

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
APRIL 24, 2013**

A regular meeting of the Board of Trustees was held on Wednesday, April 24, 2013 at the Pontiac General Employees' Retirement System Office located at 2201 Auburn Road, Suite B, Auburn Hills, Michigan 48326. The meeting was called to order at 1:34 p.m.

TRUSTEES PRESENT

Shirley Barnett
Koné Bowman
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Leon Jukowski, Mayor
Walter Moore
John Naglick, Secretary
Sheryl Stubblefield
Patrice Waterman
Kevin Williams

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Laurence Gray, Gray & Company
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant
Dustin Blitchok, Oakland Press
Leonard Briscoe, Retiree
Claudia Filler, Retiree
Larry Marshall, Retiree
Billie Swazer, Retiree
Linda Watson, Retiree
Debra Woods, Retiree
Warren Simms, BrenWare Properties, LLC

Chairman Harrison welcomed the trustees and the meeting attendees to the new home of the General Employees' Retirement System.

He told the Board that there are trustees and staff that need to be out of the meeting today by 4:00 p.m. He indicated that his mother had surgery today and he would like to get back to the hospital.

PUBLIC DISCUSSION/UNION REPRESENTATION

Retiree, Linda Watson asked about the payment to Brenwar Properties.

Ms. Zimmermann explained that Brenwar Properties is the landlord.

Ms. Watson also asked about the charge to Slade's Printing for \$32,000.

It was determined that the Slade's line item under Accounts Payable was a typographical error and was attorney fees payable to Sullivan Ward.

AGENDA CHANGES

Ms. Zimmermann told the Board that she has additions to the agenda. She welcomed the Board to the new office and thanked them for making the decision. She added that the landlord provided the snacks for the meeting.

Chairman Harrison determined that Ms. Zimmermann's additions to the agenda could be added under Reports.

APPROVAL OF CONSENT AGENDA

- A. Approval of Minutes of Regular Meeting: March 27, 2013
- B. Approval of Minutes of Special Meeting: April 2, 2013
- C. Communications
 - 1. Correspondence from AMBS Re: April, 2013 Newsletter
 - 2. Correspondence from First Eagle Re: March, 2013 Performance Summary
 - 3. Correspondence from Munder Capital Re: Portfolio Activity & Newsletters
 - 4. Correspondence from Northpointe Capital Re: Portfolio Activity
 - 5. Correspondence from Oakbrook Re: Portfolio Activity Summary
- D. Financial Reports
 - 1. Statement of Changes: March, 2013
 - 2. Accounts Payable: April, 2013
 - 3. Ratification of Capital Calls:
 - a. Grayco Alts \$103,448
 - b. Mesirow PE Distribution 50,000
- E. Applications for Retirement, Final Calculations, Refunds, Re-Examinations
 - 1. Remove from the Rolls
 - a. Thomas Courville (deceased 02-28-13)
 - b. Madeline Curran (deceased 03-10-13)
 - c. Helen King (deceased 04-03-13)
 - 2. Application for Service Retirement:
 - 3. Final Benefit Calculations:

a. Kervin Young	#2376	Reciprocal
b. Barbara Johnson	#2426	Final done long ago: not on agenda before
c. Ellen Elizabeth Scarlett	#2423	Final done long ago: not on agenda before
d. Larie Miracle	#2387	Final done long ago: not on agenda before
e. Darlene Jones	#2594	Final done long ago: not on agenda before
f. Switlana Korduba	#2566	Final done long ago: not on agenda before
g. Helen Collias	#2639	Final done long ago: not on agenda before
h. Walter Moore	#2328	Final done long ago: not on agenda before
i. Linda Stevens	#2493	Final done long ago: not on agenda before
j. Cheryl A. Yonke	#2499	Final done long ago: not on agenda before
k. Marlene Struckman	#2569	Final done long ago: not on agenda before
l. Berlin W. Batey	#2450	Final done long ago: not on agenda before
m. Kathleen Bernstein	#2497	Final done long ago: not on agenda before
n. Vicky Boase	#2430	Final done long ago: not on agenda before
o. Edward Miller	#2409	Final done: not on agenda before
p. Larry Fultz	#2489	Final done: not on agenda before

q. Richie Harris	#2542	Final done: not on agenda before
r. Claudia Negrete	#2513	Final done: not on agenda before
s. Daniel Miller	#2490	Final done : not on agenda before
t. Richard Brace	#2496	Final done: not on agenda before

Trustee Naglick noted a correction on page fourteen of the minutes with regard to the date and location of the meeting.

Trustee Moore indicated a correction to page seven of the minutes. The sentence “Trustee Moore confirmed that the insurance premiums would be approximately \$602.00 annually”, should read Trustee Moore asked if the insurance premiums would be approximately \$602.00 annually.” He noted that he did not confirm the insurance premium.

Ms. Zimmermann explained that the word “confirmed” has been traditionally used when a Trustee’s question has been acknowledged to circumvent typing two sentences, one including the question and one with the response. Trustee Moore’s change will be noted going forward.

Trustee Moore also asked if the retirees noted under “Removed from Rolls” could include their affiliation with regard to whether they are City or Hospital Retirees.

Trustee Barnett indicated that Madeline Curran and Helen King were hospital retirees.

RESOLUTION 13-027 By Bowman, Supported by Stubblefield
Resolved, That the Board approve the consent agenda for April 24, 2013 as amended.

Yeas: 11 – Nays: 0

Mr. Simms arrived at 1:46 p.m.

Mr. Warren Simms of Brenwar Properties, LLC introduced himself and welcomed the Board to their new location. He stated that he has been operating his accounting practice for thirty years.

Chairman Harrison thanked Mr. Simms for the renovation and the snacks.

Mr. Simms left at 1:48 p.m.

Trustee Moore asked what happened with the \$600,000.00 settlement check that was received.

Trustee Naglick indicated that the check was received and was deposited into the City’s Fund. It was determined that the settlement was based on a bond issue for the TIFA Fund. The settlement was based on a trustee illegally investing assets in derivatives. This was similar to the Northern Trust securities lending issue.

He indicated that he had Gray & Company review the settlement documents to determine if this applied to the System.

Trustee Stubblefield indicated that she and Ms. Zimmermann submitted the settlement documentation on behalf of the City and the Retirement System.

Trustee Moore asked if he could get a copy of the asset liability study.

Mr. Gray indicated that the System has never done an asset liability study. They did an asset allocation study in 2007. He indicated that he would forward a copy to Trustee Moore.

Trustee Moore asked what kind of effect the Executive Order from the Emergency Manager indicating that he is closing the Plan will have on the System.

Ms. Billings told the Board that the System is closed to new members but it is not a terminated system. It is open until the last member receives their benefit.

CONSULTANTS

Re: Gray & Company

Mr. Gray provided an overview of the flash report. The total Plan value as of March 31, 2013 was \$451.4 million versus \$424 million as of September 30, 2012 and \$424.2 million as of December 31, 2012. As of April 18, 2013 the total Plan value was \$444.2 million due to some pullback in the market. They were expecting to see a 5% to 8% pullback because the market was ahead of itself.

Domestic equity performance for the current month is 4.19% versus the benchmark at 3.92%. The quarter-to-date performance is 12.14% versus 11.08% which is better than expected.

The emerging manager large cap equity performance has been slightly ahead of the benchmark since inception in 2007.

The Michigan centric managers have not performed as well. They will provide a detailed report for the working session. They plan to drill deeper into why these managers are underperforming.

Small cap equity managers Loomis Sayles and Kennedy Capital's performance was slightly behind the benchmark for the period. They have no concerns with regard to these managers.

Mid cap equity manager Systematic's performance was slightly ahead of the benchmark for the month. They are on Gray's internal watch list.

International equity portfolio has had problems. Artio has performed below the benchmark for all periods.

Trustee Moore stated that Artio's underperformance is brought up at every meeting. He questioned why the allocation to that manager has not been reallocated.

Mr. Gray said that they are ready to go on this.

Chairman Harrison explained that the manager presentations to replace Artio were scheduled for last fall; however, there have been a number of disruptions that have delayed the presentations.

Trustee Moore questioned why the manager has not been terminated and why the Board is waiting until after they hear the manager presentations.

Mr. Gray explained that in order to replace the manager the Board needs to hear the presentations. It is also a huge cost to terminate a manager and transition the assets. It is more cost effective to wait until a new manager is hired to transition the assets.

Chairman Harrison suggested that the Board bring the managers into the next meeting so the Board can hear the presentations.

Mr. Gray told the Board that First Eagle started slow but their performance for the current month has been good. He noted that they hold gold in their portfolio.

Fixed income is the asset class to be most worried about in the portfolio. When interest rates rise the portfolio will take a hit.

The domestic fixed income managers are doing an exceptional job.

They have spoken with Munder Capital and Ambassador about how they will adjust their portfolios with regard to rising interest rates.

Chairman Harrison commented that the Fed is injecting \$85 billion each month to keep interest rates low. Forty billion is being used to purchase mortgage backed securities and \$45 billion to purchase treasuries. The Fed is essentially monetizing U.S. debt.

Mr. Gray stated that this will result in problems and cannot go on forever. There are some real concerns with regard to the economy. The rest of the world is also monetizing their debt. The next Fed Chairman will stop QE Infinity and the monetizing of U.S. debt. He told the Board that Bernanke is missing the annual meeting in Jackson Hole, Wyoming that is coming up in a few weeks.

He reviewed the private equity performance in the portfolio. These investments are still early in the program.

The Onyx Capital investment went to zero. He apologized for the error regarding the private equity performance numbers in the flash report. He indicated that their analyst did not back the Onyx investment out of the flash report properly. Trustee Naglick caught the mistake which has been corrected. With Onyx going to zero the one-year performance is -28.77% due to the small allocation in that asset class. The System's current allocation to private equity is \$8.7 million which is not a large allocation in that asset class. The performance took a 50 basis point to 60

basis point hit. It will recover slowly. He also pointed out that private equity manager Nexos also did not perform well.

Chairman Harrison asked Mr. Gray to explain the J curve effect in private equity investments.

Mr. Gray stated that private equity companies do not trade in the public marketplace. The early years of a private equity investment involve spending money including start-up costs and management fees which results in negative returns. Once the investment catches traction and matures the investment earnings will increase. Once the company has matured the manager will look to sell it or take it public.

He indicated that Invesco has had a short and almost non-existent J-curve. They have done an incredible job with performance of 4.73% and holdings in their portfolio include a Wilbur Ross component.

Trustee Gaffney asked where private equity is on the risk spectrum and whether the System needs an allocation to this asset class.

Mr. Gray indicated that private equity is a more aggressive asset class and is one step up the risk spectrum from the small cap managers.

Trustee Naglick indicated that the System has sustained losses in this asset class with regard to the Onyx and Nexos investments.

Chairman Harrison asked Mr. Gray to explain that the Onyx and Nexos losses were exceptions.

Mr. Gray explained that risk in private equity investments is higher. The System did have some major stumbles. GrayCo Alts have given the System access to a number of the best managers. These managers can take a smaller amount of assets and make the same amount of returns as one of the System's traditional managers mathematically.

Trustee Giddings left at 2:35 p.m.

He stated that the Board has floated the idea of an audit and the associated transparency. They are fine with an audit being conducted. He stated that they could bring in the managers to meet the Board. However getting Daniel Loeb of Third Point, LLC into a meeting may not be easy.

These managers are not accustomed to dealing with public funds. They normally meet with private investors and do not understand the governance of public funds. However, they are excited for the opportunity to work with public funds. A date should be set to meet the managers. These are the best private equity managers this country has to offer.

Trustee Naglick indicated that in the Limited Partnership Agreement stated that GrayCo Alts will supply audited financials by McGladrey by the end of April, 2013.

Mr. Gray stated that he will check with his auditor on the status of the audit.

Trustee Moore asked how much an audit would cost.

Mr. Gray indicated that an audit could cost \$20,000.00.

Ms. Zimmermann stated that she researched audits of private equity firms that meet the GAAP standard. These firms will audit the private equity firm and push down to the firms underneath. She was not sure whether the Board's audit scope was to test the transactions of the firms underneath the manager. It is incredibly expensive for a full GAAP audit.

Chairman Harrison suggested having the managers come in. He spoke with Ms. Billings and Mr. Gray in reference to having another consultant handle the private equity and real estate investment space.

Mr. Gray told the Board that they currently have other clients vetting their investment vehicle.

He indicated that the Board has the option of the getting the audit from them and they could increase the visits and communications with these managers.

Currently there are two consulting firms that want to put this investment on their platform internationally.

He told the Board that his firm is trying to give them anything and everything they want.

Trustee Moore suggested that this issue be visited later.

Chairman Harrison recommended that the issue be discussed at the working session to determine which avenue to take. He did not believe that the Board was opposed to listening to the consultant.

Ms. Zimmermann asked if the Board could get the report from the two consulting firms who are vetting the investment.

Ms. Billings stated that it might help if the Board were to retain these firms and pay for the report or bring them on board so that they could establish a fiduciary relationship.

Mr. Gray stated that many systems have multiple consultants.

Ms. Billings agreed.

Chairman Harrison stated that he would like to accomplish this without spending unnecessary assets to get the information.

Trustee Naglick indicated that he is a licensed CPA. He described the issue indicating that the Board is the Limited Partner and Gray & Company is the General Partner. As the Limited Partner the Board is entitled to an independent audit every one hundred and twenty days. An

audit is necessary to increase the Board's comfort level with this investment. However, there is no need for a belt and suspenders audit. He is comfortable with the underlying managers.

Chairman Harrison noted that Trustee Naglick's point is transparency and the Board is fine with that.

Mr. Gray referred to a press release indicating that Gray & Company is keeping up with the industry and recently brought in a couple of hedge fund managers.

Last year they hired thirteen new employees and have hired four new employees this year. They also opened a New York Office. The firm is excited for the growth and global recognition. He thanked the Board for their business and being a client.

For periods ending December, there are still headwinds in the macro markets. Mr. Gray said that this fund's returns of over 13% are very welcome and this is with the mistakes baked in. Since 1995, this System has had returns greater than the actuarial assumptions. He said the fund is in an enviable position in this country and abroad and that gives the board more options.

Discussion followed about international candidates and risk discussions. Mr. Gray said they are constantly looking at the portfolio for returns and risks.

RESOLUTION 13-028 By Gaffney, Supported by Bowman
Resolved, That the Board authorize a special educational meeting to be organized by the administrator and the consultant in consultation with the trustees.

Yeas:11 – Nays:0

RESOLUTION 13-029 By Jukowski, Supported by Waterman
Resolved, that the Board authorize the actuary to release information to the consultant for the risk study, preferably 2012 data.

Yeas:11 – Nays: 0

Mr. Gray left at 3:10 p.m.

REPORTS

Re: Chairman

Letter to the Emergency Manager

A copy of a draft letter from Chairman Harrison to Emergency Manager, Lou Schimmel was distributed.

Chairman Harrison stated that everyone is aware of the situation at the City with regard to the members. The Board has always looked out for those we serve. He has written a letter regarding

the retiree healthcare issue. He asked that the Board approve the letter to be sent to the Emergency Manager.

Chairman Harrison read the letter which asked that the Emergency Manager put aside his differences and work together with the Board on a cohesive strategy to provide assistance with retiree healthcare.

He would like the Board to get back to serving and helping the members like they were last September. He reported that at last September's meeting he brought this issue to the Board's attention. He and Ms. Billings met with the Emergency Manager and John Naglick regarding ideas to help offset retiree healthcare expenses and that perhaps the Board could assist. At that time the Board's assistance was welcome and the Board seemed willing to look into assisting the City. However, now it has been reported that as of July 1, 2013, which is the start of the new fiscal year, retiree healthcare could be terminated.

By law, the Pension System is only designed to manage pension benefits, but if there is a way for the System to help he would like the Board to consider it. He would appreciate feedback from the Board with regard to the concept and their approval to send the letter to the Emergency Manager.

Trustee Waterman commended Chairman Harrison on sending the letter to the Emergency Manager.

Trustee Naglick told the Board that the Emergency Manager is meeting with Judge Chabot regarding the Board composition. He is also looking to increase pensions for one year to assist retirees in paying for their own healthcare. He indicated that Ms. Zimmermann provided the information regarding pay increases for retirees. They have not received a pay increase in thirteen years. The increase would need to be done through an amendment to the Retirement Ordinance.

He has also met the with City's unions to amend collective bargaining effective July 1, 2013 to indicating the change to the healthcare benefit.

The City would offer a menu of healthcare options which would give the retirees ability to purchase healthcare along with the one-year benefit increase fix.

He received a draft of the latest actuarial valuation report. They did not want to use incorrect numbers and wanted them based on the current data. The overfunding as of December 31, 2012 was based on \$248 million in actuarial accrued liabilities. The actuary used the smoothed value of assets totaling \$396 million which resulted in a 149% funding ratio. The System currently has over \$400 million in assets with an overfunding of more than \$120 million. The Emergency Manager would like to provide the census data to MERS. He would like to buy into MERS at 120% funded and use the remaining overfunding to provide long-term and short-term retiree healthcare solutions.

Chairman Harrison stated that it seems that the Board is not being talked to but they are being talked at. MERS is less funded than GERS and this System does not need to go to MERS. Retirees are not interested in changing and giving their money to the State of Michigan. MERS has not done as good a job with their investments.

Everything coming from the Emergency Manager has to be drastic. In the last six months the Emergency Manager brought de-risking to the table but everything has to be rushed. The City has never been back to the table to continue the previous discussion. This Board does not know how to respond because they do not know what the Emergency Manager wants. Then the Emergency Manager gives the Board the boot after they offered to discuss options. The Board has spent the last six months going to court instead of focusing on the members and the investments.

He asked that Ms. Billings provide insight with regard to the Emergency Manager's Executive Order proposal to give retirees a one-year pay raise.

Ms. Billings indicated that under the IRS rules the Board cannot provide a raise to pay for retiree healthcare. She also stated that as a general rule the IRS's position on a one-year raise is that any increase in a benefit becomes accrued and cannot be taken away. However, there was a recent Court ruling that held that benefits granted after retirement were not accrued. She will look further into that ruling to determine if the IRS appealed the ruling and/or its impact on public plans.

Trustee Moore stated that Trustee Naglick has killed the spirit of the letter. The Board has proposed to reach out to the Emergency Manager but it seems that the Emergency Manager has already decided what he wants to do. He continues to promote his position in the press but these tactics cannot continue to work. The Board would be better off letting legal sit down and explore options.

RESOLUTION 13-030 By Waterman, Supported by Williams

Resolved, That the Board approves the Chairman's correspondence to be sent to the Emergency Manager on behalf of the Board of Trustees, and directs legal counsel to follow up with the Emergency Manager's attorney to see if there is any interest in discussing retiree healthcare funding strategies.

Yeas: 11 – Nays: 0

Trustee Moore questioned whether the attorneys are currently involved. The Emergency Manager has already made up his mind and he is just going to make everyone mad. He is not sure why the Board should spend their time sending a letter. But he is okay with Chairman Harrison's opinion.

Ms. Billings stated that she will reach out to the Emergency Manager's attorney.

Trustee Jukowski indicated that the letter is just a request to talk.

Trustee Giddings felt that instead of sending a letter it would be better just to call the Emergency Manager instead of putting his back to a wall.

Trustee Jukowski stated that all he and the Emergency Manager are looking for is to have the Board approve the release of the census data so options can be explored including releasing the data to MERS in order to cover healthcare.

Trustee Moore stated that it seems the Emergency Manager is sending dictates to the Board.

Ethics Policy

An updated ethics policy for review was distributed to the Board.

Trustee Gaffney indicated that she and Pat Guthrey drafted the original ethics policy for the Board.

Ms. Zimmermann indicated that the current draft includes the updates from Public Act 314.

Chairman Harrison told the Board that Trustee Gaffney spent a lot of time putting together the original ethics policy and played a very big role in the developing the policy.

Trustee Moore indicated that he is opposed to walking into a meeting and approving something he has not had time to review. If the approval of the policy is not of an emergency nature he would like to save it for the working session.

Trustee Stubblefield questioned which changes were made to the original policy that was adopted on January 24, 2001.

Ms. Zimmermann said she misspoke and indicated that no changes were made to the policy adopted on January 24, 2001.

Trustee Gaffney indicated that it has been a long time since the original policy was drafted. This is a good time to review to determine if changes are needed.

Educational Policy

The education policy with updates was distributed to the Board.

Chairman Harrison indicated that the policy has been updated.

Trustee Moore stated that he requires time to review new issues and does not like the process of walking in with a proposal and taking immediate action.

Chairman Harrison indicated that he would like to defer to the Board for overall discussion. The policy has been streamlined based on previous Board discussion. It decreases the number of conferences trustees can attend and gives the trustees the choice to determine which conference they want to attend.

Trustee Moore stated that it is good to bring these issues to the meeting. However, he believes the Board needs more time to review and discuss.

Trustee Giddings indicated that the travel policy was talked about at the March, 2013 meeting and the policy has been tweaked and the changes have been incorporated in accordance with Public Act 314.

Trustee Bowman stated that the Board needs to make a decision and move forward.

Trustee Gaffney stated that she has no problem with the policy as long as the changes are in compliance with Public Act 314.

Trustee Stubblefield questioned whether the changes were discussed at the special meeting. She has never seen the educational policy before.

Ms. Zimmermann indicated that the existing policy is included in the Trustee Handbook.

Trustee Stubblefield stated that she does not have a Trustee Handbook.

Retiree, Linda Watson stated that she is happy to hear that the Board has heard her voice regarding travel. Her issue has never been about the trustees attending conferences. It has been about limiting the number of conferences a trustee can attend.

Retiree, Billie Swazer stated that she agrees with Trustee Moore and that the issue should be tabled for further review.

Chairman Harrison said this policy is more stringent than the last policy. Trustees will be allowed to attend two in-state conferences and two out-of-state conferences. They will need to provide a report to the Board upon their return.

Trustee Williams referred to the changes on pages three, eleven and twelve.

Trustee Gaffney indicated that there is nothing that would preclude approving the current changes and making additional changes later.

Trustee Moore stated that it is not about the policy it is about how the information comes to the Board. He feels it is unfair to any Board to have information just thrown to the Board. He would like to review the process of how issues are brought to the Board.

Chairman Harrison stated that some information can be brought directly to the Board and can be acted on. Some are major issues that require further review by the Board before action.

RESOLUTION 13-031 By Bowman, Supported by Waterman
Resolved, That the Board accept and approve the revised Educational Policy.

Roll Call:

Trustee Barnett – yea
Trustee Bowman – yea
Trustee Gaffney – yea
Trustee Giddings – yea
Chairman Harrison – yea
Trustee Jukowski – nay

Trustee Moore – nay
Trustee Naglick – nay
Trustee Stubblefield – yea
Trustee Waterman – yea
Trustee Williams – yea

Yeas: 8 – Nays: 3
Motion Passed

Working Session

Chairman Harrison reported that Ms. Zimmermann had sent out an email requesting the trustees to provide whether they would be available for a working session on one of the following Saturdays: May 4, 2013; May 11, 2013 or May 18, 2013.

Discussion followed regarding the scheduling of additional meetings.

Ms. Zimmermann recommended that the Board schedule the sessions in four hour blocks one for internal issues and one for investment issues. She asked how many of the trustees would be available on Saturday, May 4, 2013. She could put together a proposed list of topics.

The Board determined that they would meet on Friday, May 3, 2013 from 5:00 p.m. to 9:00 p.m. They were asked to send issues and agenda items to Ms. Zimmermann.

Ms. Billings confirmed that she would provide her legal report at the working session.

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Cost Studies, Early Out Agreements

Ms. Zimmermann distributed two cost studies for early out agreements for the Board's review. These cost studies need to be presented to the Board and the legislative body seven days prior to implementation.

Trustee Gaffney asked if the Board needs to take action on these cost studies and whether they need to be forwarded to City Council. She also asked about posting public meetings to the internet.

Ms. Zimmermann said the cost studies were already provided to City Council.

Trustee Moore indicated that he would like more time to review important items like Executive Order S-260.

Ms. Billings indicated that she was advised by Trustee Naglick that the Emergency Manager has negotiated with some of the unions to offer early outs to certain employees.

Trustee Naglick indicated that SAEA entered into a Letter of Understanding providing an additional 1.5 years of service credit to members. Teamsters were offered a similar Letter of Understanding. MAPE is still open.

Because the System has been closed to new participants, the Emergency Manager has offered employees an early out. Ms. Billings said that her report contained information with regard to who is a member of the System.

SAEA Business Agent, Larry Marshall told the Board that no official early outs have been offered to SAEA members. He confirmed that the Emergency Manager had talked about closing the System.

Trustee Barnett asked if it was appropriate for the Emergency Manager to dump all these people on the Retirement System.

UNFINISHED BUSINESS

Re: Owusu-Agyei (Twum)/Brown Service Credit Issue – Pending

Re: Balint Letter of Employment – Referred to Legal

Re: Tommy Goodman Inquiry – Referred to Legal

Re: Audit Proposal

The audit information is forthcoming and should be available at the next meeting.

Re: Executive Orders S-249 and S-250

Ms. Zimmermann reported that Executive Order S-249 immediately terminates the City's payment to those members who opted out of health insurance.

She also reported that past practice has been to hold payment of accrued sick time until a member began receiving their pension for those who deferred their retirement. Executive Order S-250 terminates the practice of paying out unused sick leave to deferred retirees upon applying for their retirement benefit. The Board can discuss this issue at the next meeting.

Re: Manager Review Rescheduling

It was determined that the Administrator would work with the Investment Consultant to reschedule the manager review meeting.

Re: Remaining Members of GERS – Refer to Legal

NEW BUSINESS

Re: Executive Orders S-254 and S-260

Ms. Zimmermann reported that Executive Order S-254 repeals the previous Executive Order S-246 that changed the composition of the Board.

Executive Order S-260 closes the Retirement System to new hires and offers early outs to all City non-union employees.

Trustee Moore asked how these changes by the City will affect the System and whether they are legal. He suggested that legal look at the issues.

Ms. Billings stated that the unions would have to be on Board for this to be implemented.

Trustee Moore stated that he has issues with the employees on the list and questioned whether it is legal.

Trustee Barnett stated that the Emergency Manager is providing a retirement to City employees regardless of how long they have worked for the City. She questioned if it is right for him to dump all these people on the System.

Trustee Moore asked that the Board direct legal to provide a response. He would like the Board to discuss this issue in depth.

Trustee Barnett expressed her concern and questioned that just because the System is overfunded can the Emergency Manager dump all these people on the System increasing costs.

Chairman Harrison suggested that the Board have legal counsel review the Executive Order. He stated that all of the Board's meetings are open; however, the Emergency Manager's meetings are closed. In order to find out what happened you have to read the newspaper.

Trustee Moore was concerned and wanted to know if the people appointed by the Emergency were placed into the Retirement System.

Chairman Harrison also questioned whether they were put into the defined benefit plan.

Trustee Stubblefield noted that all non-union members are at-will employees.

Ms. Billings indicated that the list of employees provided by the Human Resources Department is in your legal report. It is important to look at the issue and go over the list.

Ms. Zimmermann and Trustee Jukowski left at 4:02 p.m.

Re: Legal

Eviction

Trustee Moore asked about the status of the eviction proceedings and Ms. Billings replied that both parties agreed to dismiss.

IRS Letter of Determination Submission

Ms. Billings reported that the System has until January, 2014 to submit their application to the IRS.

Portfolio Monitoring Reports

- Motley Rice Portfolio Monitoring Report 1st Quarter 2013
- Robbins Geller March 2013 Portfolio Monitoring Report

Ms. Billings reported that the monitoring reports are for the trustees' information.

Remaining List of GERS Employees

Ms. Billings reported that included under Exhibit B in her legal report is the list of the remaining City employees. She will review the employment contracts for the employees appointed by the Emergency Manager to make sure they are not included in the System. She noted that John Balint's contract is the exception and that he is entitled to accrue service credit except for his time as an independent contractor.

Trustee Bowman questioned why Joseph Sobota is on the list.

Trustee Moore questioned whether it is legal for the Emergency Manager to appoint consultants and make them members of the Retirement System.

Trustee Naglick stated that these are at-will, non-union employees of the City.

There was a lengthy discussion with regard to whether the Emergency Manager appointed employees are eligible to be included in the pension system. The Board indicated that they want copies of the contracts to be reviewed by legal counsel.

The Board directed legal counsel to review the employment contracts for those employees appointed by the Emergency Manager to determine whether they are eligible to receive a pension benefit from the Retirement System.

Trustee Moore indicated that he would like the information and how the Plan would be affected.

RESOLUTION 13-030 By Gaffney, Supported by Bowman

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

Roll Call:

Trustee Barnett – yea	Trustee Moore - yea
Trustee Bowman – yea	Trustee Naglick - yea
Trustee Gaffney – yea	Trustee Stubblefield - yea

Trustee Giddings - yea
Chairman Harrison – yea

Trustee Waterman – yea
Trustee Williams - yea

The Board moved to closed session at 4:17 p.m.

Ms. Arndt, Mr. Blichok, Ms. Filler, Mr. Marshall, Ms. Swazer, Ms. Watson & Ms. Woods left at 4:17 p.m.

The Board returned from closed session at 5:15 p.m.

RESOLUTION 013-031 By Moore, Supported by Gaffney

Resolved, That the Board authorize the settlement in the Northern Trust litigation for the class of non-ERISA plaintiffs in the minimum amount of \$75 million; and

Delegate authority to outside counsel (Sullivan Ward) to use their best efforts at the May 9, 2013 mediation in their attempt to negotiate a settlement greater than \$75 million; and

Delegate authority to the Chairman to finalize the settlement through execution of documents if necessary before the next meeting.

Yeas: 10 – Nays: 0

RESOLUTION 013-032 By Williams, Supported by Gaffney

Resolved, That the Board authorize legal counsel to settle the Craft grievance in accordance with the Board's discussion in closed session.

Yeas: 10 – Nays: 0

RESOLUTION 013-033 By Moore, Supported by Waterman

Resolved, That the Board approve the closed session minutes for March 27, 2013.

Yeas: 10 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: May 29, 2013 @ 1:30 p.m. – Retirement Office Conference Room

ADJOURNMENT

RESOLUTION 13-034 By Moore, Supported by Waterman

Resolved, That the meeting be adjourned at 5:37 p.m.

Yeas: 10 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on April 24, 2013

Secretary, John Naglick

As recorded by Jane Arndt