

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
OCTOBER 27, 2016**

A regular meeting of the Board of Trustees was held on Thursday, October 27, 2016, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Craig Storum, Chairman
Lon Britton, Vice-Chairman, (phone-in)
Matt Nye
Nevrus Nazarko, Secretary

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, The Bogdahn Group
Duane Menter, BeneSys, Inc.
Liz Edwards, BeneSys, Inc.

Trustees Absent

Deirdre Waterman, Mayor (arrived at 9:47 a.m.)

Chairman Storum declared that a quorum was present and called the meeting to order at 9:06 a.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – September 29, 2016
- B. Financial Reports
 - 1. Financial Reports – August 31, 2016
 - 2. Bills for Ratification as of October, 2016
- C. Remove from Rolls:
 - 1. N / A
- D. Final Benefit Calculations:
 - 1. N/A

RESOLUTION 16-043 By Nye, Supported by Nazarko
Resolved, That the items on the Consent Agenda for October 27, 2016, be approved.

Yeas: 4 - Nays: 0

CONSULTANTS

A. The Nyhart Company

Heath Merlak of The Nyhart Company, the Plan's Actuarial firm presented a Management Summary of the December 31, 2015 Actuarial Valuation report. He discussed the conversion from the prior actuarial firm which resulted in a \$4.3 million (or 1.7%) loss due to lower expected cash flows than Rowdan (the previous firm). He noted that the actuarial "rule of thumb" is to be within 5%. He went on to discuss other variations resulting from demographics, mortality and the temporary retiree medical supplement. He also noted that assets of the Plan returned 0.7% (market value) or 7.2% (actuarial value) and that the Funded Ratio of the Plan decreased from 92.5% to 89%.

Mr. Merlak went on to discuss the recommended contribution requirement based on the latest mortality projection scale MP-2016 which reduced the amortization period by 1 year to 27 years. He recommended that the contribution for the Fiscal Year Beginning January 1, 2017 be \$2.9 million.

At this point Nevrus Nazarko asked if making the required contribution in January rather than June would have an impact on the financial status of the Plan. Mr. Merlak acknowledged that it would have a positive impact but he would like to follow up with a more detailed accounting of the effect of such an early contribution.

Mr. Merlak then discussed the possibility of reducing the amortization period from 27 to 20 years and the various options to facilitate this change. Trustees could reduce the period by 1 year each fiscal year for 7 years or they could make an immediate change from 27-20 years. Trustee Storum asked if the change from 27-20 years was a strong recommendation from Nyhart and Mr. Merlak responded that while it was their recommendation, it was not necessarily a "strong" recommendation and that if not adopted, the Plan wouldn't be an outlier if they decide to remain at 27 years.

RESOLUTION 16-044 By Britton, Supported by Nazarko
Resolved, Maintain the 27-year amortization period and adopt the updated MP-2016 mortality scale.

Yeas: 4 - Nays: 0

B. The Bogdahn Group

Christopher Kuhn of the Bogdahn Group, reviewed the Fund's assets as of October 24, 2016. He noted that the mandates for Metropolitan (\$5MM) and Tortoise (\$6MM/\$886k on 9/28) have been facilitated.

Mr. Kuhn then reviewed the updated Investment Policy Statement. He stated that the Bogdahn Group has sent the individual addendums to all managers and is in the process of obtaining executed versions of each addendum.

REPORTS

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

ATTORNEY'S REPORT

RESOLUTION 16-045 By Nye, Supported by Nazarko
Resolved, That the Board move to closed session to discuss pending litigation at 9:40 a.m.

Yeas: 4 - Nays: 0

The Board moved to closed session at 9:42 a.m.
The Board returned from closed session at 10:45 a.m.

RESOLUTION 16-046 By Nye, Supported by Nazarko
Resolved, to approve the Minutes of the September 29, 2016, closed session.

Yeas: 4 – Nays: 0

Attorney Report – General Matters:

Tammy Mathes – Exhibit A

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

Frank Moon – Exhibit B

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

Ken Ayres – Exhibit B

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

Patricia McNeary Overpayment

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

Dispute of IRS Penalty Increase – Exhibit D

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

Revised iPad Policy – Buy back old device

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

UNFINISHED BUSINESS

A. Updated Trustee iPad Use Policy

Attorney Henzi addressed this in the Attorney Report.

B. Patricia McNeary COLA Overpayment

Attorney Henzi addressed this in the Attorney Report.

C. Ken Ayres, Deferred Buyout

Attorney Henzi addressed this in the Attorney's Report.

D. Tammi Mathes, Request for Re-Hearing

Attorney Henzi addressed this in the Attorney's Report.

E. Franklin Moon, Request for Buyout

Attorney Henzi addressed this in the Attorney's Report. There was considerable discussion about Mr. Moon's request for a benefit prior to age 60. The Board examined Mr. Moon's appeal in depth prior to and during the meeting. The Board concluded that Mr. Moon is a deferred vested participant in the System, but only eligible for a benefit commencing at age 60 according to Michigan's Reciprocal Retirement Act. The Board agreed that Mr. Moon's member contributions and one month of benefit that were paid to him were paid in error and must be paid back to the System so that he may continue participation in the System.

Resolution 16-046-1 By Britton, Supported by Nye

Resolved, to deny Mr. Moon's request to receive a pension benefit prior to age 60. Further, that legal counsel is directed to send a letter to Mr. Moon's attorney denying the appeal for the reason that Mr. Moon is not eligible for a benefit until age 60 under Michigan's Reciprocal Retirement Act.

Yeas: 4 – Nays: 0

Resolution 16-046-2 By Storum, Supported by Nye

Resolved, that the Board directs BeneSys to examine calculations of other participants in Reciprocal Retirement Act cases as a means of self-audit to ensure that benefits are being paid appropriately.

Yeas: 4 – Nays: 0

Resolution 16-046-3 By Storum, Supported by Nye

Resolved, that the Board authorizes entering into the actuarial services contract agreement with Nyhart Consultants. Further, that the Chairman is authorized to execute the contract.

Yeas: 4 – Nays: 0

F. Reconciliation of Health Care Deductions

45 letters sent to eligible retirees, 29 of which have completed and returned the necessary form. 27 authorizing the deductions to be withheld from the payment of the \$2,800 bonus and 2 are disputing the monies owed to the City. In addition, 2 deaths of affected retirees have been reported.

RESOLUTION 16-047 By Nazarko, Supported by Nye

Resolved, That individuals who have been deemed to owe payments to the City of Pontiac for Health Care coverage provided in the past shall not receive the \$2,800 bonus until such time they have signed and returned the authorization to withhold these amounts from the bonus.

Yeas: 4 - Nays: 0

G. Form 945 Dispute of Penalty from IRS, July 18, 2016

Attorney Henzi addressed this in the Attorney's Report.

H. City of Pontiac vs CPREA, pre-1996 Retirees

Attorney Henzi addressed this in the Attorney's Report.

I. Pre-1996 Retirees Enhanced \$400 Benefit for Seven Months

Attorney Henzi addressed this in the Attorney's Report

NEW BUSINESS

A. Carmen Grier v. Michael Grier QDRO

Attorney Henzi addressed this issue for the Board.

B. Donald Weyer, Health Care Invoice Dispute. Participant is contending that they do not owe for the health care coverage which was invoiced

C. Gary Johnson, Health Care Invoice Dispute. Participant is contending that they do not owe for the health care coverage which was invoiced

D. Neil C. Craig/Shirley Craig Pension Overpayment. Participant deceased but receive three months of pension benefits totaling in excess of \$5,000. This participant was listed to receive the \$400 monthly bonus for 3 months (\$1,200) but was not sent the funds due to the overpayment of the pension benefit. The Fund Office has requested repayment of the 3 month overpayment several times and received no response to date.

RESOLUTION 16-048 By Nazarko, Supported by Nye

Resolved, do not pay the \$1,200 bonus amount and close the file as pursuit of the overpayment would likely be costlier than the amount to be recovered.

Yeas: 4 - Nays: 0

CORRESPONDENCE

- A. A Munder Mid-Capitalization Core Growth Quarterly Commentary, Sept. 2016
- B. Metropolitan Real Estate Partners VII Distribution, October 11, 2016, \$20,523.62
- C. Metropolitan Real Estate Partners VI Distribution, October 17, 2016, \$110,665.01
- D. Capis Account Payment, October 24, 2016, \$102.20

NEXT MEETING DATE: December 8, 2016

ADJOURNMENT

It was proposed by Trustee Nye and supported by Trustee Nazarko that the meeting be adjourned at 11:30 a.m.

RESOLUTION 16-042 By Nye, Supported by Nazarko
Further Resolved, That the meeting be adjourned at 12:30 p.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 October 27, 2016.

Nevrus Nazarko, Secretary
As recorded by BeneSys