

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
FEBRUARY 26, 2015**

A regular meeting of the Board of Trustees was held on Thursday, February 26, 2015, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Trustees Present

Craig Storum, Chairman
Nevrus Nazarko, Secretary
Lon Britton
Matt Nye
Deirdre Waterman, Mayor

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, The Bogdahn Group
Liz Edwards, BeneSys, Inc.
John Bowman, Crescent Capital
Jeff Doran, Sankaty Advisors
Rob Weiss, Sankaty Advisors
Julie Moll, Wells Fargo Advisors
Walter Moore, Retiree
Mark Seay, Participant

Trustees Absent

Chairman Storum declared that a quorum was present and called the meeting to order at 11:07 a.m. Chairman Storum handed the gavel to Trustee Nye, who chaired the meeting.

AGENDA CHANGES

Mark Seay was present and asked to discuss his issue. Mr. Seay stated he had applied for his pension benefit but has not yet started to receive his benefit. He received revised calculations from BeneSys, but feels he is entitled to the sick time payout. He believes almost everyone else received the sick time payout, and any action taken by the Emergency Manager should not apply to this. Trustee Nye agrees with him. If he is not paid his sick time payout, he would be the only firefighter not paid for it. It has been included in the FAS for all others; he deserves it and should get it.

Trustee Nazarko stated he had not heard this before. He said that Mr. Seay should have come to the Human Resources Department to see what happened. He does not believe that this is an issue for the Board to resolve.

Trustee Nye thinks the process was flawed, and is concerned with the process that is in place. Attorney Henzi stated that there were several unique issues that delayed the calculation of Mr. Seay's benefit. He stated that Mr. Seay's first contact with BeneSys was in June 2014, and was told he needed to provide his divorce judgment. Mr. Seay did not provide the divorce judgment, along with all other information necessary to complete his application until December 19, 2014.

Attorney Henzi advised that Mr. Seay's application should be deemed to be substantially completed as of that date. The only missing piece was Mr. Seay's failure to nominate a beneficiary. However, the Administrator advised, upon recommendation of counsel, that Mr. Seay not nominate a beneficiary at that time. Attorney Henzi has since concluded that it is permissible for Mr. Seay to identify his minor son as his beneficiary, and this has been completed. Obtaining the divorce judgment was crucial, according to Mr. Henzi, in order to complete the analysis for these issues. Attorney Henzi advised that Mr. Seay had initially inquired as to whether he could include years spent on City Council as service credit. Attorney Henzi advised this was not permissible under the Ordinance and Mr. Seay withdrew that request. Also, BeneSys did not have copies of Mr. Seay's payroll information for the time in question in order to calculate final average salary. Trustee Nazarko researched it and had Human Resources locate and provide the necessary documentation. The Administrator and Human Resources then worked to answer questions on the various payroll codes.

Trustee Waterman believes we should have a schedule of upcoming deferred individuals who are eligible to retire so we can get a head start on getting their information, and we can send out an estimate as to what the benefit would be. Trustee Nazarko believes there is documentation that Mr. Seay's sick time was paid out. Mr. Seay replied that it was not paid out. Trustee Nazarko stated he would research and look it up. Mr. Seay believes there should be something we could communicate to an employee as to why/what is happening. Mayor Waterman stated that she hears his frustration, and we can now be more proactive with issues going forward. Trustee Nye stated we need to get information from the City. Attorney Henzi noted that Mr. Seay is the only known firefighter who was not paid sick pay at retirement. When the firefighters were outsourced pursuant to Contract Termination Agreement dated February 1, 2012, all active firefighters were paid sick pay as of that date. Mr. Seay, a deferred vested firefighter, was not included in this group of firefighters who were paid sick pay at that time.

Trustee Waterman leaves the Meeting at 11:37 a.m.

CONSENT AGENDA

- A. Minutes of Regular Meeting – January 15, 2015
- B. Approval of Closed Session Minutes
- C. Financial Reports
 - 1. Financial Reports – December 31, 2014
 - 2. Bills for Ratification as of January, February, 2015
- D. Remove from Rolls:
 - 1. Donald Davenport, DOD 01-11-2015, Juanita, Spouse / Annuitant
 - 2. Michael Milosic, DOD 02-11-2015; Saundra, Spouse / Annuitant
 - 3. Betty Pigman, DOD 02-17-2015; Raymond, Spouse / Annuitant
- E. Final Benefit Calculations: N / A

RESOLUTION 15-008 By Britton, Supported by Storum

Resolved, That the items on the Consent Agenda for February 26, 2015, be approved.

Yeas: 4 - Nays: 0

Police & Fire Regular Meeting
February 26, 2015

CONSULTANTS

A. The Bogdahn Group

Mr. Kuhn began the discussion with respect to the Direct Lending Review. He stated that John Bowman from Crescent Capital, Jeff Doran from Sankaty Advisors, and Julie Moll with Wells Fargo Advisors, were all ready to do their presentations. He invited Mr. Bowman into the meeting.

B. Crescent Capital

John Bowman enters the meeting at 11:45 a.m.

John Bowman of Crescent Capital discussed Crescent Capital, its history and goals. Their main goals are to return income, and preservation of capital. They have never lost money on a single loan. He reviewed assets and track records. He reviewed the leveraged fund which is what this Fund is considering. He presented a case study, Wind River. Trustee Storum stated he had no questions. Trustee Britton asked about the fee structure. Mr. Bowman stated it is 1.35% on equity invested, there are no other fees on returns. Fees are only applied to invested money, not on returns. The time period is 2.5 years with an additional 2.5 year extension. Trustee Nazarko asked what good is an extension. Mr. Bowman stated it allows for another year of runoff.

The Trustees thanked Mr. Bowman for his time and excused him from the meeting.

Mr. Bowman left the meeting at 12:30 p.m.

C. Sankaty Advisors

Jeff Doran and Rob Weiss enter the meeting at 12:30.

Jeff Doran and Rob Weiss of Sankaty Advisors discussed Sankaty Advisors, its history and goals. The Company has been operational since 1999. It is 100% employee owned, on four continents, and is a global fund. It has a three-year investment period. There are usually two – four managers for each fund. An investment committee approves every transaction. They do target companies for possible investments. The close date for this fund is April 30, 2015. The minimum investment amount is \$1 million, and the fee structure is 1%.

The Trustees thanked Mr. Doran and Mr. Weiss for their time and excused them from the meeting.

Mr. Doran and Mr. Weiss left the meeting at 1:07 p.m.

Trustee Nazarko leaves the meeting at 1:09 p.m.

D. Wells Fargo Advisors

Julie Moll of Wells Fargo Advisors enters the meeting at 1:10 p.m.

Julie Moll of Wells Fargo Advisors returns for an update from her January 15 presentation. She believes the fund is close to meeting its maximum, but she has reserved a spot for us and would need the documents completed by March 11. The fund is on track with its initial projections. There are no non-performing loans. The net internal rate of return is 11% - 14%. Fees are 1.25%, with a service fee of 0.85%. There are no performance based fees. 90% of profits split at the end of the fund life. The three-year investment period is included in the eight-year period. They are all private equity firms, predominately U.S. firms.

The Trustee thanked Ms. Moll for her time and excused her from the meeting.

Ms. Moll left the meeting at 1:35 p.m.

Trustee Britton asked what dollars are we talking about from the Pension and VEBA Funds. Mr. Kuhn replied that it would be \$1 - \$2 million from the VEBA, and \$5 - \$10 million from the Pension Fund. Trustee Britton commented that getting cash into the VEBA is good. Trustee Nye commented that Trustee Nazarko had previously said the same thing. Trustee Britton stated that we should probably take \$2 million from the VEBA, and \$6 - \$8 million from Pension. He believes we should hire Crescent for the VEBA, investing \$2 million in that fund, and hire Wells Fargo and Sankaty for the Pension Fund, and invest \$4 million in each of the funds. Mr. Kuhn noted that the credit risk is similar to high yield bonds.

RESOLUTION 15-009 By Nye, Supported by Britton

Resolved, That the Pension Fund invest \$4 million in both the Wells Fargo Advisors and Sankaty Advisors funds, and the VEBA invest \$2 million in Crescent Capital, be approved.

Yeas: 3 - Nays: 0

Attorney Henzi stated that he has reviewed the contract documents for the three investments. The investments are permissible under PA 314. He noted that the Wells Fargo Subscription Agreement must be signed and returned to them no later than March 11, 2015.

Mr. Kuhn then reviewed the Fund's performance as of December 31, 2014. He noted that International Equity was down 5.94%. Trustee Nye asked if we should put WHV on watch. Mr. Kuhn stated maybe after we review the next report. Mr. Kuhn then reviewed a letter from Metropolitan Real Estate with respect to tax deductions that could be taken directly from the Fund. Mr. Kuhn recommends the Trustees not approve this action.

RESOLUTION 15-010 By Nye, Supported by Britton

Resolved, That the Board shall execute a form disapproving Metropolitan Real Estate's proposed amendment to Limited Partnership Act, which sought permission for Metroploitan Real Estate to take certain tax deductions as general partner.

Yeas: 3 - Nays: 0

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 stated he is drafting the Political Contribution Fee Disclosure letter which will be sent to the investment managers for completion.

Application for IRS Determination Letters for PFRS – Exhibit A

Attorney Henzi addressed this issue for the Board in the Attorney Report.

PFRS Redeposit Policy – Partial Plan Termination

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Bogdahn Group Investment Agreement – Exhibit B

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Marc Seay Pension Application – Exhibit C

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Daves v Daves – Response to Subpoena – Exhibit D

Attorney Henzi addressed this issue for the Board in the Attorney Report.

RFP for Actuarial Services – Exhibit E

Attorney Henzi addressed this issue for the Board in the Attorney Report.

CAPIS Commission Restructure – Exhibit F

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Political Contribution Disclosure / Fee Disclosure – Exhibit G

Attorney Henzi addressed this issue for the Board in the Attorney Report.

GASB 67 Report Update – Exhibit H

Police & Fire Regular Meeting
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Attorney Henzi addressed this issue for the Board in the Attorney Report.

Crescent Direct Lending Investment

Attorney Henzi addressed this issue for the Board.

Sankaty Direct Lending Investment

Attorney Henzi addressed this issue for the Board.

FOIA Request – Exhibit I

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Proposed Amendment to Open Meetings Act – Exhibit J

Attorney Henzi addressed this issue for the Board in the Attorney Report

Hagens Berman Portfolio Monitoring Report dated January 21, 2015 – Exhibit K

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Changes to Michigan's FOIA Effective July 1, 2015 – Exhibit L

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Robbins Geller Portfolio Monitoring Report dated January 30, 2015 – Exhibit M

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Jeffrey Haynes – Income Withholding Order

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Rodwan Consulting Company – Maximum Benefit / Contribution Limits – Exhibit N

Attorney Henzi addressed this issue for the Board in the Attorney Report.

Millennium Investment Contract

Attorney Henzi addressed this issue for the Board.

Burgundy Investment Contract

Attorney Henzi addressed this issue for the Board.

Miscellaneous Articles – Exhibit O

Attorney Henzi addressed this issue for the Board in the Attorney Report

UNFINISHED BUSINESS

A. Participant Website

The participant website was discussed in the VEBA Trustee meeting.

B. PFRS Redeposit Letter

This item was addressed in the Attorney's Report.

C. Self-Pay Reconciliation

This item was discussed in the VEBA meeting. Ms. Edwards stated that the self-pay reconciliation is in progress. There was discussion with respect to how to get the money back from the City to pay back the participants. Trustee Nazarko offered the support of the Human Resources Department and Meadowbrook as to what we think is owed back versus what the City thinks is owed back. Trustee Britton stated we should give them the money back out of the VEBA. Trustee Nazarko asked if this goes against the Emergency Manager ruling. Trustee Britton stated that the Board had agreed to put the OPEB Medicare participants into the VEBA, then it changed. There was discussion and it was decided to repay the Medicare VEBA participants now, and to give the spreadsheet to Meadowbrook to return amounts deducted from the pension checks. This was approved by the Trustees in the VEBA meeting.

RESOLUTION 15-011 By Waterman, Supported by Storum

Resolved, That VEBA assets shall be used to return health insurance contributions that had been deducted from VEBA-Medicare members' pension benefit, payable for the period September 1, 2013 – March 31, 2014, and payable only to VEBA-Medicare participants.

Yeas: 4 – Nays: 1

Trustee Britton stated that individuals who are in the pre-VEBA fund want coverage, but want their contributions deducted out of their pension checks rather than having to send a monthly check to the City. There is a potential tax benefit to the member under the HELPS Act if taken from the pension check. Mr. Wytrychowski stated it would be difficult for BeneSys to administer this since BeneSys does not administer the health care plan and does not immediately know what participants elect. Trustee Storum stated participants should sign a form to have the deductions taken from their pension checks. Mr. Wytrychowski stated that if they elected to have \$500 deducted, then fine, we would send that to the City, or if \$400, then we would send that. Chairman Nye asked if we are sending out a letter, should we put in the dollar amount to be withheld for medical insurance coverage that we get from the City. Trustee Nazarko stated we should not include the dollar amount. Attorney Henzi agreed that the dollar amount should not be included in the letter. Chairman Nye stated the letter will include the deduction amount of the health care premium on a monthly basis, and no dollar amount.

RESOLUTION 15-012 By Britton, Supported by Storum

Resolved, That a letter be drafted to offer pre-August 22, 1996, retirees, dependents and beneficiaries the option to have health care premium amounts deducted from their pension checks, be approved.

Yeas: 5 – Nays: 0

NEW BUSINESS

A. Metropolitan Real Estate Partners VI Distribution, \$212,817, 02-17-2015

It was noted that Metropolitan Real Estate Partners VI made a distribution to the Fund in the amount of \$212,817.00.

CORRESPONDENCE

- A. WHV Investments Fourth Quarter 2014 Portfolio Management Letter
- B. Franklin Templeton Investment Business Continuity Information Notice

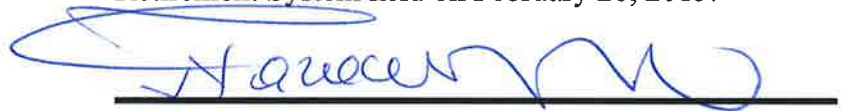
NEXT MEETING DATE: Scheduled for March 19, 2015

ADJOURNMENT

RESOLUTION 15-013 By Storum, Supported by Britton
Further Resolved, That the meeting be adjourned at 2:20 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 February 26, 2015.



Nevrus Nazarko, Secretary
As recorded by BeneSys