

**CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREMENT SYSTEM
AUGUST 31, 2006**

A regular meeting of the Board of Trustees was held on Thursday, August 31 2006 at the Shrine Room, Main Level, City Hall, 47450 Woodward Avenue, Pontiac, MI 48342. The meeting was called to order at 9:15 a.m.

TRUSTEES PRESENT

Craig Storum, Chairman
Raymond Cochran, Secretary
Brian Lee (*arrived at 10:17 a.m.*)
Thomas Miller, Vice Chairman

TRUSTEES ABSENT

Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Stuart Tompkins, Sullivan, Ward, Asher & Patton, P.C.
Larry Gray, Gray & Company
Bob Hubbard, Gray & Company
Ellen Zimmermann, Retirement Systems Administrator
Jane Arndt, M-Administrative Assistant

CONSENT AGENDA

- A. Minutes of Regular Meeting: July 27, 2006
- B. Communications:
 - 1. Correspondence from Munder Capital Re: Crestview Partners Buyout
 - 2. Correspondence from Munder Capital Re: Portfolio Changes
 - 3. Correspondence from DDJ Capital Re: Markets Outlook
 - 4. Correspondence from Loomis Sayles Re: June Portfolio Appraisal
 - 5. Correspondence from MAPERS Re: MAP Program
 - 6. Conference Information:
 - a. Recovering Investor Assets – Bernstein Litowitz – Oct. 5-6, 2006
 - b. Essentials of Public Sector Benefits Admin. – IFEBP – Oct. 23-26, 2006
 - c. Public Fund Boards Forum – IIR – Dec. 9-12, 2006
 - d. Mellon Client Conference – Mellon Trust – Oct. 4-7, 2006
 - e. Public Funds Summit – Opal Financial – Jan. 10-12, 2007
 - f. DDJ Annual Partners Meeting – DDJ Capital – Sept. 11-13, 2006
- C. Financial Reports:
 - 1. Financial Reports – July 2006
 - 2. Securities Lending Report – June 2006
 - 3. Commission Recapture Report – June & July 2006
 - 2. Accounts Payable – August 2006
- D. Remove from the Rolls:
 - 1. Josephine Gamester (deceased 07-15-06)

The Boston Company

Dennis P. Sheehan, CFP - Client Service/New Business Development

John Truschel, CFA – Portfolio Management

Dennis Sheehan introduced himself and John Truschel to the Board and thanked them for the opportunity. He said that he works out of their Chicago office and that he is the Midwest client representative.

He said that Boston has been owned by Mellon since 1993 and that they are a very stable organization. He said that they are different from other institutional client firms and that their main focus is international equity. He said that Boston has a large number of Police and Fire clients and that Oakland County was recently added as a client investing in their international core product.

He said that they have a good record in international equity showing their composite returns and performance since their inception in 1997 against the index. He said that Mr. Gray would not have considered them in the manager search if they did not have good performance.

He described the information ratio which shows performance over the benchmark per unit of risk. It will provide more bang for the buck. He said their stewardship is to do a good job for the plan. The committee risk issue is neutralized by being diverse across the country, sector, currency and stocks within the portfolio.

John Truschel told the Board that their team has more than ten years of experience in international equity. This experience ensures performance. Mr. Sheehan added that the team is very stable. A lot of responsibility is pushed down to the analysts but the manager has the overall responsibility and veto power. Analysts are organized by sector. They are an empowered broad-based team: there is no key-person risk.

He said that Boston's investment philosophy is to get the stocks right. They are looking for companies that are getting better. They don't want to pay too much. They are looking for better value, growth and out performance in the market. Their quantitative research is done by utilizing technology to search through data looking for companies with business momentum. The fundamental research is done by analysts looking for value. This controls risk by only exposing them to risks that pay. They do not take risk based on country or sector.

There are twenty-one countries in the EAFE index. There are 1,500 companies in the investment universe that they rank by business, value characteristics, country and sector. They compare these companies to every common company. They are not looking at stocks that are falling in rank. Their models are good. Analyst decision drives the buy, sell and hold selections. The analysts look at the models with today's data looking one year out to compare companies by examining their business plans, balance sheets, management and productivity. They do not invest in emerging markets.

Their risk controls eliminate risk by avoiding country and sector bets. Exposure is limited to 2% of the benchmark which adds a level of diversity. The difference from the benchmark is at the sector level.

The P/E ratio for the index is currently at 12.3% and Boston is at 13.4%. They are looking to pick the best stocks by finding lower prices with better growth. They don't want to be cheap just to be cheap.

Trustee Miller asked how they decide their weighting in each sector referring to the 10.5% investment in industrials. He asked if they reduce their sector weightings. Mr. Sheehan replied no. He said that when they look for the best performing stocks you might see winning in sectors and regions and that the decisions will be made at the stock level. This ensures repeatable performance. Trims and adds will be done with the sectors and countries.

Trustee Storum asked them about their sell discipline. Mr. Trushel said that the stocks are ranked and if the stock falls to the middle ranking the analyst can defend the position. However, based on rankings when a stock falls in ranking it increases in price and it should be an automatic sell. Trustee Storum asked about predetermined targets. Mr. Trushel replied that it's all relative based on how attractive the company versus the peer group.

Ms. Billings asked if Boston is flexible with the contract terms. Mr. Sheehan answered that it is a commingled fund product but that side letters are provided.

Trustee Miller asked if they have a minimum investment amount. Mr. Sheehan said that the minimum is \$10 million to \$25 million. The commingled fund has less cost. If you invest in a separate account the custodian will do the work. If you invest in the commingled fund it is all rolled up into the net results. Fees are 80 basis points for the first \$20 million.

Trustee Storum asked if the performance is net of fees. Mr. Gray said they would break that down for the Board. Trustee Storum asked about the size of the stock picks versus the index that has an array of sizes. Mr. Trushel said that it is similar to the index but has a little more freedom on size. He said that they had a small cap product but it is closed to new investors. He said that in the last five years the portfolio has recently drifted to a large cap strategy. He added that some of the portfolio dips down with EAFE.

Mr. Trushel and Mr. Sheehan left at 10:13 a.m.

Mr. Gray told the Board that they are a pure stock company and that they do not bet on country, sector or currency. Boston is very good at what they do. Trustee Miller added that they insulate themselves very well.

Lazard Asset Management, LLC

Michael Bennett, Managing Director – Portfolio Management

Tony Dote, Director

Bradley Rudner, Vice President – Client Service

Tony Dote made the introductions to the Board. He said that they are not a French company and that their company history dates back to 1848 in New Orleans. Their current assets under management are \$83 billion. They became an investment banking firm in the 1920's, they have managed money for institutional clients since 1969 and began managing international mandates in the 1980's. On May 5, 2005 they became a public company. They currently have 160 investment professionals worldwide.

Trustee Lee arrived at 10:17 a.m.

They are stock pickers and stick with core values. They can go into multi cap and emerging markets if asked. They use a disciplined investment approach. They utilize a global research platform looking for companies who can compete globally. They make use of technology to look at companies putting only the best in the portfolio. This allows them to eliminate on a company to company basis. They perform accounting validation to eliminate fraud and to make sure they know what they own. This leads to a pattern and consistency of results.

Public fund clients are currently 15.6% of their total client list. Boston currently has 46.0% invested in international equity with 6.0% in emerging markets.

The investment team is comprised of fourteen individuals with an average of twenty-one years of industry experience working out of the New York and London offices.

Their research is broken down into six sector teams each having a global mandate. Analysts have specific industry experience in their sector. For example, one analyst worked in the oil fields in Texas and Oklahoma. This expertise allows them to keep an edge which produces results.

Lazard's representative institutional public funds client listing included a number of Michigan clients and Michigan public fund clients. Oakland County is a recent addition.

Michael Bennett discussed Lazard's investment philosophy stating that they are a bottom up relative value manager that focuses on stock selection. Their process has produced great returns and over twenty profitable years in international investments. Their accounting validation is the hallmark of their product. They are "detectives": accounting rules can skew what appears on the surface.

He described how they have sustained returns using their relative value philosophy. He used a baseball analogy showing returns based on payroll costs versus wins.

He stated that their international strategic equity investment thesis is based on finding undervalued companies that are either mispriced, "compounders" that have consistently good returns and those in the turnaround process or restructuring that can add returns and value.

Their multi-cap product has been a good performer. It allows them to go where they can find value and get stock selections right.

They use three levels of risk monitoring. Their portfolio management team looks at stocks, country and sector parameters and portfolio construction. The risk management team uses optimization analysis, sector models and attribution analysis. The oversight committee monitors business strategies on a quarterly basis.

He outlined their portfolio holdings by sector and country. He said that they currently have 5% in emerging markets and will go as high as 10%.

Trustee Miller asked how their weightings are done. Mr. Bennett said that it is done by stock picks and that they are evenly weighted with a fairly concentrated portfolio. They are presently finding more value in Europe.

Mr. Rudner discussed Lazard's performance objectives stating that they protect on the downside and outperform their peers and the benchmark in the up market. They do this by delivering a predicted pattern of performance based on solid fundamentals.

He said that their goal is to provide returns 300 to 500 basis points over the benchmark. Emerging markets have contributed 1% to 2% annualized valuation to the portfolio. They have outperformed the market in seventeen of twenty-three markets. Their risk adjusted return performance has been impressive.

He referred to the emerging market management biographies and client service information within the presentation booklet. He added that they are a member of MAPERS.

Trustee Storum asked about their sell discipline. Mr. Bennett said that it is a mirror image of the buy process. They look for fair valuation and companies that are no longer undervalued. A target price is set when the issue is added and they sell when the target valuation is reached. They trim more on the upside. Three themes are used in the process if an issue becomes undervalued it is sold, when it hits value it is sold or if it is determined that it could compound for the long-term, it is added back with a new investment thesis.

Trustee Storum asked about the number of stocks in their portfolio. Mr. Bennett said they have a fairly concentrated portfolio with 30 to 45 stocks. He also said that they feel good about the stocks in their portfolio.

Ms. Zimmermann asked if they have a minimum country sector parameter. Mr. Bennett replied that there is no minimum and that their maximum is two times the EAFE. They do not have a minimum sector parameter.

Trustee Miller asked about the size of companies they buy. Mr. Bennett replied that they go where the value is and that they do well over all market cycles.

Ms. Billings asked if they had flexible contract terms. Mr. Dote said that they have never had a problem with contract terms. Ms. Billings asked about their fee schedule and if they would negotiate fees. He replied that their fees are 100 basis points for the first \$20 million but that they can be negotiated.

Thornburg Investment Management, Inc. (Third Party Marketing Firm – Marwood Group, LLC – Founder Ted Kennedy Jr.)

Peter Trevisani, CFA – Managing Director, Institutional Group

Chris Neill, CFA – Strategist

Peter Trevisani introduced himself and Chris Neill to the Board. He said that he has been with Thornburg since 2001. They have gone from 0 to \$10 billion in assets under management in ten years. They are an independent firm and 100% employee owned. There has been no portfolio management turnover since Thornburg's inception in 1982.

They use a stock picking strategy and bottom-up fundamental analysis with a concentrated portfolio. They currently have \$26 billion in assets under management. They have experience in the public arena.

Thornburg uses a co-portfolio approach. They have four teams headed by Willaims Fries, Wendy Trevisani, Lei Wang and Brian McMahon. They feel they are big enough to get the job done and small enough to get the job done. They use a consensus process.

Mr. Neill said that their process is to buy promising companies at a discount looking for a path to future success. They don't buy companies just because they're cheap. They look for relative value for cost.

The catalyst for building their portfolio is by finding basic value for low cost. They screen the equity universe to find 100 to 150 using this fundamental research. Their analysts then look for basis value stocks (30 to 50%), consistent earners (30 to 50%) and emerging franchises (10 to 25%) to narrow that number to approximately 50 stocks. They are consistently looking for three or four stocks weekly that are assigned to special markets looking for better opportunities for success. This keeps their portfolio focused yet diversified.

Their risk controls are achieved by utilizing their comprehensive portfolio, their sell discipline and their position size limits.

He described their monthly performance analysis. He said that they are like the index on the up side and protect on the downside. They add 200 to 300 basis points to returns over the benchmark.

Trustee Lee asked about their fee structure. Mr. Trevisani said that it is a commingled fee structure and that it is 75 basis points on the first \$65 to \$70 million which includes management fees and custody.

Trustee Storum asked if commingled is the best way to invest internationally compared to the benchmark. Mr. Neill replied that compared to benchmark they have better sector and weighting exposure with seventeen countries and 15% to 25% in emerging markets. They own high quality names in emerging markets. The benchmark has chronic sector exposure in banks, energy, basic healthcare and consumer discretionary. They are heavy in healthcare and have made good stock

picks in healthcare. Mr. Trevisani said that Thornburg has no minimum or maximum sector or country allocation. Mr. Neill added that they are not closet indexers or sector allocators, but stock pickers. Mr. Trevisani also said that their diverse exposure adds risk controls.

Trustee Storum asked if 15% to 20% is the normal range for emerging markets. Mr. Trevisani answered that 25% is the maximum for emerging franchises not emerging markets. He added that they didn't get hurt in the tech bubble in 1999 or 2000. Trustee Storum asked of interest rate increases have an impact on emerging markets. Mr. Neill said that some areas were off but that their performance was up 50 basis points overall.

Mr. Trevisani said that they like their themes in emerging markets. They prefer blue chip stocks in safer countries versus those tied to the local economy.

Ms. Billings asked if they look at accounting practices. Mr. Trevisani said that they use their risk controls to determine what they own and why they own it. They made over 300 visits last year looking at corporate governance, management, etc.

Ms. Billings also asked if they are flexible with their contract terms. Mr. Trevisani said that they could use the Board's contract. Mr. Neill added that they have over forty institutional clients.

Trustee Storum asked them about the size of their team. Mr. Trevisani said that there are twenty-two individuals on the investment team. They recently added three new members to the team. Thornburg has a total of one hundred and twenty employees worldwide.

Trustee Storum asked if they use their own screens. Mr. Neill told the Board that they use their own proprietary screens but nothing extraordinary and that they analyze their own data.

Mr. Trevisani concluded the presentation. He told the Board that they currently have \$26 billion in assets under management. They have plans to add to the team. They are aggressively adding technology. They may add a product every one to two years but will not add just based on asset inflows. They do have capacity limits and do close products. They do not have an ambition to be huge.

Mr. Trevisani and Mr. Neill left at 11:28 a.m.

Mr. Gray again disclosed that Thornburg uses the Marwood Group, LLC as a third party marketing firm.

Wentworth, Hauser and Violich

Richard K. Hirayama, Sr. V.P., Managing Dir. – Portfolio Manager & Security Analyst

Jeffrey K. Romrell, CFA, Sr. V.P., Managing Dir. – Business Development/Marketing

Jeffrey Romrell introduced himself and Richard Hirayama to the Board. He presented a quick overview of their firm. He said that the firm has a rich heritage and that they were founded in San Francisco in 1937. They are a stable organization. They currently have \$8.2 billion in assets under management with \$3.7 billion in international equity. He told the Board that Richard

Hirayama founded this product in January, 1995. He referred to their representative client list, stating that a number of their clients are public plans with 42% being institutional assets. He added that they are MAPER members.

Dick Hirayam said that he has been the senior portfolio manager for this product for twelve years. Laura Albers is the international security analyst. They have a very small team. He said that large teams trend toward a closet index type of product. He feels that your team is as strong as its weakest link.

Over the past twelve years their portfolio has ranked first in international equity of developing markets. He said that it is no secret.

He said that their philosophy is to overweight the best global sectors. It is a top down philosophy focusing on the global picture. He said that this is the greatest economic transformation in the history of the world. This is a one-world economy dominated by mega companies.

They focus on economic sectors. He added that the country is not as important as the sector. Their top-down process is comprised of economic sector analysis, industry analysis, country analysis and stock selection analysis. Their portfolio is comprised of approximately thirty to sixty stocks.

The portfolio has had the same basic structure for six years. The sector weightings of the portfolio are currently 40% energy, 26% natural resources and 9% in industrials with low portfolio turnover. He said that his peers will have approximately 75% turnover where theirs remains low at 10% to 15%. He anticipated future problems with energy and natural resources at that time.

He discussed the tech bubble in 2000 and how he was heavy in tech at 25% and telecom at 25%. He sold it all off before it was decimated. He said that the world is rewired and remolded and that you have to look for and determine future growth trends.

Trustee Miller asked what led him to sell investment in tech in 2000. Mr. Hirayama replied that value was overpriced and that technology products had increased productivity and that people were buying regardless of cost. He also said that it was the timing, supply and demand and the lack of another technology application similar to the personal computer, wireless, Y2K or the internet that led him to sell.

He explained why they use a top-down macro approach. He said that since the fall of the Berlin Wall in 1989 the world has changed completely. The world is united by pure capitalism with one economy. Borders are now porous and the world is at peak efficiency. You can go anywhere in the world, it's open for business. This is the age of capitalistic enlightenment and of the world growing faster.

He referred to a chart showing the last five super-cycle trends. The trend is to add 10% of alpha per year. At the bottom of the trend stocks will be undervalued and will end in a massive bubble

Energy is making more money than at any other time in the world. The trend will lead the market in the beginning and should continue the trend at the end of the decade. He said that everyone is moving north, are inter-linked and U.S.-centric.

He said that growth managers usually lose in bear markets. He has outperformed for every period. He has doubled his client's assets as well as dominated the competition for the last ten years. He added that they were ranked number one by Mobius for their ten-year returns.

Trustee Cochran asked how interest rates affect performance. Mr. Hariyama said that it tends to slow the global economy.

Trustee Cochran also asked about China's impact on the global economy. Mr. Hariyama replied that it will directly benefit the portfolio. They have to import natural resources as does India. Whatever China sells drives prices down and whatever they buy drives prices up.

Chinese consumer's average income is \$1,200 per year. They currently buy two cars for every one hundred consumers. If that number rises to five cars for every one hundred consumers they will need more gasoline.

Trustee Storum asked about the small group making the decision. Mr. Hariyama replied that there are two team members. He believes that the more team members the less alpha. They have fifteen supporting staff and thirty people firm wide.

Ms. Billings asked if they had flexible contract terms. Mr. Romrell told her yes. Ms. Billings also asked about the sector weightings. Mr. Hariyama told her that they are overweight in attractive sectors. Maximum constraints for a sector are 40%.

Trustee Storum asked if they invested in emerging markets. Mr. Hariyama said that they will invest in emerging markets up to a maximum of 10%.

Mr. Romrell and Mr. Hariyama left at 12:00 p.m.

Mr. Gray indicated that if something happened to Dick Hariyama, in the event they chose Wentworth as a manager, they would freeze the account immediately.

He summarized the international equity search with the Board. He told them that Boston is like the index and neutral. Lazard is a stock picker with country variability. Thornberg is a mixture of all variables. And, Wentworth bases their investment strategy on sectors and broad themes. He asked the Board to rate the managers and he would analyze the top picks to determine whether there was a good correlation.

	Boston	Lazard	Thornberg	Wentworth
Trustee Miller	1	3	4	2
Trustee Lee	NA	2	3	1
Trustee Cochran	3	2	4	1
Trustee Storum	2	4	3	1

Re: Performance Review

Mr. Gray summarized the manager performance through June 30, 2006. The total plan minus CAPROC was flat versus the benchmark for the quarter at -1%. Year-to-date the plan is up 40 basis points at 3.4% versus 3.0% for the benchmark. The one year performance is off a bit at 7.9%. He said that the actuary would be pleased with the three-year number slightly under the benchmark but that it is a good number based on a risk adjusted basis. The five-year number showed out-performance and the ten-year number is well above the actuarial target.

Domestic equity outperformed the Russell 3000 for the quarter at -1.5% versus -2.0%; year-to-date 5.6% versus 3.2%; one-year at 12.1% versus 9.6% and five-year returns were 3.2% versus 3.5%.

The managers that remain in domestic equity are still in the top quartile led by Loomis Sayles with their three month performance ranked at the eleventh percentile. International equity was discussed earlier.

Most managers in fixed income had negative numbers due to rising interest rates. Money is currently being transitioned from Atlantic to DDJ.

Goode Stable Value tracked interest rates on the way up with a 4.7% one-year return versus the benchmark at 3.4%.

Oppenheimer Capital outperformed the benchmark for the one-year return by 30 basis points. Bill McDaniel has announced that he will be retiring at the end of the year.

He said that he had very little faith in the real estate numbers they receive.

Trustee Storum asked about Mr. Gray's suggestion that they look at the international managers to see which two would make a good mesh. He also asked about the large cap manager search and if they should move the money to an index fund. Mr. Gray replied that it would serve the fund well and that he will bring a list of world class large cap managers to the next meeting.

REPORTS**Re: Chairman**

Trustee Storum asked if the travel policy includes reimbursement to and from Board meetings. Ms. Billings said she would look into it.

Re: Secretary – None**Re: Trustees**

Trustee Lee commented that he believed Shannon White's name was misspelled in the agenda.

Trustee Lee also asked what happens to pensions if the City files for bankruptcy and the contractual binding agreements become null and void. He also questioned what would happen if the City did not make contributions based on the actuarial valuation and whether there would be an impact.

Ms. Billings replied that if the City did not make contributions they would file a lawsuit against the City. It would go against the tax roles. She also said that she would look into the impact of bankruptcy on the pension fund. She added that the City has a constitutional obligation to make contributions based on the amortized liability per Public Act 314. The courts have ruled that the constitutional obligation can exceed the maximum Headlee tax to pay contributions. They would put a levy on the next tax roll.

1. **Real Estate Committee** – None
2. **Personnel Committee** – None

Re: Staff

Website Update

Ms. Zimmermann informed the Board that the website is up and that Ken Martin of the IT Department has done a great job.

RESOLUTION 06-063 By Miller, Supported by Lee

Resolved, That the Board of Trustees approve Ellen Zimmermann to attend the Recovering Investor Assets Conference in New York, NY on October 5-6, 2006; and approve Deborah Munson to attend the 2006 Mellon Client Conference in Tucson, AZ on October 4-7, 2006.

Yeas: 4 – Nays: 0

Trustee Miller left at 12:10 p.m.

Re: Legal

Ferro Corporation Litigation

Trustee Lee and Ms. Billings attended the mediation on August 2, 2006 in New York City. Defendant did not bargain in good faith came back with low settlement number. Since there is a new judge they have asked for a summary motion. Hearing date has not been set.

United Rentals

Nothing new to report.

Jarden

On August 25, 2006 the Consolidated Amended Complaint was filed in the U.S. District Court Southern District of New York.

Maxim

Police & Fire Regular Meeting
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Motion for lead plaintiff is pending in the U.S. District Court Northern District of California San Jose Division.

Ordinance Cleanup

A red line copy of the ordinance is included for trustee review. Ms. Billings is putting together a red line copy for City Council.

She reviewed the changes in the attached copy of the ordinance with the trustees.

Page 5 – Typo

Page 12 – Eliminated the word

Page 15 – Change to death benefits to children for non-duty death if no spouse

Page 20 – Deleted “and acquaintance”

Page 21 – Typo

Page 23 – Changed Commission to City Council

Page 24 – Eliminated the sentence “The annual meeting shall be held in the month of October in each year.”

She mentioned that she has not received any more comments from the trustees. Trustee Storum asked if there is a timeline to submit to City Council. Ms. Billings replied that there is no timeline. He said that he would like to hold off so Trustee Miller can review and make comments.

Bernstein, Litowitz Portfolio Monitoring Report for the Second Quarter 2006

Review of securities litigation portfolio monitoring reports.

Detroit Free Press Article

An article ran in the July 30, 2006 Detroit Free Press regarding the size of some public pension benefits potentially hiking tax bills in local communities.

Michigan Court of Appeals Case Concerning the Issue of Government Immunity

Ms. Billings presented a recent ruling where the Michigan Court of Appeals overturned a recent decision stating that the Board of Trustees as a “quasi-judicial” body qualified for a certain amount of immunity when making risky investment decisions.

Michigan Court of Appeals Case Concerning the Ability of a Retirement System to Have Exclusive Authority to Direct Pension Employees in Performance of Their Duties on Behalf of Retirement System

Ms. Billings presented a ruling where the Michigan Court of Appeals ruled that investment fiduciaries have the option to become autonomous employers separate from their incorporating cities.

Pension Protection Act of 2006

Ms. Billings summarized the major highlights of the Pension Protection Act of 2006 signed by the President on August 17, 2006.

Phased Retirement Distributions – Allows in-service distributions

Trustee Storum asked if this would qualify as a drop plan where you can move money from the system to a drop plan prior to service eligibility. Ms. Billings said she would research.

EGTRRA Permanence – Allows excess plan assets to pay retiree health benefits
Long-Term Care Insurance – Allows long-term care rider on annuity contracts
Service Credit Purchases
Minimum Distribution Requirements– The IRS will issue regulations
Waiver of Early Withdrawal Penalty
Distributions for Health and Long-term Care Insurance Premiums.

Re: Union Representatives - None

NEW BUSINESS

Re: Retirement Staff Status

Ms. Zimmermann informed the Board that the City has received a complaint through MERC about moving retirement system non-union employees into the unions. This would result in more senior employees having bumping rights into the office. Due to the long learning curve for the jobs and the confidential nature of the information maintained and utilized within the office, the employees should all be non-union to ensure the integrity of the information.

Chairman Storum said that the Board should look into separating from the City and having their own employees. Trustee Cochran agreed and also thinks that given the City's finances this issue should be moved on quickly. Ms. Zimmermann was directed to schedule a joint Personnel Committee meeting.

Re: Signature Authority

Ms. Zimmermann requested that the Board update the signature authority.

RESOLUTION 06-064 By Miller, Supported by Cochran

Resolved, That the Board of Trustees approve to update the signature authorization.

Yeas: 4 – Nays: 0

UNFINISHED BUSINESS

Re: Ordinance Clean-up – See Legal Report

Postponed to allow Trustee Miller time to review and provide any comments on current red-lined version. Ms. Billings will move forward to next meeting.

Re: Audit Fees – GASB 40

Police & Fire Regular Meeting
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Ms. Zimmermann explained that the audit required additional work not included in the quote due to the poor quality of information available from the custodian bank. She asked the Board for their approval to pay the additional unbilled work estimated at \$4,000.00. This amount would be split between the two funds. Ms. Zimmermann was directed to report back with final cost total.

RESOLUTION 06-065 By Cochran, Supported by Lee

Resolved, That the Board of Trustees approve the additional audit cost request from the Administrator.

Yeas: 4 – Nays: 0

SCHEDULING OF NEXT MEETING –Meeting on September 28, 2006 at 9:00 a.m., Shrine Room, Main Level City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342.

ADJOURNMENT

RESOLUTION 06-066 By Lee, Supported by Cochran

Resolved, That the meeting be adjourned at 12:56 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 July 27, 2006.

Raymond Cochran, Secretary

As recorded by Jane Arndt