long the maturity cycle lasts. Mr. McBride said that most trees have a twenty to twenty-five year maturity cycle. You do not want to wait too long to cut after maturity. However, hardwoods have a seventy to eighty year maturity cycle.

Mr. McBride explained the opportunities in fast growing South American plantation regions. He said that these regions are characterized by fast tree growth, low growing costs and low production costs. There have been major new investments by global manufacturers in production and processing.

Trustee Miller asked what would happen if the country held the land hostage. Mr. McBride said that the key is due diligence examining the political situations of the country. The key risk is currency, land claim issues and making sure you own the land after it is purchased.

He described the plantation growth rates of softwood pines and hardwood eucalyptus trees in South America versus the United States. The growth rate for pines is two to three times faster in South America which is an advantage to investing outside the United States.

Chairman Storum asked if any of the timberland is in the rain forest. Mr. McBride said that they only invest in planted trees and the plantations are not remotely close to the rain forests. He reviewed the major processing facilities that are planned and under construction. He said there will be more demand for trees by the time the plant is built which supports and stabilizes their investment decision. He said that there has not been a paper mill built in the United States since the 1980's. The Metsa Botnia paper mill is the largest single investment in Uruguay's history.

He described the global timberland portfolio. It is widely diverse with the largest portion of the portfolio invested in South America at 45% to 60%; 25% to 35% in the United States; 10% to 15% in Southern Africa and 10% to 15% in Central Europe.

He said there was a lot of interest in investing in both domestic and non-domestic timberland funds. They have offered institutional investors the opportunity to invest in both by allocating a percentage of their investment in A Shares that are only U.S. timberlands and B Shares that are non-U.S. timberlands.

He explained the acquisition targets of the global portfolio. He said that they are looking to achieve returns of 9% to 11% and with inflation add another 4%.

Chairman Storum asked if currency risk would affect the investment. Mr. McBride said that they will not hedge currencies and there will be some currency risk associated with the investment.

Trustee Lee left at 10:34 a.m.

Ms. Billings asked about their fees. Mr. McBride said that the fees would be higher for non-U.S. investments.

Mr. Kuhn asked about pre-inflation calculations on realized returns and whether the final calculation on returns would pay back the excess. Mr. McBride said that realized returns will be calculated on a three year basis.

Trustee Lee returned at 10:37 a.m.
Mr. McBride left at 10:38 a.m.
Meeting Break at 10:38 a.m.
Meeting Resumed at 10:45 a.m.

Mr. Kelsen reviewed the manager presentations. He said they are the two best timberland managers. Both managers have marquee clients. FIA manages a lot of money for Harvard: RMK is stronger overseas managing money for the Danish National Pension Plan. Both managers have an extensive institutional back office operation. FIA is employee-owned; RMK is bank-owned. Neither manager has any regulatory issues.

FIA is primarily invests in U.S. timberland and is extremely competitive with an anticipated minimal allocation to international. RMK invests in the U.S. and with more potential for international investments. They also offer a dial product that lets you set the percentage of domestic/international exposure. The ratio of domestic to international in the portfolio would be approximately 85% to 15% for FIA and 70% to 30% for RMK.

Mr. Kelsen told the Board that the allocation is 2% or approximately $5 million and cannot be split between the two managers.

Ms. Billings confirmed that the system would be investing in a ten-year fund.

There was discussion regarding the fee structure and that when the management and performance fees are blended the cost is comparable. RMK uses a real hurdle rate and will not hedge currency. FIA uses a flat hurdle rate.

The trustees determined that they would like more international exposure and liked the flexibility RMK Timberland Group offered. They felt the building of new paper mills in South America was a good indicator. Mr. Kelsen said currently you cannot build a paper mill in the United States. However, the U.S. is the timber basket of the world. He also told the Board that RMK is a member of MAPERS.

Trustee Miller left at 10:54 a.m.

Mr. Kelsen recommended an investment of 75% domestic, 25% international exposure.

Trustee Miller returned at 10:56 a.m.

Trustee Cochran said he would like to see the investment split 2/3 domestic and 1/3 international. Trustee Lee said he was thinking a 65%/35% split. The trustees agreed to split the investment in RMK Timberland Group to 66⅓ domestic and 33⅓ international.

RESOLUTION 08-037 By Cochran, Supported by Lee
Resolved, That the Board of Trustees approve RMK Timberland Group for the timberland investment mandate subject to contract review.

Yeas: 4 – Nays: 0

Re: 2008 First Quarter Performance Report
Mr. Kuhn said that a full performance report will be presented at the offsite manager review meeting on June 3, 2008.

The total fund is down 4% for the quarter. This is a difficult time for most equity managers although Wentworth is having a strong quarter. Oppenheimer is doing great. DDJ had a difficult quarter and are in a down draft. Real estate is holding its own.

Trustee Cochran asked about The Boston Company's performance. Mr. Kuhn said that the quantitative strategy has not worked well since the third quarter and they have under performed the benchmark.

Chairman Storum said he was aware that The Boston Company was on the watch list for the City of San Jose Police and Fire Department Retirement Plan based on their performance consistently being below the benchmark for the one, three and five year periods. Mr. Kuhn said that the next quarter's performance numbers will be telling.

Trustee Cochran asked how married they are to the quantitative model. Mr. Kuhn said they are very married to their quantitative model. The previous team maintained the quantitative model internally; the new team is utilizing the quantitative modeling experts within The Boston Company's staff. The past nine months have not been particularly good for any of the quantitative managers; the models have not been narrowing the list to the best performing securities within their universe.

Chairman Storum asked what the real estate picture is moving forward. Mr. Kuhn said that there is no allocation left to the basket clause. Today's 2% allocation to RMK Timberland Group and the 2% allocation to Mesirow's international real estate product means there is no room left in the basket clause.

Trustee Miller left at 11:07 a.m.

Mr. Kelsen said that American Realty Advisors is a registered investment advisor.

Mr. Kuhn reviewed the allocation to the basket clause investments: 2% to DDJ Capital, 4% to CAPROC, 2% to Mesirow and 2% to RMK Timberland Group.

Trustee Miller returned at 11:08 a.m.

Mr. Kuhn questioned whether the Metropolitan Real Estate investment falls under the real estate allocation and if they are a registered investment advisor. Mr. Kelsen stated that it is a fund of funds.

Chairman Storum commented that as the monies are released from the CAPROC investment they can evaluate and look for other types of investments. This led to a discussion regarding vintage years in private equity.

REPORTS

Re: Chairman – None

Re: Secretary – None

Re: Trustees - None

Re: Staff

Disability Retiree Income Verifications
Ms. Zimmermann informed the Board that the Retirement Office has been in contact with the IRS regarding the income verifications for the disability retirees. The IRS informed staff that the W-2's will not be available until late June. The forms sent to the disability retirees are only good for a short number of days and expire, so the process will start in July.

Investment Policy Statement Update
Ms. Zimmermann said that the Investment Policy Statement needs to be reviewed and edited. She had planned to review it at the Manager Review Meeting in June but the agenda is packed.

Meeting Date Change
Chairman Storum stated that he has a conflict with the date of the June, 2008 regular meeting. There was discussion which resulted in the meeting being rescheduled for Friday, June 20, 2008.

RESOLUTION 08-038 By Lee, Supported by Cochran
Resolved, That the Board move the June, 2008 regular meeting to June 20, 2008 at 9:30 a.m., in the Shrine Room, City Hall, Pontiac, Michigan.

Yeas: 4 – Nays: 0

Re: Legal

Fossil, Inc.
Ms. Billings reported that the Defendant's Motion to Dismiss is still pending.

Jarden Securities
Ms. Billings reported that the Court has issued its ruling and certified the fund as one of the class representatives. The litigation is in the initial stages of discovery.

Maxim Integrated Products
Ms. Billings reported that the Defendant's Motion to Dismiss is still pending.

Tempur-Pedic International, Inc.
Ms. Billings reported that the Defendant's Motion to Dismiss was approved and the case was dismissed. Coughlin Stoia recommended that the Board not pursue any further action.

RESOLUTION 08-039 By Miller, Supported by Cochran
Resolved, That the Board follow the recommendation of Coughlin Stoia with regard to the Court's ruling to Dismiss the Tempur-Pedic International, Inc. Securities Litigation.

Yeas: 4 – Nays: 0

UBS/AG Securities Class Action
Ms. Billings reported that the litigation is in the initial stages of discovery.

United Rentals
Ms. Billings reported that the settlement continues to be negotiated.

Transferring Assets from a Retirement System to Fund Retiree Health Care Costs

Ms. Billings described the IRC 420 which permits the transfer of excess pension assets to fund retiree healthcare by setting up a 401(h) account. She said she does not believe it will affect this fund based on the current funding status.

IRC 420 states that the transfers must be qualified and must satisfy specific funding requirements; use requirements, vesting requirements and minimum cost requirements. The pension plan must be at a 125% or greater funding level and cannot use the actuarial valuation funding levels to assess the funding level. The actuary has to prepare a report to determine funding levels pursuant to IRC Section 412 which require different mortality tables and assumptions.

IRC 420 states that everyone must immediately become 100% vested in the pension system including those members who terminated employment within one year of the transfer or the IRS will not approve.

Trustee Miller felt it would benefit union employees. Ms. Billings said that most unions would not want a 401(h) account set up. The City would have to maintain the pension system at a funding level of 125% or greater or take from the 401(h) account in order to rebalance. The valuation would be based on IRC 412 requirements.

Chairman Storum asked what the 412 requirements are. Ms. Zimmermann stated that the IRS has more stringent standards and uses different mortality tables.

Trustee Miller asked who would pay for the valuation. Ms. Billings said the City and the unions would pay as a settler function.

Ms. Billings stated that healthcare benefits and employer costs cannot be reduced by more than 10% and benefits cannot be negotiated to drop out certain segments for five years. Monies cannot be put aside in the VEBA for a later time. The employer would not be able to transfer funds to the VEBA to fund the same liability.

The Public Pension Act of 2006 added a provision that would allow municipalities to project out liabilities for up to ten taxable years for retiree healthcare. The transfer would be done year by year and cannot fall below the 120% funding level for the ten-year transfer. Contributions to fund the benefit under the 401(h) cannot exceed 25% of the aggregate contributions to the retirement system.

Trustee Miller commented that there is no provision for escalating healthcare costs.

There was discussion regarding how the healthcare benefit for the Police Chief would be collectively bargained.

Ms. Billings said that she does not feel the City can affect this group and would need the IRS's approval that all requirements have been met.

CAPROC Annual Meeting/Property Inspections
Ms. Lora Lauer attended the CAPROC Annual Meeting on behalf of the Board. It was a brief meeting lasting approximately twenty minutes which included a review of the minutes from the last meeting with minimal information being provided.

The inspection of the Florida properties was completed by Stuart Tompkins and the expert and found everything to be in order. Mr. Tompkins was satisfied that the funds were being utilized for tenant improvements.

Chairman Storum asked whether the Board could be reimbursed for storm damage repairs that were made to the Northern Trust Building. He asked whether the repairs to the building should have come from the monies put aside for tenant improvements or from the lawsuit. He feels the system should be compensated from the proceeds of the litigation. Ms. Billings said she would check into the issue.

Valard Gross Domestic Relations Order
This is for the trustees' information. When a member is in pay status an EDRO may not be submitted to divide retirement benefits in a divorce matter. Under the Public Employee Benefit Protection Act of 2002 a Domestic Relations Order can be submitted. The ex-spouse will be submitting a DRO and is entitled to 50% of the member's benefit earned during the term of the marriage, however, will not be eligible for the surviving spouse benefit.

Present Value Calculation for Carmen Gackstetter
Ms. Billings reported that she forwarded the Gackstetter present value calculation to City Council.

Coughlin Stoia Portfolio Monitoring Report for the Quarter Ended December 31, 2007; Bernstein Litowitz Portfolio Monitoring Report for the First Quarter 2008
Ms. Billings reported that these are the securities litigation filing in the fourth quarter of 2007. It provides the information necessary to file a proof of claim.

Article Regarding IRS Increasing Scrutiny on Public Sector Pension Plans; MAPERS Pension Scope, Winter 2008 Article Titled Alternative Investments: A Discussion of Their Central Characteristics and a Due Diligence Checklist Written by Michael Asher
Ms. Billings provided an article for the trustees' information that stated that the IRS will increase its scrutiny and focus more resources on public pension plans. The IRS feels that public pension plans have been underserved by the IRS and this is a good time to insure compliance and increase examination to coincide with the determination letter filing process.

She said that the IRS examiners are not knowledgeable when it comes to public pension plans. They are committed to add more resources to the public sector. Whenever she has been involved in the examination process she has had to educate the reviewer.

She referred to an article included in the report written by Michael Asher on alternative investments.

FOIA Requests/Response

Ms. Billings said that the Retirement Office received three FOIA requests. Two of the requests were partially denied with one being approved.

The first FOIA request asked for a list of names and addresses for retirees that are members of the Pontiac Police Officers Association. The second request asked for a list of names and addresses for retired members of the Pontiac Police Supervisors Association.

These two requests were partially denied pursuant to MCL 15.243(1) (s) (iii), which exempts disclosure of the personal address or telephone number of an active or retired law enforcement officer or agent. Pursuant to MCL 15.235(2) (c), the requests were granted and a list of names of the retirees will be provided. They are entitled to appeal to the Board or go through the judicial system.

Trustee Lee asked if the Retirement Office could do the mailing for them. Ms. Zimmermann said if they send pre-stuffed and pre-stamped envelopes, the address labels could be affixed and sent out by her office.

That concluded Ms. Billing's legal report.

Re: Union Representatives - None

NEW BUSINESS

Re: Retiree/Rehire Ordinance Change (GERS Information Only)

Ms. Zimmermann explained that City Council will be changing the ordinance amendment at tonight's meeting.

Ms. Billings said prior to March 27, 2008 the GERS Ordinance allowed retirees to retire and return to work for the City. The ordinance amendment adopted on March 27, 2008 eliminated that provision. It states that retiree rehires have to wait thirty days before re-employment with the City. Current retiree rehires have ninety days to elect whether they will continue receiving their pension or be paid as an employee. This affects current retiree/rehires who directly or indirectly are employed by the City.

The General Employees Retirement System requested an opinion to determine whether the ordinance amendment is in violation of the State of Michigan Constitution by asserting that a benefit offered by an entity cannot be diminished and/or impaired. She did extensive research and found one case on point.

She looked at case law in other states, at the federal level and in the private sector. There was nothing directly on point. Private sector pension plans do not have protection under the Constitution but they do have protection under ERISA and the IRS.

She found a U.S. Supreme Court ruling from 2004 that stated the pension plan could not change the benefit provisions for a retiree after the date of their retirement. In the matter it spoke to active members stating that more restrictive suspension of benefit provisions or changing the rules could only be applied to benefits earned going forward. A plan cannot go back and suspend a provision after the benefit has been earned.

She said that her unbiased opinion would be that based on the weight of the law this ordinance amendment is unconstitutional. There is no case law that can be relied on or is directly on point. However, case law leans toward a diminished benefit.

The ordinance amendment will be enacted on June 30, 2008. She recommended to the GERS Board of Trustees to file for declaratory relief which would result in the GERS Board bringing a lawsuit against the Council.

Koné Bowman is a trustee and a Council person and said he felt the Council would postpone implementation. The GERS Board directed her to fax a letter with her opinion to Ericka Savage in the Council Office.

The Council was to suspend the enactment at last night's meeting. She received a message from Ms. Savage last night that the Council will either reverse or not enforce the amendment and plans to change it.

This memorandum does not address active members or union contracts and could be considered an unfair labor practice.

Re: Disability Application Process
Ms. Zimmermann said that there some issues regarding how to administer the application for a disability retirement process that need to be discussed to see whether the process documentation needs to be amended.

There is a Fire Department member who has applied for a disability retirement under the terms of the contract. He told the staff that he is currently undertaking the work hardening program and his application gives a return to work date of June 2, 2008.

She needs to know how to advise her staff. She asked whether there should be qualifications for members that apply before an appointment is set.

Ms. Billings said that the Board should not just send a member for a disability exam. It would not be prudent use of plan assets. There should be a way to qualify a member before beginning the disability process. Trustee Miller asked if there should be a change in protocol.

Chairman Storum said that the verbiage in the contract simply states that a member can make application and there are no requirements. He asked for a motion to change the application process.

Trustee Miller felt that there should be an entire review of the process and protocol. Ms. Billings said that if there are holes in the policy that they need to be addressed.

Trustee Miller left at 12:02 p.m.

Ms. Zimmermann confirmed that an appointment for a disability examination for the member from the Fire Department was not to be scheduled.

UNFINISHED BUSINESS

Re: C. Gackstetter MOU / Cost Study – See Legal Report

Re: Fire Trustee Election
Ms. Zimmermann reported that Trustee Storum has been re-elected to the office of Fire Employee Trustee.

RESOLUTION 08-040 By Cochran, Supported by Lee
Whereas, a vacancy will occur on the Police and Fire Retirement System Board of Trustees when the Fire Employee-Trustee term expires on June 30, 2008; and

Whereas, all members of the system have been given the opportunity to file nominating petitions for the vacant trustee term; and

Whereas, only one nominating petition has been filed for this vacancy;

Now, Therefore, Be it resolved, that the Board of Trustees hereby declares that Craig Storum, an employee of the Fire Department, having met all requirements to serve as Employee-Trustee, is officially elected to the office of Fire Employee-Trustee for a term beginning on July 1, 2008 and expiring on June 30, 2011.

Yeas: 3 – Nays: 0

Re: Actuarial Software Search
Ms. Zimmermann reported that she ordered and has received books to assist in the search for pension administration software. She also received a CD from the City of Royal Oak with information to help in the search.

She has had a discussion with the Monroe Pension System and they have an older version of the Gabriel, Roeder & Smith (GRS) software which GRS has stated they will no longer support. GRS said they would re-program the software at a cost of $150,000.00. She told the Board that she heard the IT staff at GRS has left and started their own firm.

Laurie Siskind has been appointed to the MAPERS Executive Board. She spoke with Ms. Siskind about adding this as a topic of discussion to the Administrator's Group at the conference.

Chairman Storum said to watch for seminars regarding pension software.

Re: All PAS Forms Request
Ms. Zimmermann stated that to date she has not received a response from Human Resources.

Re: Section 420 Transfers – See Legal Report

SCHEDULING OF NEXT MEETING
Regular Meeting on June 20, 2008 at 9:30 a.m., in the Shrine Room, City Hall, Pontiac, Michigan.

ADJOURNMENT

RESOLUTION 08-041 By Lee, Supported by Cochran
Resolved, That the meeting be adjourned at 12:07 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 May 29, 2008.

Raymond Cochran, Secretary
As recorded by Jane Arndt