

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MAY 18, 2011**

A regular meeting of the Board of Trustees was held on Wednesday, May 18, 2011 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:34 p.m.

TRUSTEES PRESENT

Koné Bowman (*arrived at 1:47 p.m.*)

Leon Jukowski, Mayor

John Naglick, Secretary

Tuesday Redmond (*arrived at 1:43 p.m.*)

Devin Scott

Patrice Waterman

Kevin Williams

Debra Woods, Vice Chair

TRUSTEES ABSENT

Shirley Barnett (*excused*)

Charlie Harrison, Chairman (*excused*)

OTHERS PRESENT

Matthew Henzi, Sullivan, Ward, Asher & Patton

Chris Kuhn, Gray & Company

Ellen Zimmermann, Retirement Administrator

Jane Arndt, M-Administrative Assistant

Linda Watson, Retiree

Larry Marshall, Retiree

PUBLIC DISCUSSION

Retiree, Linda Watson asked why the legal fees are so high.

Ms. Zimmermann indicated that there are currently a number of legal issues pending so the System is incurring more fees.

Ms. Watson asked if the attorney could provide an update of what affects the Governor's actions have on pension funds.

Mr. Henzi said that House Bill 4214 or what is being called the Emergency Manager Bill was passed on March 17, 2011. On May 17, 2011 it gives an Emergency Manager the authority to make changes to collective bargaining agreements.

He referred to documentation contained within his legal report regarding the bill that was passed that will allow the taxing of pension income. There was a lot of back and forth discussions in the

Senate. The bill was passed in the Senate with a 20 to 19 vote based on the Lieutenant Governor's vote. This bill also changes taxes to business and industry.

He explained that the tax exemption will still apply to retirees born before 1946. Retirees born between 1946 and 1952 will receive certain tax exemptions. Anyone born after 1952 will not have a present exemption. The driving force behind this bill was that those receiving a pension should have to bear some of the tax burden. It was determined that those born after 1952 should be able to plan for the tax accordingly.

There is not a direct tax to the pension Fund. The Bill allows an Emergency Manager to take control over pension funds that are less than 80% funded. If a fund is 80% or greater funded the Emergency Manager cannot disband the Board and does not have any authority to set actuarial assumptions or control fund assets.

AGENDA CHANGES

Ms. Zimmermann distributed a clear due to/due from document with a list of inter-fund payables through December, 2010. She explained that the expenses from the VEBA funds are paid by the General System so the transfers need to be approved. She asked that this item be added to the consent agenda.

Trustee Waterman confirmed that this is for housekeeping purposes.

Ms. Zimmermann distributed correspondence from Mesirow regarding the death of their CIO James Tyree. They have appointed a new President and they require our signature on investment documentation making that change.

She distributed correspondence from Loomis Sayles regarding co-portfolio manager Don Thelen's indefinite leave of absence from the firm to spend more time with his family. Joe Gatz is the lead portfolio manager on the account.

There was a question whether Loomis Sayles should be put on watch. Mr. Kuhn said that they consider Joe Gatz the main portfolio manager and do not feel that this change necessitates the manager being put on watch.

Mr. Kuhn explained that during the interim they will be searching for an additional portfolio manager. They informed Mr. Thelen that they are looking for a replacement for his position but if he decides to come back to the firm they will find a position for him.

RESOLUTION 11-048 By Williams, Supported by Waterman

Resolved, That the Board approve to add the memo on due to/due from, and correspondence from Mesirow and Loomis Sayles to the consent agenda.

Yeas: 7 – Nays: 0

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting: April 27, 2011
- B. Communications
1. Correspondence from NCPERS Re: The Monitor April/May 2011
 2. Correspondence from Artio Global Re: CIO Newsletter 2Q11
 3. Correspondence from AMBS Re: Newsletter May 2011
 4. Correspondence from Sawgrass Re: Financial Outlook & Review March 2011
 5. Correspondence from Systematic Re: Ownership Structure
 6. Correspondence from Mesirov Re: Death of CEO and Chairman James Tyree
 7. Correspondence from Loomis Sayles Re: Portfolio Mgr Dan Thelen Leave of Absence
 8. Conferences: Program for Advanced Trustee Studies – NCPERS – July 25-27, 2011
- C. Financial Reports
1. Financial Reports – April 2011
 2. Securities Lending – March 2011
 3. Death Audit Results
 4. Accounts Payable
 - a. ADP \$2,688.02
 - b. Artio Global 83,841.92
 - c. Berwyn Group (death audit) 230.00
 - d. Coffee Break 35.14
 - e. GE Capital (copier lease) 116.42
 - f. Gray & Company 144,196.18
 - g. Ikon (copier service) 119.78
 - h. Kennedy Capital 66,328.00
 - i. Loomis Sayles 45,929.18
 - j. Munder Capital 83,056.00
 - k. Rodwan Consulting 1,400.00
 - l. Stevens Record Management 56.88
 - m. Sullivan, Ward, Asher & Patton 16,437.38
 - n. VISA 12,290.24
 - o. Due to/Due From 140,025.23
- D. 1. Applications for Service Retirement:
- a. David Baktie – NOMC 13 years, 4 months Age 60
2. Final Benefit Calculations:
- a. Lois Vancil #2551 \$2,465.70
 - b. David Baktie #2625 1,203.40
3. Change of Retirement Effective Date:
- c. Michael Roth (3)
4. Disability Examination
- a. Mary Fortune

Ms. Zimmermann asked that the Board refer to the disability examination for Mary Fortune on page two under item six of the consent agenda.

She indicated that this is a different situation than most they have seen. The Medical Director indicated that Ms. Fortune is physically unable to perform her duties at the City due to the disability. He did not feel that this is a total or permanent disability or that the member should be retired. It did state in the medical report that he would like to review additional medical records regarding a previous surgery.

Trustee Bowman arrived at 1:47 p.m.

Trustee Bowman left at 1:49 p.m.

She requested that the Board separate this item from the consent agenda and authorize obtaining the additional medical records.

RESOLUTION 11-049 By Jukowski, Supported by Williams

Resolved, That the Board approve to separate the disability examination of Mary Fortune from the consent agenda.

Yeas: 8 – Nays: 0

RESOLUTION 11-050 By Williams, Supported by Jukowski

Resolved, That the Board authorize the Retirement Office to obtain additional medical records for Mary Fortune.

Yeas: 8 – Nays: 0

Trustee Bowman returned at 1:53 p.m.

Trustee Bowman indicated that on page six of the minutes it showed that Trustee Barnett moved on a resolution when she was not in attendance at the meeting.

Ms. Zimmermann confirmed that they will go back and review the notes to determine who moved on Resolution 11-041 and will make the correction.

RESOLUTION 11-051 – By Waterman, Supported by Jukowski

Resolved, That the Board approve the consent agenda for May 18, 2011 as amended.

Yeas: 8 – Nays: 0

CONSULTANTS

Re: Gray & Company

Mr. Kuhn provided a review of the capital markets. There has been talk that inflation would be created by the government stimulus due to all the money they have put into the economy.

He explained how the government calculates inflation numbers. The Consumer Price Index (CPI) includes food and energy in their calculation. The Bureau of Labor Statistics takes food

and energy out of their core inflation calculation because of their volatility but alcohol and beverages stay in.

He showed energy's relationship to housing and transportation based on the CPI and core inflation. The CPI for housing is 41.5% with core inflation at 48.5% with 4% equating to energy. Transportation is 17.3% versus 15.8% with 5% related to energy.

Housing is the largest component of both indexes. It does not use the mortgage payments for the calculation; it uses the rental equivalency approach which takes out the investment factor and moderates the number. The Bureau surveys home owners to determine the rental rate they would charge for their homes.

Trustee Scott left at 1:55 p.m.

The CPI at 2.0% leads core inflation at 1.5% for the quarter. The Fed is hoping that the higher prices will stave off deflation. The Producer Price Index (PPI) measures the inflationary effect of input prices for manufacturers. The PPI was at 3.1% for the quarter. However, retailers cannot pass along all these costs to consumers.

Trustee Redmond left at 1:57 p.m.

Commodities increased to 4.5% for the quarter but are down from the double digit increases the past two quarters. The rise in oil negatively impacted other commodities, especially precious metals with gold returns flat for the period.

The Fed is holding the federal funds target rate at 0.0% to 0.25% and they could hold this rate until sometime in 2012. Quantitative Easing II is ending in June suggesting that rates may go up.

Trustee Redmond & Trustee Scott returned at 1:59 p.m.

Larry Marshall arrived at 1:59 p.m.

The equity market posted strong returns the last seven out of eight quarters. The S&P 500 at 5.92% lagged the rest of the indexes. The S&P Mid Cap 400 Index was the best performer for the quarter at 9.36%. Small cap out performed large cap and there was no distinction between growth and value. Energy was the best performing sector with oil prices pushing energy stocks; industrials the next best performer.

Rising interest rates are not good for fixed income. Barclays Long Government and Government reported slightly negative returns with the yield curve moving up. With credit spread narrowing, the changes with Barclays Credit posted a positive 0.89%. Barclays High Yield was at 3.88% and Barclays U.S. TIPS was at 2.08% based on inflation fears. He pointed out that the most conservative and the most aggressive were the best performers. Fixed income will be challenged going forward and negative performance is possible.

The international equity market was a mixed bag for the quarter. Spain and Italy's equity markets were both up more than 13.5% for the quarter, which is suggesting that investors do not

think these countries will require aid. The European Union has put a mechanism in place to deal with these types of issues going forward.

The depreciation of the dollar versus the Euro was about 6%. This is good for international investments. Other countries raised their rates in April, including the European Central Bank, the Bank of England and the Reserve Bank of Australia. The U.S. is more growth oriented which will put downward pressure on the dollar and will continue due to the low interest rates.

With all the issues in Japan due to the earthquake, tsunami and the nuclear power plant their markets came under fire. Japan also relies on exports for their economy. Their currency appreciated significantly so the central banks stepped in to help Japan and bring the rate back down.

The portfolio is up 5.29% for the quarter versus the policy index at 4.62%. One-year performance was in line with the policy index at 15.83% versus 15.68%. Performance is now positive across the board. The policy index shows what the performance would be if the investments were just indexed. Active managers have added value.

There has been concern regarding Sawgrass' weak performance. They were up slightly this quarter at 6.87% versus 6.02%. Long-term they are behind but are within Gray & Company's expectations. They will benefit from a more fundamental oriented market.

The two manager of managers investments are in line with expectations.

Munder slightly out performed the benchmark this quarter

Systematic has been a consistent good performing manager since inception.

Loomis Sayles had another good quarter. Joe Gatz is the lead portfolio manager for their small cap value product. One of their team members has taken an indefinite leave of absence and they are actively looking for someone to fill his position. They are still comfortable with this manager and do not feel it is necessary to put them on watch.

Kennedy Capital had another good quarter and has outperformed across all time periods.

Artio came up short again this quarter. They did an onsite meeting last year. Their under performance is primarily due to two bad quarters in 2009. They felt that the European banks were insolvent and were prudent to avoid them but they could not foresee the government bailing out banks and the equity holders.

Fixed income managers Munder and Ambassador were inline with the benchmark.

High yield manager Peritus had a good quarter outperforming the benchmark.

There is nothing to report this quarter for private equity. He reminded the Board that private equity reporting lags and their performance is still subject to the J-curve effect.

Matt Henzie and Trustee Scott left at 2:14 p.m.

He referred to the tragic passing of Jim Tyree from Mesirow. He said that it is standard practice to change the investment documents reflecting the replacement.

Nexos Capital Partners has sold their one transaction and are waiting to find another investment.

Ms. Zimmermann distributed the 2009 and 2010 financial reports. Ms. Munson has done the analysis. The increase in the market value gain matches the sale. The manager has been very difficult to communicate with, and they have not provided information timely. A request to file a complaint was made with the SEC because Nexos did not timely provide audited financial statements or other requested documents. The report indicates that they are currently sitting on \$11 million of cash and she feels that the System should get out now and try to get their cash back. She questioned what the legal process would be. They have not returned the \$250,000.00 in fees.

Mr. Henzi and Trustee Scott returned at 2:17 p.m.

Mr. Henzi and Mr. Kuhn agree that the System should attempt to withdraw from this investment.

Vice Chairman Woods said that selling the assets in the grocery store chain was not part of the agreement.

Mr. Kuhn said that Nexos was never able to raise enough capital and its investment amounted to only 33% of the company. Their intent was to become the lead investor, raise margins and sell for a profit but this never happened. At this point it is best to get them to return the money and collect the management fee.

Vice Chairman Woods confirmed that Mr. Kuhn and Mr. Henzi would work together to recoup the System's assets.

Mr. Kuhn said that they will call to close out the investment.

Ms. Zimmermann questioned the \$1 million spent on due diligence for a grocery store chain.

Mr. Kuhn indicated that Nexos was looking at a few investments including a custodial company in Florida.

Ms. Zimmermann asked that someone pursue the details regarding the \$605,145.00 of organizational expenses.

Mr. Henzi said that he would follow up and request the documents. He will review the withdrawal language in the contract to determine what steps are necessary in pursuit of recouping the investment.

Mr. Kuhn distributed the System's updated market value as of May 16, 2011. Total market value was \$437 million which is down a touch from the first quarter. Some of this is due to assets used to pay for manager fees and benefit payments.

He indicated that Chairman Harrison asked that the investment discussion be deferred to the next meeting.

REPORTS

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Ms. Zimmermann distributed a copy of the Medicare Reimbursement notice to the retirees and requested that the Board reapprove the notice. She indicated that the notice assures the members that this is not a change in benefits. It also informs them that if they have more than one direct deposit setup it will default to the first bank account. If the member has any changes they can contact the Retirement Office. She did not want to give them too much detailed information because it could become confusing.

RESOLUTION 11-051 By Bowman, Supported by Waterman
Resolved, That the Board approve the Medicare Reimbursement notice to the retirees.

Yeas: 8 – Nays: 0

Ms. Zimmermann referred to her and Ms. Munson's recap of the Spring MAPERS conference and an update of recent legal issues and decisions supplied by MAPERS included in the agenda packet.

Ms. Zimmermann distributed copies of the receivables through April, 2011 and the additional receivables through June, 2011.

Ms. Zimmermann distributed copies of a memorandum detailing the service credit issue for an SAEA member. She indicated that at the last meeting Larry Marshall accused the Retirement Office of denying service credit for a member and that a memo had been provided. She told the Board that she did not receive a memo from Mr. Marshall.

The Retirement Office requested a copy of the memorandum in question on April 28, 2011. The memo was provided by Mr. Scott on May 2, 2011. It was alleged that the member met with the Retirement Administrator but he met with the Retirement Coordinator. The Coordinator reviewed the agreement and told the member to he was to receive seniority but no benefits. She had determined that the intent was to provide no benefits as the arbitrator stated.

Ms. Zimmermann was not aware of a letter from the City Attorney that granted additional service credit. Based on the legal opinion from the former City Attorney the member is being granted the additional service credit.

Re: Legal

Northern Trust Securities Lending Litigation

Mr. Henzi reported that on May 9, 2011 the Judge entered an opinion denying the Defendants' Motion to Dismiss which indicated that the case will proceed and asked the Defendant for their answer due by May 31, 2011.

The Schweitzer – Mauduit International Securities Litigation

Mr. Henzi reported that the Court has not issued its decision on behalf of the Retirement System opposing the Defendants' Motion to Dismiss.

IRS Favorable Determination Letter

Mr. Henzi reported that the City adopted the proposed amendment into the Retirement Ordinance. The Emergency Manager's attorney has provided a copy of the Executive Order. This Executive Order was done in a timely manner.

Nexos Private Equity Growth Fund - Refer to Consultant

Medicare Part B Reimbursement

Mr. Henzi provided a brief recap. He indicated that Ms. Zimmermann and Trustee Naglick have spent a lot of time setting up the new reimbursement process. Everything should be in place to implement the new system by the July meeting.

Sybase Litigation (RGRD)

Mr. Henzi reported that a proposed Stipulation of Settlement was reached and was ratified by the Board. There is nothing new to report.

Rehab Care Group, Inc.

Mr. Henzi reported that Rehab Care Group, Inc. settlement was approved based on Motley Rice's recommendation. He provided a brief recap of the litigation that was filed in February, 2011. He told the Board that he has a lot of confidence in Motley Rice especially their efforts to communicate with pension boards.

Since the last meeting Chairman Harrison signed the approved settlement. He requested that the Board ratify the Chairman's signature on the Settlement Agreement.

RESOLUTION 11-052 By Williams, Supported by Waterman

Resolved, That the Board ratify Chairman Harrison's signature on the Rehab Care Group, Inc. settlement.

Yeas: 8 – Nays: 0

Pontiac versus Onyx: SEC versus Onyx

RESOLUTION 11-053 By Bowman, Supported by Waterman
Resolved, That the Board approve to move to closed session to discuss pending litigation.

Roll Call:

Trustee Bowman – Yea	Trustee Scott – Yea
Trustee Jukowski – Yea	Trustee Waterman - Yea
Trustee Naglick – Yea	Trustee Williams
Trustee Redmond - Yea	Trustee Woods – Yea

The Board moved to closed session at 2:34 p.m.

The Board returned from closed session at 2:42 p.m.

RESOLUTION 11-054 By Williams, Supported by Waterman
Resolved, That the Board approve the closed session minutes from April 27, 2011

Yeas: 8 – Nays: 0

Finisar Securities Litigation

Mr. Henzi reported that at the last meeting the Board agreed to retain Robbins Gellar and the Kendall law firm which is headed by a former federal court judge, Joe Kendall. They have proposed to pursue litigation and seek joint lead plaintiff status as partners with the Philadelphia Teamers Pension Fund and Mr. James Abell in the Finisar securities litigation.

He reviewed the litigation. Finisar did not disclose their true financial information and their stock declined 39% in one day.

Since the last meeting Chairman Harrison has executed a Certification of Lead Plaintiff Status document and Retention Agreement. After he and Ms. Zimmermann participated in a telephone conference with counsel and representatives from the other co-lead plaintiffs Ms. Zimmermann executed a Joint Declaration seeking Lead Plaintiff Status.

Mr. Henzi requested that the Board ratify the signatures Chairman Harrison and Ms. Zimmermann.

RESOLUTION 11-055 By Jukowski, Supported by Naglick
Resolved, That the Board ratify Chairman Harrison’s signature on the Certification of Lead Plaintiff Status and the Retention Agreement and Ms. Zimmermann’s signature on the Joint Declaration seeking Lead Plaintiff Status in the Finisar Securities Litigation.

Yeas: 8 – Nays: 0

House Bill 4480 and 4361 Regarding Tax of Pensions – Refer to Public Discussion

Mr. Henzi reported that Bills 4480 through 4484 were specifically amended to exclude the exemption of public pensions from being taxed. House Bill 4361 changed the tax structure for business and individuals.

He referred to the details of the phase-in of the pension tax that will be rolled out in 2013 included in the legal report. He explained that the tax exemption will still apply to retirees born before 1946 or retirees that are over the age of 67. Retirees born between 1946 and 1952 will receive tax exemptions. If filing jointly their retirement income up to \$20,000.00 for single filers and \$40,000.00 for joint filers will not be taxed. Anyone born after 1952 will not have a current exemption. Those born after 1952 will have their income taxed at the current tax rate of 4.35% and starting in 2013 at 4.25%.

He said that there were some compromises included in the bill and that seven Republicans voted against the bill. The vote in the State House of Representatives was 56-52. The vote in the state Senate was 20-19. The bill has not been signed by the Governor to date.

House Bill 4214 – Refer to Public Discussion

Ordinance Amendment Regarding Board Composition

Mr. Henzi reported that he has spoken with Dennis Cowan and they are working on an amendment to the Retirement Ordinance that would allow for City deferred vested members if there are no active members to serve as the Employee Trustee.

Trustee Naglick said that the Police & Fire Retirement System is currently working on a similar issue.

Mr. Henzi said that the Police & Fire Board composition is more sensitive due to the transition of the police department to Oakland County.

Correspondence from PFRS Regarding Retirement Staff

Mr. Henzi reported that the Police & Fire Board met on April 28, 2011 and again discussed the two Systems taking joint control over the Retirement Office staff. At that time they requested a response from this Board. He has spoken with the Emergency Manager's attorney but no further action has been taken.

Vice Chairman Woods confirmed that the PFRS Board is requesting action from this Board.

Mr. Henzi said that if the GERS Board is not in favor PFRS would like to know why. To date this Board has not responded to them. They are just asking if GERS could let them know where they stand on the issue.

Trustee Waterman suggested that a special meeting of both Boards could be held. She also felt that the staff could attend since this has an impact on them. This has been an ongoing issue and holding a joint meeting could help to determine the logistics. The obstacles need to be defined.

Trustee Scott said that he does not understand why and that he does not think a meeting needs to be held. This is impactful to the Retirement Office, the employees and to the City. He does not think this should be done.

Trustee Woods said that she does not see any advantage in taking control of the staff. She said that police dissolved their own union and the fire union is the reason why all the employees are gone. She does not think the System should separate. She questioned how the employees would get their pensions and speculated that things would be contracted out.

Trustee Waterman said she feels that the Board needs more information, documentation and a special meeting. She also wants to know how the employees feel.

Trustee Scott stated that it could cost a lot of money.

Trustee Jukowski said that the impetus is that currently the Retirement Board employees are paid by the City and the System reimburses the City. He feels it would be helpful to have a meeting.

Ms. Zimmermann asked if the Board would like to set a date for the meeting.

Trustee Naglick and Vice Chair Woods suggested taking the issue to the Police & Fire Board so they could set a date.

RESOLUTION 11-056 By Jukowski, Supported by Waterman
Resolved, That the Board will hold a joint meeting with the Police & Fire Retirement System to discuss the option of taking joint control of the Retirement Staff.

Roll Call:

Trustee Bowman – Yea

Trustee Redmond - Yea

Trustee Jukowski – Yea

Trustee Waterman - Yea

Trustee Naglick – Yea

Trustee Williams - Yea

Trustee Scott – Nay

Trustee Woods – Nay

Motion Passed

Procedures for Disputing Service Credit Determination

Mr. Henzi reported that there have been some disputes regarding service credit determination. He said that the Board is dispatched with giving service credit. The Retirement Ordinance states that Human Resources settles a grievance and then sends the documentation to the Retirement Office.

Ms. Zimmermann said that they would like to look at the overall process.

Mr. Henzi said that documenting the process could resolve disputes before they occur. He also spoke to the necessity of cost studies when additional benefits are given to members.

Trustee Scott said that the jurisdiction for service credit is included within the labor contract. Service credit does not require Board approval. If a participant challenges service credit Human Resources makes the decision even when the math is wrong.

Trustee Redmond asked if this is a question of service credit jurisdiction. She indicated that she attended a meeting a few years ago when this issue was resolved.

Trustee Scott asked what this is really about.

Ms. Zimmermann left at 3:07 p.m.

Mr. Henzi said that this will help to alleviate future problems and how to handle disputes if a specific person has an issue. The Retirement Ordinance includes information on how to determine the procedures. For example, if Human Resources sends correspondence to the Retirement Office it could indicate how that information is correctly processed.

Trustee Scott said that the issue is that person who processes the information is making the determination of the language. The Board is getting involved when they do not have to. It appears that when a person turns in their retirement application some people have come up with their own interpretation of service credit.

Ms. Zimmermann returned at 3:12 p.m.

Trustee Jukowski said that he would like to see written procedures. He understands that Human Resources has the authority to settle a grievance because some retirees have had an unusual issue come up during their work history.

Trustee Scott could not understand if Ellen Zimmermann reports to John Naglick why this Board requires procedures. He does not want a written policy.

Trustee Jukowski said that the reason procedures are needed is because the Retirement System is not a rubber stamp to Human Resources. The Board has processes and liability and they need to protect themselves.

Vice Chair Woods felt that the process is outlined in the CBA. They do have a process to follow.

Trustee Jukowski said that he would like legal counsel to tell him what the process is.

Mr. Henzi said that the Board cannot rubber stamp giving additional pension benefits before an actuarial study is done.

Letters of Conservatorship for Meldee Martin

Mr. Henzi reported that this is for the trustees' information.

Correspondence to Plante & Moran Re: Audit

Mr. Henzi reported that this is for the trustees' information.

SEC's Request for Production of Documents

Mr. Henzi reported that the SEC has requested the production of documents including 2011 board meeting calendars, 2011 board meeting minutes after January 26, 2011 and copies of board meeting agendas for 2011 from the Retirement System. They have complied with the request on behalf of the Board.

Miscellaneous Articles

- Detroit Free Press, May 8, 2011 – Pension tax would violate constitution, Michigan government retirees say
- Detroit News, May 13, 2011 – Legislature passes Snyder's tax plan by narrow

Re: Union Representatives

Larry Marshall stated that he is the Business Agent for SAEA. He asked if the make up of the Board allowing City deferred members to be appointed to the employee trustee position will be discussed with the unions. He asked if that was required.

Mr. Henzi stated that it is a mandatory subject of bargaining however the Emergency Manager has not taken action at this time.

Mr. Marshall asked if the Retirement Office staff separates from the City whether the Retirement Board will be the employer. He was concerned that there would be no input from labor.

Mr. Henzi said that practically speaking the Retirement System would be the employer.

Mr. Marshall said he agrees that benefits for members should be funded and assure that benefits are paid for. The law went in to affect eight or nine years ago that City Council has to be brought in to when benefit changes occur. Mr. Englund was before that time.

The agreement between the City and union will dictate what benefits and rights are in labor organizations. The contracts supersede the Retirement Ordinance. In that respect, the contracts say it is resolved between the union and Human Resources. It is in there. The cost study should be done when it is required.

UNFINISHED BUSINESS

Re: Ordinance Amendment IRS - Refer to Legal

Re: Medicare B Payroll – Refer to Legal

Ms. Zimmermann said that the memo has been revised and the new payroll will begin in July, 2011.

Re: Retirement Office Payroll

General Employees Retirement System
Regular Meeting,
May 18, 2011

Ms. Zimmermann said that this issue has been discussed.

Re: Citizen Trustee Appointment – Refer to Legal

Mr. Henzi said that he contacted the Emergency Manager's attorney specifically regarding the reappointment of Trustee Williams.

Re: Board Composition – Refer to Legal

NEW BUSINESS

Re: Legal Invoice – Stevenson Keppleman

Ms. Zimmermann said that she received the attached invoice from Trustee Naglick.

Trustee Naglick said that he was instructed to send the invoice to Ms. Zimmermann for payment. The Emergency Manager had to incur attorney fees in order to determine whether it was the City's responsibility to pay Medicare Part B reimbursements.

Vice Chair Woods said that the Board did not approve the fees or to secure a legal opinion. The Board's legal counsel had already given them an opinion that it was their responsibility. It is not necessary for the Board to go outside when they have capable legal counsel. It is not the Board's obligation to pay \$11,000.00 in legal fees. If they take a vote she will vote no.

Trustee Naglick said that it is the Emergency Manager's legal counsel opinion that the Retirement System is required to pay the legal fees based on 92-33 of the Ordinance. He asked that Mr. Henzi review this section.

Mr. Henzi said that he could not find any language in the Retirement Ordinance

Trustee Naglick recommended that Mr. Henzi determine whether the System is responsible for paying the legal fees.

Vice Chair Woods said that if the Board agreed to pay the invoice it would be opening a door and it could result in the System paying Plunkett Cooney invoices.

Trustee Naglick said that Section 92-33 in the Trust Document states that the Emergency Manager can spend the money.

Trustee Jukowski said that he does not feel that the Board has to spend a lot of time on this issue. He asked whether as Mayor could he incur legal expenses if he has questions and then submit the invoice to the Retirement System for payment without prior Board approval.

Mr. Henzi said this may be a settler cost, which would be paid by the City or union. However, we need to determine if it is a cost to be borne by the Retirement Systems.

Trustee Jukowski said that it is his gut reaction that it is not a System expense.

RESOLUTION 11-058 By Jukowski, Supported by Naglick

Resolved, That the Board authorize legal counsel to provide a written legal opinion on whether the System is responsible for legal fees incurred by the Emergency Manager per 92-33 of the Trust Agreement.

Yeas: 7 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: June 22, 2011 @ 1:30 p.m. – City Council Conference Room, Second Level, City Hall

ADJOURNMENT

RESOLUTION 11-059 By Williams, Supported by Waterman

Resolved, That the meeting be adjourned at 3:34 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 May 18, 2011

As recorded by Jane Arndt