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|----|-----------------------------|-------|--------------------|---------------------------------------|
|    | 1. David Lyons – PFFU       |       | 10 years, 5 months | Age 50                                |
|    | 2. Jeffrey Hohendorf – PPSA |       | 12 years, 9 months | Age 50                                |
| F. | Final Benefit Calculations  |       |                    |                                       |
|    | 1. Joel Felt – PPOA         | #1485 |                    | \$2,545.05 (converted to service ret) |
|    | 2. John Rayner – PFFU       | #2504 |                    | \$4,525.06                            |
|    | 3. Gary Hardiman – PFFU     | #2505 |                    | \$3,694.80                            |

**RESOLUTION 10-043** By Lee, Supported by Nye  
 Resolved, That the consent agenda be approved.

Yeas: 4 - Nays: 0

**CONSULTANTS**

**Re: Plante & Moran – 2009 Audit Report**

Ms. Bialy stated that they have issued a clean audit opinion Once again Ms. Munson, Ms. Zimmermann and Ms. Arndt have done an excellent job.

The Management Discussion and Analysis is put together by management detailing the asset allocation and Fund investments. Returns as of December 31, 2009 were 16.5%.

The Statement of Plan Net Assets is the Fund’s balance sheet. She noted investments held as collateral for securities lending of \$31.2 million which is offset under liabilities as \$31.3 million due to the loss of value of the collateral invested. The fund’s total investments were \$226.8 million with total liabilities of \$31.6 million resulting in total net assets held in trust of \$227.2 million.

The Statement of Changes in Plan Net Assets is the income statement of the Fund. Miscellaneous and litigation revenue was \$135,732.00 with slight securities lending losses of \$5,317. Total employer and employee contributions were \$1.5 million. Net investment income was \$33.9 million. Pension benefits and retirement incentives are the largest deduction at \$14.9 million. The Fund realized a net increase in assets of \$19.4 million. At the beginning of 2009 net assets totaled \$207.8 million and at the end of 2009 net assets totaled \$227.2 million.

The Notes to the Financial Statement include a list of the standard accounting policies. As of December 31, 2008 there were 390 retirees and 169 active employees. She stated that most of this section contains boilerplate language describing accounting policies and how investments are valued.

Note 2 describes the plan description and contribution information including the annual pension costs.

Note 4 describes contributions held in reserves with \$2.5 million reserved for employee contributions and \$168.9 million set aside for current retirees; the difference is the City reserves.

The Schedule of Analysis of Funding Progress as of December 31, 2008 lags one-year behind because the audit report is prepared before the actuarial valuation. Based on an actuarial accrued liability of \$238.2 million and an actuarial value of assets of \$265.5 million as of December 31, 2008, the funding ratio is approximately 111.3%. Using the fair market value of assets at \$208 million versus the actuarial smoothed assets of \$265.5 million the System is slightly under funded. The actuary does not use the market value but uses a smoothed value.

She reviewed the Schedule of Employer Annual Required Contributions stating that the City paid 100% of their contribution which decreased in 2009 to \$2.1 million.

She explained that the Communications Required Under GASB describes the current audit requirements and their responsibilities under GASB. It is primarily boilerplate language. There have been no new accounting policies. The City did adopt GASB 45.

She explained that accounting estimates are an integral part of the financial statements. Certain accounting estimates are sensitive due to their significance to the financial statements. She noted that alternative investments are hard to value and can directly affect the financial statements because actuarial accrued liabilities are based on assumptions.

SAS Number 70 requires third party vendors to audit their internal controls and provide a report to their clients. She suggested that the Retirement Office annually review these vendor reports.

She noted that the Board has had many discussions regarding alternative investments. Alternative investment valuations are very sensitive because they are not publicly traded their value is harder to determine. They can also impact the audited financial statements of the Fund. She recommended that in-depth continuing due diligence be performed.

Chairman Storum asked about the new proposed GASB standards that eliminates smoothing and reduces the amortization from thirty years to fifteen years. Ms. Bialy said she will put together a preliminary report.

Ms. Billings said she had some information on the GASB Preliminary Views in her report. Ms. Zimmermann indicated she would keep the board updated.

**Resolution 10-044** By Nye, Supported by Lee  
Resolved, That the Board approve the 2009 Audit Report as presented.

Yeas: 4 – Nays: 0

*Ms. Bialy & Mr. Forté left at 9:43 a.m.*

**Re: Gray & Company**

GTS Advisor Analysis

Mr. Kuhn stated that GTS is a transition manager consultant. They charge a higher fee which is included in the broker fee. Normally the fee would be one cent per share or less; GTS charges a ½ cent to one cent more. They claim they can deliver the best broker for a transition.

It is difficult to determine the value add. They are able to select a broker but cannot quantify their results.

Mr. Gray said that they like the concept from a consultative approach but you will pay more. They do not understand how the firm reports their performance. It is a story worth hearing.

Trustee Nye asked if they really need GTS's services. Mr. Kuhn said that could be used during a manager transition. Gray & Company looks at ten to twenty institutional transition managers while GTS is looking at one hundred.

### **Timber Allocation – Contract Update**

Mr. Kuhn questioned whether the timber contracts had been updated to allocate 50% to the domestic fund and 50% to the international fund. Ms. Billings said she just received the contract and has not had time to review.

Mr. Kuhn said he met with Ms. Zimmermann last week to go over the rebalancing schedule. The second quarter was difficult for equities with the S&P 500 down 11%. Bonds are strong; the yield curve is coming down. Year-to-date numbers are good.

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## **REPORTS**

### **Re: Chairman**

Chairman Storum asked whether the actuarial rates were updated yet. Ms. Zimmermann said the new report is not completed.

### **Re: Secretary - None**

### **Re: Trustees**

Trustee Nye said that emails have been sent out between the Union and City regarding extending early outs through the end of the year. He questioned whether this would cause any actuarial issues or effects. Only thirty-eight members took the early out.

Ms. Zimmermann said that the cost of fifty PFFU members going out was included in the actuary's report. She will check with the actuary.

Chairman Storum questioned whether a cost analysis will have to be done. Ms. Zimmermann did not believe an update would be needed. The original plan was for fifty members. If more than fifty went it could affect the study.

Trustee Lee asked the status of the duty disability for Desi Burroughs. He was approached by one the Captains. Ms. Zimmermann said she would check into the issue.

Trustee Nye said that Mike Dougherty is a firefighter who was injured on the job and has made application for a duty disability retirement. The Union has instructed that no one talk with him; he has threatened litigation.

Ms. Zimmermann indicated that Ms. Craft has been working on this issue and is in the process of obtaining medical records.

**Re: Administrator**

She described the information included in the Reports Section of the agenda packet.

An article from the New York Times stating that the SEC is tightening their rules on public pension funds “pay-to-play” practices.

Write ups from her and Ms. Munson describing sessions attended at the Spring MAPERS Conference.

She also included the letter sent to the new Emergency Financial Manager, Michael Stampfler from former EFM, Fred Leeb. She has circled the statements that pertain to the Retirement System.

PFFU Contract Information

Ms. Zimmermann reported that some of the firefighter retirees believe that they were granted an additional year of service credit. However, the contract reads that the member will receive service credit giving them up to a maximum of 25 years. For example, if a member has 24 years and 6 months of service credit he would be given 6 additional months for a total of 25 years.

DDJ Transfer

Ms. Zimmermann indicated that \$4,200.00 was transferred to DDJ for the audit payment.

EFM Information

She was told that Mr. Stampfler has directed Human Resources to provide the requested information to the Retirement Office.

The Boston Company

Ms. Zimmermann said that terminated investment manager The Boston Company has indicated that the System is owed a tax reclaim in the amount of \$272,000.

Actuarial OPEB Study

She told the Board that an actuarial study on health benefit costs was requested by the former Emergency Financial Manger and Human Resources. She and Ms. Billings are working on getting the data needed for the study.

### Federal Withholding Issue

Ms. Munson discovered that withholding at the federal level cannot be based on a flat rate. A notice was sent out to a large number of members whose withholding was based on a flat rate indicating that they needed to change their withholding based on marital status and number of allowances. She informed the Board that Ms. Arndt put forth a lot of hard work and effort assisting the members with this issue.

Chairman Storum asked when the PFFU final benefit calculations will be completed. Ms. Zimmermann said that some of the PAS forms needed have not been received. She also indicated that Ms. Craft has been working on a number of Teamster early outs.

### **Re: Legal**

#### Northern Trust

Ms. Billings reported that they are still working with BLBG.

#### Almost Family, Inc. Securities Litigation

Ms. Billings reported that Almost Family is being investigated for fraud by the Senate Finance Committee for potential securities fraud based on their Medicare reimbursement practices. Robbins Gellar has recommended that the System apply for lead plaintiff status.

#### **Resolution 10-045** By Lee, Supported by Nye

Resolved, That the Board has agreed to apply for lead plaintiff status in the Almost Family, Inc. securities litigation.

Yeas: 4 – Nays: 0

Ms. Billings indicated that there is a good chance another Fund with larger losses will be appointed lead plaintiff.

#### Fossil, Inc.

Ms. Billings reported that under advisement of the Court, limited discovery is proceeding.

#### UBS/AG Securities Class Action

Ms. Billings reported that the hearing on the Defendants' Motion to Dismiss has not been set. They will continue to advise the Board with respect to this matter.

#### Airgas Securities Litigation

Ms. Billings reported that Ms. Zimmermann went through a seven-hour deposition on July 27, 2010. She did an excellent job and was not intimidated.

#### IRS Application for Determination Letter

Ms. Billings reported that she has attached her latest communication with the IRS. She has not received a reply.

### Loomis Sayles SEC Form ADV

Ms. Billings referred to correspondence forwarded to Gray & Company pertaining to the Loomis Sayles SEC Form ADV. There were a couple of regulatory blimps but those were from ten years ago.

### FBAR Reporting

Ms. Billings reported that Thornburg was the last manager she was waiting to hear from with regard to FBAR (Report of Foreign Bank and Financial Accounts) reporting. She indicated that they have confirmed they are not required to file an FBAR report with the IRS.

### Legal Opinion Regarding Trustee Appointment

Ms. Billings reported that she researched whether the Board can select a retiree to serve as a trustee on the Board. There is nothing in the Retirement Ordinance that indicates a retiree cannot be a trustee. The language states that one trustee will be a policeman and one will be a fireman. The other Board member will be selected by the other four trustees.

### MERS Resolution

Ms. Billings stated that at the last meeting she distributed a copy of a resolution adopted by the Royal Oak City Commission opposing the proposed legislation contained in Senate Bill 1239 Distressed Municipal Pension System Act. She has been advised by MAPERS that these bills are dead.

### JOJU-RIMAL, L.L.C.

The extension for JoJu Rimal is coming to an end. If they want to extend the lease they have to pay \$100,000.00 as part of the arrangement. Stuart Tompkins will have a better position on this issue at the end of August.

### Miscellaneous Articles

- GRS Insight, July, 2010 – The GASB’s Preliminary Views on Pension Accounting and Financial Reporting by Employers

Ms. Billings explained that this proposal would add reporting changes which would reduce the amortization from thirty to fifteen years and eliminate smoothing. The liability would not have to be funded based on these requirements but it would help to compare funding of retirement systems. There would be two sets of books; one with assumptions adopted by the Board and used to determine contributions and one with assumptions required by GASB and used to compare the funding level with other systems.

- NCPERS The Monitor, June/July 2010 – NCPERS Ready Comments That Challenge GASB Preliminary Views for Pension Accounting

- CCH Pension – 7/9/10 – IRS Advisory Committee Recommends changes to the determination letter process

Ms. Billings explained that this proposal eliminating amendments would make her job much easier.

Police & Fire Regular Meeting  
July 29, 2010

**Re: Union Representatives - None**

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**NEW BUSINESS**

**Re: Semi-Annual Rebalancing**

Ms. Zimmermann requested that the Board approve the cash flow rebalancing plan as recommended by the consultant.

**Resolution 10-046** By Lee, Supported by Nye

Resolved, That the Board of Trustees approve the transfer of \$1,000,000 from Munder Capital; \$1,000,000 from Loomis Sayles; \$2,000,000 from TCP Global and \$2,000,000 from Northern Trust intermediate fixed income and \$2,000,000 from Artio Global Advisors to fund benefits and operations for the next six months.

Yeas: 4 – Nays: 0

**Re: Signature Authority**

Ms. Zimmermann requested that the signature authority be updated to include an alternate. The current signature authority is the Chairman and the Administrator.

It was determined that the Mayor would have signature authority for matters conducted by the board.

**Resolution 10-047** By Lee, Supported by Nye

Resolved, That the Board update the signature authority to the Chairman, Mayor Jukowski and the Administrator.

Yeas: 4 – Nays: 0

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**UNFINISHED BUSINESS**

**Re: Budget Fiscal Year 2010 – 2011**

Ms. Zimmermann indicated there was nothing new to report.

**Re: FOIA Re: PAS Forms**

Ms. Zimmermann said that the FOIA sent to EFM Fred Leeb was forwarded to the new EFM Michael Stampfler.

**Re: HELPS Letter to Retirees**

Chairman Storum stated that Mike Wells indicated that his healthcare payments are not pre-taxed dollars when withheld from his pension benefit. He suggested that Mr. Wells should be a candidate for the HELPS program.

Ms. Zimmermann suggested that Mr. Wells can be the test candidate.

Ms. Billings said that the member receives a \$3,000.00 tax credit.

Ms. Zimmermann said that once the test is complete, letters can be sent to those members who are affected.

**Re: Disaster Recovery Plan/Actuarial Software Search**

Ms. Zimmermann stated that there is nothing new to report.

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**SCHEDULING OF NEXT MEETING**

Regular Meeting –Thursday, August 26, 2010 – Shrine Room, Main Level, City Hall @ 9:00 am

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**ADJOURNMENT**

**RESOLUTION 10-048** By Nye, Supported by Jukowski  
Resolved, That the meeting be adjourned at 10:28 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 July 29, 2010.

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*As recorded by Jane Arndt*