

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JUNE 28, 2006**

A regular meeting of the Board of Trustees was held on Wednesday, June 28, 2006 at the Shrine Room, Main Level, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:32 p.m.

TRUSTEES PRESENT

Shirley Barnett	Javier Saucedo, Vice Chair
Koné Bowman (<i>arrived at 1:33 p.m.</i>)	Devin Scott
Raymond Cochran, Secretary	Kevin Williams (<i>arrived at 1:36 p.m.</i>)
Robert Giddings (<i>arrived at 1:33 p.m.</i>)	Debra Woods
Charlie Harrison, Chairman	Andrea Wright

Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Andrew Kelsen, Gray & Company
Cynthia Billings, Sullivan, Ward, Asher & Patton, PC
Sheri Cataldo, Sullivan, Ward, Asher & Patton, PC (*arrived at 1:43 p.m.*)
Ellen Zimmermann, Retirement Systems Administrator
Jane Arndt, M-Administrative Assistant

APPROVAL OF CONSENT AGENDA

Trustee Woods commented on concerns regarding Charlotte Sanabria's retirement. She questioned the calculated service credit. Ms. Zimmermann explained the difference between seniority for pay and promotional purposes and retirement service credit. Trustee Woods also inquired about employee contributions and buying service credit. Ms. Zimmermann explained the ordinance provisions and indicated that a redeposit is not necessary for those who were not required to make contributions: employees stopped making contributions in the mid 1970's.

Ms. Zimmermann explained that Ms. Sanabria is a vested member of the System and is entitled to a benefit: whether it is paid immediately or later is dependent upon whether the city council approves her to retire under the non-union "70 point plan". She would not receive a benefit unless and until it is approved by council resolution. Ms. Zimmermann said the ordinance provides that when a non union member's position is eliminated, if approved by the mayor and council, the member is eligible to retire and draw immediately if their age plus service credit equals 70 with a minimum of 18 years of service credit.

Trustee Harrison left at 1:42 p.m.

Trustee Harrison returned at 1:43 p.m.

Trustee Bowman asked if there would be any impact to the fund. Ms. Zimmermann replied that a cost study was performed at the time of the original ordinance amendment and according to the actuary there was an immaterial increase in cost and no expected change in the contribution rate.

Chairman Harrison asked if the Board approves the application whether it is still contingent on Council approval. Ms. Zimmermann assured the Board that the benefit would not be paid without Council approval. If Ms. Sanabria is not approved by Council, she is still vested and will draw when she attains the necessary age.

The application for Charlotte Sanabria was postponed pending council action.

Re: Consent Agenda – June 28, 2006

A. Minutes of Special Meeting: April 26, 2006

B. Minutes of Regular Meeting: May 31, 2006

C. Communications:

1. Correspondence from Capital Guardian RE: Performance Update

2. Correspondence from ADP RE: Fee increase

3. Conference Information

a. 52nd Annual Employee Benefits Conference – IFEBP – Oct. 8-11, 2006

b. Institutional Real Estate Investing – July 11-13, 2006

D. Financial Reports:

1. Financial Reports – May 2006

2. Securities Lending Report – April 2006

3. Accounts Payable:

a. ADP	\$ 2,068.31
b. Bienstock	194.50
c. Capital Guardian	29,264.05
d. City of Pontiac	1,674.08
e. Crawford & Winiarski	5,196.13
f. Cypher	1,949.81
g. GFOA	140.00
h. Gray & Company	8,104.17
i. Ikon	253.21
j. Julius Baer	81,455.11
k. Mellon Global Services	468.00
l. Munder Capital Management	66,673.00
m. Office Depot	180.22
n. Plante Moran	8,565.00
o. Sullivan, Ward, Asher & Patton	8,359.01
p. Visa	10,244.25

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

1. Remove from the Rolls:

- a. Bonnie Sheffield (deceased 05-30-06)
- 2. Application for Service Retirement:
 - a. Thressa Mahone – Non Union 19 years, 5 months Age 53 (reciprocal)
 - b. Maurice Finnegan – Non Union 18 years, 7 months Age 56 (reciprocal)
 - c. J. Edward Hannan – Non Union 3 years, 1 month Age 57 (reciprocal)
 - d. Sally Mudge – NOMC 1 year, 3 months Age 60
 - e. Charlotte Sanabria – Non Union 22 years, 3 months Age 50
- 3. Change of Retirement Effective Date:
 - a. Richard Hahn
 - b. J. Edward Hannan
- 3. Final Pension Calculations:
 - a. Lavon Cole #2330 \$ 976.87
 - b. Sally Mudge #2340 80.07
- 4. Disability Examination
 - a. Donald Tottingham
 - b. Marvin Poston
 - c. Mavis Herring
- 5. Death Audit Results

RESOLUTION 06–052 By Saucedo, Supported by Williams
 Resolved, That the consent agenda for June 28, 2006 be approved except item E.2.e. which was separated.

Yeas: 10 – Nays: 0

CONSULTANTS

Re: Sullivan, Ward, Asher & Patton – CAPROC Update

RESOLUTION 06–053 By Woods, Supported by Barnett
 Resolved, That the Board will move to closed session to discuss pending litigation.

Barnett – Yea, Bowman – Yea, Cochran – Yea, Giddings – Yea, Harrison – Yea
 Saucedo- Yea, Scott – Yea, Williams – Yea , Woods – Yea, Wright - Yea

*Board moved to closed session at 1:54 p.m.
 Board returned from closed session at 2:14 p.m.*

Ms. Billings distributed copies of the closed session minutes from March 27, 2006, April 10, 2006 and April 17, 2006 for the Board’s review.

RESOLUTION 06–054 By Woods, Supported by Barnett
 Resolved, That the Board approve the closed session minutes for March 27, 2006, April 10, 2006 and April 17, 2006.

Yeas: 10 – Nays: 0

Ms. Billings and Ms. Cataldo left at 2:15 p.m.

Re: Gray & Company – Real Estate (Turks & Caicos)

Chairman Harrison addressed the Board about a potential real estate investment. He he was contacted by a friend Roy Dickson who went to the islands of Turks and Caicos to look at a personal real estate investment. While there he met the Prime Minister and his brother who is promoting several grand scale real estate developments. Mr. Dickson discussed institutional fund investments with them and contacted Chairman Harrison.

Chairman Harrison said he asked Mr. Gray to contact Mr. Dickson and discuss the developments. He requested that Mr. Gray fly down to the islands with him to see if this could be a potential real estate investment for the fund. Several more Board members flew down (not at Board expense) with Trustee Harrison: Trustee Barnett, Trustee Woods, Trustee Saucedo and Trustee Scott. They all liked what they saw. However, the fund is held to a higher scrutiny and the proper due diligence would have to be conducted to see if it would be a proper fit for the fund.

Mr. Kelsen told the Board that he is the Director of Alternative Investments (including real estate) for Gray and Company. He said that this is not a traditional real estate investment but more of a development deal. It is outside the scope of Gray and Company's expertise and would require enlisting other professionals to assist with the due diligence including international real estate attorneys who are skilled in hotel developments in the Caribbean. He presented an invoice for \$35,000 for pre-approval by the Board to perform the due diligence.

He said the Board must determine whether this proposed investment fits with trustees' fiduciary responsibility. The risk and reward of the investment have to be analyzed carefully. The Board must determine the size of the investment, the timing of the cash requirements, the intended use of the funds, the return for the investment and the timeframe for the receipt of returns.

Gray and Company will need to obtain answers to hundreds of questions before coming back to the Board. Numerous outside professionals will have to be engaged. He stated that Turks and Caicos is an overseas territory of the British Crown. In order to assess the feasibility of a financial investment visits will have to be made: sites will need to be surveyed and meetings will have to be held. Connections to local government will have to be investigated. It has an adequate legal structure; the currency is the U.S. dollar.

Trustee Giddings asked who paid for the trip. Chairman Harrison replied that the developer paid for the trip. Trustee Giddings asked why the full Board was not notified of the trip and why it was not put in the minutes. Chairman Harrison accepted responsibility for not ensuring all trustees were contacted. Trustee Giddings said that this is a lot of money and we do not even know what the returns may be.

Trustee Giddings reminded the Board that the it was recently burned on a real estate deal that was unusual. Chairman Harrison remarked that they are just asking to conduct due diligence. Trustee Wright asked if it normally costs \$35,000.00 to find out if there is a return on investment noting that it seems like a lot of money. Chairman Harrison said that this was out of the norm.

Mr. Kelsen commented that there is normally no cost for due diligence however this is well outside the scope of the normal due diligence for domestic real estate investment.

Trustee Giddings said he thought the Board was looking at a more conservative or traditional real estate investment after CAPROC: now the trustees are going on secret trips to look at another unusual investment presented by a friend of the Chairman. The issue is not that he did not go: the issue is that it was not in the minutes.

Trustee Wright left at 2:33 p.m.

Chairman Harrison stated that they would like to move forward on the due diligence. Trustee Giddings said that \$35,000 is a lot of money for due diligence. Mr. Kelson said that fees for domestic real estate are generally 1% to 2%.

Trustee Barnett commented that there are 1,000 beautiful acres and that the Board could get in on the ground floor with condos on the beach. Cruise ships are coming in. It is not yet well developed but is starting to be. Mr. Kelsen told the Board that the investment is a concept and that before moving forward they would have to ensure that the plan would be protected.

Trustee Cochran said that it sounds like a pleasant location but he is concerned about the cost of the due diligence. He places a lot of reliance on Gray & Company and would like to hear Mr. Gray's initial impression on whether it bears further investigation. Mr. Kelsen replied that further investigation will have associated costs to solicit experts in international real estate, attorneys, developers, etc. A traditional search would cost \$20,000 to \$25,000 if priced separately.

Trustee Barnett told the Board that Trustee Saucedo had asked about the water supply and sewage capabilities. She said that she was told that it has been 47 years since a hurricane struck the islands which is attributed to the surrounding coral reef. Trustee Saucedo added that Mandalay Bay currently has a development under construction.

Trustee Giddings asked about the amount of the investment. Chairman Harrison said that \$10 million was discussed as an initial investment. He explained that the trustees who personally looked at it feel the fund would be getting in on the ground floor. He also said that with what is going on in the real estate market this would be wise since it seems to be a booming, high-end investment. The average condo sells for \$1 million and there were only a few units left. The property values are increasing consistently and it seems like the best kept secret in the Caribbean. There are those on the Board that would like to go further and feel if we do nothing we could miss out.

Trustee Scott said that the place speaks for itself; the north end of the island has the possibility of becoming a long-term investment. However, he also has questions about the international laws, the potential for fraud and how the fund would get its money back as well as the cost of the due diligence. He asked if there was another less costly way to conduct the due diligence. He also said that he has some concerns that need to be answered and that he is gun shy coming in at the end of the CAPROC investment.

Trustee Barnett asked how many units were left. Chairman Harrison said that there were three left with over one hundred already sold. He said there are six more buildings going up with the first building completed. Trustee Scott added that construction is year-round and there is no unemployment. Trustee Woods and Chairman Harrison stated that a new airport is currently under construction that would allow direct flights to the island. They also mentioned that many of the homes are worth \$8 million with a number of celebrity owners. Chairman Harrison commented that they weren't looking for this investment that it found them. He feels it is strong enough to warrant due diligence.

There was discussion about capping the invoice at \$35,000 and if additional funds were needed Gray and Company would have to bring that issue back before the Board.

Mr. Kelsen said that while it all sounds great, the trustees were only given the marketing tour during their visit. There is still a lot of work to be done and not to put the cart before the horse. They need to determine if this is a fit for an institutional fund investment and Gray and Company's reputation is on the line. The pictures are nice but there are a lot of questions to be asked and balance sheets to be reviewed. If the Board approves Gray and Company to proceed, they will pay their own way to avoid any conflicts of interest.

Trustee Saucedo asked what the backing of the crown meant. Mr. Kelsen replied that it means free hold title to property. There are currently reciprocal provisions that allow individuals to own property. However, if the administration changes they don't know what could happen.

Chairman Harrison said that if the trustees who didn't make the first trip would like to go that it could be arranged.

Trustee Cochran said that he thinks looking at investments should be encouraged but that he agrees with Trustee Giddings that transparency is important and that communications regarding investments should be open to all Board members. He added that his only reservation is the cost of the due diligence. Mr. Kelsen commented that international attorneys bill out at \$800 per hour.

RESOLUTION 06-055 By Woods, Supported by Barnett

Resolved, That the Board approve Gray and Company to conduct due diligence at a cost of \$35,000 on a real estate investment in the Turks and Caicos Islands.

Roll Call:

Trustee Barnett – yea
Trustee Bowman – yea
Trustee Cochran – yea
Trustee Giddings – no
Chairman Harrison - yea

Trustee Scott – yea
Trustee Saucedo – yea
Trustee Williams – yea
Trustee Woods – yea

REPORTS

Chairman - None

Secretary - None

Trustees / Committees

Re: Real Estate Committee – None

Re: Personnel Committee - None

Trustee Cochran left at 3:02 p.m.

Administrator

Waiver of 30 Day Notice Requirement

Ms. Zimmermann said that she was not informed of the City's intent to lay off and many of those effected would be laid off as of June 30, 2006. She asked the Board to approve waiving the 30 day notice of intent to retire as required by the Ordinance for those facing lay off.

RESOLUTION 06-056 By Cochran, Supported by Bowman

Resolved, That members of GERS who are to be laid off in less than 30 days will have the 30 day notice requirement waived.

Yeas: 8 – Nays: 0

Website

Ms. Zimmermann discussed the importance of retirement seminars and communications with retirees. She suggested that the City website for the Retirement Office be updated to include financial status, current trustees, forms such as tax withholding, change of address and minutes. She has spoken to the IT department and they are willing to make the changes and updates.

RESOLUTION 06-057 By Barnett, Supported by Williams

Resolved, that the Board of Trustees approve the update of Board information on the City Of Pontiac website including financial status of the system, forms and minutes.

Yeas: 8 – Nays: 0

Trustees Bowman and Woods left at 3:05 p.m.

One-Day MAPERS Conference

Ms. Zimmermann distributed MAPERS Conference materials to the Board: anyone interested should contact Jane Arndt.

Munder Capital Management

Ms. Zimmermann distributed a newspaper article regarding a rumor that Comerica is shopping Munder. Munder has no comment. She explained that this could be good news for both Munder and the fund.

Legal

Tom Michaud was not able to attend today's meeting because his wife went into labor.

Re: Peritus Contract

All contract issues have been resolved.

Trustees Bowman and Woods returned at 3:10 p.m.

Union Representatives – None

Trustee Bowman inquired about J. Edward Hannan's application for retirement. Ms. Zimmermann explained that in compliance with the Reciprocal Act, if a member has reciprocal time with a minimum of thirty months credited service, the member is entitled to a benefit. She added Mr. Hannan's date of retirement is July 15, 2006.

UNFINISHED BUSINESS

Trustee Barnett inquired about the re-exam for Joseph Babin. Ms. Zimmermann will investigate.

Re: Ordinance Clean-up

A final draft of the ordinance is needed for distribution to the City and unions. The Board directed Ms. Zimmermann to follow-up with the attorney for completion.

Trustee Bowman left at 3:14 p.m.

NEW BUSINESS

PUBLIC DISCUSSION

Trustee Woods stated that she was approached during union negotiations about a legal opinion submitted from the Retirement Office that she was not aware of. She questioned why an opinion would be distributed without Board approval. Ms. Zimmermann explained that the Board has given authorization to the Administrator to use her discretion when a legal opinion is needed. This alleviates the member having to wait more than thirty days for an answer. The issue was to be brought before the Board for final resolution but the Chairman directed her not to do so.

Trustee Woods said she would like notification when a legal opinion is obtained regarding union and/or human resources issues. Trustee Giddings said it would not be necessary when she is acting outside her role as trustee.

Ms. Zimmermann was directed by the Chairman to notify trustees in the event an issue like that comes up again.

SCHEDULING OF NEXT MEETING

Regular Meeting: July 26, 2006 at 1:30 p.m. in the Shrine Room of City Hall.

ADJOURNMENT

RESOLUTION 06 -058 By Saucedo, Supported Scott
Resolved, That the meeting be adjourned at 3:28 p.m.

Yeas: 7 – Nays: 0

I certify that the foregoing is true Minutes of
the General Employees Retirement System
held on June 28, 2006.

Raymond Cochran, Secretary
As recorded by Jane Arndt