

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JULY 25, 2007**

A regular meeting of the Board of Trustees was held on Wednesday, July 25, 2007 at the Shrine Room, Main Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:36 p.m.

TRUSTEES PRESENT

Shirley Barnett	Javier Saucedo, Vice Chair
Koné Bowman	Kevin Williams
Raymond Cochran	Debra Woods
Charlie Harrison, Chairman	Andrea Wright

TRUSTEES ABSENT

Robert Giddings (*excused*)
Devin Scott (*excused*)
Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Wendy Trumbull, Plante & Moran	Rosa Lee Cucksey
Laurence Gray, Gray & Company	Morris Cucksey
Julie Gonsch, Northern Trust	Ann Cassidy
Tom Michaud, VanOverbeke, Michaud & Timmony	Emily Tiernan
Ellen Zimmermann, Retirement Systems Administrator	Rose Seibert
Jane Arndt, M-Administrative Assistant	Stella Isom
	Adolfo Gonzalez
	Kim Gonzalez

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting: May 30, 2007
- B. Communications:
1. Correspondence from Julius Baer Re: 2nd Quarter Commentary
 2. Correspondence from Systematic Re: Quarterly Review
 3. Conference Information:
 - a. Fall 2007 MAPERS Conference – Sept. 16-18, 2007
 - b. Pensions and Retirement Conference – Conference Board – Nov. 8-9, 2007
 - c. 5th Annual Art of Indexing – SRI – Sept. 17-18, 2007
 - d. Real Asset Investing Forum – Opal Financial – Sept. 6-7, 2007
- C. Financial Reports
1. Financial Reports – June 2007
 2. Commission Recapture – May 2007

3. Securities Lending –
4. Accounts Payable:
 - a. ADP \$2,273.03
 - b. City of Pontiac 1,674.08
 - c. Gabriel, Roeder, Smith & Co. 4,500.00
 - d. GFOA 101.50
 - e. Gray & Co. 8,104.17
 - f. Ikon 194.78
 - g. Miller, Canfield, Paddock & Stone, PLC 420.00
 - h. Northern Trust 49,684.83
 - i. Office Depot 102.17
 - j. Peritus I Asset Management 89,008.58
 - k. Plante Moran PLLC 1,440.00
 - l. Scott Harris, Bryan, Barra & Jorgensen PA 247.72
 - m. Sullivan, Ward, Asher & Patton PC 5,331.55
 - n. Systematic 65,078.55
 - o. VISA 707.01
 - p. Due to / Due From (512.47)
- E. Retirements, Refunds, Final Calculations, Re-Examinations
 1. Remove from the Rolls:
 - a. Junis Kaye Birkmeier (deceased 06-11-07)
 - b. Allie M. Bolding (deceased 06-22-07)
 - c. Arnold McGraw (deceased 05-28-07)
 - d. Richard McLellan (deceased 06-18-07)
 - e. Linda Wellbaum (deceased 06-29-07)
 2. Application for Retirement:
 - a. Larie Miracle – NOMC 11 years, 9 months Age 60
 3. Final Pension Calculations:
 4. Disability Application:
 - a. Edward C. Miller

Mr. Gray asked that a paragraph on page 10 be stricken from the minutes. Mr. Michaud provided a list of suggested changes for the June 25, 2007 meeting minutes.

RESOLUTION 07–050 By Bowman, Supported by Saucedo
 Resolved, That the consent agenda for July 25, 2007 be approved as amended.

Yeas: 8 – Nays: 0

Chairman Harrison asked that the rules for the meeting be suspended for the guests in attendance. Mr. Michaud suggested that Public Discussion be moved up on the agenda.

PUBLIC DISCUSSION

Northern Trust – Julie Gonsch

Ms. Gonsch introduced herself to the Board. She stated that she is the Board's Account Representative at Northern Trust and has been with them for eighteen years. She thanked the Board for choosing them as the fund's custodian. She expressed her commitment to a long and rewarding relationship. She thanked the Board for their business.

She told the Board that she brought copies of the securities lending summary report for the period from mid-March, 2007 through June 30, 2007. During that time earnings were \$51,375.00.

Ms. Gonsch left at 1:44 p.m.

Adolfo Gonzales (Retiree)

Mr. Gonzalez stated that he retired from the City fifteen years ago when the City was requesting certain members to take an early out. At that time, he chose Option IV which gives the member a larger benefit until they reach age 65 and they begin collecting their social security benefit. At age 65 his benefit dropped drastically from \$1,700.00 to \$878.00.

Mrs. Gonzales explained that the Retirement Office sent a copy of the report from GRS with that outlined the benefit. She said that her husband's annual income went from \$20,686.10 to \$10,540.33.

She said that when they contacted the Retirement Office in February they were told this has been an issue for other members. She requested that this judgment be verified by a third party.

She said that the Option IV was not fully explained to them. She explained that the Social Security benefit does not begin until age 65 and 10 months, yet the pension benefit decreases at age 65. She felt that members expected their Social Security benefit to begin and coincide with the decrease in their pension benefit. She asked that the Board address the issue and that members should receive their increased pension benefit until age 65 and 10 months.

She stated that when they met with Pam Hopkins to go over his benefit options, Ms. Hopkins told Adolfo that he needed to make sure he could take care of Kim. The Option IV was suggested which provided an additional \$268.02 per month to a \$1,454.74 benefit totaling \$1,722.76. They thought that when he turned 65 his benefit would only drop \$268.02 per month. However, it dropped the \$268.02 and an additional \$577.47 per month. This process was not explained properly and they would like to appeal this.

Mr. Michaud stated that the member has the ability to coordinate the benefit with Social Security. Since the Board is not familiar with the individual circumstances he asked that the Gonzales request the Board to further investigate the issue.

Mrs. Gonzales requested that the Board look into her husband Adolfo Gonzales' benefit issue. She said he would not have taken an early retirement if he would have known he worked twenty-two years for \$800.00 per month.

Chairman Harrison directed Mr. Michaud and Ms. Zimmermann to provide the Board with additional information, so the Board can review the issue.

Chairman Harrison asked if there was additional public comment from the members of URGE.

Rose Seibert - Retiree and URGE Member

Ms. Seibert stated that NOMC retirees recently began having their prescription drug coverage deducted from their pension benefit. She said that their pension benefits are already low and they feel this coverage should be provided by the City. She said that when they retired they were considered City employees. They do not understand why the City is not responsible for this coverage.

Trustee Barnett said that the prescription coverage has been deducted out of the retirees' benefit for a number of years. She explained that the cost for a single individual for medical insurance without prescription drug coverage is \$160 per month. She said that Medicare Part D is much cheaper for retirees.

She stated that the average monthly NOMC pension benefit is \$500.00 compared to a GERS monthly pension benefit of \$1,500.00. She referred to a retiree in the room whose benefit is \$113.23 which does not cover the \$160.00 cost of her medical insurance (which does not include a prescription drug rider). She expressed her concern that this is the situation for a number of NOMC retirees and that without the NOMC contributions the fund would not be 150% funded.

Mr. Michaud stated that the hospital employees and their medical coverage is outside the scope of the trustees' responsibility. He suggested that Trustee Barnett review the issues and provide information to the Board. He encouraged the retirees to participate and provide information through Trustee Barnett.

Trustee Barnett stated that the hospital created this issue when they gave the pension benefit responsibility to the City. The City had strong unions which negotiated good medical coverage for their members. However, the hospital thought they could do it cheaper themselves. That is how they got the retirees into this predicament.

Mr. Gray left at 1:58 p.m.

Chairman Harrison requested that Trustee Barnett refer information to Ms. Zimmermann. He said that the Board will address their concerns. He thanked them for their efforts on behalf of the City and the community.

Mr. and Mrs. Gonzales left at 2:00 p.m.

Ms. Isom, Ms. Cassidy and Ms. Tiernan left at 2:00 p.m.

CONSULTANTS

Re: VanOverbeke, Michaud & Timmony

Mr. Michaud referred to a memorandum within the report section of the agenda packet regarding recent legal issues and decisions. This is a broad topic summary of current legal decisions affecting Michigan public retirement systems and healthcare plans. He said that when the Board consistently follows good practices/procedures the Board normally prevails when challenged.

Mr. Gray returned at 2:01 p.m.

He stated that disability is a highly litigated area. He also noted that it is the Board's responsibility to comply and respond to FOIA requests. He confirmed that following a designated process protects the Board from litigation.

Trustee Barnett referred to the Michigan Federation of Teachers versus the University of Michigan FOIA legal decision. She asked if this could result in the hospital releasing a list of retiree phone numbers and addresses. Mr. Michaud responded that these were active University of Michigan employees and that the court is often times liberal in releasing information. These types of requests would be forwarded to the FOIA Coordinator who can determine exemptions. The Board would make the decision.

Trustee Barnett questioned litigation where a system lost money on an investment and the retirees brought action against the Board. She stated that the Board is not immune from dispute and can not be responsible for the market. Mr. Michaud referred to the Bay City litigation where a precedent was set when the trustees were found to be a quasi-judicial body preventing any further litigation against the trustees in that matter. However, the consultant is still defending the issue. Ms. Zimmermann asked if that language needs to be added to the ordinance. Mr. Michaud stated that the Board has this status without the language, but that it has been added to the proposed plan restatement.

Trustee Barnett questioned whether the Board still requires the fiduciary insurance. Mr. Michaud said that they should continue the insurance because it would cover legal costs in the event of litigation.

Private Equity Update

Mr. Michaud distributed a memorandum and provided an update of the Onyx Capital Advisory Fund I, L.P. He stated at the May, 2007 meeting Onyx organizational fees were represented to be \$250,000.00. On June 26, 2007 the Onyx agreements were signed by the Board. Subsequently, on June 29, 2007 correspondence was received from Roy Dixon stating that this current letter supersedes the previous letter. The letter stated that total organizational fees since inception are \$598,000. A request for payment of organizational costs of \$145,874.60 was also received by the Retirement Office.

Mr. Gray clarified the information. On May 30, 2007 correspondence was received that indicated organizational fees would not exceed \$250,000.00. On June 26, 2007 the contract was signed. Three days later a letter was received which stated that the original organizational fees were understated and the revised total is \$598,000. A request for payment of \$145,874.60 for the system's portion of the fees was also received. Mr. Gray said that he needed to obtain the supporting documentation for the payment request and verify the pro-rata share. Chairman

Harrison questioned whether this was a procedural issue. Mr. Gray stated that the Board can not sign off to pay an unsubstantiated bill. It will require further review when the back up is received. Mr. Dixon should forward the supporting documentation within the next two weeks.

Mr. Michaud questioned whether the trustees were comfortable with the increase of fees from \$250,000.00 to \$600,000.00. Trustee Cochran asked what date was considered the inception date. Mr. Gray explained that it was the first time he had seen this correspondence from the attorney.

Mr. Gray said that during the investment discussions questions were raised regarding the organizational expenses and the General Partners contributions. He said that he had subsequently spoken with Roy Dixon who said the \$250,000.00 was the fee to Pontiac only which is not what was understood earlier.

Chairman Harrison asked Mr. Gray and Mr. Michaud for their suggestions. He asked if these were improper circumstances. Mr. Michaud explained that the Board has to feel comfortable with this change.

Trustee Wright said that given the amount of discussion considering this investment and the initial statement of fees this should not be that difficult. She said that the initial agreement stated that the fees would not exceed \$250,000.00 period. She questioned the letter received on June 29, 2007 that read the management fee is allocated to all Limited Partners pro rata in accordance with their capital commitments under the terms of the Onyx Fund LP Agreement. Mr. Gray stated that the more investors the fund receives the more the fees get divided up. However, he said that the fees have increased. Instead of paying a percentage of \$250,000.00 the percentage will be assessed on \$600,000.00. To date, we have not made a payment.

Trustee Cochran noted that the system's fees based on the \$598,000.00 should not exceed \$120,000.00 based on the amount of investors today versus the \$145,874.00 being requested. There was discussion of how the Board was told one amount and now they are being asked to pay more than the agreed amount. They were also being billed with no backup.

Chairman Harrison questioned whether more documentation would better clarify the issue. Whether right or wrong it appears that the \$250,000.00 was understood by the trustees to be the amount stated for the total organizational costs to all limited partners.

Mr. Gray commented that they are waiting for the backup that should clarify some major line items within the request. Chairman Harrison acknowledged that nothing has been done, so Mr. Gray can bring the information to the next meeting. Trustee Woods asked what would happen if they request a capital call. She added that given the issues, the System could not comply with a capital call request.

Ms. Zimmermann noted that Roy Dixon sent notice of a capital call for \$500,000.00 for this upcoming Friday. It is not doable: it will require at least ten business days notice. Chairman Harrison directed the administrator to wait on payment until Mr. Gray advises.

Mr. Michaud told the Board that if they are uncomfortable with the situation they have the legal standing to withdraw from the investment. Mr. Gray concurred. They can determine this once the supporting documents are received.

Ms. Zimmermann left at 2:23 p.m.

Chairman Harrison left at 2:24 p.m.

Trustee Wright said she still needs to understand how the fees are shared between the limited partners. If the total organizational fees are \$250,000.00, one-fifth of that would make our fee \$50,000.00. If the total is \$598,000.00 our fee would be \$119,000.00. She asked why the System received a payment request for \$145,000.00 which exceeds one-fifth of the revised total. Trustee Bowman stated that the Board can say no to the request for \$145,000.00 and that they will not release funds. Trustee Wright stated that the Board can not do business this way.

Chairman Harrison returned at 2:25 p.m.

Trustee Woods left at 2:25 p.m.

Chairman Harrison said that there is not anything that can be done today. Mr. Gray will come back to the Board after he analyzes the supporting documents and bills. At that point the trustees can make their decision.

Trustee Barnett commented on the investment strategy related to the capital call. She thought the strategy discussed by Onyx was local to the Midwest, not Georgia and North Carolina. The strategy was for manufacturing firms, not poor credit car dealers.

Ms. Zimmermann confirmed that she was not to fund the capital call. The trustees affirmed.

Mr. Michaud concluded his report.

Re: Gray & Company – Investment Manager Searches

International Equity Manager Search

Mr. Gray said that after last month's search presentations he was asked to return with additional qualitative documentation. He stated that the performance review of the fund through March 31, 2007 including all managers reported total plan value over \$500 million. Ms. Zimmermann has reported that as of July 18, 2007 the total plan value is \$505 million.

With this increase, the current allocation to Julius Baer has grown from \$49 million to \$53 million which is a large allocation for one manager. He restated that Julius Baer had notified their clients that they are increasing their exposure in emerging markets from 20% to a maximum of 35%. This increased exposure has the potential to dial up risk to the portfolio. He asked if the trustees wanted to simply monitor the investment or preferred to add a manager. Trustee Wright questioned the level of volatility.

Mr. Gray compared the MSCI EMF Index (emerging markets) and the MSCI EAFE Index. He described the correlation between emerging market exposure and standard deviation and how it affects overall returns and return efficiency.

There was discussion about whether the trustees wanted to add another manager or whether they are comfortable with the exposure of one manager, namely Julius Baer. Julius Baer has done a great job for the system and has continually provided above-benchmark performance. Chairman Harrison commented that Julius Baer has a brilliant group of people managing the investment. If they are looking for more alpha they should not give up as much on the downside. Trustee Cochran asked what their current emerging market exposure is with Mr. Gray stating that it is approximately 25%.

Ms. Zimmermann stated that the system has a first tier fee rate with Julius Baer. Adding another international equity manager would increase costs. All the managers in last month's book were separate accounts. The current contract with Northern Trust does not include global custody. The custody fees for international accounts are higher due to higher transaction costs, currency conversions, liquidations, and there is more administration. The overall costs versus performance results should be considered before adding another manager. All the managers brought to the Board last month were separate accounts.

Trustee Bowman left at 2:42 p.m.

Mr. Gray said he had not considered the increased costs associated with adding an active international manager; his focus had been the risk profile. He agreed it would be quite costly to have a separate international account due to the existing custody contract with Northern Trust. You would not have the option to negotiate fees in a fund. Ms. Zimmermann asked what percentage of EAFE is allocated to emerging markets.

Trustee Bowman returned at 2:43 p.m.

Trustee Woods stated that the system can not stop Julius Baer from increasing their emerging market exposure. Chairman Harrison asked if they should take a portion to offset the volatility. He asked in light of the new information relating to increased fees, going forward whether the trustees wanted to keep Julius Baer as is and monitor them or add a manager.

Roll Call:

Trustee Barnett – Julius Baer

Trustee Bowman – Pass

Trustee Williams – Julius Baer

Trustee Woods – Julius Baer

Trustee Wright – Julius Baer (monitor)

Mr. Gray said that it is expensive to add a separate account and would increase the fee level of the fund. They could look at funds which would offer a lower expense ratio with less risk exposure. Trustee Bowman asked that the consultant bring back general information for other funds.

Emerging Managers / Large Cap Equity

Index funds in large cap equity are perfectly fine. It is often hard to find an active large cap manager with performance that can beat the benchmark over a full market cycle. That being said, the best opportunity for active managers to outperform in this asset class is by utilizing emerging or smaller managers.

Large systems like CALSTRS and CALPERS moved toward using smaller emerging firms within their portfolios. He started researching emerging managers in 1983. Studies show that generally speaking, smaller firms (all else being equal) tended to show better performance. As these firms grow, for several reasons, the performance tended to become more index-like. Mr. Gray's emerging manager session at NCPERS was discussed. The trustees were impressed with Mr. Gray's ability to recognize those managers who continually outperform the benchmark. Mr. Gray described that in 2002, MARTA did not want to pick managers, so they asked Mr. Gray to pick their managers for them. After a year of legal work, UIM was launched in 2003.

There was a lengthy discussion determining whether to enter into an emerging manager program. Atlanta Life and Piedmont were two managers that the trustees liked and would like to include in the program.

Chairman Harrison stated that the emerging manager allocation would be handled by Mr. Gray. Mr. Gray would become a manager of managers for the purpose of this allocation to emerging managers. He asked about current assets under management. Mr. Gray stated that presently the fund is at approximately \$300 million. It was determined that it would not be a conflict for Mr. Gray to pick the managers for the emerging program. He provides this service for other clients. Attorney Michaud concurred.

There was discussion on how to fund the emerging manager program. The large cap equity allocations to the WAM S&P index at \$47 million and Northern Trust at \$37 million indexes were determined to be the best funding sources.

Finalists for the large cap growth manager were Sawgrass and Wright. The emerging manager program will be managed by UIM with the trustees directing that Atlanta Life be included as a manager in the program.

RESOLUTION 07-051 By Woods, Supported by Barnett

Resolved, That the Board approve the search for large cap growth manager finalists including Sawgrass Asset Management and Wright Investors' Services and approve the emerging manager program investment program through UIM (manager of managers) with funding from large cap equity.

Yeas: 8 – Nays: 0

Public Act 314 Analysis

Mr. Michaud stated that the legal opinion has determined that the \$10.6 million CAPROC promissory note will be part of the basket clause which provides a catchall for investments that do not qualify under any other asset class. Per Public Act 314 only 10% of total plan assets can be allocated in alternative investments. This also means that the investment funding will need to be reduced to the remaining two private equity managers (Invesco and Nexos).

Trustee Bowman left at 3:31 p.m.

Mr. Gray stated that the funding would be reduced to \$2.5 million each or the trustees could choose to fully fund one of the managers. If the trustees chose to fund only one of the investments, Nexos would offer the better opportunity.

Chairman Harrison commented that the fund currently does not have an investment in real estate. He questioned whether the money coming in from CAPROC should be used to fund the real estate allocation. Mr. Gray said that a direct real estate investment would not impact this investment and is a different issue.

Trustee Wright asked if the operating documents have been received from Invesco and Nexos. Mr. Michaud stated that both have been received and that the organizational and management fees have not been resolved.

RESOLUTION 07-052 By Woods, Supported by Barnett

Resolved, That the Board approve to split the remaining balance of the private equity allocation with \$2.5 million each to investment managers Invesco and Nexos.

Roll Call:

Trustee Wright – yea (Honor commitment)

Trustee Williams – yea

Trustee Woods – yea

Trustee Saucedo – yea

Trustee Barnett – yea

Trustee Cochran – no

Chairman Harrison - yea

Trustee Cochran stated that he is not a fan of private equity and did not want to vote for either until the issues with Onyx are clarified.

Mr. Gray stated that he would contact the managers regarding the reduced investment allocation.

Meeting Break at 3:41 p.m.

Meeting Resumed at 3:51 p.m.

REPORTS

Re: Chairman - None

Re: Secretary

Mr. Cochran commented that there continues to be an issue between the Human Resources Director and the Retirement Office.

Re: Trustees/Committees - None

Re: Administrator

Ms. Zimmermann distributed the security lending summary reports from Northern Trust. She also referred to an article from a legal perspective from IFEBP regarding alternative investments.

She informed the trustees that on Sunday, Melissa Tetmeyer fell and broke her left foot and right ankle. She will be out of the office for several weeks.

Ms. Zimmermann explained that the language designating that the Human Resources Director has the authority to calculate service credit and final average calculation is similar to language that is being inserted into other union contracts.

Trustee Woods stated that effective July 29, 2007 similar language is being imposed in the Teamsters 214 contract due to an impasse.

Trustee Wright suggested that a letter needs to be sent to the Human Resources Director requesting documentation from the Board. Ms. Zimmermann felt that if the letter comes from the Board it may be more effective. She also requested that the Board review and approve a process for SAEA members.

Mr. Michaud suggested that this be discussed under New Business.

Re: Legal – See Consultants

Union Representatives – None

UNFINISHED BUSINESS

Re: Ordinance Clean-up

Mr. Michaud said that a copy of the red-lined version of the ordinance was distributed to the trustees for their review. Trustee Wright said that she had four items she would like clarified.

She referred to Section 3-b page six under the Administration of Retirement Systems. She questioned whether a designee from the Executive Office could attend meetings in an ex-officio role since the Mayor is unable to attend the meetings.

Mr. Michaud explained that the ordinance was provided to the trustees as an update and that they are not authorized to make changes. Any benefits or change in the structure of the Board is a matter of collective bargaining. Trustee Wright asked who has the authority to make changes to the ordinance. Mr. Michaud stated that only the unions and Council have the authority to make

changes. He referred to a City of Detroit case where the City wanted to designate and add members to the Board. The Courts ruled that the unions have to sign off.

Trustee Wright also feels that in order to run for one of the three active member positions on the Board, the member should have to be vested. Trustee Wright also pointed out other areas she would like updated. She asked why Section 13.1 page fourteen was removed. It was explained that the language no longer applied and was considered dead language so it was removed.

On page eighteen she asked if a cost study needs to be done to comply with Section 17.3 that described an early out when credited service plus age totals seventy. Ms. Zimmermann stated that the cost study was taken to Council for resolution by the Human Resources Director before the language was amended.

Trustee Wright asked about the death in service with no spouse and the Option 2 election. Mr. Michaud stated that the language was changed to reflect surviving spouse.

She also asked if the Board can make recommended changes separately. Mr. Michaud suggested that when recommending ordinance changes the member should not be acting as a trustee but as a member of the system. A typo was noted on page 2, section 2.9.

Mr. Gray left at 4:08 p.m.

RESOLUTION 07-053 By Woods, Supported by Wright

WHEREAS, the Board of Trustees of the City of Pontiac General Employees Retirement System is vested with the authority and responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees, with the assistance of its attorney, has prepared a proposed Restated Retirement System Ordinance which incorporates the current retirement system provisions, as well as relevant provisions of the collective bargaining agreements as may be applicable, and

WHEREAS, said Restated Retirement System Ordinance incorporates and includes relative provisions of the Internal Revenue Code to maintain the qualified status of the Plan, and

WHEREAS, the Board of Trustees has determined that it is in the best interest of the Retirement System to recommend to the City of Pontiac that the Restated Retirement System Ordinance be adopted as presented, therefore be it

RESOLVED, that a copy of the Restated Retirement System Ordinance be forwarded to the City Council and appropriate union representatives with a request and recommendation that the Restated Retirement System Ordinance be amended consistent therewith.

Yeas: 7 – Nays: 0

Re: Defined Contribution Plan for SAEA Employees – No information from Human Resources received to date.

Re: Actuarial Search – pending

Re: SAEA Arbitration

Mr. Michaud said the recent arbitration decision addresses the issue of the Human Resources Administrator determining the retirement benefit provisions for SAEA members including determination of service and FAC. This language has been included in other contracts. Since the Board administers those services, without the proper documentation including the ordinance, collective bargaining agreements and memorandums of understanding, benefits can not be administered and the actuary can not properly cost out the liability. The plan document is the ordinance, collective bargaining agreements, and memoranda of understanding read together. It is important for the Board to have a copy of all agreements. The Board agreed to send a letter to Human Resources requesting copies of all agreements be submitted to the Retirement Office.

Mr. Gray returned at 4:13 p.m.

RESOLUTION 07-054 By Wright, Supported by Williams

Resolved, That the Board send a letter to Human Resources requesting copies of all agreements be submitted to the Retirement Office.

Yeas: 7 – Nays: 0

Mr. Michaud stated that the arbitrator's decision giving the Human Resources Director authority to determine pension benefit provisions per collective bargaining is acceptable. However, the arbitrator left out that a cost study has to be prepared. Trustee Cochran stated that the Human Resources Director does not feel a cost study has to be done.

Mr. Michaud stated that anytime there are proposed benefit changes not included in the ordinance a cost study is required. If service credit is added, there are additions to the final average calculation or a change in age and service, these are considered benefit changes which call for a cost study.

Trustee Cochran said that the Human Resources Director's argument is that it will not cost the system any more money based on the "proposed pension" language. Mr. Michaud said that any benefit change results in a change of funds even if the system is over-funded. Someone has to pay for it from credits or from the City. If it costs the system more tomorrow then it did today it changes the liability even if there is no increase in the employer contribution.

The Board as an entity is in a position to make sure that these benefits are properly applied and comply with the law. It is fine if the Unions and City make changes but these changes need to be submitted in writing and a cost study completed to properly administer the plan.

The practice/policy presented is very good. If there has been a modification, a process is needed. This is clear, clean and easy to understand. The practice is there: it has been done before. The Retirement Board should carry the message. If there is a legal question, he is happy to attend meetings or supply legal advice at a Board meeting or a special meeting.

Mr. Michaud said that as legal counsel, he advises the Board to take the necessary steps. The need for a cost study cannot be circumvented. Consistency is everything.

He recommended that the Board adopt the process and procedures. He stated that you do not want someone to challenge the practices through litigation.

Chairman Harrison inquired what happens if a cost study is needed and the Council will not approve the cost. Mr. Michaud said then the change cannot be implemented.

Trustee Bowman returned at 4:24 p.m.

Mr. Michaud said that it is in the best interest of the System that there is a unified understanding that you will administer benefits agreed to, but the process must be followed. This has to come from the Board and not the Administrator or an individual trustee.

Trustee Barnett stated that the 150% over-funding is on the backs of the hospital employees and it will be gone if we keep giving it away.

Trustee Wright agreed that a memo about the plan amendments from the Board outlining the process should be sent to the Human Resources Director under the Chairman's signature.

Ms. Zimmermann explained that she has received direction to provide benefits without documentation. Every dollar included in the FAC computation is documented before it is processed. She stated that a laid off employee was brought back on a Thursday so he could retire on the following day under an early out. Trustee Bowman was surprised that the member was brought back to retire. Trustee Bowman acknowledged that this issue was not brought before Council. Ms. Zimmermann told the Board that the employee has sixteen years of service credit according to our documents and is not currently eligible to receive a pension benefit.

Trustee Bowman said that he does not believe that the MOU giving the Human Resources Director the power to determine pension benefit provisions was brought before Council. Trustee Woods stated that the language was included in the Council's copy of the contract that was ratified. Trustee Bowman said he would verify.

Trustee Bowman commented that there has been a lot of discussion, but he did not recall receiving the memo that stated the HR Director was running things. Chairman Harrison said that the emails sent to Ms. Zimmermann make it look like she is responsible for the delay.

Ms. Zimmermann said she is very disturbed that there is the perception that the Retirement Office is singling out people and denying benefits. The Retirement Office will process people promptly once the proper documentation is received.

RESOLUTION 07-055 By Cochran, Supported by Wright

Resolved, That the Board receive, file and approve the plan amendments legal opinion and send to the appropriate representatives, extending invitations to attend a meeting if there are any questions.

Yeas: 8 – Nays: 0

Re: SAEA Processing Policy

RESOLUTION 07-056 By Wright, Supported by Cochran

Resolved, That the Board approve the SAEA Pension Process Policy.

Yeas: 8 – Nays: 0

NEW BUSINESS

Re: Semi-Annual Re-Balancing

Ms. Zimmermann requested that the Board approve the semi-annual rebalancing. This provides cash for benefit payments, operating costs and rebalancing to the target for the next six months.

RESOLUTION 07-057 By Woods, Supported by Saucedo

Resolved, That the semi-annual cash flow rebalancing plan as recommended be approved.

Yeas: 8 – Nays: 0

Re: Reciprocal Act Policy

Ms. Zimmermann requested that the Board approve the broadly defined Reciprocal Act Policy. She stated that reciprocal time is only used for vesting purposes. The Act was adopted in the 1960's but is outdated. Mr. Michaud said that In 1986, Governor Engler terminated the defined benefit plan for state college and universities and changed it to a defined contribution plan.

Historically, the retirement system has recognized university time as reciprocal time. The pension benefit is only based on actual time at the current employer. Mr. Michaud also stated that it recognizes prior government service in Michigan.

RESOLUTION 07-058 By Woods, Supported by Cochran

Resolved, That the Board approve governmental service for purposes of eligibility under the Reciprocal Act broadly, so as to include service for all state colleges and universities.

Yeas: 8 – Nays: 0

RESOLUTION 07-059 By Williams, Supported by Cochran

Resolved, That the Board move to closed session.

Barnett – yea	Sauceda – yea
Bowman – yea	Williams - yea
Cochran – yea	Woods - yea
Harrison- yea	Wright - yea

Board moved to closed session at 4:45 p.m.

Board returned from closed session at 4:47 p.m.

RESOLUTION 07-060 By Woods, Supported by Barnett
Resolved, That the Board approve to continue the appeal in the Thomas Nelson litigation.

Yeas: 8 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: August 29, 2007 at 1:30 p.m. in the Shrine Room of City Hall.

ADJOURNMENT

RESOLUTION 07-061 By Saucedo, Supported Barnett
Resolved, That the meeting be adjourned at 4:48 p.m.

Yeas: 8 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on July 25, 2007.

Raymond Cochran, Secretary
As recorded by Jane Arndt