

**CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREMENT SYSTEM**

JULY 26, 2007

A regular meeting of the Board of Trustees was held on Thursday, July 26, 2007 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 (*arrived at 9:10 a.m.*)
Brian Lee
Thomas Miller
Craig Storum, Chairman

TRUSTEES ABSENT

Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Anthony Asher, Sullivan, Ward, Asher & Patton, P.C.
Laurence Gray, Gray & Company
Julie Gonsch, Northern Trust
Ellen Zimmermann, Retirement Systems Administrator
Jane Arndt, M-Administrative Assistant

CONSENT AGENDA

- A. Minutes of Regular Meeting: June 28, 2007
- B. Communications:
 - 1. Correspondence from DDJ Re: Monthly Market Overview June 2007
 - 2. Conferences:
 - a. 2007 Fall MAPERS – MAPERS – Sept. 16-18, 2007
 - b. 53rd Annual Employee Benefits Conference – IFEBP – Nov 4-7, 2007
- C. Financial Reports:
 - 1. Financial Reports – June 2007
 - 2. Commission Recapture Report – May/June 2007
 - 3. Securities Lending –
 - 3. Accounts Payable – July 2007
 - 4. Due to/Due from – April-June 2007
- D. Application for Refund of Accumulated Contributions:
 - 1. Daniel G. Miracle - PPOA \$2,885.91
- E. Application for Service Retirement
 - 1. Pamela Chambers - PPSA 25 years, 0 months Age 45

RESOLUTION 07-035 By Miller, Supported by Lee
Resolved, that the consent agenda be approved as presented.

Yeas: 3 – Nays; 0

CONSULTANTS

Re: Northern Trust – Julie Gonsch

Ms. Gonsch introduced herself to the Board. She stated that she is the Board's Account Representative at Northern Trust and has been with them for eighteen years. She thanked the Board for choosing them as the fund's custodian. She expressed her commitment to a long and rewarding relationship.

She informed the Board that David Fitchett is no longer handling the global investments. David Smith has been in that role since January.

She distributed the securities lending reports for March 15, 2007 through June 30, 2007. The fund has made \$18,008 during that period.

She stated that she is a member of MAPERS and attends the conferences. She welcomed the trustees to look her up at the next conference.

Ms. Gonsch left at 9:09

Trustee Cochran arrived at 9:10

Re: Gray & Company

Mr. Gray stated that he has nothing formal to present. Andrew Kelsen informed him that the search went well. He is glad that the Board is continuing to invest in real estate and has not let recent issues deter them from investing in that asset class.

He reported that Boston Company and Wentworth, Hauser & Violich are doing fine. Richard Hirayama from Wentworth has expressed strong opinions regarding the current situation in the Middle East which fairs well for the oil market.

Loomis continues to do a great job. Munder is also doing a great job. Within the past two weeks another one of their clients hired Munder as a manager in the same asset class.

Mr. Gray concluded and asked if there were any questions.

REPORTS

Re: Chairman

Chairman Storum questioned whether members of the Board were aware of the proceedings occurring between the Human Resources Director and the GERS Board. He referred to emails contained within the agenda packet that had been sent to the Administrator. He stated that these emails are affecting the staff and that the Administrator was threatened by the Human Resources Director. He feels the Board needs to take action. He would like to send a letter to the mayor to stop this behavior.

Trustee Cochran suggested any action taken should include Council. He said that Councilman Bowman was at the GERS meeting on July 25, 2007. The councilman was not aware and was

surprised that the resolution Council made indirectly allowed the Human Resources Director to grant service credit and final average calculation for SAEA at his discretion. He also stated that the Human Resources Director does not believe that Public Act 728 precisely states that a cost study is needed.

Trustee Miller commented that if the Human Resources Director is responsible for handing out retirement benefits why have a Board. Chairman Storum stated that the HR Director currently has no authority over the Police and Fire Retirement System. However, the unions could sign a MOU that would allow that change. Trustee Cochran said that could possibly occur during the current negotiations.

Ms. Zimmermann said she does not believe that the Police and Fire Unions would agree to that language in their contracts. Teamsters came to an impasse with the City and that language has now been included in their contract and imposed on their union.

Currently, there is an issue where a deferred member wanted to make application to retire. The member presently does not meet the eligibility requirements to qualify for a benefit. The office received two PAS Forms for the deferred member: one to be rehired on a Thursday and one to be terminated the next day so he could retire on an early out per the union contract. She explained that the Human Resources Director does not feel a cost study is needed. According to Public Act 728, a cost study needs to be procured when there is a benefit change and submitted to Council seven days prior to the proposed pension benefit change.

Trustee Miller questioned whether a MOU between the City and Union can include service years and salary. Ms. Zimmermann stated that as long as they follow the process and obtain a cost study the Retirement Office will perform the calculations. The office will not process members who are not eligible. She said she asked the Human Resources Director for a memo stating the member's service credit and final average calculation. He did not provide it. We cannot process an application with unknown service credit.

Chairman Storum said that there needs to be a policy in place. The Human Resources Director should not have the authority to determine service credit and final average calculation and it should be voiced in the letter.

RESOLUTION 07-036 By Miller, Supported by Lee

Resolved, That the Board of Trustees directs legal counsel to draft correspondence to the City Administration and City Council requesting that the Human Resources Director behave in a professional manner and comply with the policies, laws and regulations that govern the System.

Yeas: 4 – Nays: 0

Re: Secretary – None

Re: Trustees - None

Re: Staff

Retirement Coordinator

Ms. Zimmermann notified the Board that Melissa Tetmeyer, the Retirement Coordinator, had an accident last weekend and broke her left foot and right ankle. She will be out of the office for an undetermined amount of time. Chairman Storum asked if remote access is available so she can work from home. Trustees Lee and Miller agreed that would be a good idea if possible. Trustee Cochran stated that employees in Budget and Purchasing work from home. Ken Martin should be contacted to determine requirements for access.

Chairman Storum said that there could be a large number of members requesting estimates given the City's current situation. He asked if it is possible to provide Ms. Tetmeyer with a laptop. Ms. Zimmermann confirmed that a laptop is available. Trustee Cochran added that Information Technology has increased their security measures for remote access.

Re: Legal

Ferro Corporation Litigation

Mr. Asher reported that Lerach Coughlin has filed an appeal of Judge Adams' June 10, 2007 decision granting Defendants' Motion to Dismiss.

United Rentals

Mr. Asher reported that the court has not set a date for oral argument.

Jarden Securities

Mr. Asher reported that a status conference with counsel was held on July 20, 2007. He also stated that in a derivative suit it is necessary to retain a minimum number of shares.

Maxim Integrated Products

Mr. Asher reported that the Defendant filed a Motion to Dismiss the Amended Complaint on April 4, 2007. A hearing on the Motion to Dismiss was held on June 4, 2007. Lerach Coughlin filed a Motion to Quash the Subpoena served on the Retirement System by Attorney Krislov.

Fossil, Inc.

Nothing new to report.

Tempur-Pedic International, Inc.

Mr. Asher reported that the Defendants will have an opportunity to file a Reply Brief on August 17, 2007. A hearing has not been scheduled on the Defendants' Motion to Dismiss.

Post-CAPROC Settlement Issues

Mr. Asher reported on the memorandum regarding the classification of the CAPROC receivable under Public Act 314: it must be classified as a basket clause investment.

He also presented a draft of the P.P.& F. Management LLC Operating Agreement for the Board's approval. He said that it requires execution by the Trustees. The trustees concurred that they would like they would like to review the agreement before signing.

Miscellaneous Correspondence Regarding Proposed Amendment to Public Act 314
Correspondence from Ms. Billings was sent to the PA 314 Committee was included for the information of the Board.

Carolyn Gracey

Mr. Asher reported that Ms. Billings is continuing to follow up with Risk Management concerning this issue.

Michigan Supreme Court

Mr. Asher described a recent ruling by the Michigan Supreme Court. For the past sixty years, the statute of limitations would allow a party to bring action when you became aware or when you should have been aware which is called the discovery rule which is similar in most states.

However, the Michigan Supreme Court has overruled decades of statute of limitations precedence. Currently, at least 50% of the cases argued are under the discovery rule.

Mesirow International Real Estate Contract

Mr. Asher reported that Ms. Billings is working to resolve issues within the Mesirow contract. She has resolved three of the four issues. The last issue is the state of jurisdiction. Mesirow wants Illinois as the state of jurisdiction. They approached Chairman Storum stating that it should be the Board's choice. There was discussion acknowledging that it was inappropriate for Mesirow to contact the Chairman to resolve the issue when counsel is negotiating a contract.

Chairman Storum questioned the closing date of the Mesirow fund. Ms. Zimmermann said the closing was scheduled for July 20, 2007 and was moved to July 27, 2007. It was questioned if the issue is resolved can it move forward without Board action. Mr. Gray said that it is only a transfer of funds and should not be an issue. Mr. Asher stated that the issue should be resolved before the closing. Ms. Zimmermann asked, once the contract is signed, how the funding will be identified since a capital call could arrive before the next meeting. The source of funding also needs to be identified. Mr. Asher suggested that Ms. Zimmermann be given the authority to re-balance within the policy.

RESOLUTION 07-037 By Lee, Supported by Miller

Resolved, that the Board of Trustees authorize the Administrator to work with the consultant to determine the source of funding for draws and execute the MFIRE contract once legal review and negotiations are completed.

Yeas: 4 – Nays: 0

Re: Union Representatives - None

NEW BUSINESS

Re: Reciprocal Act Service

Ms. Zimmermann reported that the language of the reciprocal act is outdated and vague in places. Since it was enacted some state colleges have gone to a defined contribution plan and their reciprocal service is no longer accepted at the state level based on old language. Past practice has been to allow qualified state college reciprocal service to count toward a member's service credit. She asked the Board to adopt the broad policy for accepting reciprocal service from state colleges. There was discussion regarding whether this allows a member to reach eligibility earlier. Trustee Cochran stated that the member still has to meet certain qualifications to apply for a pension benefit. Chairman Storum said that they are amending the current policy with a more broad policy. He also asked if the Administrator could publish details of the reciprocal act to post for the members. Ms. Zimmermann said staff will follow up on the request.

RESOLUTION 07-038 By Lee, Supported by Cochran

Resolved, that the Board of Trustees approve the broadly defined reciprocal act language.

Yeas: 4 – Nays: 0

Re: Semi-Annual Rebalancing

Ms. Zimmermann asked the Board to approve the semi-annual rebalancing of funds.

RESOLUTION 07-039 By Lee , Supported by Miller

Resolved, That the Board of Trustees approve the rebalancing of funds for the funding of benefits and operating expenses and for the rebalancing of the portfolio per the policy.

Yeas: 4 – Nays: 0

UNFINISHED BUSINESS

Re: Actual Search - Postponed

Re: Ordinance Update Status – Carry Forward

Ms. Zimmermann reported that the letter from Cynthia Billings was received by the City Attorney. She discussed the main points and updates with him. It has not been determined when it will appear on the Council agenda but she or legal counsel will be available to answer any questions Council may have.

SCHEDULING OF NEXT MEETING – Meeting on August 30, 2007 at 9:00 a.m., in the Shrine Room, Main Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342.

ADJOURNMENT

RESOLUTION 07-040 By Miller, Supported by Cochran

Police & Fire Regular Meeting
July 26, 2007

Resolved, That the meeting be adjourned at 9:52 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 July 26, 2007.

Raymond Cochran, Secretary
As recorded by Jane Arndt