

## **Taylor Police & Fire Retirement Board February 13, 2013 Meeting Minutes**

The regular meeting of the Taylor Police & Fire Retirement Board was held at the Taylor Fire Department, 23345 Goddard Road, Taylor Michigan, on **Wednesday, February 13, 2013.**

**Present:** Chairman and Trustee Nicolas Hill, Trustee Dan Bzura, Trustee Lynn Cleary, Trustee Russ McNamee and Trustee Gerry Taylor

**Also Present:** Jack Timmony, of VanOverbeke, Michaud & Timmony, P.C., Legal Counsel; Chris Kuhn of Gray & Company, Investment Consultant; Kirk VanDagens of PNC Bank; Custodian Bank Investment Manager; Linda Kemp, Plan Administrator; Sandy Rodwan, Rodwan Consulting; Mr. & Mrs. Herb Proctor; Mr. Rob Diel and Ms. Gorski, Human Resource Director for the City of Taylor

**Chair Nicolas Hill called the meeting to order at 4:36 P.M.**

**Motion by Taylor, supported by Bzura.**

Resolved: To approve the minutes of the regular meeting of the Board held January 9, 2013 and the minutes of the closed door session also held January 9, 2013.

*Unanimously approved.*

02.11-13

**Motion by Taylor, supported by Cleary.**

Resolved: To receive and file the following financial correspondence:

1. Letter dated January 16, 2013 to Barbara Citizen of PNC Bank requesting the transfer of \$200,000 from the Small Cap Growth Account to the Administrative Account on or before January 31, 2013.
2. Distribution from Oaktree Capital Management, L.P. dated January 15, 2013 in the amount of \$48,243.00 Pursuant to section 6.3(b) of the Amended and Restated Limited Partnership Agreement.

*Unanimously approved.*

02.12-13

**Motion by Bzura, supported by McNamee.**

Resolved: To receive and file the following correspondence.

1. The January 2013 Police & Fire Retirees Medicare Reimbursement Report. Note 20 changes this reporting period.
2. Legislative Update dated February 13, 2013 from the office of VanOverbeke Michaud & Timmony.
3. The Annual Actuarial Valuation report as of June 30, 2012 as provided by Rodwan Consulting Company.

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4. Memo from the office of VanOverbeke Michaud and Timmony, P.C. dated February 13, 2013 referencing the Service Provider Disclosure Policy.

*Unanimously approved.*

02.13 -13

### **Motion by Taylor, supported by Cleary.**

Resolved: To approve the following correspondence.

1. Disability Retirement Medical Committee Resolution prepared by the office of VanOverbeke Michaud & Timmony, P.C. referencing Public Act 528 of 2012 (HB5459).

*Unanimously approved.*

02.14-13

### **Motion by Taylor, supported by McNamee.**

Resolved: To pay the following bills:

1. Payment to Linda Kemp, Plan Administrator, for services during the period ending January 13, 2013 through February 10, 2013 in the amount of \$3,345.
2. Payment to NewSouth Capital Management, Inc. for management fees from October 1, 2012 through December 31, 2012 in the amount of \$10,622.
3. Payment to VanOverbeke Michaud & Timmony, P.C. for legal services rendered to the Board of Trustees for the period of October 1, 2012 through December 31, 2012 in the amount of \$6,002.50.
4. Payment to Gray & Company for Investment Consultant Retainer fee for 4<sup>th</sup> quarter 2012 billing in the amount of \$11,885.07.

*Unanimously approved.*

02.15-13

- **Mr. Jack Timmony** provided the Board with a detailed summary of the various amendments to Act 314, particularly the new disclosure requirements applicable to the Retirement System's service providers. The Act now requires current, as well as prospective, investment service providers to disclose all fees and other compensation related to the Retirement System. Great detail was also provided on the accompanying fee disclosure form and the political contribution disclosure form which will be submitted on an annual basis to any service providers being retained by the Retirement System. Mr. Timmony recommended the Board adopt the Policy Resolution prepared and provided at this meeting.

Mr. Timmony also discussed a proposed resolution regarding the disability retirement medical committee. The discussion was related in large part to section 6(2) (d) and (e) of Act 345. The proposed resolution allows the Board to have a member, who has applied for a medical retirement benefit, be examined by their own physician and the physician selected by the Board of Trustees and **if necessary**, a third physician designated by the first

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two physicians. Mr. Timmony recommended the Board adopt this resolution as prepared and provided.

A legislative update regarding PA 528 of 2012 (HB5459), which became effective December 28, 2012 was also discussed. The amendments to the Open Meetings Act were discussed providing the Board with details related to proper posting of rescheduling of regular meetings or special meetings. The amendments to the Act now require public notice on the website be included either on the homepage or on a separate webpage dedicated to public notices for non-regularly scheduled public meetings and be accessible via a prominent and conspicuous link on the website's homepage that clearly indicates the purpose for the non-regularly scheduled public meeting.

Public Act 597 of 2012 (SB409) was also discussed. This Act was signed into law on January 8, 2013 by Governor Snyder. The Act now provides various income tax deductions for those retirees not covered by the Social Security Act.

### **Motion by Cleary, supported by McNamee.**

Resolved: To adopt the Service Provider Disclosure resolution as recommended by legal counsel and to designate August 1<sup>st</sup> as the annual date to submit letter to all service providers.

*Unanimously approved.*

02.16-13

### **Motion by Taylor, Supported by Cleary.**

Resolved: To adopt the Disability Retirement Medical Committee resolution as recommended by legal counsel.

*Unanimously approved.*

02.17-13

### **Motion by Cleary, supported by McNamee.**

Resolved: To go to closed door session at 4:56 P.M.

*Unanimously approved.*

02.18-13

### **Motion by Cleary, supported by McNamee.**

Resolved: To open the public meeting at 5:26 P.M.

*Unanimously approved.*

02.19-13

### **Motion by Cleary, supported by Taylor.**

Resolved: To extend an invitation to Dr. Babcock to attend the next meeting of the P&F Board of Trustees for the purpose of clarification of his medical report submitted on November 14, 2012 related to the current disability applicant.

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*Unanimously approved.*

02.20-13

### **Motion by Cleary, supported by Taylor.**

Resolved: To forward medical report submitted at this meeting to Dr. Babcock for review.

*Unanimously approved.*

02.21-13

- **Mr. Rob Diel** was present at this meeting and addressed the Board regarding his mother's Alternate Payee benefits and tax exemption related questions. It was suggested by Mr. Timmony that Mr. Diel seek the advice of his tax preparer prior to making any changes to tax exemptions. **It was noted at this meeting that the Board of Trustees are prohibited by the Act to provide any tax advice.**
- **Sandra Rodwan of Rodwan Consulting** provided the Board with an in depth report of the Annual Actuarial Valuation report. The Board was given an opportunity to ask questions and make suggestions for future reports. A discussion ensued regarding the benefit of temporarily changing the amortization from 20 years to 25 and to change the annual salary increase rate from 3.5% to 0% until 2017.

### **Motion by Cleary, supported by Taylor.**

Resolved: To temporarily change the amortization schedule of the unfunded actuarial accrued liability from 20 years to 25 years to be reviewed annually.

*Unanimously approved.*

2.22-13

### **Motion by Taylor, supported by McNamee.**

Resolved: To change the annual rate of salary increase from 3% to 0% until 2017.

*Unanimously approved.*

2.23-13

### **Motion by Taylor, supported by Cleary.**

Resolved: To receive and file the Annual Actuarial Valuation report.

*Unanimously approved.*

2.24-13

- **Kirk VanDagens of PNC Bank** advised the Board that a complete review of Medicare reimbursement payments had been conducted by PNC and several overpayments had been discovered as well as some issues related to taxable and non-taxable portions of Medicare reimbursements. An overpayment of medical retirement benefits was also discovered. Mr. VanDagens advised the Board that PNC would repay the Retirement System for the two

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overpayments of Medicare reimbursement that occurred over a span of two or so years and that adjusted 1099's will be issued to those members with the tax issues.

Letters to Mr. Swope who received an overpayment in Medicare reimbursements and to Mr. Blanchard who received an overpayment in medical retirement benefits were reviewed and approved by the Board and will be sent out by the Plan Administrator via email as well as regular postal service.

### **Motion by Cleary, supported by Taylor.**

Resolved: To approve letters to Mr. Blanchard and Mr. Swope per language outlined in letters.

*Unanimously approved.*

2.25-13

Mr. VanDagens discussed in some detail the 4<sup>th</sup> quarter investment results stating that in spite of recent headline concerns the fund fared well during this quarter. There has been a gradual improvement in employment and the housing market appears to be getting stronger. The federal budget deficit was discussed as well as market values, fixed income returns and rate of return on investments.

Mr. VanDagens advised the Board that contracts have been submitted to Mr. Timmony for review and approval. Upon approval by legal counsel, Mr. VanDagens will submit same to Chair Hill for execution.

- **Chris Kuhn of Gray & Company** presented Board members with an updated Executive Summary stating the fund is up this quarter. A summary of individual managers was reviewed and discussed as well as current market values and allocation comparisons. Further discussion involving fixed income and asset allocation took place. Recent changes to Act 314 allow greater flexibility in allocating the Retirement Systems assets. Mr. Kuhn continues to work with Mr. Timmony researching alternate investment opportunities for the Board to review and consider.

Mr. Kuhn made a recommendation to transfer \$400,000 from the Large Cap Growth Account and \$400,000 from Large Cap Value Account for a total transfer of \$800,000 to the Administrative Account to provide liquidity for upcoming benefit payments and expenses.

### **Motion by Cleary, supported by Taylor.**

Resolved: To transfer \$400,000 cash from the Large Cap Growth Account and \$400,000 cash from the Large Cap Value Account to the Administrative Account as recommended by Chris Kuhn, Investment Consultant.

*Unanimously approved.*

02.26-13

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**Motion by Bzura, supported by Taylor.**

Resolved: To adjourn meeting at 7:47 P.M.

*Unanimously approved.*

02.27-13

**The next meeting of the Board of Trustees of the Police & Fire Retirement System will be held Wednesday March 13, 2013.**