

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
FEBRUARY 24, 2010**

A regular meeting of the Board of Trustees was held on Wednesday, February 24, 2010 at the Shrine Room, Main Level, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:40 p.m.

TRUSTEES PRESENT

Shirley Barnett	Devin Scott
Charlie Harrison, Chairman	Patrice Waterman
Leon Jukowski, Mayor	Debra Woods
Javier Saucedo, Vice Chair	

TRUSTEES ABSENT

Kevin Williams (*excused*)
Andrea Wright (*excused*)

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Laurance Gray, Gray & Company
Ellen Zimmermann, Retirement Accountant
Jane Arndt, M-Administrative Assistant
Linda Watson, Retiree

PUBLIC DISCUSSION

Linda Watson said that she thought the Manager Review Meeting the previous day was excellent. She liked the opportunity to meet the UIM Managers.

The 2010 meeting dates have not been posted to the website. Ms. Arndt reported that the website is in the process of being updated.

Ms. Watson also asked about the incorrectly numbered resolutions and whether that issue had been resolved. Ms. Zimmermann assured her that the matter would be handled.

She is concerned about the vacant Hospital Trustee position on the Board and feels they should have representation. She asked whether City Council should be advised and whether their representative Patrice Waterman should report that issue to Council.

Chairman Harrison said that the position is that of a Deferred Hospital Trustee. The Board has made several attempts to fill the position.

Ms. Watson asked if the position could be changed to another trustee position. Ms. Barnett said she does not want the trustee position eliminated. She is a hospital retiree but her position of Retiree Trustee represents both City and Hospital retirees.

Ms. Watson said she still feels that more than three trustees attending a conference is excessive.

Chairman Harrison said that Ms. Watson has been allotted five minutes for public discussion which is the time given at City Council meetings. He feels that she continues to revisit the same issues at each meeting and that the Board has been more than fair allowing her to express her opinion on this issue.

Ms. Watson stated that since 2006 approximately \$250,000.00 has been spent on conference travel.

She asked why Mr. Gray sold UIM. Mr. Gray said that he found a buyer who he felt could take the company into the private equity fund of funds arena.

Ms. Watson asked if the firm was founded in 2007. Mr. Gray stated that the firm was established in 2001 by MARTA (Metropolitan Atlanta Rapid Transit Authority). The General Employees Retirement System was underperforming in large cap equity and was looking for active management and to diversify with minority-owned and Michigan-centric managers. The System invested funds with UIM in 2007.

Ms. Watson also asked what the Casper Corporation expense was for on the previous month's consent agenda. Ms. Zimmermann asked that Ms. Watson stop by the office before the meeting to have this sort of question answered. We do not have all the previous meeting information available at each meeting.

Ms. Watson was also concerned that the Fund lost \$151 million. Chairman Harrison confirmed that this comment was based on the Audit Report presented at the City Council meeting. He said that this fund is one of the best funded funds in the country. Trustee Woods and Trustee Waterman agreed with Chairman Harrison and explained that Carl Johnson of Plante Moran did state that this is one of the best public funds in the U.S. Trustee Woods said that the market meltdown affected everyone and that everyone took losses. She said that Mr. Johnson made the point that this Fund is very stable.

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting: January 27, 2010
- B. Communications
 - 1. Correspondence from AMBS Re; Newsletter February 2010

C. Conference Information:

1. Benefits Conf for Public Employees – IFEBP – April 19-20, 2010
2. Investments Institute – IFEBP – April 19-20, 2010

D. Financial Reports

1. Financial Reports – January 2010
2. Commission Recapture – January 2010
3. Securities Lending – December 2009
4. Capital Call Ratification
 - a. Invesco \$32,353.00
5. Accounts Payable
 - a. ADP \$2,647.44
 - b. Artio Global 76,134.06
 - c. GE Capital Information (copier) 116.42
 - d. Gray & Co. 8,104.17
 - e. Kennedy Capital 50,456.00
 - f. Loomis Sayles 39,114.02
 - g. Munder Capital 75,311.00
 - h. Office Depot 32.85
 - i. Oppenheimer Capital 29,053.21
 - j. Peritus Asset Management 3,146.71
 - k. Rodwan Consulting 1,400.00
 - l. Stevens Records Management 102.47
 - m. VISA 2,783.68

E. Retirements, Refunds, Final Calculations, Re-Examinations

1. Remove from the Rolls:
 - a. Dorothy Harper (deceased 01-29-2010)
 - b. Ada Highfield (deceased 01-28-2010)
 - c. Ollie Whitters (deceased 01-31-2010)
2. Request to Change Effective Date of Retirement
 - a. Dennis Scanlon
 - b. Dennis Scanlon
 - c. Danny Smith
3. Applications for Service Retirement:
 - a. Hershell Powell – Local 2002 29 years, 7 months Age 57
 - b. Robert Richert – Local 2002 25 years, 7 months Age 53

Trustee Scott stated that the minutes from the January 27, 2010 did not include all of his statements. Page sixteen of the minutes should reflect that he noted for the record that Mark Hooper's retirement should be based on 10 years and 1 month of service credit.

Major Jukowski noted corrections on page seven and eight of the minutes. Page 7 said he was contacted by the governor and state senators: that should have said Tim Melton. On page 8, demolition company should say Motors Liquidation Company.

RESOLUTION 10-012 By Saucedo, Supported by Woods

Resolved, That the Board approve the Regular Meeting Minutes of January 27, 2010 be separated from the Consent Agenda and amended as noted.

Yeas: 7 – Nays: 0

RESOLUTION 10-013 By Woods, Supported by Saucedo

Resolved, That the Board approve the consent agenda for February 24, 2010.

Yeas: 7 – Nays: 0

CONSULTANTS

Re: Sullivan, Ward, Asher & Patton – Northern Trust (Refer to Legal)

Re: Gray & Company - Manager of Managers

Mr. Gray presented a brief overview of the Fund's performance. Total plan year-to-date performance was 23.99 ending December 31, 2009. The plan did not take a lot of risk to achieve that performance. Year-to-date performance for domestic equity was 29.59%; 24.08% for international equity and 17.52% for fixed income. He compared the Fund's performance to the Yale Endowment that lost 18% and the Harvard Endowment that lost a nice chunk for the same performance period.

Mr. Gray discussed the difficulty in obtaining information for the manager of managers search. These managers are competitors and are unwilling to share information or how they manage their portfolios. A couple of the managers were willing to disclose third party information.

Once of the processes noted among manager of managers like Northern Trust, Callan Associates, Russell and SEI is that they will normally take an investment of say, \$100 million and split it equally between who they determine are the five best managers in that space. He noted that in utilizing such an approach, if all these managers are doing well at the same time they probably own the same securities. They feel that all managers do different things well. It is important to eliminate the volatility in the portfolio by using a more diverse and defensive strategy when selecting managers. From what they could gather, most other manager of manager providers do not operate in this fashion. They simply look at the top performing managers for a specific period. This seems to be the predominant approach noted during the search efforts.

They were unable to obtain any performance information because the managers claim they use custom programs. He told the Board that SEI would not accept the current managers in the portfolio. He does not feel that any of these managers would be willing to keep the existing managers for any reasonable amount of time. He offered that in almost all cases the fees would be much higher than the Fund was currently paying; some as high as 100 basis points. He offered to present the information they were able to put together.

He described recent accomplishments for two of the managers. Out of a pool of two hundred investment firms Piedmont was one of nine that won a contract with the Treasury Department. Oakbrook has acquired approximately \$500 million in new investments during calendar year

2009. The System is fortunate that these firms are taking reduced management fees. AMBS is a great Michigan-centric firm. These are a great group of managers.

Chairman Harrison said that the transition from UIM to Gray & Company has gone through the legal review. When the Board hired Gray & Company they were looking to replace a couple of managers. Larry Gray played an important part in the System's emerging manager program looking for emerging minority-owned and Michigan-based firms. He is told that the State of Michigan is currently looking to mirror this program. If one of the other firms is hired as the manager of managers they would ultimately bring in their own investment managers. When the Fund hired Gray & Company they competed against these same managers. He said he is comfortable moving forward with Gray & Company. He asked for the Board's input and recommendations.

Trustee Saucedo said that he is satisfied that the Board went through the search process and would like to retain Gray & Company.

Trustee Waterman confirmed that the Board was looking at whether to replace Gray & Company as the manager of managers. She would like to keep Gray & Company as the manager of managers.

Ms. Billings said that the System already has an agreement in place with Gray & Company to manage these assets. Ms. Zimmermann said that she believes the wording of the resolution allowed Gray & Company to temporarily manage the assets until the manager search process was complete.

As the prior motion was of a temporary nature, Ms. Billings recommended that the Board make a new motion to retain Gray & Company.

RESOLUTION 10-014 By Barnett, Supported by Woods
Resolved, That the Board retain Gray & Company as the manager of managers for the emerging manager program.

Yeas: 7 – Nays: 0

REPORTS

Re: Chairman - None

Re: Secretary - None

Re: Trustees/Committees - None

Re: Administrator

Ms. Zimmermann said that she felt the manager review meeting was very good and informative.

Deborah Munson CFA Examination

She reported that Deborah Munson is taking the CFA Level I test. She told the Board that the Police & Fire Retirement System has agreed to pay for Ms. Munson's test. She asked if this Board is interested in sharing the cost with the Police & Fire Board in the usual percentage.

Ms. Billings said that she was not that familiar with the CFA program but that the Police and Fire Board stipulated that Ms. Munson maintain her employment for one year after completing the test. Ms. Zimmermann explained there are three levels to the test.

Trustee Barnett recommended that the System split the cost 50/50 with the Police & Fire Retirement System. Chairman Harrison agreed.

Trustee Scott asked whether the Retirement System has money in their training budget. Ms. Zimmermann stated that employee expenses are paid out of the retirement system funds, so they have to be approved by the Board.

Chairman Harrison asked what the benefits are if Ms. Munson receives a CFA designation. Mr. Gray said that it will help Ms. Munson better understand the analytics of the managers and help her do a better job with the custodian and managers.

Chairman Harrison felt she would be better equipped and more efficient when performing her job duties. She would also have added capability to understand and analyze financial reports. Ms. Zimmermann said that this would assist her in reconciling financials with the custodian bank.

RESOLUTION 10-015 By Barnett, Supported by Waterman

Resolved, That the Board approve splitting the cost 50%/50% with the Police & Fire Retirement System for Deborah Munson's CFA Level I Examination from the retirement earnings of the fund with the same conditions as for PFRS.

Yeas: 7 – Nays: 0

Retiree Mark Hooper

Ms. Zimmermann explained that at the last Retirement Board Meeting Mark Hooper was allowed to retire with ten years of service credit. After the meeting the member signed his application for retirement. She described how the Retirement Ordinance requires members to give thirty days notice prior to their retirement. She said that February's payroll was processed including a benefit for Mr. Hooper. She feels it is best that Mr. Hooper receives his benefit and asked that the Board waive the thirty day notice.

Chairman Harrison said that it appears Mr. Hooper was caught in the middle of the process.

Ms. Billings explained that Mr. Hooper attempted to retire the latter part of 2009. However, he did not have sufficient service credit. In order to retire, Mr. Hooper required a letter from Human Resources approving the additional service credit. She cited the provision in the Ordinance which states that any person attaining voluntary retirement age with ten or more years

of credited service may retire under written application not less than thirty days and no more than ninety days subsequent to the execution and filing if the member desires to retire. She recommended that in this situation since he was denied the opportunity to apply for retirement she suggested that the Board waive the thirty day notice.

Trustee Scott said that Mr. Hooper tried to apply for retirement several times in late November and early December. Ms. Zimmermann said that Mr. Hooper did not apply until February and that he came to the office to obtain an estimate of his retirement benefit.

Trustee Scott disputed this and said that Mr. Hooper came to his office with a stamped copy of his application.

Ms. Zimmermann explained Ms. Craft recorded an incorrect retirement date in error. It was not anticipated that Mr. Hooper would terminate his employment before retirement.

Trustee Scott said that Mr. Hooper worked an additional thirty days when he should have been allowed to retire.

Ms. Zimmermann said that Mr. Hooper was not allowed to retire at that time because he was not eligible until he received his settlement from Human Resources.

There was discussion regarding when Mr. Hooper was eligible. Trustee Scott felt that based on the agreement from Human Resources Mr. Hooper should have been eligible on January 1, 2010 versus February 2, 2010. He asked if Mr. Hooper will be eligible retroactive to that date.

Ms. Zimmermann felt that the agreement needed to state that he was eligible for retroactive pay.

Chairman Harrison suggested that these issues be resolved prior to these problems. He encouraged that going forward he would like to eliminate these issues. He asked if the question for the Board is whether Mr. Hooper is eligible to receive a benefit in February, 2010 versus March, 2010 based on the waiver of the thirty day notice.

Trustee Scott said that they are asking that Mr. Hooper's effective retirement date be January 1, 2010 versus February 2, 2010. Chairman Harrison confirmed that Mr. Hooper was not allowed to sign his paperwork because he was caught in the middle. Ms. Billings was asked to step in legally to assist in resolving the issue.

Chairman Harrison said that on December 1, 2009 Mr. Hooper did not have ten years of service credit and therefore was not eligible. He was given the additional service credit in an agreement dated December 7, 2009 at which time a cost study was requested. The cost study was processed and brought to the Board for approval at the January meeting.

Ms. Billings said there are a number of issues. In November, the member attempted to apply for retirement but was told he did not have sufficient service credit. This resulted in a dispute between Human Resources and Retirement. Because of this dispute the member was not allowed to submit his application. An agreement was put in place that stated Mr. Hooper was

granted the additional service credit. This would mean that Mr. Hooper should have been allowed to submit his application in December with an effective date of January 7, 2010.

Ms. Zimmermann pointed out that in November, Mr. Hooper was not eligible and was issued an estimate in December. When the agreement was received Mr. Hooper was not eligible per the Retirement Ordinance. The Retirement Office is not able to grant benefits other than what is in the Ordinance: therefore, a cost study was needed.

Trustee Scott said that the language included in the contract states that Mark Hooper was eligible because he did not have a break in service when his status changed from a temporary employee to a regular employee. Ms. Zimmermann explained that the language refers to seniority used for pay increases and promotions not retirement service credit. Temporary employees are not considered members of the Retirement System until they attain regular employee status.

Trustee Saucedo agreed that the Board has to cover themselves as fiduciaries of the Retirement System.

Ms. Zimmermann also referred to language in the Collective Bargaining Agreements allowing the Human Resources Director to make a determination if there is a service credit disagreement.

Chairman Harrison said that based on Ms. Billings statements Mr. Hooper's effective retirement date should be January 7, 2010.

Ms. Zimmermann said that she has been in contact with Larry Marshall. Chairman Harrison said that the Board should not be going through this all the time. The two bodies need to get together to fix this issue along with the Attorney's interpretation.

Ms. Billings stated that Mr. Hooper's retirement should be effective January 7, 2010 based on the Collective Bargaining Agreement. He could have come back on December 7, 2009 and applied.

RESOLUTION 10-016 By Barnett, Supported by Waterman

Resolved, That the Board approve Mark Hooper's effective retirement date as January 7, 2010 and waive the thirty day notice requirement.

Yeas: 7 – Nays: 0

Trustee Woods said that she is trying to understand the language in the ordinance that states seniority is different from service credit. Ms. Zimmermann said that the Retirement Ordinance specifically states that temporary employees are excluded from retirement system membership. When a PAS Form is received making a temporary employee a regular employee, their insurance benefits commence and they sign the Retirement Membership Form enrolling them in the Retirement System. She suggested getting a list of current employees who were once temporary. These members can be sent to the actuary to determine future costs to the System.

Chairman Harrison said that the Board is looking at getting the issue moving in the right direction.

Retiree Kenneth Searcy

Ms. Zimmermann reported that at the January, 2010 meeting the Board approved the cost study in correlation to Kenneth Searcy's retirement. His paperwork from retirement shows a termination date of August, 2009 and a general retirement date of August, 2009. She explained that the retirement date is automatically generated by the software when the termination date is entered unless it is manually overwritten.

The cost study processed was based on the member drawing his pension benefit immediately instead of waiting until age 60 per the settlement agreement. The service credit is based on Mr. Searcy's date of separation.

Mr. Searcy stopped by the Retirement Office earlier today questioning why he did not receive retroactive pay back to August, 2009. She provided a brief overview of the process. The grievance was approved in January, 2010 and the cost study was processed and approved by the Board in January, 2010.

Ms. Billings said that Mr. Searcy's retirement benefit could not have been approved until the grievance was resolved. The board determined that no retroactive pay was due to him.

Re: Legal

Ms. Billings requested that the Board moved to closed session to discuss pending litigation

RESOLUTION 10-017 By Waterman, Supported by Woods

Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

Barnett – Yes	Scott – Yes
Harrison – Yes	Waterman – Yes
Jukowski – Yes	Woods - Yes
Sauceda – Yes	

The Board moved to closed session at 2:48 p.m.

The Board returned from closed session at 2:53 p.m.

RESOLUTION 10-018 By Woods, Supported by Saucedo

Resolved, That the Board approve the closed session minutes from January 27, 2010 and December 2, 2009.

Yeas: 7 – Nays: 0

Schweitzer-Mauduit International, Inc. Litigation

Ms. Billings reported that Schweitzer-Mauduit International manufactures and sells paper for the tobacco industry. It is alleged that they misreported patent information versus European competitors. They are now pursuing patent infringement litigation. Coughlin Stoia has conducted an investigation and believes that there is sufficient information to file action against Schweitzer-Mauduit. They are recommending that the Retirement System file for lead plaintiff status based on their losses of \$187,000.

RESOLUTION 10-019 By Jukowski, Supported by Waterman
Resolved, That the Board authorize Coughlin Stoia to apply for Lead Plaintiff Status in the Schweitzer-Mauduit International, Inc. Litigation.

Yeas: 7 – Nays: 0

CompuCredit Corp

Ms. Billings reported that the Defendants' Motion to Dismiss was granted by the Judge. The Court asked the Plaintiff to provide additional information in the Complaint that he deemed would satisfy the pleading requirements of the PLSRA.

In an attempt to satisfy the Judge's concerns they were not able to develop any meaningful information that could have been used in an amended complaint to satisfy the Court's concerns. As a result the Court dismissed the case with prejudice.

It is the recommendation of Coughlin Stoia that there is no sound basis to pursue an appeal.

Merrill Lynch Bond Litigation

Ms. Billings reported that this matter was settled with the Defendants paying \$150 million into a settlement fund. They are in the process of filing the Proof of Claim.

The DIRECTTV Group, Inc. Derivative Litigation

Ms. Billings reported that a Complaint for Breach of Fiduciary Duties was filed on behalf of shareholders to protect the interest of the shareholders. The litigation is in the initial phase of discovery. To maintain standing to pursue a shareholder action, a plaintiff must retain at least some shares of the company's stock throughout the duration of the litigation.

Stryker Securities Litigation

Ms. Billings reported that the Complaint was filed on behalf of the Retirement System on January 15, 2010. The Motion for Lead Plaintiff status is pending.

Airgas Securities Litigation

Ms. Billings reported that it has been alleged that the Board of Directors for Airgas were in breach of their fiduciary duty by failing to establish a committee to entertain a proposal from Air Product and Chemical, Inc. to acquire Airgas for a 38% premium over the stock's closing price of \$43.50. The System currently holds 4,150 shares.

This securities litigation came up between meetings. It was presented to Chairman Harrison; however, he was unable to get into the office because of bad weather to sign the Retainer Agreement. He authorized the Administrator to sign the paperwork on his behalf. She asked that the Board ratify the Administrator's signature on the Retainer Agreement in the matter of the Airgas Securities Litigation.

RESOLUTION 10-020 By Jukowski, Supported by Waterman
Resolved, That the Board ratify the Administrator's signature on the Airgas Securities Litigation Retainer Agreement.

Yeas: 7 – Nays: 0

IRS Determination Letter

Ms. Billings reported that the matter is still pending with the IRS. She has received a few letters for other clients and feels the System's letter will arrive soon.

Correspondence Regarding 30 Day Notice to Retire (Refer to Staff Report above)

Coughlin Stoia Corporate Governance Bulletin

For the trustees' information.

Union Representatives – None

UNFINISHED BUSINESS

Re: Disaster Recovery (In Process)

NEW BUSINESS

SCHEDULING OF NEXT MEETING AND ADJOURNMENT:

Regular Meeting: March 24, 2010, 1:30 p.m. – City Council Conference Room, Second Floor, City Hall

ADJOURNMENT

RESOLUTION 10-021 By Saucedo, Supported by Woods
Resolved, That the meeting be adjourned at 4:12 p.m.

Yeas: 9 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on February 24, 2010

As recorded by Jane Arndt