

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
Minutes of January 28, 2009**

A regular meeting of the Board of Trustees was held on Wednesday, October 29, 2008 at the Lion's Den, Main Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:35 p.m.

TRUSTEES PRESENT

Shirley Barnett	Sheryl Stubblefield, Secretary
Charlie Harrison, Chairman	Debra Woods
Javier Saucedo, Vice Chair	Andrea Wright
Devin Scott	

TRUSTEES ABSENT

Koné Bowman -excused
Mayor, Clarence Phillips (*absent*)
Kevin Williams – excused

OTHERS PRESENT

Larry Gray, Gray & Company
Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Deborah Munson, Retirement Accountant
Linda Watson, Retiree
Stuart Tompkins, Sullivan, Ward, Asher & Patton, PC

PUBLIC DISCUSSION

None

RESOLUTION 09-005 By Wright, Supported by Saucedo
Resolved, that the Board of Trustees go into closed session to discuss pending litigation.
Barnett- yea Harrison- yea Saucedo-yea Scott-yea Stubblefield- yea
Woods-yea Wright-yea

Out of closed session at 1:45 p.m.

RESOLUTION 09-006 By Woods, Supported by Barnett
Resolved, That Trustee Saucedo attend due diligence in Florida.

Yeas: 7 – Nays: 0

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting: October 29, 2008
- B. Communications:

General Employees Retirement
Regular Meeting,
January 28, 2009

1. Correspondence from Invesco Re Update
 2. Correspondence from Oppenheimer Capital Re Lehman Update / Staff Changes
 3. Correspondence from Artio Global Investors Re Fact Sheets
 4. Correspondence from Sawgrass Re Update
 5. Correspondence from Systematic Re Quarterly Review
 6. Correspondence from Nexos Re Q3 Financial Statements
 7. Correspondence from ChrisKen Re Final Distribution
 8. Conferences:
 - a. Various Programs – IFEBP – various dates
 - b. 2009 Annual Conference – NCPERS – May 1-7, 2009
 - c. 2009 Public Funds Roundtable – III – April 22-24, 2009
 - d. One Day Seminar – MAPERS – Feb. 6, 2009
- C. Financial Reports:
1. Financial Reports – October, November & December 2008
 1. Commission Recapture – December 2008
 2. Securities Lending – October, November & December 2008
 3. Accounts Payable:

a. ADP	\$8,072.54
b. Artio Global Investors	87,763.20
c. Berwyn Group	161.00
d. Capital Guardian	25,631.87
e. City of Pontiac	6,696.32
f. Coffee Break	18.20
g. Gray & Co.	24,312.51
h. Ikon	688.42
i. Kennedy Capital	54,926.00
j. Mesirow Financial	37,857.75
k. Munder Capital	75,842.00
l. Northern Trust	40,238.04
m. Office Depot	109.08
n. Oppenheimer Captial	29,051.63
o. Rodwan Consulting	4,240.00
p. Sawgrass Asset Mgt.	79,130.00
q. Sullivan, Ward, Asher & Patton	4,363.36
r. Systematic	46,511.78
s. Visa	23,895.26
t. Quarterly Due To / Due From	1,047.22
- D. Retirements, Refunds, Final Calculations, Re-Examinations
1. Remove from the Rolls:
 - a. James Bates (deceased 10-29-08) : survivor benefit of \$669.26/mo to Charlotte Bates
 - b. Beverly Green (deceased 06-23-08)
 - c. Betty Becker (deceased 01-01-09)
 - d. Matilda Martin (deceased 12-15-08)
 - e. Wilma Shaffer (deceased 12-04-08)

- f. Helen Workman (deceased 12-03-08)
- 2. Application for Retirement:
 - a. Raymond Cochran – Non Union 2 years, 8 months Age 63 (reciprocal)
 - b. Pamela S. Gillespie – NOMC 9 years, 10 months Age 60
 - c. Gerald Henry – Local 2002 11 years, 1 month Age 60 (off deferred)
 - d. Hemalata R. Joshi – NOMC 12 years, 2 months Age 61
 - e. Marvin Poston – Local 2002 23 years, 2 months Age 60
 - f. Connie Smolek – SAEA 13 years, 1 month Age 60 (off deferred)
 - g. Gloria Thompson – NOMC 21 years, 1 month Age 55
- 3. Final Pension Calculations:
 - a. Francisco Reyes – Teamsers 214 #2408 \$ 2,009.99
 - b. Diana R. Schroder – NOMC #2464 \$ 379.25
 - c. Linda Living-Hawley – NOMC #2466 403.26
 - d. Sherron Murray – Teamsters 214 #2321 1,612.93
 - e. Larry Peters – Local 2002 #2434 515.27
 - f. Beverly Stubbs – Non union #2438 2,496.67
 - g. Gloria Dudley – Teamsters 214 #2425 1,341.00
 - h. Matthew Kibler – Local 2002 #2439 892.33
 - i. Gloria Thompson – NOMC #2460 705.43
 - j. Hemelata R. Joshi – NOMC #2467 391.78
 - k. Pamela S. Gillespie – NOMC #2471 386.99
- 4. Application for Refund of Accumulated Contributions:
 - a. John L. Hallmark \$5,183.51
- 5. Application for Deferred Retirement:
 - a. Dane Snowdon – Local 2002 16 years, 9 months Age 57
pension starts 2011

RESOLUTION 09-007 By Saucedo, Supported by Wright
Resolved, That the consent agenda for January 28, 2009 be approved as presented.

Yeas: 7 – Nays: 0

Re: Funded Status

Chairman Harrison directed that the Administrator contact the actuary as soon as possible to provide a preliminary estimate of the funded status of the plan as of December 31, 2008.

CONSULTANTS

Re: Gray & Co.

Q3 Performance Review

2008 was the worst year he has ever experienced. In this environment, Gray & Co. works harder and more closely with managers to manage risk. He provided preliminary, unaudited returns to

the board and indicated that the full report would be delivered in February. Q4 was brutal. Funds were down 28% - 30% across the country for 2008. The System is down approximately 24.5% for the year. Gray & Co is spending a lot of time with the managers. He reminded the board that managers are hired for the long-term.

Mesirow has not fared well. With the exception of Mesirow and Peritus, the managers are doing well. Fixed Income managers that had a higher allocation to government securities did better. Peritus took it on the chin in 2008 and has underperformed since inception. Nexos is doing exactly what they said they would do. Some of the valuations on the purchased companies are really good.

When you invest in private equity you go through a period of losses (the J-curve) before you see positive returns in the end. We will know in a couple of weeks what happens with the CAPROC investment and whether we will be holding any buildings. He handed out an internal rebalancing spreadsheet. He doesn't think we should do a blanket rebalancing right now due to the market volatility. He is looking for a little more stability before committing more money to the market.

Northern Trust Update

Ms. Billings referenced the correspondence in her package related to the Northern Trust securities lending program. Northern Trust had refused a request by SWAP to provide them with their due diligence reports regarding Lehman. SWAP responded to Northern Trust that as a fiduciary they were obligated to provide us that information. SWAP has scheduled a meeting for January 30, 2009 with consultants to discuss the System's legal options.

Fixed Income

Fixed income is the most efficient market and it is increasingly difficult for managers to outperform net of fees. As interest rates go up, prices come down. If managers have added down side protection the fund should keep them. The Board is contemplating indexing half of the fixed income. If the 10-year Treasury/High Yield basis spread comes back into range, Peritus should do well. Mr. Gray does not want to add any additional risks by going into core-plus (high yield/distressed). The board had discussed replacing Mesirow with Michigan-based firms at their last board meeting. Mr. Gray has discussed with Chairman Harrison transitioning the Mesirow account to United Investment Managers and have UIM place the money with Michigan-centric firms.

Charlie Harrison said that the board has done well with UIM in the large cap growth product. He suggested that the board just let UIM take this over but gave the board the option of doing a full search. He said that we're paying Mr. Gray to do the research anyway so we should let him handle it. The board has gone through the due diligence process with UIM and there's no conflict of interest.

Linda Watson asked whether it is important to do something at this meeting.

Mr. Harrison indicated that the board had terminated Mesirow and that they were losing lots of money. He said that we should have taken the money from Mesirow yesterday.

Mr. Gray noted that Mesirov had not yet been terminated. He also noted that the transition would be done in a week.

RESOLUTION 09-008 By Woods, Supported by Wright
Resolved, That the Mesirov large cap account be terminated and the portfolio transitioned to UIM.

Yeas: 7 – Nays: 0

REPORTS

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator - None

Re: Legal

CompuCredit Corp – Ms. Billings reminded the Board that the System had been appointed lead plaintiff in October.

Northern Trust – See Consultants

NVIDIA Corp – It has been alleged that NVIDIA issued a series of misrepresentations and omissions that actively concealed and failed to disclose the unusually high failure rates of some of its devices. As a result their stock price was artificially inflated. The System lost over \$309,000. The System most properly should be lead plaintiff. Trustee Saucedo signed the Retainer Agreement and Certification due to a deadline. She needs a motion to ratify that signature.

RESOLUTION 09-009 By Saucedo, Supported by Scott
Resolved, That the Board of Trustees ratify former Trustee Cochran's signature on the Retainer Agreement and Certification for the NVIDIA case.

Yeas: 7 – Nays: 0

CBS Corp – The System lost \$425,000. The chairman signed the Retainer Agreement and Certification due to deadline. The board needs to ratify his signature.

RESOLUTION 09-010 By Saucedo, Supported by Stubblefield

Resolved, That the Board of Trustees ratify the Chairman's signature on the Retainer Agreement and Certification for the CBS case.

Yeas: 7 – Nays: 0

IRS Determination Letter – We are required to submit the Retirement System Ordinance to the IRS to get approval as a qualified plan. Qualified plan status is important for members and plan investments. Ray Cochran had signed the application and it was ratified by the board. The ordinance was restated in 2007 and submitted to the City Council for approval. However, when the plan was restated some provisions were deleted. Ms. Billings went through the red-lined copy of the ordinance of the deletions that she added back into the ordinance. These provisions must be in the ordinance for approval and were previously. None of the changes affect benefits. The deadline for filing the application is February 2, 2009.

Peritus v Ethan Bradley – Ethan Allen was the marketing arm of Peritus. She has contacted the attorney who sent the subpoenas to the trustees and if they receive anything in the future regarding this litigation, it should be forwarded to her.

Young, Kervin v Linda – The EDRO for this member was not acceptable. It must be submitted prior to retirement and was not. She has contacted the alternative payee's attorney with further instruction.

Union Representatives – None

UNFINISHED BUSINESS

Re: Hospital Deferred Trustee – Deferred

Re: Securities Lending Deficiency

Ms. Munson reminded the Board that there is a \$1.1 million deficiency posted against the cash held at Northern Trust.

Re: Document Storage

Ms. Munson reported that records previously stored at Wesson St (DPW) had been moved to a permanent storage facility in Waterford and that the Administrator is still putting together the comprehensive disaster recovery plan. Trustee Wright asked why they had been moved to Waterford. Ms. Munson indicated that the Administrator had done the research and concluded this to be the best fit for the need. Trustee Wright was concerned that a storage facility in Pontiac had not been identified and would like to see the bids or other information relied upon to make the selection.

Re: Fiduciary Liability Insurance Renewal

The policy was renewed in November, however because there was no November board meeting, the board never resolved to renew. Ms. Billings has sent a letter to Steve Fladger requesting a copy of the policy.

RESOLUTION 09-011 By Wright, Supported by Woods
Resolved, That the Board of Trustees ratify the renewal of the fiduciary liability insurance policy.

Yeas: 7 – Nays: 0

NEW BUSINESS

Re: 2009 Board Meeting Calendar

RESOLUTION 09-012 By Saucedo, Supported by Wright
Resolved, That the 2009 Board Meeting Calendar be approved.

Yeas: 7 – Nays: 0

Re: Semi-Annual Rebalancing

Mr. Gray reminded the board that this was not a full rebalancing. It is just to fund the operational cash needs of the System. Mr. Harrison asked if the cash balance included the ChrisKen distribution. Ms. Munson indicated that the cash balance reflected the recent liquidation of the Capital Guardian account.

RESOLUTION 09-013 By Woods, Supported by Wright
Resolved, That the Board of Trustees approved the semi-annual rebalancing plan to transfer \$5,000,000 from Oppenheimer Capital and \$3,462,000 from Munder Capital to provide funds for benefits and operations for the next six months.

Yeas: 7 – Nays: 0

Re: Ratification of Capital Calls

RESOLUTION 09-014 By Wright, Supported by Saucedo
Resolved, that the Board of Trustees ratify the following capital calls:

Invesco Private Equity	\$79,430.43
Invesco Private Equity	(44,217.00)
Nexos Private Equity	68,121.00
Invesco Private Equity	(7,847.30)
Nexos	2,250,000.00
Onyx	1,368,000.00

Yeas: 7 – Nays: 0

Re: Pesola Request for Benefits

The board has received a request from an NOMC deferred member. She is requesting that she be allowed to begin receiving her pension immediately. This matter was referred to the attorney.

Investment Performance Review Meeting

Chairman Harrison reminded the trustees that they were going back to a 2 day manager review format.

SCHEDULING OF NEXT MEETING AND ADJOURNMENT:

Special Meeting: February 24, 2009 8:00 a.m.–Pontiac Mariott–Investment Performance Review Meeting

Regular Meeting: February 25, 2009 1:30 p.m. - Shrine Room, Main Level, City Hall

ADJOURNMENT

RESOLUTION 09-015 By Wright, Supported by Barnett
Resolved, That the meeting be adjourned at 3:06 p.m.

Yeas: 7 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on January 28, 2009

Sheryl Stubblefield, Secretary
As recorded by Deborah Munson