

**CITY OF PONTIAC  
POLICE AND FIRE RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING MINUTES  
JULY 25, 2013**

A regular meeting of the Board of Trustees was held on Thursday, July 25, 2013, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan. The meeting was called to order at 12:05 p.m.

**Trustees Present**

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

**Others Present**

Chris Kuhn, Gray & Company  
Talmadge Gunn, Ambassador Capital Management  
Gregory Prost, Ambassador Capital Management  
Denise Jones, Rodwan Consulting Company  
Matthew Henzi, Sullivan, Ward, Asher & Patton  
Chuck Wytrychowski, BeneSys, Inc.  
Liz Edwards, BeneSys, Inc.  
James Stefani, Retiree

**Trustees Absent**

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*The meeting was called to order at 12:05 p.m. The actuarial report by Rodwan Consulting Company was presented concurrently in the VEBA meeting.*

**AGENDA CHANGES**

**CONSENT AGENDA**

- A. Minutes of Regular Meeting – June 27, 2013  
Trustee Britton asked that the Trustee canvas on the Portfolio Option Elections presented by Mr. Kuhn be included in the Minutes before they are ratified.

**RESOLUTION 13-041** By Britton, Supported by Naglick  
Resolved, That the Minutes from the June 27 Meeting be revised to include the Trustee canvas on the Portfolio Option Elections presented by Mr. Kuhn.

Yeas: 5 - Nays: 0

- B. Financial Reports
  - 1. Financial Reports – May 31, 2013
  - 2. Bills for Ratification as of June 30, 2013
- C. Remove from Rolls as of June 30, 2013
  - 1. Johnson, Leontine, (deceased 06-30-2013), beneficiary and annuitant of Peyton Johnson
- D. Final Benefit Calculations: None

**RESOLUTION 13-042** By Britton, Supported by Naglick  
Resolved, That the remaining items on the Consent Agenda for June 27, 2013, be approved.

Yeas: 5 - Nays: 0

### **CONSULTANTS**

- A. Rodwan Consulting Company
  - a. Actuarial Valuation Review, plan year ending December 31, 2012
  - b. Actuarial Assumptions and Withdrawal Factors
  - c. Refund of Contributions – Monthly Benefit
- B. Gray & Company
  - a. Summary Table – July 18, 2013
  - b. Asset Liability Review – July, 2013
  - c. Risk Analysis, July, 2013
  - d. Talmadge Gunn, Gregory Prost, Ambassador Capital

### **Re: Rodwan Consulting Company – Actuarial Valuation Review**

Denise Jones of the Rodwan Consulting Company discussed the VEBA Actuarial Valuation for the period ending December 31, 2012. She stated that the GERS Board has been specific with respect to its actuarial requests. Trustee Naglick stated that the Emergency Manager wants to give everyone with non-VEBA medical coverage a \$400 increase in their monthly pension benefit and terminate the non-VEBA coverage. A cost analysis must be performed which the GERS Board approved. The Emergency Manager seeks to do the same thing to PFERS retirees in pay status. Further, the Emergency Manager can set aside medical, dental, life and short term disability benefits for two years; if a participant is in the VEBA, the \$400 monthly amount will be paid from the VEBA, if the participant is not in the VEBA, it will be paid from the monthly pension benefit increase.

There was discussion with respect to the actuarial assumption used for benefit calculations. The factors currently used are those baked into the Gabriel Roeder Smith software. The actual factors may be contained in prior years' minutes. Ms. Jones stated she has tried but has been unable to back into the factors. She suggests we use the same factors as used for the actuarial valuations: the unisex mortality tables and the PBGC rate as of the prior January. Chairman Storum asked how much pension benefit amounts would change by using her figures. She stated that the amounts would be similar. She presented a Draft of Resolutions for Assumptions Used for Optional Forms of Payment for the Trustees to review.

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**Re: Ambassador Capital Management – Prevention Against Rising Rates (PARR)**

Talmadge Gunn and Gregory Prost of Ambassador Capital Management presented an overview of the company. They discussed its background, staff, investment styles, amounts of assets managed, and client base. Mr. Prost reviewed past performance and future trends, falling versus rising rates, and defaults. He also discussed some of the comments by the Federal Reserve.

*Break at 1:00 p.m.; reconvene at 1:08 p.m.*

**REPORTS**

- A. Chairman
- B. Secretary
- C. Trustees Committees
- D. Legal, Attorney's Report, Sullivan, Ward, Asher & Patton, P.C., Matthew Henzi

**Attorney Report – General Matters:** Attorney Henzi presented a report regarding all PFRS business as set forth in his Attorney Report for General Matters.

**UNFINISHED BUSINESS**

- A. Actuarial Assumptions and Withdrawal Factors: Discussed earlier in Rodwan Consulting Company's presentation.

**RESOLUTION 13-043** By Britton, Supported by Nye

Resolved, That the Board approve and adopt the actuarial assumptions and withdrawal factors as prepared by Rodwan Consulting Company as follows, to be effective September 1, 2013.

For retirements with effective date after September 1, 2013, the 1994 Group Annuity Mortality Male Table set back 1 year and the 1994 Group Annuity Mortality Female Table, set forward 3 years (50% male/50% female).

For retirements with effective dates after September 1, 2013, the interest rate for optional benefit elections shall be 7.5% per annum for the optional forms of payment, and the interest rate for annuity withdrawal shall be the PBGC rate for the month of January preceding the month of retirement.

Be It Further Resolved that the Board and the actuary shall review these assumptions every 5 years from the effective date of this resolution

Yeas: 5 - Nays: 0

- B. Ongoing issue with respect to final payout of disability / sick pay which may affect final pension calculations (Stefani, Waldo).

Mr. Stefani's issue was addressed by the Trustees. Trustee Britton stated he had discussed the issue with Attorney Henzi. Attorney Henzi stated that Deborah Munson had prepared some final pension calculations and asked if Mr. Stefani was entitled to sick pay in the calculation. He was involved in a duty-related motor vehicle accident in May, 2010, and had compensation paid in June, 2010 retroactive to May. In July 2011, he made an application for a disability retirement. One of the provisions of the Termination Contract was to provide for a payout of 50% of sick pay. The City stated he was not entitled to the payout and stated he was not on the master list of payouts that was prepared in November, 2012. Human Resources stated he was paid from the date of the accident until he began to receive Workers Compensation on October 1, 2010. They further stated that they had depleted his sick bank, and now he has a check. Trustee Naglick stated that the intention was to deduct the sick pay from the check when Mr. Stefani returned to work, however he did not return to work. Trustee Britton stated that the Board cannot say to pay it out, but that the applicable amount should be included in the final average compensation. Mr. Wytrychowski asked Mr. Stefani if his only issue was to have the sick pay amount included in the final average compensation. Mr. Stefani stated yes, that was his only issue. The total dollar amount to be included is \$4,133.

**RESOLUTION 13-044** By Nye, Supported by Britton

Resolved, That from this point forward, all benefit calculations shall include applicable sick pay amounts in the final average compensation amount, regardless if the amount has been paid, including the calculations for Mr. Stefani and Mr. Waldo.

Yeas: 5 - Nays: 0

*Mr. Stefani and Trustees Naglick and Jukowski left at 1:20 p.m.*

- C. Ambassador Capital Presentation.

Mr. Kuhn discussed the Ambassador Capital presentation. He stated that other companies are investing in those strategies with a five-year duration. Trustee Britton thinks that interest rates are going to increase, and he would rather hedge it now before it happens. Trustee Storum asked Attorney Henzi to review the contract, and stated that Trustee Jukowski and Trustee Naglick should review it as well. Mr. Kuhn stated that a side benefit is credit protection.

**RESOLUTION 13-045** By Britton, Supported by Storum

Resolved, That \$15,000,000 should be moved to the Ambassador PARR Fund, and \$2,200,000 to the Franklin Templeton Fund.

Yeas: 3 - Nays: 0

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Mr. Kuhn suggested we review emerging markets at the next Board meeting in August. Trustee Britton stated he prefers Bloomfield Capital. Mr. Kuhn stated there is no change in the Artio Fund. He also stated he will prepare an analysis to present at the next Board meeting in August.

**RESOLUTION 13-046** By Naglick, Supported by Britton

Resolved, That the Board move to closed session to discuss pending litigation at 2:00 p.m.

Yeas: 3 - Nays: 0

*The Board moved to closed session at 2:00 p.m.*

*The Board returned from closed session at 2:37 p.m.*

**UNFINISHED BUSINESS**

- A. Actuarial Assumptions and Withdrawal Factors: This was reviewed and discussed earlier in the Rodwan Consulting Company's presentation.

**NEW BUSINESS**

- A. Trustee Elections: Trustee Britton stated he would perform the roll of Vice Chairman effective July 1.

**RESOLUTION 13-047** By Britton, Supported by Storum

Resolved, That Trustee Britton will assume the role of Vice Chairman for both the VEBA and Retirement System for a three-year term effective July 1, 2013.

Yeas: 3 - Nays: 0

**RESOLUTION 13-048** By Britton, Supported by Storum

Resolved, That Chairman Storum will continue in the role of Chairman for the Retirement System for a three-year term effective July 1, 2013.

Yeas: 3 - Nays: 0

- B. Potential Increase to Pension Benefits for Non-Veba Retirees / Actuarial Cost Study: Discussed in the Actuarial Review.
- C. Trustee I-Pad Video Conferencing, for August Meeting: Discussed at the VEBA Board Meeting.
- D. Northern Trust Presentation Request: Tabled until August 29 Board Meeting.
- E. FuzeBox Service: Approved earlier at the VEBA Board Meeting.

## **SCHEDULING OF NEXT MEETING**

Regular Meeting – Thursday, August 29, 2013 – BeneSys Inc., 700 Tower Dr., Suite 300, Troy, MI 48098 at 10:00 a.m. (Tentative)

## **ADJOURNMENT**

**RESOLUTION 13-049** By Britton, Supported by Storum  
Resolved, That the meeting be adjourned at 2:37 p.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 July 25, 2013.



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John Naglick, Secretary  
*As recorded by BeneSys*