

CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
OCTOBER 26, 2011

A regular meeting of the Board of Trustees was held on Wednesday, October 26, 2011 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:39 p.m.

TRUSTEES PRESENT

Shirley Barnett
Koné Bowman
Charlie Harrison, Chairman
Leon Jukowski, Mayor
Phyllis Long

John Naglick, Secretary
Tuesday Redmond
Devin Scott (*arrived at 1:58 p.m.*)
Patrice Waterman (*arrived at 2:00 p.m.*)
Kevin Williams (*arrived at 2:11 p.m.*)

OTHERS PRESENT

Cynthia Billings, Sullivan Ward Asher & Patton
Chris Kuhn, Gray & Company
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant

Pam Britton, Retiree
Lon Britton, PFRS Retiree
Jan Gaffney, Retiree
Larry Marshall, Retiree (*arr. at 1:47 p.m.*)
Linda Watson, Retiree

PUBLIC DISCUSSION/UNION REPRESENTATIVES

Chairman Harrison opened public discussion. He indicated that the agenda is light for today's meeting and that a number of the trustees need to leave early.

He welcomed former trustee Jan Gaffney along with Pam and Lon Britton to the meeting.

Retiree, Linda Watson questioned Mr. Kuhn on the Fund's market value and performance. At the last meeting he indicated that the Fund's total value was \$380 million.

Mr. Kuhn explained that performance during the first half of September was not good but it improved during the second half of the month. Performance for the quarter was down 12.9%.

Ms. Watson also asked if there is any information that can be shared regarding the Onyx class action lawsuit.

Ms. Billings explained that she can disclose that the System is currently in litigation with Onyx but it is not a class action lawsuit.

Ms. Watson also expressed that she does not believe that the staff needs to separate from the City and feels it is fine the way it is.

Retiree, Pam Britton stated that she respectively disagrees with Ms. Watson which is one of the reasons why she is attending today's meeting. She indicated that she tries to attend as many meetings as she can.

She indicated that there are many Systems that have their own private staffs. She has always believed that the staff should be separate even when she was working in the Retirement Office. It will alleviate the tugging back and forth. The staff has to be loyal to the Trust and to the trustees.

She pointed out that currently there is nothing stopping the Emergency Manager from firing the staff. She also noted that the cost could be lower to the System.

Retiree, Larry Marshall arrived at 1:47 p.m.

Police & Fire Retiree, Lon Britton told the Board that he was a trustee on the Police & Fire Retirement for twenty years and was Chairman for thirteen of those years. The staff is responsible to the Pension Trust and the Pension Board. There is a clear line of authority on the Board with the City being well represented with positions on the Board. Having their own staff is the perfect situation for the Board.

After leaving the City he worked at Munder Capital and many of the Systems they worked with have their own office and staff. It gives the employees a place to discuss their issues separate from the City. He has seen this done in ten states and it works very well. He feels that the Board should consider doing this.

Chairman Harrison thanked everyone for their comments.

AGENDA CHANGES

APPROVAL OF CONSENT AGENDA

- A. Minutes of Special Meeting: September 23, 2011
- B. Minutes of Regular Meeting: September 28, 2011
- C. Communications
 - 1. Correspondence from AMBS Re: October 2011 Newsletter
 - 2. Correspondence from Northpointe Capital Re: September 2011 Performance
- D. Financial Reports
 - 1. Financial Reports – September 2011
 - 2. Securities Lending – August 2011

3. Capital Calls:
4. Accounts Payable
- | | |
|-----------------------------------|------------|
| a. ADP | \$2,968.31 |
| b. Ambassador Capital | 25,062.00 |
| c. Bienenstock | 378.75 |
| d. CFA Institute | 35.00 |
| e. Coffee Break | 90.31 |
| f. GE Capital (copier) | 116.42 |
| g. Gray & Company | 112,548.89 |
| h. Ikon | 81.28 |
| i. IFEBP | 855.00 |
| j. Michigan Spine Institute | 25.00 |
| k. NCPERS | 225.00 |
| l. Peritus Asset Management | 94,576.31 |
| m. Pitney Bowes | 433.30 |
| n. Plante Moran | 262.50 |
| o. Rodwan Consulting | 1,400.00 |
| p. Sawgrass Asset Management | 48,894.00 |
| q. Stevens Record Management | 59.72 |
| r. Sullivan, Ward, Asher & Patton | 32,691.03 |
| m. Visa | 2,994.63 |
- E. Retirements, Refunds, Final Calculations, Re-Examinations
1. Remove from the Rolls:
 - a. Etta F. Wassemiller (deceased 10-06-11)
 2. Application for Service Retirement:

a. Anna Portnoy - NOMC	4 years, 5 months	Age 60
b. Virginia Lauer – Teamsters 214	10 years, 8 months	Age 60
c. Virginia Lauer – NOMC	3 years, 6 months	Age 60
d. Susan Clower – PMEA	13 years, 10 months	Age 60 (off deferred)
e. Marilyn Van Camp – NOMC	11 years, 4 months	Age 60
f. Joann Whiteside – NOMC	7 years, 10 months	Age 60
 3. Applications for Deferred Retirement:
 4. Final Benefit Calculations:

a. Anna Portnoy	#2646	\$ 257.91
b. Virginia Lauer	#2648	148.33
c. Marilyn Van Camp	#2650	419.64
d. Joann Whiteside	#2652	246.45
 5. Change of Retirement Effective Date:
 - a. Ellen Zimmermann
 - b. Charles Anthony

RESOLUTION 11-102 By Naglick, Supported by Waterman

Resolved, That the Board approve the consent agenda for September 28, 2011 as presented.

Yea: 7 – Nay: 0

CONSULTANTS

Re: Gray & Company – Market Update

Mr. Kuhn distributed the Fund's updated market values as of October 25, 2011 and a flash report for the period ending September 30, 2011.

He indicated that it was not a particularly good quarter with a sell off in the equity market and concerns regarding the debt ceiling, debt downgrade and economic slowdown. There were also concerns that we are leaning toward another recession.

Total plan value at the end of September, 2011 was \$377.8 million. Performance for the quarter was down 12.9% and down 7.44% year-to-date.

The U.S. dollar strengthened during the quarter with the Euro declining 8% with other currencies seeing a 12% decline due to the European debt crisis. This caused and under performance in international equity of approximately 20%.

There was a rally in fixed income: Munder and Ambassador displayed good performance.

High yield manager Peritus trailed the benchmark during the period.

They have not received the private equity performance numbers for the period.

This down performance has taken away from the good results obtained during the first half of the year.

Trustee Redmond left at 1:50 p.m.

The market value as of October 25, 2011 was \$396.4 which is an increase of \$15 million from last month which was primarily due to the performance of the equity markets. There is good news coming out of corporate America which is not what you would see if the economy was in a recession.

Trustee Naglick asked about the System's cash flow and whether the \$10.3 million being held in cash will be used to pay for expenses benefits and expenses.

Mr. Kuhn said that the money is kept in cash to pay for those expenses. The \$800,000.00 is in anticipation of any capital calls from the private equity managers.

Ms. Zimmermann confirmed that it also includes the COLA payments.

Trustee Naglick asked if the red numbers on the market value report indicated the adjustments for expenses.

Mr. Kuhn explained that the Fund's rebalancing schedule occurs in August and February of each year and is based on the expected benefit payments and expenses for the following six month period.

REPORTS

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Elizabeth Pursley Overpayment

Ms. Zimmermann reported that the Retirement Office and legal counsel have done everything they can to recoup the \$3,196.00 overpayment to Elizabeth Pursley. At this time they are writing off the overpayment.

Michigan Pension Tax Correspondence

Ms. Zimmermann reported that the Michigan pension tax information was mailed out to the retirees today. The Retirement Office will not advise the retirees and will recommend that they talk to a tax person or accountant.

Re: Legal

Nexos Private Equity Growth Fund

Ms. Billings reported that she is still working on getting the System out of this investment. She is also in conversation with the Chicago Transit Authority with regards to this issue.

Correspondence to Dennis Cowan Regarding Board Composition

Ms. Billings reported that this is for the trustees' information. She will be forwarding this information to the new Emergency Manager's legal counsel.

Trustee Naglick indicated that Dennis Cowan will continue to work on this issue with Lou Schimmel, the new Emergency Manager.

Partial Termination

Ms. Billings reported that she had previously sent a request to Devin Scott to obtain the information needed to determine whether there has been a partial plan termination. She has forwarded that request onto Cathy Square in the Human Resources Department. She will continue to follow up.

Robbins Gellar Portfolio Monitoring Report, Second Quarter 2011

Ms. Billings indicated that this is for the trustees' information.

First Eagle Global Value Fund, LP

Ms. Billings reported that the Board recently selected First Eagle as their global equity investment manager. She is working with them to make sure that this investment qualifies under Public Act 314.

RESOLUTION 11-103 By Bowman, Supported by Waterman

Resolved, That the Board approve to move to closed session to discuss pending litigation including Onyx, Northern Trust, Emdeon, Finisar, Lockheed, Sybase and Rehab Care.

Roll Call:

Trustee Barnett – yea

Trustee Jukowski - yea

Trustee Bowman – yea

Trustee Long - yea

Chairman Harrison – yea

Trustee Naglick - yea

The Board moved to closed session at 1:57 p.m.

Trustee Scott arrived at 1:58 p.m.

Trustee Waterman arrived at 2:00 p.m.

Trustee Redmond returned at 2:02 p.m.

Trustee Williams arrived at 2:11 p.m.

The Board returned from closed session at 3:19 p.m.

RESOLUTION 11-104 By Scott, Supported by Bowman

Resolved, That the Board approve the closed session minutes for September 28, 2011.

Yees: 9 – Nays: 0

RESOLUTION 11-105 By Jukowski, Supported by Naglick

Resolved, That the Board ratify the legal counsel's recommendation to dismiss the Emdeon matter without prejudice.

Yees: 9 – Nays: 0

Re: Union Representatives

UNFINISHED BUSINESS

Re: Retirement Office Staffing

Ms. Billings reported that at the last meeting she and Ms. Zimmermann were asked to put together a document to address the previous questions raised by the trustees and the process of transitioning the Retirement Staff from being employees of the City to employees of the Retirement Systems. She distributed a memorandum dated October 26, 2011 to the trustees.

In reviewing the memorandum, she stated that the reasons for the Board to directly employ its staff is to avoid any conflict of interests and to ensure continuity of the retiree payroll, investments and processes in the event the City cannot meet payroll.

General Employees Retirement System
Regular Meeting,
October 26, 2011

She also referred to the recommendation in the 2010 Audit Report by Plante & Moran which noted that based on the financial condition of the City, the Retirement System should formalize a continuity plan for the Systems in the event that the City declares bankruptcy.

She indicated that Public Act 314 gives the Retirement System the authority to hire its own staff. "An investment fiduciary may ...retain investment and all other services necessary for the conduct of the affairs of the system; and may pay reasonable compensation for those services..."

She stated that the employees affected include the Retirement Systems' Administrator; the Retirement Systems' Accountant; the Retirement Systems' Coordinator and the Retirement Systems' Administrative Assistant.

She noted that there will be no impact on the Board composition or any changes relating to the IRS qualified status of the Systems.

She reviewed the implementation steps needed for the transition.

The Police & Fire Retirement System Ordinance will need to be amended to allow the Board of Trustees to set compensation for clerical and professional services rather than City Council.

The General Employees Retirement System Ordinance will have to be amended to allow the staff of the Retirement Office to remain members of the System.

A copy of the SAEA contract will have to be signed by the Boards of Trustees and the Union so the terms and conditions for the union employee remain identical with those of City employees.

A document will be drafted geared toward both Systems. It will allow the Boards to define pay rates and fringe benefits for non-union staff and would require both Boards' approval. The employees will remain at will employees. It will also indicate that there will be no changes in personnel or pay rates/fringe benefits based on their current pay grades 3, 4 and 7 at this time and will be the same as currently provided by the City.

She reviewed the cost of insurance. The current average cost per person is \$17,134.00 which totals \$67,945.00. There is also an excess allocation of \$11,249.07 or \$2,812.27 per person over and above the insurance costs in the budget.

Ms. Zimmermann worked very hard with an agent to get quotes for a group of her size for health, optical, dental and life insurance. The list includes quotes from HAP PPO with and compared to the City's budget and actual charges for the same.

The difference between the plans is a little higher and includes long-term disability. She worked with one agency who shopped out to obtain quotes.

Trustee Bowman asked if they used a Pontiac agency or agent.

Ms. Billings indicated that Ms. Zimmermann contacted the current agent used to find PFRS comparable coverage, however she does not handle that type of request. Ms. Billings referred Ms. Zimmermann to an agent she has used in the past.

Chairman Harrison said that he agrees with Trustee Bowman that he would like to see a local Pontiac agency used.

Trustee Naglick said that the City is self insured up to \$100,000.00 and if there is a catastrophic event it could sky rocket costs.

Trustee Bowman said that if the City was fully insured it would have lowered healthcare costs. As a council person he tried to convey this information and get the City to move into a fully insured plan.

Trustee Naglick said that Emergency Manager Lou Schimmel is currently looking at pulling all the groups into one plan.

Trustee Scott noted that the Emergency Manager is also looking at changing the level of benefits. He questioned whether this issue was addressed when obtaining the information.

Trustee Naglick said that the Emergency Manager is moving forward on this issue.

Ms. Billings stated that there is no question that there are ways to design the coverage in order to save money.

Chairman Harrison said that the plan can and will be tweaked accordingly.

Ms. Billings pointed out that Doris Clarkson worked very hard to pull the information together in a very short period of time and hand delivered same to ensure the Trustees had several quotes to review in time for this meeting.

She told the Board that it will cost the System \$2,100.00 per year to set up and run the separate payroll under ADP.

The 70%/30% split was instituted on February 20, 1996. It was based on the results they obtained when they interviewed the staff on how much time they allocated to each System.

She referred to the budget that is currently provided to the City and said that a similar budget will be developed and submitted to the Board. It will include staff and overhead costs including wages, fringes and supplies and a more extensive report which will include professional services expended year-to-date.

Chairman Harrison said that the Board will have to vote at some point. Trustee Redmond would like to participate. He asked that the trustees respect the other trustees and only address new issues or questions that have not been addressed.

Trustee Scott said that he would like time to go over the report.

Chairman Harrison questioned whether the trustees needed more time to review the information. However, he felt that the information presented today is what has been said all along. He appreciated everyone's comments and asked if the trustees needed more clarification.

Trustee Redmond confirmed that the staff would still accumulate time toward retirement and would get the same insurance as the City employees. Ms. Billings confirmed they would.

Chairman Harrison said that the benefits can be tweaked. The quotes were done to mirror the current City benefits in place.

Trustee Naglick said that if the Board moves to hire the staff we can go into more detail. The vote today is just to move forward in that direction. He noted that Police & Fire have already voted to hire the staff. Ms. Billings provided a good report to show what needs to be done.

Trustee Long said that she has had side bar conversations with active members who voted for her. She feels that she should have time to share the information with the active members before voting. They have expressed to her how they want her to vote. She is torn because she has not had a chance to share the information. She also questioned whether the size of the staff is too small.

Chairman Harrison said he appreciates Trustee Long's consideration to those who voted for her. However, this has no effect on the active employees.

Trustee Long felt that there is potential to add staff. She would like to communicate the information to the active members before voting on the issue.

Trustee Redmond left at 2:33 p.m.

Chairman Harrison that the trustees have to vote what their conscious tells them. Trustee Long questioned whether the City is that close to bankruptcy.

Trustee Waterman said that she feels the City is very close.

Trustee Naglick said that he wears two hats like Trustee Long. But, as a trustee, he has to protect and do what is right for the retirees.

Trustee Waterman said that the rumor mill in the City is that all the employees will be laid off and the rumor mill is normally not far off. Her heart goes out to the employees that could be laid off. However, the Board can control what happens to these four employees. We need to make sure that the retirees are taken care of and the benefits keep rolling. There is no place to hide. We need to stop beating a dead horse and do what's right.

Trustee Barnett made the motion that in the best interest of the retirees and future retirees the Board votes to hire the staff. They will answer only to the Retirement System Trustees and the Chairman.

Trustee Scott stated that there is such a thing as due diligence. Trustee Long represented the employees and it is her responsibility to do what she needs to do. He asked why there is a rush to vote. He questioned how the Retirement System got here. Ms. Zimmermann has told us that it originated in 1943 but has the information on why it was designed this way has not been provided. He asked where the oversight is and noted that the City has no oversight. He asked who will oversee the staff.

Chairman Harrison said that the Board will oversee the staff.

Trustee Scott asked who oversees the Board.

Chairman Harrison said that the laws of the State oversee the Board.

Trustee Scott said that it is absolutely wrong that the Board would let this happen. This could result in the same issues like CAPROC, Onyx and Nexus. He wants it on the record that he does not agree.

RESOLUTION 11-106 By Barnett, Supported by Naglick

Resolved, That the Board, in the best interest of the Retirement System, will move forward and hire the staff directly to ensure continuity of the Plan for all the members.

Roll Call:

Trustee Barnett – yea	Trustee Naglick - yea
Trustee Bowman – yea	Trustee Scott - nay
Chairman Harrison – yea	Trustee Waterman - yea
Trustee Jukowski – yea	Trustee Williams - yea
Trustee Long - nay	

Motion Passed (7 Yeas/2 Nays)

Re: Citizen Trustee Appointment – Still Pending

Re: Board Composition – Refer to Legal

Trustee Naglick said that he has been encouraging the Emergency Manager to finalize the Board composition amendment to the Retirement Ordinance.

NEW BUSINESS

Re: Election of Vice Chair

Chairman Harrison indicated that the Board needs to appoint a Vice Chairman.

Ms. Billings stated that the floor will be opened for nominations. If only one trustee is nominated a vote will not be needed.

Chairman Harrison opened the floor for Vice Chairman nominations for the City of Pontiac General Employees Retirement System.

Trustee Waterman nominated Trustee Bowman for Vice Chairman.

Trustee Scott nominated Trustee Long as Vice Chair.

RESOLUTION 11-107 - By Waterman, Supported by Barnett

Resolved, That the Board of Trustees close nominations and vote for Vice Chairman of the General Employees Retirement System Board of Trustees

Roll Call:

Trustee Barnett – Trustee Bowman

Trustee Bowman – Trustee Bowman

Chairman Harrison - Trustee Bowman

Trustee Jukowski – Trustee Bowman

Trustee Long – Trustee Bowman

Trustee Naglick – Trustee Bowman

Trustee Scott – Trustee Long

Trustee Waterman – Trustee Bowman

Trustee Williams – Trustee Bowman

Trustee Koné Bowman received the majority of the votes and was appointed Vice Chairman.

Re: Reinvestment of Credit Union CD

Ms. Zimmermann indicated that the Retirement System holds a certificate of deposit in the amount of \$100,000 at the Municipal and Health Services Credit Union. We have always kept an account at the credit union because the Board's VISA accounts are there.

She indicated that the new reinvestment APR is 0.05%. She recommended reducing the face amount of the investment to \$5,000.00. She said that \$100,000 is a lot of money to only earn 0.05% on. She spoke with Mr. Kuhn regarding the reinvestment.

Mr. Kuhn stated that current rates are very low but agreed that the cash should go over to the master custodian.

RESOLUTION 11-108 By Naglick, Supported by Jukowski

Resolved, That the certificate of deposit held at the Municipal and Health Services Credit Union be renewed at a face amount of \$5,000 and the remaining \$95,000 and the accrued interest be issued as a check to be deposited with the custodian bank.

Yea: 9 – Nay: 0

SCHEDULING OF NEXT MEETING

General Employees Retirement System
Regular Meeting,
October 26, 2011

Regular Meeting: November 30, 2011 @ 1:30 p.m. – City Council Conference Room

ADJOURNMENT

RESOLUTION 11-109 By Jukowski, Supported by Waterman
Resolved, That the meeting be adjourned at 2:54 p.m.

Yea: 9 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on October 26, 2011

Secretary, John Naglick
As recorded by Jane Arndt