

**CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREMENT SYSTEM
SEPTEMBER 27, 2012**

A regular meeting of the Board of Trustees was held on Thursday, September 27, 2012 at the City Council Conference Room, Second Level, City Hall, Pontiac, Michigan. The meeting was called to order at 10:59 a.m.

Trustees Present

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

Others Present

Matthew Henzi, Sullivan, Ward, Asher & Patton
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant

AGENDA CHANGES

Ms. Zimmermann indicated that she has the quarterly inter-fund accounts payable totaling \$1,525.68 to add to the consent agenda.

CONSENT AGENDA

- A. Minutes of Regular Meeting – August 23, 2012
- B. Communications:
 - 1. Correspondence from American Realty Re: Fund Report Q 2 – (On File in Retirement)
 - 2. Correspondence from Franklin Templeton Re: August Client Statement
 - 3. Correspondence from Garcia Hamilton Re: September 2012 Newsletter
 - 4. Correspondence from Metropolitan Real Estate Re: Fund VI & VII Summaries
 - 5. Correspondence from Robbins, Geller Re: Request to Appear
 - 6. Conference Information:
 - a. 58th Annual Employee Benefits Conference – IFEBP – Nov. 11-14, 2012
- C. Financial Reports:
 - 1. Financial Reports – August 2012
 - 2. Accounts Payable – September 2012
- D. Capital Calls: Distributions
 - 1. Metropolitan Fund VII \$90,000.00
 - 2. Metropolitan Fund VI \$91,000.00 - \$91,000.00 Deemed Distribution
- E. Remove from the Rolls:
 - a. Ellen Hargraves (deceased 08-28-12)
 - b. David Schroeder (deceased 08-23-12): survivor benefit of \$1,489.16/mo to Patsy Schroeder
- F. Applications for Service Retirement:
 - 1. Dale Waldo – PPOA 10 years, 0 months Age 50 (off deferred)
 - 2. Brian J. Thomas – PPSA 20 years, 0 months Age 50 (off deferred)

G.	Final Benefit Calculations:		
	1. Darryl Fowlkes	#2664	\$4,497.58
	2. Carl Holcomb	#2676	3,890.03
	3. Michael Hilborn	#2678	4,317.83

Trustee Britton confirmed that the \$91,000.00 distribution was used to fund the \$91,00.00 capital call for Fund VI.

He also indicated that he would not be attending the IFEBP Conference in November, 2012.

RESOLUTION 12-071 By Nye, Supported by Britton
Resolved, That the consent agenda be approved as amended.

Yeas: 5 - Nays: 0

CONSULTANTS

Re: Gray & Company – Refer to Police & Fire VEBA

REPORTS

Re: Chairman

Chairman Storum stated that the System will be moving toward BeneSys. He is disappointed that the GERS Board has decided not to go. He thinks that moving to BeneSys is the right decision since the fund is closed and based on the cost.

He appreciates the staff. They have been exemplary employees and professionals. Unfortunately, the Board will be moving away from them. He appreciates all the work they have done.

Trustee Britton said that he echoes the sentiments of the Chairman. He asked if Ms. Zimmermann has made her decision.

Ms. Zimmermann told the Board that she is leaning toward staying with GERS but she has not made her decision. This just happened yesterday. Her staff is not keen on going to BeneSys and she has some reservations due to the lack of flexibility there.

Trustee Britton noted that there are no hard feelings. They tried to work everything out.

Re: Secretary - None

Re: Trustees/Committees

Trustee Britton stated that the Personnel Committee discussion will be conducted during the closed session.

Re: Administrator

Eviction Notice

The City has served the Retirement Boards with an eviction notice, copies of which were distributed to the trustees. There was discussion of the notice to quit and what the process entails. It could take a couple of months; there is no lease.

Trustee Naglick said that there used to be an administrative allocation instead of rent. Mr. Schimmel said he still wants the Retirement Office to leave. Consumers Energy is going to take back the DPW building and remediate the pollution at that site. DPW will be moving to City Hall. He will create a bill from February 1st forward. GERS may pay and bill back the 30% for this System.

Chairman Storum recommended not to pay the 30% - he wants a detailed billing from which to subtract what is not appropriate.

Trustee Naglick said that in that case it would turn legal since the System is getting space, phone, internet and IT support.

RESOLUTION 12-072 By Nye, Supported by Britton

Resolved, That the Board of Trustees directs legal counsel to respond to the eviction notice from the City.

Yeas: 3 – Nays: 0 – Abstained: Jukowski, Naglick

Trustee Britton said it will provide time to get out of the building and indicated legal counsel is not to spend a lot of time on the issue.

Final Benefit Calculations

Ms. Zimmermann referred to a copy of an email from Ms. Munson under the Reports Section of the Agenda Packet regarding final benefit calculation processing. There are four files left from 2011 that are waiting for paperwork from Human Resources and the remainder retired in 2012.

FOIA Request

Ms. Zimmermann told the Board that she received a FOIA request from a legal firm in Washington, D.C. that was forwarded to legal counsel.

Proposed MAPERS Bylaws

Ms. Zimmermann referred to the draft of the proposed MAPERS Bylaws for the trustees' information.

Miscellaneous Articles

Ms. Zimmermann reported that there are articles for the Board's reading pleasure.

Mr. Kuhn and Mr. Gray left at 12:00 p.m.

Re: Legal

Partial Plan Termination

Mr. Henzi reported that he sent a letter with the proposed Retirement Ordinance amendment to the Emergency Manager's attorney. The amendment would allow any member who withdrew their contributions from the System the ability to reimburse the withdrawn contributions. Public Act 4 was suspended on August 8, 2012 so the Emergency Manager does not have the authority to amend the Retirement Ordinance. On November 6, 2012, the people will vote to continue under the current Emergency Manager Law or restore Public Act 4. The City Council will have to approve an amendment to the Retirement Ordinance. Once the Ordinance is amended the Board can get the ball rolling on offering the incentive plan to inactive deferred members.

Trustee Naglick asked if it would make more sense to survey the members first.

Chairman Storum said that most members will not read a survey and the Board would not get an accurate read of who is interested in the buyout. These members need to be made aware that they are being allowed to redeposit the withdrawn contributions. The most important part of this is reducing the System's liability.

Trustee Britton indicated that it will reduce the liability for both the Pension Fund and the VEBA Fund.

Mr. Henzi stated that he will work with Ms. Zimmermann to determine how many members.

Ms. Zimmermann stated that she once they have identified how many members there are based on the partial plan termination she would like to create estimates so they know what their choices are based on if they repay their contributions what their benefit would be at age fifty or what their amount would be if they withdraw their contributions.

Trustee Jukowski said that the default position would be that if they withdraw their contributions they will not receive a benefit.

The question was asked, what would happen if a vested person ignored the information and if it would change their status.

Ms. Zimmermann stated that an inactive vested member would have to redeposit the withdrawn contributions or they would not receive a benefit. She suggested that legal research the issue with regard to the IRS regulations.

Mr. Henzi gave an example of a member with six years of service credit that knew they would never vest so they withdrew their contributions. The Board will have to limit the time period for a member to redeposit contributions or for members who would receive a small benefit to apply for the buyout.

Chairman Storum said that this is a lot of work based on a hypothetical.

Mr. Henzi stated that the Board would not want to send out the information without a vehicle to process the requests.

RESOLUTION 12-073 By Jukowski, Supported by Britton

Resolved, That the Board authorize the Administrator to take the proposed Retirement Ordinance amendment to the City Council for approval.

Yeas: 4 – Nays: 0

Ms. Zimmermann asked whether the Board wants to move forward and approve an actuarial valuation report to define the liability associated with matching the amount of a member's contributions for buyout purposes.

RESOLUTION 12-074 By Britton, Supported by Jukowski

Resolved, That the Board authorize the Administrator to request an actuarial cost study to determine the liability to the System associated with matching a member's contribution for buyout purposes.

Yeas: 4 – Nays: 0

There was Board discussion regarding using registered mail and how many mailings.

Mr. Henzi noted that the member will be required to submit a written response whichever way they decide.

Trustee Britton felt that the member's paperwork should be notarized.

Request for Reinstatement of Health Insurance Policies – Refer to PF VEBA Meeting

LaJuan Craft Grievance

Ms. Zimmermann stated that she met with Larry Marshall and with legal counsel from Sullivan Ward. The grievance has moved to the third step which is arbitration scheduled in October, 2012.

Chairman Storum questioned whether the System has to go through arbitration.

Trustee Naglick indicated that they agreed to arbitration.

Ms. Zimmermann indicated that the Systems agreed to abide by the contract and it is recorded in the minutes.

Mr. Henzi indicated that the System is bound by the Collective Bargaining Agreement. Even though Ms. Billings drew up the Successor Agreement and it was not signed, the System cannot

say it is not bound by these terms. The issue is not about the person being a union employee. The issue is whether the System has to hold the job for one year. They explained that FMLA does not have to hold the position for one year.

Chairman Storum and Trustee Britton questioned why the System has to abide by the contract when the union's representative refused to sign the Successor Agreement. They would like the issue of the contract brought up at arbitration.

Trustee Britton indicated that he would like the contract to be the number one issue.

Chairman Storum asked how much it costs to go to arbitration.

Trustee Britton indicated that the System has already agreed to go to arbitration.

Electronic Meeting/House Bill 5335

Mr. Henzi reported that the bill was amended and passed by the Michigan House of Representatives. There is nothing new to report. He will keep the trustees' updated in reference to this matter.

CAP Commercial Mortgage – Tax (Carryover)

Mr. Henzi reported that this is a carryover item. There is nothing new to report.

Amendment to Public Act 314/Senate Bill 797

Mr. Henzi reported that the amendment to Public Act 314 was passed by the Michigan Senate and is currently in legislative analysis in the Michigan House of Representatives. They expect it to be passed in September, 2012.

Robbins Geller Second Quarter Portfolio Monitoring Report

Mr. Henzi reported that this is for the trustees' information.

Hagens Berman Second Quarter Portfolio Monitoring Report

Mr. Henzi reported that this is for the trustees' information.

Miscellaneous Articles

- *GASB Article Regarding DB Plans: Governmental Accounting Standards Board Issues Revised Pension Accounting and Financial Reporting Standards*
- *PERiScope: Setting the Discount Rate for Valuing Pension Liabilities*
- *Oakland Press: Pontiac Back in Court over Pension Fund, Insurance Trust Debts and Pontiac Retiree Benefit Cuts Draw Two Lawsuits*

Mr. Henzi indicated that the article from the Oakland Press was written by Dustin Blitchok of the Oakland Press.

Defined Benefit Plan – Correspondence with IRS

Mr. Henzi reported that this is for the trustees' information. He should have a response by the next meeting.

Nossaman LLP – FOIA Request

Mr. Henzi reported that he requested a ten-day extension to allow Ms. Zimmermann time to respond.

Worker, Retiree and Employer Recovery Act of 2008 (“WRERA”)

Mr. Henzi reported that currently there is not a provision for a non-spousal beneficiary for a rollover distribution into an IRA. The proposed amendment would change the language that currently only allows a spouse to rollover the distribution into an IRA. The Retirement Ordinance amendment request has to be adopted by City Council before the end of the year.

RESOLUTION 12-075 By Jukowski, Supported by Britton
Resolved, That the Board direct the Retirement Administrator to take the proposed WRERA Retirement Ordinance amendment to City Council for adoption.

Yeas: 4 – Nays: 0

Proposed Investment Manager Contract – LS Investments

Mr. Henzi reported that he is currently reviewing the contract.

RESOLUTION 12-076 By Naglick, Supported by Nye
Resolved, That the Board move to closed session to discuss pending litigation and personnel matters.

Yeas: 4 – Nays: 0

The Board moved to closed session at 12:27 p.m.

Ms. Arndt left at 12:27 p.m.

Trustee Jukowski left at 1:13 p.m.

The Board returned from closed session at 1:16 p.m.

Ms. Arndt returned at 1:16 p.m.

RESOLUTION 12-077 By Britton, Supported by Naglick
Resolved, That the Board approve the closed session minutes from July 26, 2012.

Yeas: 3 – Nays: 0

RESOLUTION 12-078 By Britton, Supported by Naglick
Resolved, That the Board authorize legal counsel to drop the claim regarding the involuntary deduction.

Yeas: 3 – Nays: 0

Re: Union Representatives – None

NEW BUSINESS

Re: Computers

Ms. Zimmermann told the Board that she requested a quote from Sarcom for new computers. She recently lost three and one half days of work due to hardware failures and blue screen errors. Sarcom provided a quote for four computers with 4 gigabytes of memory and DVD burners for approximately \$2,716.00 and change. With monitors the quote increased to \$3,400.00 to \$3,500.00. The GERS Board agreed to purchase new computers. Sarcom indicated that it would only be a matter of days to procure the new equipment.

Trustee Naglick stated that Trustee Bowman did not want to purchase new monitors.

Ms. Zimmermann stated that she hates losing data.

Trustee Britton questioned why the Retirement Staff would require four computers when there are only three Retirement Office staff members especially if the System is going to a third party administrator.

RESOLUTION 12-079 By Britton, Supported by Naglick

Resolved, That the Board authorize the purchase of three computers with monitors with a maximum allocation of 30% of \$3,000.00 subject to the GERS Board approval. This System will authorize the purchase of two computers with monitors without GERS Board approval.

Yeas: 3 – Nays: 0

Re: Executive Order S-224 (Two Retiree Insurance Coverage)

Chairman Storum asked if there is anything back in writing regarding the premiums.

Mr. Henzi stated that the City glossed over the issue.

Trustee Naglick said that this is part of former Emergency Manager Stampfler's Executive Order which is part of the case with Kumar.

Mr. Henzi stated that if it is part of S-206 and S-207 it is included.

Re: Executive Order S-236 (Retiree Healthcare Millage)

Trustee Naglick indicated they are waiting for ballot language to be approved to put a millage proposal for \$6.5 mills on the election ballot.

He asked if the Board would be willing to consider sending out a flyer to promote the millage. The City is not allowed to spend taxpayer money to advertise issues.

Chairman Storum stated that he is not sure that the VEBA should pay for sending out a flyer.

Mr. Henzi indicated that his first thought is “no” but he will check.

Ms. Zimmermann indicated that she advised Jan Gaffney of the CPREA regarding the proposed ballot issue regarding \$6.5 mills to pay for retiree healthcare.

UNFINISHED BUSINESS

Re: Non Payment of City Contributions – Refer to Legal (Closed Session)

Re: Partial Plan Termination – Refer to Legal

Re: Electronic Meetings

The trustees discussed how they were unable to use the iPads during the meeting and that the wireless network shutdown.

Re: Rent/Overhead

Trustee Naglick stated that the Emergency manager is not charging the Retirement Systems for their services. He is laying off the issue of collecting rent.

SCHEDULING OF NEXT MEETING

The Board determined that they would change the start time of the meeting to 10:00 a.m. due to the length of the Police & Fire VEBA meeting.

Regular Meeting – Thursday, September 27, 2012 – City Council Conference Room, Second Level, City Hall @ 10:00 a.m.

ADJOURNMENT

RESOLUTION 12-080 By Naglick, Supported by Britton
Resolved, That the meeting be adjourned at 1:34 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 August 23, 2012.

John Naglick, Secretary
As recorded by Jane Arndt