

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
MARCH 31, 2016**

A regular meeting of the Board of Trustees was held on Thursday, March 31, 2016, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Trustees Present

Craig Storum, Chairman, (phone-in)
Nevrus Nazarko, Secretary
Matt Nye, (phone-in)
Lon Britton, (phone-in)
Deirdre Waterman, Mayor, arrives 9:25

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Brian Green, The Bogdahn Group
Liz Edwards, BeneSys, Inc.

Trustees Absent

Chairman Storum declared that a quorum was present and called the meeting to order at 9:05 a.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – January 14, 2016
- B. Financial Reports
 - 1. Financial Reports – January 31, 2016
 - 2. Bills for Ratification as of January, February 2016
- C. Remove from Rolls:
 - 1. Eleanor Burklow, DOD 01-17-2016; Surviving Spouse of George
 - 2. Robert N. Brown, DOD 03-05-2016; Caroline Spouse / Annuitant
 - 3. John Mielke, DOD 03-17-2016; Rose Spouse / Annuitant
- D. Final Benefit Calculations:
 - 1. Kurt Drohomer, PPOA, #17333, DOR 12-01-2015; \$1,087.53

RESOLUTION 16-010 By Nazarko, Supported by Britton
Resolved, That the items on the Consent Agenda for March 31, 2016, be approved.

Yeas: 4 - Nays: 0

CONSULTANTS

A. The Bogdahn Group

Brian Green of the Bogdahn Group reviewed the Fund's assets and performance for the fourth quarter ending December 31, 2015. As with the VEBA, he noted that it was an interesting end to a lackluster year. U.S. funds outperformed international funds. Long term interest rates fell. He reviewed the investment managers and all are in compliance with the Investment Policy Statement. The Fund is slightly overweight to fixed income. He noted that the Fund was up 2.86% for the quarter, and 0.4% for the year. Fund assets were \$223,522,523 for the year ending December 31, 2015. Domestic equity and fixed income outperformed the benchmarks, and real estate was up as well. Nontraditional funds outperformed traditional funds. Passive equity exposure helped. Large cap growth outperformed value. In international equity, WHV struggled due to energy. Attorney Henzi asked if they should be put on watch. Trustee Britton stated that they already are. Mr. Green noted that Thornburg continues to liquidate. Burgundy is a new manager in the fund, and is up. Garcia Hamilton showed underexposure. Aberdeen continues to struggle – is “underweight” in U.S. exposure. He advised he would like to see them come in on a one-on-one basis prior to the MAPERS roundtable. We will invite them to the April meeting.

9:25 a.m. Mayor Waterman arrives

Mr. Green reviewed Fund assets as of February 29, 2016. He noted that WHV performance has struggled and is down 5%. He then reviewed the asset summary as of March 23, 2016.

Mr. Green then discussed the Emerging Market Equity Manager search report. The three managers compared are LMCG Investments, WCM Investment Management, and Wells Fargo Asset Management. The report compares inception, strategy, primary capitalization, primary style, preferred benchmark, total accounts, mutual fund fees, dividend yield, current p/e, median market cap, returns over ten years, and standard deviation. He noted that one of Munder's partners left the firm just after the analysis was completed, so he would like to hold off until he can do further research to see if this will affect performance. Chairman Storum suggested postponing this for a month and to perhaps bring Munder back for an additional review. Mr. Green has no issues with this.

Mr. Green then reviewed the proposed list of managers to attend the Roundtable presentation after the MAPERS conference in May. The Trustees approved the list, but suggested that Aberdeen attend contingent on their review at the April Board meeting.

REPORTS

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

ATTORNEY'S REPORT

Attorney Report – General Matters:

Application for IRS Determination Letters for PFRS

Attorney Henzi stated that the IRS is going to correct and reissue the Letters of Determination for the Defined Contribution and Defined Benefit plans. Once issued, legal counsel will submit the proposed amendment to the City of Pontiac City Council for approval.

Nyhart Actuarial Services Contract

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

Charles Johnson IRS Levy – Exhibit A

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

Executive Order 308/Calculation of Benefits Payable to Pre-8/22/96 Members – Exhibit B

Attorney Henzi addressed this issue for the Board in the Attorney Report. Trustee Britton stated that he has received correspondence from some members, and there were three months that they were not covered by the VEBA but were billed by the City. Since the pre-1996 retirees paid their insurance premiums with no subsidy from the PF VEBA from January – March 2014, these individuals would be entitled to the \$400/month pension increase for those months, in accordance with Executive Order 308. Trustee Nazarko stated that if these individuals did pay, then he has no problem refunding them. Mayor Waterman stated that we have discussed this before to make sure they did not pay; she would like the remuneration spreadsheet reviewed to ensure no one was missed. She believes HR / Finance should have the list. Trustee Nazarko stated he believes he can get the names and reconcile them. Mayor Waterman stated that the list should be reviewed to ensure no one was missed. Chairman Storum commented that he remembers discussing this before, and that the VEBA did not get paid all of it. He thinks HR should redo the list. Trustee Nye stated that he has not heard from anyone. Trustee Britton stated that in order to do this right, we need to send out a letter and ask the members if they paid January through March. Chairman Storum asked if HR has a record of who paid. Trustee Nazarko stated that we do have records, and he will send them to BeneSys. Trustee Britton stated there are some members who dropped out of the plan and got alternate coverage, and that these individuals should get the payment as well. Attorney Henzi commented that the Order does not stipulate if a member must have City coverage or not. Trustee Nye commented that we will still need to send out a letter. Chairman Storum stated that he believes there are some members who got their own coverage, and he just wants to be sure we are not double billed. Trustee Britton thinks that is fair.

Political Contribution Disclosure Statement – Exhibit C

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

Fee Disclosure Statement – Exhibit D

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

Proposed Michigan Legislation – Items of Interest – Exhibit E

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

Patricia McNeary Overpayment – Exhibit F

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

Kevin Garrison Consent Withholding Order – Exhibit G

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

Marc Seay v City of Pontiac – Subpoena for Production of Documents – Exhibit H

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

RESOLUTION 16-011 By Nazarko, Supported by Waterman

Resolved, That the Board move to closed session to discuss pending litigation at 10:03 a.m.

Yeas: 5 - Nays: 0

The Board moved to closed session at 10:03 a.m.

The Board returned from closed session at 11:00 a.m.

RESOLUTION 16-012 By Waterman, Supported by Nazarko

Resolved, That the Board authorize Matt Nye and Craig Storum to attend the April 8, 2016, CPREA v. City of Pontiac mediation session, as invited, with Mr. Storum to appear by phone, if necessary. Further, that Mr. Nye and Mr. Storum continue to attend future mediation sessions.

Yeas: 5 – Nays: 0

Robbins Geller Portfolio Monitoring Report – January 2016 – Exhibit I

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

Motley Rice Portfolio Monitoring Report – 4th Quarter 2015 – Exhibit J

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

UNFINISHED BUSINESS

A. Chad Hermans Request for Buyout

The Trustees reviewed Chad Hermans' letter requesting the buyout. He stated his date of hire was in 2002, and he was laid off in 2006. We will review his information and discuss at the next meeting.

B. Kenneth Ayres Request for Buyout

The Trustees reviewed information with respect to Kenneth Ayres' request for the buyout. His seniority and eligibility for this will be reviewed based upon his arbitration award. As such, Mr. Ayres is eligible for a deferred buyout and the offer should be sent to him.

C. Franklin Moon Request for Buyout

The Trustees reviewed Franklin Moon's letter requesting the buyout. He stated his date of hire was in 2001, and he was laid off in June, 2006, called back to work in October, 2006, and laid off in 2007. He subsequently began employment with the City of Rochester. Is he eligible to draw his funds under the Reciprocal Act? We will review his information and discuss at the next meeting

D. Robert Koteles, Determination of Reciprocity Vesting

There was discussion with respect to Robert Koteles and a determination of reciprocity vesting. We will review his information and discuss at the next meeting.

NEW BUSINESS

A. Annual Required Contribution Check, January 21, 2016, \$2,041,923

The annual required contribution for the amount of \$2,041,923, was paid on January 21, 2016.

B. Letter to Patricia McNeary, COLA Overpayment, February 16, 2016

There was discussion with respect to two COLA overpayments made to Mrs. McNeary, and an agreement to have her repay these amounts to the Fund.

C. Zack Cziryak, Financial Investment News, WHV Investment Information Request, March 18, 2016

Zack Cziryak, a writer for the Financial Investment News, e-mailed Trustee Nazarko and asked for the WHV quarterly report. The trustees agreed that this did not need to be sent to him.

Trustee Nye leaves the Meeting at 11:17 a.m.

D. Zack Cziryak, FOIA Request, March 18, 2016

Zack Cziryak, a writer for the Financial Investment News, asked for the December 31, 2015, quarterly investment report as provided by the Bogdahn Group, under the Freedom of Information Act. The trustees agreed that this could be sent to him.

E. MAPERS Survey Request

MAPERS is preparing a survey and requested information with respect to the Pension fund.

RESOLUTION 16-013 By Nazarko, Supported by Britton
Resolved, That the request from MAPERS for survey information be provided to them.

Yeas: 4 – Nays: 0

CORRESPONDENCE

- A. WHV International Fourth Quarter 2015, Portfolio Manager Letter, January 25, 2016
- B. Metropolitan Real Estate Partners VII Distribution, January 26, 2016, \$30,785.44
- C. Sankaty Cash Distribution, January 29, 2016, \$50,136.48
- D. Aberdeen Asset Management, Letter re CIO Departure, February 1, 2016
- E. Metropolitan Real Estate Partners VII Capital Call, March 1, 2016, \$561,066.50
- F. Wells Fargo Distribution, March 18, 2016, \$20,000.00

NEXT MEETING DATE: April 21, 2016

ADJOURNMENT

RESOLUTION 16-014 By Britton, Supported by Nye
Further Resolved, That the meeting be adjourned at 11:22 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 March 31, 2016.



Nevrus Nazarko, Secretary
As recorded by BeneSys