

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MARCH 23, 2011**

A regular meeting of the Board of Trustees was held on Wednesday, March 23, 2011 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:32 p.m.

TRUSTEES PRESENT

Shirley Barnett
Koné Bowman
Charlie Harrison, Chairman
Leon Jukowski, Mayor (*arrived at 1:37 p.m.*)

John Naglick, Secretary
Tuesday Redmond
Devin Scott (*arrived at 2:03 p.m.*)
Patrice Waterman
Debra Woods

TRUSTEES ABSENT

Kevin Williams (*excused*)

OTHERS PRESENT

Matthew Henzi, Sullivan, Ward, Asher & Patton
Anthony Asher, Sullivan Ward (*arrived at 1:57 p.m.*)
Chris Kuhn, Gray & Company
Ellen Zimmermann, Retirement Accountant
Jane Arndt, M-Administrative Assistant

Mattie Lasseigne, Retiree
Larry Marshall, Retiree (*arr. at 1:42 p.m.*)
Jerry Seay, Retiree
Billie Swazer, Retiree (*arr. at 2:09 p.m.*)
Linda Watson, Retiree

Chairman Harrison told the Board that Trustee Williams lost his mother. He asked that the Board keep Trustee Williams in their prayers. The family is looking at March 28, 2011 to hold the funeral service.

PUBLIC DISCUSSION

Retiree, Linda Watson asked now that House Bill 4214 / Senate Bill 153 have passed what effect it will have on the Retirement System.

Mr. Henzi reported that Bill was signed into law by the Governor last Wednesday. The State Senate went along with the changes proposed by the State House.

Ms. Watson questioned whether there was other language in the Bill that would allow the Emergency Manager to change the composition of the Board.

Mr. Henzi said the language Ms. Watson is referring to is regarding other boards and commissions. The language regarding pension systems is very specific. There is no confusion that the Emergency Manager cannot touch a pension fund that is more than 80% funded.

Ms. Watson asked if the System can be transferred to MERS.

Mr. Henzi again stated that a fund cannot be transferred to MERS if it is 80% or more funded. He added that the new bill requires that, if an Emergency Manager moves a fund to another system, the acquiring system must be 80% or more actuarially funded.

Chairman Harrison stated that based on the amendments contained in the Bill it does not pertain to this System.

Retiree, Mattie Lasseigne asked if the System can be merged into MERS.

Chairman Harrison said that this Fund will stay the same and cannot be merged into MERS.

Ms. Lasseigne asked if there is a chance that the Fund could be found less well funded actuarially.

Chairman Harrison said that he is unaware of any other Fund that is this well funded. Even with another bad downturn in the market the System will remain well funded based on the actuarial assumption.

Ms. Zimmermann thanked Trustee Waterman and the other citizens that went to Lansing to show their support, rally and testify to the committees. She felt this helped getting the amendments added to the Bill.

Ms. Watson asked if Trustee Jukowski plans to bring up the resolution to obtain an opinion from the Attorney General.

Larry Marshall arrived at 1:42 p.m.

Trustee Jukowski said that it is his opinion that it is important having this knowledge going forward based on the financial outlook of the City.

Chairman Harrison thanked the retirees for their participation.

AGENDA CHANGES

Trustee Jukowski asked the Board to add an agenda item pertaining to obtaining an opinion from the Attorney General with regard to a 420 Transfer that would allow the transfer of System assets to pay for retiree healthcare.

RESOLUTION 11-026 by Jukowski, Supported by Naglick

Resolved, that the Board consider obtaining an opinion from the Attorney General with regard to a Section 420 transfer.

Roll Call:

Trustee Barnett – Nay	Trustee Naglick – Yea
Trustee Bowman – Nay	Trustee Redmond - Nay
Chairman Harrison – Nay	Trustee Waterman - Nay
Trustee Jukowski – Yea	Trustee Woods – Nay

Motion Failed

APPROVAL OF CONSENT AGENDA

A. Minutes of Regular Meeting: February 23, 2011

B. Communications

1. Correspondence from Loomis Sayles Re: Third Party Service Provider Privacy Breach
2. Correspondence from Kennedy Capital Re: Proxy Voting Service
3. Correspondence from AMBS Re: Newsletter
4. Correspondence from Munder Capital Re: TBA Mortgage Securities, Benchmark
5. Correspondence from MAPERS Re: Trustee Education
6. Conferences
 - a. Washington Legislative Update – IFEBP – May 23-24, 2011
 - b. 2011 Annual Conference – NCPERS – May 21-26, 2011

C. Financial Reports

1. Financial Reports – February 2011
2. Securities Lending – January 2011
3. Capital Call Ratification:
4. Accounts Payable
 - a. ADP \$8,182.46
 - b. Coffee Break 33.04
 - c. Gray & Co. 8,104.17
 - d. MES (Sczeienski) 670.00
 - e. Rodwan Consulting 1,400.00
 - f. Stevens Record Management 92.30
 - g. Sullivan, Ward, Asher & Patton 3,725.88
 - h. USPS 2,113.39
 - i. Q1 Due To 1,620.53

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

1. Remove from the Rolls:
 - a. Doris Dorman (deceased 01-20-11)
 - b. Viloette Fleetwood (deceased 03-05-11)
 - c. Genevieve Hipps (deceased 02-13-11)
2. Pop-up Effective:
 - a. Edith Johnson (beneficiary deceased 12-09-08); benefit from \$770.65 to \$837.25 per month)
3. Applications for Service Retirement:

- | | | |
|--------------------------------|--------------------|--------|
| a. Michael Roth – SAEA | 25 years, 0 months | Age 53 |
| b. Jose Ybarra – SAEA | 24 years, 7 months | Age 45 |
| c. James Wellons – Local 2002 | 14 years, 6 months | Age 61 |
| d. Debra Woods – Teamsters 214 | 26 years, 2 months | Age 55 |
| e. Robert Englund – SAEA | 20 years, 5 months | Age 46 |
| f. Denise Shanks – Non Union | 11 years, 2 months | Age 60 |
3. Application for Deferred Retirement:
 - a. Donice Adams – Teamsters 214 12 years, 1 month Pension starts 2012
 - b. Sharon Breeze – Teamsters 214 11 years, 9 months Pension starts 2023
 - c. Kywan Freeman – Teamsters 214 13 years, 7 months Pension starts 2038
 - d. Shirley Mason – Non Union 13 years, 9 months Pension starts 2021
 - e. Jerlisa McDougal – Non Union 16 years, 2 months Pension starts 2028
 - f. Monica Nelson – Non Union 20 years, 2 months Pension starts 2019
 4. Final Benefit Calculations:
 5. Change of Retirement Effective Date:
 - a. Debra Woods

RESOLUTION 11-027 – By Barnett, Supported by Williams
 Resolved, That the Board approve the consent agenda for February 23, 2011.

Yeas: 8 – Nays: 0

CONSULTANTS

Re: Gray & Company

Mr. Kuhn distributed the market valuation as of market close on March 21, 2011. He told the Board that market started out well in 2011 but they have given back some of the performance due to the earthquake and tsunami. The total market value of the Fund on December 31, 2010 was \$425 million and is now \$429 million which includes several benefit payments.

Total Fund Review

He told the Board that Gray & Company periodically provides an overall review of the Fund. They use their observations of the capital markets as an indicator on how to determine the best asset allocation for the Fund.

He questioned whether the Board is comfortable with where the asset allocation is and encouraged them to ask question during the review.

He indicated that the chart displaying GDP growth projections was done by the International Monetary Fund (IMF). Economic growth is a key factor in the performance of the capital markets. The chart projects strong growth in China and the emerging markets with weaker growth in the United States and Europe. He stated that you would expect better growth in the U.S. coming out of a recession. Last year China took over as the second largest economy over taking Japan with the U.S. still ranking first. Some of the countries in the emerging market category have done well while some developed countries like Ireland and Greece have struggled.

He explained that the economic growth during the recovery has been very slow.

Chairman Harrison said that he recently read an article regarding the market coming out of bear and bull markets. He said that within a bear market there can be various bull markets and the same holds true in a bull market with various bear markets occurring. Historically a market cycle lasts fifteen to twenty years. This market is only in its eleventh year and they are still seeing volatility. He asked if the Board should look at doing anything different.

Mr. Kuhn asked whether Chairman Harrison was referring to the equity side. He said that it is next to impossible to forecast the market. They look at relative value and GDP growth. He explained that profits are tied to selling more goods or cutting costs. Companies cannot continue to cut costs. They need to generate earnings from increasing their sales which will result in higher stock prices.

The Fed reduced rates to spur the economy. However, this recession has lasted longer than expected. The recovery is moving very slowly. Normally, we would see a v-shaped recovery, but not this time. The curve is not moving up. There have been a number of government-sponsored programs to spur the economy like Quantitative Easing (QE) and QE2 which have inflated asset prices in the stock market. The market is taking a break as the effects of QE leave the market. When the economy is doing well, unemployment is around 5% to 6%: it is currently around 9%. Approximately 2% of that is attributed to the lost of construction and manufacturing jobs which will not return. Unemployment will remain high for awhile. It will be difficult to retrain these workers. There are also concerns regarding state financial and budget issue that will affect municipalities.

Trustee Barnett asked if the census numbers will have an effect on the state. Mr. Kuhn said that he is not sure and that the actual census numbers in Michigan did not meet the projections. Detroit's services were setup for a population of two million thirty years ago and now there are 700,000 residents.

Trustee Bowman questioned whether the proposed tax on pensions will cause retirees to leave Michigan.

Mr. Kuhn felt that family ties would keep most people in Michigan and questioned what keeps most people here. Higher taxes tend to be a disadvantage for states.

He told the Board that Japan is not a great place to be invested. Their credit rating was recently downgraded. He explained that the Japanese people purchase their government's debt. However, it hurts the economy because instead of spending money, they buy government bonds. They rely on the world to support their economy.

Antony Asher arrived at 1:57 p.m.

He described the financial issues going on in Ireland and Greece and their reliance on other European countries to bail them out. Many of these European countries have historically devalued their currency in order to fix their debt issues. Greece and Italy have frequently used

this method but they cannot do this any longer as part of the European community. There are concerns that the German people will resist because they are tired of having to continually bail these other countries out if it persists.

Trustee Scott arrived at 2:03 p.m.

Trustee Bowman asked whether the European Union is looking to merge countries.

Mr. Kuhn said that the European Union's formation was based on a mindset is to stay out of the war. He does not think that the people of Germany will want to keep bailing out other countries. Another proposed benefit of the European Union was the mobility of the workforce, however, there has not been a flow of people from one country to another to find work as originally envisioned. In the U.S. people will go to another state if that is where the work is. There has been a lot of talk about what is happening in state government and what could happen to benefits. In Europe there are protests due to the retirement age going from fifty to fifty-five. In comparison, the United States retirement age is going from sixty-five to sixty-eight.

Emerging markets are experiencing strong growth due to an emerging middle class.

Billie Swazer arrived at 2:09 p.m.

He described the market cycles in equities and fixed income. Yields are low and steep based on long-term historical data with 0% yields in the money markets and 4% yields in thirty-year treasuries. Generally, the yield curve is flatter with the difference between short-term rates and longer-term rates in the 2% range. To get a flatter yield curve, we will need short-term rates to rise or longer-term rates to decline. Currently, the long end has come down.

Larry Marshall left at 2:12 p.m.

Credit spreads are back to their historical average. This means that investors are paying what you would expect for corporate bonds in comparison to risk free treasuries. This suggests high yield is less attractive than it was a couple of years ago.

Chairman Harrison asked about the S&P index valuation measures and its relation to a cheap price to earnings ratio. He questioned if 2% of equity returns are from dividend yields.

Mr. Kuhn said that a bigger piece of the check does come from dividend yields long-term.

Chairman Harrison asked which P/E ratio looks better value versus growth.

Mr. Kuhn said that a lower P/E means that the market is undervalued. A higher P/E would mean that valuations are based on higher forecasted earnings and no stalling of the economy. There are concerns that the economy will struggle to keep pace as the government removes the stimulus, so Gray & Company would advise moving up from small cap to large cap in that environment.

He explained that the publicly traded NAREIT returns were up in 2010 and that the private side of real estate could catch up but the market is fragmented. Property prices are determined by their location. Washington, D.C. is considered a safe real estate market and a good employment area. Safe properties in areas like this get all the attention. The distressed real estate market is a good investment area for experienced investors; due to the number of foreclosures, investors can buy good properties at low prices.

There are also a number of opportunities in private equity if the Board is still interested. There are valuation concerns in over-subscribed top performing funds. They see a lot of money chasing the hot active sectors. There are more select opportunities in hedge funds but there is considerably more risk. Timber is also an attractive long-term investment.

He provided a summary of the capital markets. They have low expectations for fixed income as rates rise and they anticipate losses in the asset class. They favor large cap equity over mid and small cap and the growth markets.

They would suggest that the Board explore opportunities in real estate, direct or hard lending and other alternatives.

Direct lending is another alternative strategy with no liquidity. Return expectations are 10% to 20%. There are a number of these investments based on the lack of bank lending. Direct lending is a very attractive alternative to the publicly traded fixed income market. However, it does seem a lot like loan sharking.

He reviewed the asset allocation model which included ten-year return assumptions.

Chairman Harrison asked if the long range assumption is 8.18%. He confirmed that the actuarial assumption is 7.5%.

Mr. Kuhn said that the System's asset allocation is well diversified across strategies. It has been a while since the System has made an allocation to private equity. He asked if the Board would like him to go back and find another manager. Mesirov and Invesco did not draw capital for quite a while but have started invested their committed funds. These managers will hold the investments for a while and sell them and return capital to the investor. He questioned whether the Board felt that they had tried private equity and were done with it. He said that they can leave private equity on the table and come back to it.

Larry Marshall returned at 2:37 p.m.

Trustee Redmond left at 2:37 p.m.

Trustee Naglick said that he feels that private equity is too risky and that a 5% allocation is too high and questioned where the assets would come from.

Mr. Kuhn said that most of the assets are currently allocated to other asset classes.

Trustee Redmond returned at 2:40 p.m.

Chairman Harrison stated that Mr. Kuhn provided the Board with some ideas for the asset allocation. His guess is that it is time to look at the allocation. The Board may not change the asset allocation which could result in not reaching the target allocation.

Trustee Naglick questioned how the process works and if Larry Gray and Chris Kuhn look to find ideas based on the target allocation and whether the Board lets them know when they want to change the asset allocation.

Mr. Kuhn stated that they look at the narrow investment ranges in order to update the target allocation.

Trustee Naglick questioned whether the asset allocation is set in the Investment Policy Statement. He asked if Gray & Company's recommendations are based on the size of the fund.

Chairman Harrison stated that the Board gives Gray & Company leeway to look at the asset allocation. They look at the funding level and base the investment on that and how best the System can reach the actuarial assumption but divert risk.

Trustee Naglick recommended that Mr. Kuhn put together a restructured target allocation to present to the Board.

Linda Watson left at 2:48 p.m.

Ms. Zimmermann stated that the Board would be asking Mr. Kuhn to do a major project without all the information. He needs to know what investment areas the Board is interested in and how the trustees feel about other asset classes.

Trustee Woods said that she cringes when she hears real estate and agrees with Ms. Zimmermann that the Board needs to define the areas of interest.

Mr. Kuhn said that he has presentation materials for various asset classes.

Ms. Zimmermann recommended a one or two page write up for each asset class including the current market forecast for returns.

Mr. Kuhn said he could do that but there would not be market forecasts for alternative investments.

Ms. Zimmermann said that if the Board only invests in fixed income and equities it will not reach the 7.5% actuarial assumption. They need to diversify across other asset classes in order to meet their return numbers.

Trustee Barnett said that she feels real estate and private equity have cost the Board a lot of money and caused problems. She suggested looking elsewhere.

Mr. Kuhn said he could bring back information and give their recommendation in the order of preference.

Chairman Harrison said that many members of the Board took their positions when the System was experiencing real estate and private equity issues. He suggested letting Gray & Company bring the information and present to the Board.

Chairman Harrison asked what their performance forecast is going forward.

Mr. Kuhn said that it would be a guess at best and they try not to give that type of information. They look for areas to diversify the portfolio. Timber has not been affected by corporate profits or inflated market growth. Trees continue to grow and are cut when the market pays attractive prices. They cannot make forecasts by asset class.

Trustee Naglick asked if they could use the Police & Fire Retirement System asset allocation as a benchmark.

Ms. Zimmermann said that there is no correct allocation. The quarterly performance report is compared to the System's peer group. The Police & Fire Fund and this Fund have different risk tolerances.

Chairman Harrison said that he feels Mr. Kuhn has enough information to bring back the asset class educational pieces.

Mr. Asher opined that the return on investment should be based on the funding level of the System. The better funded, the more conservative and the more underfunded, the more risk you would take. An older well funded System should have less risk tolerance.

He questioned whether the Board is sticking to the asset allocation study that was approved three years ago. Legally, as a fiduciary, the Board is obligated to follow the asset allocation policy in place. Questions could be raised that losses or lack of performance occurred because the Board did not follow the policy. He wondered if the trustees were cognizant that they need to follow their own policy. He acknowledged that the professional people could act as buffers based on their recommendations.

Trustee Naglick said that he is conservative and would like to set an asset allocation and stick to it. He does not have an appetite for risky investments.

Chairman Harrison said that Mr. Kuhn will come back with the educational pieces.

Mr. Kuhn noted that real estate was adopted as part of the asset allocation but it was never funded which was a wise choice because the System would have lost 6% in 2008 and up to 20% in 2009.

Trustee Waterman left at 2:58 p.m.

Introduction to Real Estate II

Mr. Kuhn stated that he put together an additional packet of information pertaining to real estate for the Board.

Trustee Waterman returned at 2:59 p.m.

He told the Board that historically most of real estate's returns come from rents. On an unlevered basis the NCREIF has annualized returns of 8.9%; 7.7% of that was from rents and 1.2% was from capital appreciation.

He gave an example of a cash flow model using an average 100,000 square foot building in the current market. Income was based on \$17.42 per square foot totaling \$1,742,000.00 with expenses including maintenance, insurance, utilities, taxes, etc. totaling \$697,000.00 which results in a net operating income of \$1,045,000.00. After capital expenditures of \$254,000.00 which include property and tenant improvements the available income to equity owners is \$791,000.00.

He provided another example of a valuation model using leverage to enhance yields. By using moderate leverage you would expect returns of 6% to 8%.

Gray & Company identifies asset classes for investment that are of institutional quality and relatively attractive. There are good opportunities and value in real estate. In 2000, real estate investment returns beat equity returns. Real estate returns would be more than treasuries. He stated that Gray & Company's due diligence process would weed out risky managers.

Trustee Bowman left at 3:07 p.m.

Chairman Harrison asked whether the Board should look at adding assets to the international equity mandate.

Mr. Kuhn said that he is reluctant to add more assets based on the manager's allocation to Europe. He suggested adding a global manager in that space as a compliment to Artio and the domestic equity managers.

Chairman Harrison asked if the Board had any questions.

REPORTS

Re: Chairman - None

Re: Secretary - None

Re: Trustees/Committees - None

Re: Administrator

Ms. Zimmermann reported that Chairman Harrison has won the Ray Welborne Legend Award from the National Association of Securities Professional. He will be presented with the award at the NASP Detroit Encore V meeting being held on April 13, 2011.

Ms. Zimmermann reported that at last month's meeting the Board directed Matt Henzi to draft a letter to the members of the Retirement System regarding House Bill 4214. On Friday, the Retirement Office staff copied, collated and stuffed 1,400 envelopes that were sent out to the retired members.

Ms. Zimmermann reported the Wall Street Journal has printed two articles regarding Governor Rick Snyder and what is currently happening in Michigan.

She also distributed a document she received from MAPERS which includes the governor's additional proposals for changes going forward.

Chairman Harrison asked if that only pertains to new employees.

Ms. Zimmermann said that on a prospective basis, he is recommending members will have pensions based on base wages only, will only be paid for 240 hours of accrued leave time and will have to pay 20% of their healthcare costs.

Ms. Watson returned at 3:17 p.m.

There is also a portion that applies to pension boards and best practices including transparency and the reporting of travel expenses. Pension boards will have to adhere to the SEC's best practice model and have a pay to play policy (which we do). Any investment manager that makes political contributions cannot conduct business with the pension board for two years.

Trustee Barnett questioned whether a MAPERS attendee has to take a test and attend all the classes in order to obtain their certificate of attendance.

Ms. Zimmermann indicated that she was not aware of that change.

Re: Legal

Northern Trust Securities Lending Litigation

Mr. Henzi reported that they are waiting for the Judge to issue a written opinion on the defendants' Motion to Dismiss.

Airgas Securities Litigation

Mr. Henzi reported that the Court has not issued its opinion regarding the defendants' "poison pill."

The Schweitzer – Mauduit International Securities Litigation

Mr. Henzi reported that the Court has not issued its decision on the Defendants' Motion to Dismiss.

IRS Determination Letter

Mr. Henzi reported that the IRS has issued a favorable Determination Letter. At the last meeting the Board approved to send the proposed HEART Act Amendment to City Council for adoption. The IRS determination is contingent on the incorporation of this amendment into the Retirement System Ordinance by May 3, 2011.

He reported that the changes were sent to the EFM, however, the Police & Fire Retirement System proposed another change to Retirement Ordinance and now the amendment is pending per the EFM's legal counsel review.

Trustee Bowman returned at 3:27 p.m.

Nexos Private Equity Growth Fund

Mr. Henzi reported that they have sent two letters to Nexos requesting that they provide financial statements and audit reports. To date Nexos has not responded to their requests. On behalf of the Retirement System he has drafted a letter to be sent to Nexos informing them that the System has no choice left but to file a Complaint with the SEC.

He requested that the Board approve the enclosed draft letter to be sent to Nexos in addition to allowing Sullivan Ward to file a complaint with the SEC against Nexos Capital Partners, LLC.

RESOLUTION 11-028 By Naglick, Supported by Waterman

Resolved, That the Board authorize legal counsel to send correspondence to Nexos Capital Partners, LLC informing them that, based on their refusal to supply the requested financial information, the General Employees Retirement System has directed them to file a complaint with the SEC on their behalf.

Yeas: 9 – Nays: 0

Correspondence with Plunkett Cooney Regarding Medicare Part B Reimbursement

Mr. Henzi reported that he received correspondence from Plunkett Cooney regarding the Medicare Part B reimbursement. He explained that the transition process is a huge task for Ms. Zimmermann's office and Trustee Naglick's office.

The EFM's legal counsel originally challenged the Retirement System stating that they are not responsible to fund the reimbursement. However, they now agree that they are responsible for the reimbursement. They are now asking that the Retirement Systems extend the deadline to June 30, 2011 so they have adequate time to address the issue and notify retirees of the change. They indicated that they are currently very busy dealing with fiscal end of the year issues.

He has spoken with the Chairmen of both Boards and they felt that extending the date to June 30, 2011 was reasonable based on the transition process.

The Retirement Office has offered to take over the transition but has not received authorization from Trustee Naglick or the EFM to move forward. The transition is a six to eight week process and it could potentially take another month to begin.

Trustee Naglick told the Board that Ms. Munson has created the invoice and billed the City for the Medicare Part B reimbursement for the period July, 2010 through December 2010. The EFM is waiting for the legal opinion regarding the reimbursement. Mechanically, this should not be difficult and extending the date would allow time to do this smoothly.

Trustee Woods was concerned and questioned that the EFM's legal counsel originally felt the Medicare Part B reimbursement was not their obligation.

Mr. Henzi said that the EFM's legal counsel has never stated that it is not the City's obligation.

Trustee Woods said that the Board was hesitant on extending the date to April 30, 2011. Now they want to extend the date of June 30, 2011. However, they seem to take their time when we require information from them. The System will pay for any issues that arise from their lack of attention to this issue. She did not feel that the deadline has anything to do with end of year fiscal issues.

Trustee Naglick questioned whether the extension to June 30, 2011 would be acceptable if the EFM authorizes the Retirement Office to start the process. He also stated that Ms. Munson could also bill for the next quarter.

Trustee Woods restated that she is not confident that the issues will be resolved in order to meet the deadline.

Trustee Naglick said that he understands the Board's concern. However, the EFM is waiting for an opinion from his legal counsel before moving forward.

Trustee Woods said that she is upset that the Board has to have this discussion again this month.

Trustee Waterman left at 3: p.m.

Trustee Bowman said that when there is a practice of stagnation there is usually a reason.

Trustee Scott confirmed that the retirees are still receiving the reimbursements in their checks.

Chairman Harrison explained that the issue is how long it will take to set up the new process to reimburse the retirees and that Ms. Zimmermann's hands are tied at this point.

Ms. Zimmermann explained that it takes six to eight weeks to setup the payroll process.

Trustee Naglick asked how much it will cost to setup the new payroll process. He also suggested that the Board could state that if they approve the extension the EFM has to authorize the costs

up front to setup the payroll system because Ms. Zimmermann does not want to incur costs that are payable by the City.

Chairman Harrison said that at last month's meeting Trustee Jukowski discussed the negligence issue of continuing the practice. Trustee Woods has stated the Board's reluctance to extend the date to April 30, 2011. Now the EFM has asked for the date to be extended to June 30, 2011.

Trustee Scott asked what happens if the Board does not approve the extension and questioned why the Board would let that happen to the retirees.

Trustee Bowman asked if the trustees knowingly engage in an illegal activity would it be grounds for removal.

Mr. Asher said that it would be a violation of their fiduciary responsibility.

Trustee Scott said that Mr. Henzi stated that they would not be at risk if they are acting to correct the issue.

Mr. Henzi said that, based on the premise that they are moving to correct the issue the Board has a couple of options. They can keep the April 30, 2011 deadline or they can pick a new date contingent on giving the EFM seven days to confirm in writing that they acknowledge their responsibility to reimburse the retirees for Medicare Part B and authorize Ms. Zimmermann to setup the payroll process.

Ms. Zimmermann said that she and Trustee Naglick need to define the process and timing of the reimbursement transactions. Trustee Naglick agreed that he and Ms. Zimmermann need to be more proactive on the intra-fund transition.

Trustee Barnett was concerned that if the System had not been using its assets to reimburse the retirees those assets could have been invested and made money for the Retirement System.

Trustee Bowman read a portion of the local government reforms proposed by Rick Snyder pertaining to accountability reforms for pension systems. He said that there are a set of triggers that would allow for state intervention and possible oversight of a local pension board. He was concerned that if the Board continues this practice it could give the state grounds to intervene.

Trustee Scott said that he feels that the Board is doing their due diligence by trying to rectify the issue going forward.

Mr. Asher and Mr. Henzi agreed that the Board is doing everything reasonable by moving toward compliance but it will not be completed by April 30, 2011. They need to move forward with the process and extend the date of May 31, 2011 contingent on the EFM responding within seven days acknowledging their responsibility to reimburse the retirees and authorizing to pay for the payroll process.

Trustee Waterman returned at 3:53 p.m.

Chairman Harrison stated that the extension would allow Ms. Zimmermann to complete her process.

Mr. Asher said that the Board should tighten the language in the resolution.

Trustee Jukowski said that the extension should be contingent on Ms. Zimmermann being able to setup payroll.

Trustee Bowman asked what is keeping Ms. Zimmermann from proceeding with the process. Ms. Zimmermann said that the City has to pay for the process.

Jerry Seay left at 3:56 p.m.

Chairman Harrison confirmed that the resolution would contain acceptable language and that Mr. Henzi would draft a letter to Plunkett Cooney based on the language in the resolution.

Trustee Jukowski indicated that the Board can move forward with the deadline extension contingent on the acknowledgement of the City's responsibility by April 1, 2011.

RESOLUTION 11-029 By Jukowski, Supported by Waterman
Resolved, That, based on advice of legal counsel, the Board will extend the deadline for Medicare reimbursements to retirees to May 31, 2011 to transition the practice of reimbursing the Medicare payment to avoid disruption of payments to retirees contingent on the City acknowledging their responsibility to reimburse Medicare payments and authorizing the Retirement Office to set up the payroll process by April 1, 2011.

Yeas: 8 – Nays: 1 (Trustee Barnett)

Jerry Seay left at 3:59 p.m.

House Bill 4214 – Refer to Public Discussion

Sybase Litigation (RGRD)

Mr. Henzi reported that a proposed Stipulation of Settlement was reached and because time was of the essence Chairman Harrison approved the stipulation. He requested that the Board ratify Chairman Harrison's signature on the Stipulation of Settlement.

RESOLUTION 11-030 By Woods, Supported by Naglick
Resolved, That the Board ratify Chairman Harrison's signature on the Sybase Litigation Stipulation of Settlement.

Yeas: 9 – Nays: 0

Rehab Care Group, Inc.

Mr. Henzi reported that Motley Rice recommended that the Retirement System enter into an Affidavit in Support of Litigation against Rehab Care Group, Inc. Since time was of the essence, Chairman Harrison signed the affidavit. He requested that the Board ratify the Chairman's signature on the Affidavit in Support of Litigation.

RESOLUTION 11-031 By Woods, Supported by Waterman
Resolved, That the Board ratify Chairman Harrison's signature on the Rehab Care Group, Inc. Affidavit in Support of Litigation.

Yeas: 9 – Nays: 0

Correspondence from Police & Fire Retirement System Board to General Employees Retirement System Board Re: Retirement System Staff

Mr. Henzi reported that the Police & Fire Retirement System Board of Trustees sent correspondence to this Board notifying them that they are scheduling a meeting with the EFM to discuss assuming control over the Retirement Office.

Durable Power of Attorney (POA) for Bernice Birnkrant
For the trustees' information.

Pontiac versus Onyx: SEC versus Onyx

RESOLUTION 11-032 By Woods, Supported by Barnett
Resolved, That the Board approve to move to closed session to discuss pending litigation.

Roll Call:

Trustee Barnett – Yea	Trustee Redmond – Yea
Trustee Bowman – Yea	Trustee Scott – Yea
Chairman Harrison – Yea	Trustee Waterman – Yea
Trustee Jukowski – Yea	Trustee Woods – Yea
Trustee Naglick - Yea	

The Board moved to closed session at 4:16 p.m.
The Board returned from closed session at 4:21 p.m.

General Employees' Retirement System Board Composition

Mr. Henzi stated that at the last meeting the issue regarding Board composition was discussed due to concerns that the City will be privatized. If this occurred, the pool of employees would dwindle which could result in the elimination of the employee trustee positions on the Board.

The trustee positions on the Board are a subject of collective bargaining. He contacted the EFM's legal counsel to discuss this issue on behalf of both Retirement Systems based on the Police Department being assumed by the Oakland County Sheriff's Department and both boards' interest in amending the ordinance to allow for deferred vested members to serve as trustees in the event that the number of employees continues to decrease.

Chairman Harrison said that he is in complete agreement with Mr. Henzi and that it is better to be proactive than reactive.

Trustee Jukowski questioned how the elections for these trustee positions would work. If active employees currently elect the Employee Trustee position, would deferred vested members elect these new positions?

Trustee Woods said that March 1, 2011 is not a good date. She used the example of former Trustee Andrea Wright, who is a deferred vested employee that was laid off in November, 2010. She told the Board that there are a number of deferred vested members and that the layoffs started back in 2005.

Chairman Harrison said that there will still be three trustee positions; it will not change the dynamics of the Board.

Trustee Scott felt that there should be an additional retiree trustee position on the Board.

There was discussion regarding adding another retiree trustee position to the Board.

It was determined that the trustees did not want the dynamics of the Board altered. If the City privatizes, many of the current employees will become vested deferred members.

Trustee Woods questioned whether this change would need to be voted on by the unions.

Mr. Henzi stated in reference to changing the trustee composition of the Board that GERS currently has seven categories of trustees and Police & Fire have three categories.

The Board determined that they would get the unions involved. They recommended that the three Employee Trustee positions on the Board would be elected by active and vested deferred members of the System.

UNFINISHED BUSINESS

Re: Medicare Part B Payroll - Refer to Legal

Re: Retirement Office Payroll - Tabled

Ms. Zimmermann reported that Police & Fire are in favor of the Board paying their own payroll.

Re: House Bill 4214 – Refer to Public Discussion

NEW BUSINESS

Re: Employee Trustee Declaration

Ms. Zimmermann reported that election notices were posted for the Employee-Trustee term expiring on March 31, 2011. Only one nominating petition was filed for this vacancy. She reported that Trustee Scott will be reappointed as the Employee Trustee.

RESOLUTION 11-033 By Waterman, Supported by Bowman

Whereas, a vacancy will occur on the General Employees' Retirement System Board of Trustees when the Employee-Trustee term expires on March 31, 2011; and

Whereas, all members of the System have been given the opportunity to file nominating petitions for the vacant trustee term; and

Whereas, only one nominating petition has been filed for this vacancy;

Now, Therefore, Be it resolved, that the Board of Trustees hereby declares that Devin Scott, an employee of the City of Pontiac, having met all requirement to serve as Employee-Trustee, is officially elected to the office of Employee-Trustee for a term beginning on April 1, 2011 and expiring on March 31, 2015.

Yeas: 9 – Nays: 0

Re: NASP Conference Attendance

Trustee Bowman asked that the NASP (National Association for Securities Professionals) be added to the list of conferences available for the trustee's attendance. He said that personally this is in the top two conferences he has ever attended. He felt that the trustees should have the opportunity to attend this conference.

RESOLUTION 11-034 By Bowman, Supported by Woods

Resolved, That the Board formally approves annual attendance at the NASP Conference.

Yeas: 9 – Nays: 0

Re: NASP Membership

Trustee Woods asked if the Retirement Office could check into registering the Board as members of NASP.

RESOLUTION 11-035 By Woods, Supported by Waterman

Resolved, That the Board approves to become members of the National Association of Securities Professionals.

Yeas: 9 – Nays: 0

Re: Travel Expense Opal Public Funds Summit West Conference

Chairman Harrison stated that each year at the Opal Conference he rents a vehicle and chauffeurs the trustees during the conference and to and from the airport. In the past he has always picked up this cost. He asked that the Board approve the rental car expense on his travel reconciliation.

RESOLUTION 11-036 By Woods, Supported by Barnett

Resolved, That the Board approve the cost of the rental car on Chairman Harrison's travel reconciliation for the Opal Public Funds Summit West Conference held in January, 2011.

Yeas: 9 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: March 23, 2011 @ 1:30 p.m. – City Council Conference Room, Second Level, City Hall

ADJOURNMENT

RESOLUTION 11-037 By Barnett, Supported by Waterman

Resolved, That the meeting be adjourned at 4:35 p.m.

Yeas: 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 March 23, 2011

As recorded by Jane Arndt