

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING MINUTES
OCTOBER 29, 2015**

A regular meeting of the Board of Trustees was held on Thursday, October 29, 2015, at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Trustees Present

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

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, The Bogdahn Group
Randy Gomez, Nyhart Actuarial Services
Jane Bais DiSessa, Deputy Mayor
Liz Edwards, BeneSys, Inc.

Trustees Absent

Deirdre Waterman, Mayor

Chairman Storum declared that a quorum was present and called the meeting to order at 10:18 a.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – September 16, 2015
- B. Financial Reports
 - 1. Financial Reports – August 31, 2015
 - 2. Bills for Ratification as of September, October 2015
- C. Remove from Rolls:
 - 1. Patsy Schroeder, DOD 09-25-2015; Surviving Spouse of David
 - 2. Lucille Rood, DOD 10-07-2015; Surviving Spouse of Robert
- D. Final Benefit Calculations: N / A

RESOLUTION 15-046 By Britton, Supported by Nye

Resolved, That the items on the Consent Agenda for October 29, 2015, be approved, subject to an amendment of the September 16, 2015, minutes to reflect that Trustee Nazarko arrived late and was not absent.

Yeas: 4 - Nays: 0

CONSULTANTS

A. The Bogdahn Group

Mr. Kuhn reviewed the Fund's position as of October 20, 2015. He stated that he anticipates the market value will be up a bit at the end of the month. He advised that with the COLA payment upcoming, the Fund will need \$6,000,000 to cover the COLA and November pension payments. He also noted there will be a capital call for Wells Fargo and Sankaty this week.

Mr. Kuhn stated that the Fund is a bit underweight in real estate since there have been several distributions from Mesirow and Metropolitan recently. We are in the wind-down stage now.

Mr. Kuhn then discussed the Value Added Real Estate Manager review. He noted that with a primary fund, there is generally a time period during which you can get in. You can generally target what you can do, such as "apartments" or "region." The disadvantage is diversification. A secondary fund is an investment in a closed-ended fund/partnership that is acquired from a limited partner that you can purchase at a discount. Co-investment funds, such as American Realty, are minority investments made along with a general partner into a single asset. The general partner sponsors and manages the investment. You buy it at a discount, and can achieve a higher rate of return, however there is a lack of diversification. A fund of funds (FoF) is a portfolio of investments that is well diversified, and may include primary funds, secondaries, and co-investments, but may also include higher fees.

Trustee Nazarko asked if there is a \$25,000 investment minimum with primary investments. Mr. Kuhn stated that is an estimate based on what the fund invests in, and how many managers are involved. Chairman Storum asked if co-investment funds and fund of funds include diversification. Mr. Kuhn stated that yes they do.

Mr. Kuhn stated he feels there are three possibilities. American Realty is a value-added, open-ended fund. You can get in or out on a quarterly basis, you have more control on cash coming out, and on direct investments. Metropolitan looks just like the current fund. Between Perennial Capital and Portfolio Advisors, Portfolio lets you choose which investments to use and how to split it. The Trustees stated they would all go for "value added." Mr. Kuhn stated that Perennial Capital is value added, traditional, and the smallest fund. \$5,000,000 would probably be the minimum investment. Trustee Nye stated that American seems expensive, and asked Mr. Kuhn which fund he likes. Mr. Kuhn replied that he likes American because of its liquidity. He also likes Portfolio Advisors because it is a bit cheaper, and he would target ½ of it to U.S. investments. Chairman Storum stated he likes Metropolitan because it has reasonable fees, and invests primarily in the U.S. Trustees Britton and Nye stated they like Metropolitan. Trustee Nazarko stated he leans towards American. It was then

RESOLUTION 15-047 By Nye, Supported by Britton
Resolved, To transfer \$5 million into Metropolitan Realty Value Added Funds.

Yeas: 4 - Nays: 0

Mr. Kuhn then stated that Attorney Henzi is working with Clarivest on an agreement with an initial investment of 5% to perhaps 10%. It was then

RESOLUTION 15-048 By Nye, Supported by Britton
Resolved, To transfer \$10 million into the Clarivest Funds.

Yeas: 4 - Nays: 0

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 – Exhibit A

Attorney Henzi stated that the IRS is going to stop issuing Determination Letters. We will consider the plan as qualified, and will amend the Ordinance accordingly.

Revised Amendment to Open Meetings Act

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

Nyhart Actuarial Services Contract

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

Hilborn v Hilborn EDRO – Exhibit B

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

Deferred Buyout – Archer – Exhibit D

Attorney Henzi addressed this issue for the Board in the Attorney Report. It was asked if he wanted the match or does he want to repay his distributed amount and get back into the plan. It was then

RESOLUTION 15-049 By Nye, Supported by Nazarko
Resolved, To apply an interest rate of 7.5% per annum from the date of withdrawal to the repayment date.

Trustee Nazarko stated that eight people were not contacted. When the partial plan termination occurred he withdrew the money not knowing that he had become vested, so he still had time to redeposit. Trustee Nye stated that he did not know, and did not have the opportunity to repay. We should tell him to repay with interest to get back in, or to repay. Trustee Britton stated that he looks at it that we are holding their feet to the fire for something that was not their fault. He does not think he should be held liable from the time he received the cashout to the time we decided to offer the opportunity to members who became vested as a result of the partial plan termination to repay their contributions. A substitute resolution was offered. It was then

RESOLUTION 15-050 By Nye, Supported by Nazarko

Resolved, To apply an interest rate of 7.5% per annum from the date of withdrawal to the partial plan termination date.

Trustee Nye stated that the interest should be applied from the date of withdrawal to February 1, 2012. Chairman Storum stated he was not sure that these deferred vested members were not notified by the prior administrator. Trustee Britton stated he wants to see if these deferred members would accept a buyout, and then go to Council for an approving Ordinance Amendment. Attorney Henzi advised that Council previously approved such an Ordinance Amendment. A second substitute resolution was then offered. It was then

RESOLUTION 15-051 By Nye, Supported by Britton

Resolved, To apply an interest rate of 7.5% per annum from the date of withdrawal to February 1, 2012.

Yeas: 4 - Nays: 0

Larry McNearly – Exhibit E

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

RESOLUTION 15-052 By Nye, Supported by Britton

Resolved, That the Board move to closed session to discuss pending litigation at 11:33 a.m.

Yeas: 4 - Nays: 0

The Board moved to closed session at 11:33 a.m.

The Board returned from closed session at 12:00 p.m.

RESOLUTION 15-053 By Nazarko, Supported by Nye

Resolved, That the Board approve the September 16, 2015, closed session minutes.

Yeas: 4 – Nays: 0

Portfolio Monitoring Reports – Exhibit H

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

Miscellaneous Articles – Exhibit I

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

UNFINISHED BUSINESS

A. Emergency Manager Order #308 Review

Attorney Henzi discussed the Emergency Manager Order #308. Trustee Britton stated that there was supposed to be a \$400 / month increase to pension benefits for the pre-Veba Medicare participants effective as of two years ago and to be effective for two years. The Board tabled it at that time, as we were always told the City was working on it. However, nothing ever happened. There was a cost analysis, the City approved it, but nothing has happened.

Trustee Nazarko stated that he has a problem with this. Order #308 expired in August, 2015. GERS had an extension for another year approved, so we are past the deadline, and cannot move on it going forward, and since it is expired, cannot do it retroactively. Trustee Britton thinks it was okay to table it as we were waiting for the City to act. Attorney Henzi stated that Trustee Britton's history is accurate. Also, everyone knew the elimination of retiree health care was going to happen, but thought it would not affect Police and Fire because Mr. Schimmel said so. But then, Mr. Schimmel changed his mind, then he said pre-Veba members would have no coverage. Then discussions started and it was put on hold.

Trustee Nazarko stated that this is a great Board, but there are some actions that should have been taken. He would support bringing them into the Veba. Trustee Nye stated that he was involved with many of those meetings, and it was turned down because we thought we could get them into the Veba. But, it backfired, and now the only group left out is the oldest and most vulnerable. We have a chance to right a wrong.

Trustee Nazarko asked how do we handle it now at this point? Chairman Storum stated that the intent was to cover them, then it was taken away and we were led to believe it was going to be addressed. Attorney Henzi stated that Mr. Schimmel thought it was a great idea but it never happened. The City did not pursue it because they were afraid the post-1996-ers would sue them. The Board did not create this problem, Mr. Schimmel did. Trustee Britton stated he feels bad for Trustee Nazarko as he is caught in the middle. But, the City is not trying to help either. Chairman Storum asked if there is a timeline. Attorney Henzi stated it went from August of 2013 to August of 2015. Trustee Nye stated it was not extra money, but money that was already approved to be taken out.

Trustee Britton stated that we should give people their money back for two years. Also, we need a list of those participants who passed away and their surviving spouses. We also need a list of those who are still alive and covered for two years, to be reviewed at the next meeting so checks can be mailed by the end of the year. It was then

RESOLUTION 15-054 By Britton, Supported by Nye

Resolved, To pay the \$400 / month pension increase as mandated by Executive Order 308 to the members affected by that Executive Order, for the timeframe set forth in that Order, September 2013 – August 2015, and as otherwise stated in Executive Order 308. Further, that BeneSys shall compile a list of 1) Pre-1996 retirees; and 2) surviving spouses, so as to identify the persons eligible for this pension increase. Further, that the Motion is subject to legal counsel's research of three issues: 1) whether the System may pay a benefit retroactively after Executive Order 308 expired; 2) whether there was a prior resolution by the Board to not pay the increase, and which would preclude the Trustees from approving the payment of the benefit now; and 3) whether the pension increase can be paid retroactively in light of the fact that the City has not increased its actuarial require contribution based on a prior cost study.

Yeas: 3 - Nays: 1

RESOLUTION 15-055 By Nye, Supported by Britton

Resolved, To review the list of eligible retirees at the next meeting so that two years of payments can be made by the end of the year.

Yeas: 3 - Nays: 1

The surviving spouses information will be reviewed at the January 2016, meeting.

B. PFRS Cash Out Letter

This item was discussed in the Attorney's Report.

NEW BUSINESS

A. Mrs. Larry McNeary Overpayment Letter

This item was discussed in the Attorney's Report.

CORRESPONDENCE

- A. Burgundy Asset Management, Fund Administration to Northern Trust, 9-21-15
- B. Wells Fargo, Notification of Distribution, September 29, 2015
- C. Aberdeen Asset Management, Fixed Income Enhanced Global Structure, Oct. 1, 2015
- D. Sankaty Direct Lending Fund, Notification of Cash Distribution, October 14, 2015
- E. Wells Fargo, Notification of Capital Call, October 20, 2015
- F. Sankaty, Notification of Capital Call, October 21, 2015

NEXT MEETING DATE: December 3, 2015

ADJOURNMENT

RESOLUTION 15-056 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 September 16, 2015.



Nevrus Nazarko, Secretary
As recorded by BeneSys