

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JANUARY 27, 2010**

A regular meeting of the Board of Trustees was held on Wednesday, January 27, 2010 at the City Council Conference Room, Main Level, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:39 p.m.

TRUSTEES PRESENT

Shirley Barnett	Patrice Waterman
Charlie Harrison, Chairman	Kevin Williams
Leon Jukowski, Mayor	Debra Woods
Javier Saucedo, Vice Chair	Andrea Wright (<i>arrived at 1:43 p.m.</i>)
Devin Scott	

TRUSTEES ABSENT

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Laurance Gray, Gray & Company
Ellen Zimmermann, Retirement Accountant
Jane Arndt, M-Administrative Assistant
Linda Watson, Retiree
Al Phillips, President, AFSCME Local 2002
Kenneth Searcy

PUBLIC DISCUSSION

Linda Watson said that she has several concerns regarding meeting attendance for the past several years. She also questioned whether a retired member of the Retirement System can be appointed to the Board, referring to Ms. Waterman's appointment.

Ms. Billings stated that she briefly reviewed the Retirement Ordinance and did not find anything that indicated Ms. Waterman could not be appointed to the Board.

Ms. Watson also questioned whether all travel has to be approved by resolution by the Board and that most of the travel has not. She also asked why a copy of the resolution is not included with the travel reconciliation. Chairman Harrison said that some travel is pre-approved per the Retirement Ordinance.

She also asked if there is an attendance policy for the Board and how many meetings a trustee can be excused from. Ms. Billings said she does not believe there is a policy. Ms. Zimmermann said that there is no policy that defines attendance.

Ms. Watson was concerned because over the past three years there were three meetings that had to be cancelled due to a lack of quorum. There was also one trustee who was excused from three meetings, was late for one and left early at four meetings.

Chairman Harrison said that he appreciates Ms. Watson bringing her concerns to the Board. He explained that the Board was down three trustees including the Finance Director and the Hospital Deferred Trustee with the previous Mayor never attending the meetings. He is confident with the new Mayor and Councilperson in place this should no longer be an issue.

Ms. Billings acknowledged that a number of Retirement Boards only meet quarterly. It is not a huge issue that three meetings have been cancelled over a three-year period. The administration of Retirement System was never interrupted as a result of a cancelled meeting.

Ms. Watson said that some trustees cannot make meetings but have traveled excessively. It does not make sense that they have sufficient time to travel yet cannot attend meetings. In the Ordinance it states that twelve meetings are held per year yet only eleven meetings are scheduled. She feels the trustees take too many trips.

She also felt the Board should revisit the travel policy and asked if there is a reimbursement policy. She feels if the trustees get an advance they should not be getting a reimbursement. She also questioned whether spouses' expenses were being paid by the System.

Ms. Billings said that the travel policy prohibits the System from paying for spouses.

Ms. Watson said that she is just expressing her concerns regarding issues she feels the Board should take a look at. She feels that trustees should not be making their own airline reservations and should carpool to in-state conferences. She also asked if the employee trustees use their leave time to go to conferences. As a taxpayer she is concerned that their jobs are not being done while they take time off to go on trips.

She stated that the meeting dates are not posted on the website. There were also duplicate resolution numbers in the August 2009 and September 2009 meeting minutes. She asked if Onyx and UIM are alternative investments. Mr. Gray stated that Onyx is an alternative investment investing in direct underlying companies. UIM is a standard investment that deals in publicly traded securities.

Chairman Harrison suggested that the Board move on with the agenda. Ms. Watson's issue with trustee travel is nothing new. The Board attends education conferences and they attend the sessions. The Board has been recognized as one of the top three small pension funds in the United States which puts them in the top 1% of public plans their size. This has to convey the Board's commitment to due diligence and fiduciary responsibility. This Fund is one of the best funded public pension plans in the country. It seems that everyone has an obsession with trustee

travel which is nothing new from the last time Ms. Watson brought this to the Board. He noted that Ms. Watson can acquire the information she needs from the Retirement Office. He is proud of everyone on the Board and feels they are doing something right.

Trustee Wright expressed that it really bothers her that the Board is constantly being scrutinized about their travel. She takes offense that Ms. Watson calls educational conferences “trips”. She has been personally discriminated against by the former Mayor and the Finance Director with regard to her attending retirement conferences.

In order to understand and attain the necessarily knowledge to transact business at the meetings the trustees need to attend educational conferences. She stated that total annual expenses paid for trustees to attend educational conferences are less than 1% of 1% of the overall fund.

It is a hassle and a burden for her to leave her children and her job to attend conferences. If there is a conflict and she cannot go, she does not go. Many times she was told she could not attend conferences even when her work was done.

She acknowledged that when trustees attend conferences they receive a certificate recognizing their attendance.

If she has to use her vacation time in order to attend conferences she will not go. She will use her time to go on a personal trip.

The Board is managing \$341 million, so they need to learn in order to do the job correctly. She has attained much of her knowledge by attending these conferences.

Trustee Saucedo stated that he has to take his personal vacation time to attend conferences.

Chairman Harrison said that this is a touchy subject and feels many of Ms. Watson’s accusations are unfounded. However, she does have the privilege to bring her concerns to the Board. He feels the trustees take pride in what they do and does not feel that the Board is excessive. There are a lot of Boards that are under funded who are still going to conferences. He recommended that the Board move on with the business at hand.

Chairman Harrison asked if there was further public discussion.

Al Phillips introduced himself as the President of Local 2002. Chairman Harrison welcomed him and thanked him for his attendance at the meeting.

Ms. Billings said that she found the reference Ms. Watson was referring to concerning the appointment of Ms. Waterman. In the Ordinance it clearly states that a member of the City Council is appointed to the Board. It also reads that three citizen trustees will be appointed by the City Council who are not eligible to receive benefits from the Retirement System. Ms. Waterman’s appointment does not fall under the provision of citizen trustee, rather she is the council member appointed to the board.

APPROVAL OF CONSENT AGENDA

- A. Minutes of Special Meeting: December 2, 2009
- B. Communications
 - 1. Correspondence from Artio Global Advisors Re: CIO Letter Q4 09 / Oct. Fact Sheet
- C. Conference Information:
 - 1. 2010 NCPERS Legislative Conference – NCPERS – Feb. 7-9, 2010
- D. Financial Reports
 - 1. Financial Reports – November & December 2009
 - 2. Commission Recapture – November & December 2009
 - 3. Securities Lending – To be provided at the meeting
 - 4. Capital Call Ratification
 - a. Mesirow Private Equity \$150,000.00
 - b. Invesco 59,031.28
 - 5. Accounts Payable
 - a. ADP \$3,336.48
 - b. Casper Corp 98.00
 - c. City of Pontiac 5,022.24
 - d. Coffee Break 37.00
 - e. GE Capital Information (copier) 221.76
 - f. Gray & Co. 128,551.92
 - g. Huttenlocher Group 19,808.00
 - h. NCPERS 150.00
 - i. Northern Trust 46,829.84
 - j. Office Depot 362.46
 - k. Peritus 100,844.30
 - l. Rodwan Consulting 2,800.00
 - m. Sawgrass Asset Management 41,805.00
 - n. Slade's Printing 89.60
 - o. Stevens Records Management 110.89
 - p. Sullivan Ward Asher & Patton 9,540.00
 - q. Systematic 52,036.12
 - r. VISA 14,440.43
 - s. Q4 Due to / Due from 43.12
- E. Retirements, Refunds, Final Calculations, Re-Examinations
 - 1. Remove from the Rolls:
 - a. Claire Johnson (deceased 11-23-2009)
 - b. Thelma Richert (deceased 12-09-2009)
 - c. Geneveve Velez(deceased 12-19-2009)
 - d. Olga Barkeley (deceased 01-06-2010)
 - e. Melvin Boothe (deceased 12-21-2009) survivor benefit of \$555.25/mo to Ora Boothe
 - 2. Pop-up Provision Effective:
 - a. Sandra Elliott – Benefit increased from \$182.23 to \$193.79
 - b. Robert Gerds – Benefit increased from \$3,018.06 to \$3,259.10
 - 3. Applications for Service Retirement:

a. Lindsay Williams – Local 2002	26 years, 1 month	Age 54
b. Dennis Scanlon - SAEA	27 years, 9 months	Age 51
c. Tony Alexander – Local 2002	28 years, 0 months	Age 52
d. Melinda Lyons – NOMC	20 years, 7 months	Age 55
e. Bruce Crossman – PPMA	23 years, 4 months	Age 59
f. Lois Vancil – Local 2002	25 years, 2 months	Age 60
g. Martin Sanchez – Local 2002	31 years, 2 months	Age 60
h. Danny Smith – SAEA	26 years, 2 months	Age 54

Ms. Zimmermann explained that there are two members of SAEA included in the consent agenda under Application for Service Retirement. One has changed their date and the other may change his date before they start to draw. They made application based on their contract being signed and that has been delayed. She wanted to make sure the Board was aware of the possible changes.

Trustee Wright confirmed that the applicants can change their date after the consent agenda has been adopted. Ms. Zimmermann said that an applicant can change their date anytime before they begin to draw their pension benefit.

Ms. Zimmermann referred to an article within the Consent Agenda regarding the Small Public Plan of the Year Finalists. The award is given by Institutional Investor’s Money Management Letter for organizations that have excelled over the previous year.

Chairman Harrison stated that Trustee Woods was contacted regarding this award and our attendance at the awards ceremony. She forwarded the information onto to him. Trustee Woods and he would like to attend the awards ceremony on behalf of the Board. The MML's 9th Annual Public Pension Fund Awards for Excellence is being held the evening of February 28, 2010 and the 15th Annual Public Funds Summit is being held March 1, 2010 through March 3, 2010 in Huntington Beach, California.

Ms. Arndt explained the reimbursement policy for the trustees’ attendance. The reimbursement will split the hotel cost and apply \$300 toward the trustees’ combined airfare. The reimbursement is contingent on the trustees’ attendance at the conference being held in conjunction with the awards ceremony.

Chairman Harrison informed the Board that the Investment Consultant has two funds being recognized at this event. He asked the Board to approve his and Trustee Wood’s attendance at the awards ceremony and conference.

RESOLUTION 10-001 By Barnett, Supported by Williams

Resolved, That the Board approve Chairman Harrison and Trustee Woods to attend MML's 9th Annual Public Pension Fund Awards for Excellence being held February 28, 2010 and the 15th Annual Public Funds Summit being held March 1, 2010 through March 3, 2010 in Huntington Beach, California.

Yeas: 9 – Nays: 0

RESOLUTION 10-002 By Saucedo, Supported by Woods
Resolved, That the Board approve the consent agenda for January 27, 2010.

Yeas: 9 – Nays: 0

CONSULTANTS

Re: Gray & Company

Market Values as of January 19, 2010

Mr. Gray provided a brief snapshot of the current market values of the fund. He said that when he reviews the larger report he will drill down into the managers' individual performance. As of January 19, 2010 total fund value was \$401.4 million compared to \$380 million on September 30, 2009. The market rallied during the fourth quarter of 2009. There has been a lot of volatility during the last few days with total fund value as of January 26, 2010 at \$386.5 million.

He said that they in order to raise \$12 million to pay for benefits and expenses for the next six months they are rebalancing the fund.

A manager review meeting is being held February 23, 2010. It consists of a broad economic review, a manager roundtable and individual manager updates. It is an opportunity for the trustees to meet the managers and allows for transparency.

Two manager review meetings are held during the year one for the equity managers and one for the fixed income and other asset class managers. The System has hired a lot of good people even looking to Europe for international managers.

Currently, interest rates are 0.25 basis points but the portfolio strategy will have to be updated when they begin to rise to insure minimal impact.

Chairman Harrison asked if they are looking to change the asset allocation strategy or model. Since the Fund does not make bets on the market are we looking to change or doing something different as a discussion point.

Mr. Gray said that he will bring a detailed discussion to the next meeting. They will be looking to shorten durations and average duration. Each rise in interest rates will have an impact on the portfolio. They are looking at options now rather than waiting.

Onyx Update

Mr. Gray stated that he met with the SEC on December 1, 2009 for the entire day. They are conducting a thorough investigation. He has not received any updates and they were told the investigation is still being conducted. A letter will be sent to his firm or to the Board when this process has been completed. To date he has no information to share.

Ms. Billings told the Board that she and Ms. Zimmermann met with the SEC on December 11, 2009. Ms. Zimmermann's interview lasted three to four hours.

Manager of Managers

Mr. Gray said that the manager of managers search is taking more effort than they first thought. Their normal process allows them to screen out all managers whose performance is above the benchmark by 200 basis points. They can then put together a list of ten managers and reduce the number to five after further analysis. However, this information is not published in the manager of managers world. Getting the information has been very difficult. Most of these funds are run by consultants and the information is not readily available.

Russell is the largest manager followed by Callan & Associates, Mercer, SCI and JP Morgan Chase. Northern Trust also has a product.

In order for them to bring the best of breed managers it is taking a little bit of time. He will have the information available at the next meeting.

Chairman Harrison insured that many of the trustees are pleased with Gray & Company's performance managing the emerging portfolio. He also indicated that many of the managers Mr. Gray referred to were included in the last investment consultant search when Gray & Company was chosen over the other managers.

Elio Three-Wheel Car Presentation

Mr. Gray said that he was asked by the Chairman to hear a presentation by Paul Elio, an engineer who has designed a three-wheel car and is looking for investors. This would be a direct investment. He had talked to the Mayor about the car's development.

He can talk all day about stocks and bonds but he would have to reach out to other professionals in the automotive field and pay them to obtain good due diligence.

He said that the Chairman called him after receiving a call from the Mayor. He was asked to meet Mr. Elio at the Marriott next to the GM plant for a breakfast meeting which he did reluctantly. It was a great presentation with good detail but most was over his head. If the Board is remotely interested he would require guidance in this specialty.

Chairman Harrison said that Mayor Jukowski was contacted by the Governor and Senators Stabenow and Levin regarding this investment. This could be two-fold for the City adding 4,000 jobs and to the tax base. He said they felt that Mr. Elio deserved a chance to make his presentation.

Mayor Jukowski said that this opportunity was presented to him politically. He did not even know if the City's pension money could be used for this type of investment. He is not recommending the investment since he is a novice and does not know if this is proper or improper.

Chairman Harrison confirmed that the Mayor did not recommend this investment. He wanted to make sure the Board knew what steps occurred before it reached the consultant. He does not feel that they should drop it yet. Due diligence will dictate and predicate.

Mr. Gray said that Mr. Elio has invested \$4 million of his own money into this vehicle. Approximately \$150 million is available and is earmarked for his program as part of the Stimulus Bill. A lot of automotive plants are being demolished and he has made arrangements with a demolition company to give him \$10 million dollars for the former GM plant located at Centerpointe. He said that Mr. Elio has been offered \$10 million from Wayne County if he locates his facility in Wayne County. He if uses the plant in Pontiac there is \$300 million worth of equipment there that can be retrofitted to produce more prototypes.

Trustee Wright asked where this investment would fit in the asset allocation. Mr. Gray said that is would be a direct venture which is part of the basket clause. Currently, the Investment Policy Statement does not allow direct venture investments. An amendment to the IPS would be required.

Trustee Barnett asked how big the vehicle is. Mr. Gray said that it is a two-seater tandem vehicle. Trustee Scott confirmed that it is a three-wheel vehicle.

Mr. Gray said that the vehicle is being geared toward college students. It is projected to get 80 miles per gallon and cost less than \$6,000.00. He would have to review their financials looking forward including their sales forecasts. World class companies will be supplying many of the components.

Trustee Wright confirmed that the Retirement System would be responsible for the cost of the due diligence. She asked what would happen if they pay for the due diligence and Mr. Elio decides to use the plant in Wayne County. Mr. Gray said that the Board should hear the presentation before spending any money on due diligence.

Trustee Scott asked if they use the former GM plant at Centerpointe will people be trained to work at the facility.

Mr. Gray said that all service for the vehicles will be outsourced to Mienieke. A lot of this has been done to get the cost of the vehicle under \$6,000.00.

Trustee Scott confirmed that if the Retirement System invested in this company that money would be used to retrofit the equipment at the plant.

Trustee Saucedo asked what the timetable is on this investment. Mr. Gray said that they are looking for an investment commitment soon because there is a time constraint.

Trustee Wright asked if the City has any involvement in the plant.

Mr. Gray pointed out the economic impact of this investment for the community.

Chairman Harrison asked if there were any questions and asked the Board if they would like to give Mr. Elio an opportunity to make his presentation. As a citizen he sees this as a possible opportunity for the City but this entirely up to the Board.

Trustee Woods said that based on the time constraints the presentation should be scheduled prior to the next meeting.

There was discussion on when a special meeting could be scheduled.

RESOLUTION 10-003 By Woods, Supported by Scott
Resolved, That the Board approve a special meeting to be held on February 10, 2010 to hear direct venture presentation by Elio Motors.

Roll Call:

Barnett – Yes	Scott – Yes	Wright – Yes
Harrison – Yes	Waterman – Yes	
Jukowski – Yes	Williams – No	
Sauceda – Yes	Woods - Yes	

REPORTS

Re: Chairman - None

Re: Secretary - None

Re: Trustees/Committees - None

Re: Administrator

1099R's

Ms. Zimmermann reported that the 1099R's were mailed to the retirees mid-month.

945 Payroll Returns

Ms. Zimmermann reported that the 945 Payroll Returns have been filed.

SEC Reorganization

Ms. Zimmermann referred to an article regarding the SEC reorganization that will include a public pension unit. The unit will focus on the misconduct in large municipal securities market and in connection with public pension funds.

Cost Studies

Ms. Zimmermann informed the Board that there are cost studies included in the Reports Section of the agenda packet.

Mr. Gray left at 3:03 p.m.

Ms. Zimmermann stated that there is no action required with regard to the cost studies they were for the trustees' information.

Trustee Scott said that they did not feel a cost study should have been done for Mr. Hooper.

Mr. Phillips asked if the documents are signed and whether everything is in place so the members can retire. Ms. Zimmermann said that the members will have to apply and sign their papers for retirement.

Ms. Zimmermann explained that the Retirement Office calculates service credit and Human Resources determines seniority. A cost study is requested when an agreement is reached between the Union and the City because the Retirement System needs to know what the cost of those benefits will be to the System when there is a difference between service credit and seniority.

There was a question whether Mr. Hooper was being paid for ten years, 1 month of service or nine years, 3 months of service. Ms. Zimmermann said Mr. Marshall granted service credit of 10 years and 1 month for the member which was different than the Retirement Office had calculated. Since this was the case, she requested a cost study as Mr. Marshall did not believe it was necessary. Discussion followed by the trustees. Ms. Billings said in this case, the board could pay for the cost study as it was ordered by Retirement. Trustee Wright confirmed that the member would retire with ten years of service.

Mr. Phillips and Mr. Searcy left at 3:10 p.m.

Re: Legal

Ms. Billings requested that the Board moved to closed session to discuss pending litigation

RESOLUTION 10-004 By Scott, Supported by Saucedo
Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

Barnett – Yes	Scott – Yes	Wright – Yes
Harrison – Yes	Waterman – Yes	
Jukowski – Yes	Williams – Yes	
Sauceda – Yes	Woods - Yes	

The Board moved to closed session at 3:12 p.m.

The Board returned from closed session at 3:18 p.m.

Ms. Billings stated that the Retirement System has two securities litigation firms Coughlin Stoia and Bernstein Litowitz that monitor the System's portfolio looking for fraud in the market. They make the Board aware of situations where the System incurs large losses. They also identify when the system should apply for lead plaintiff status due to these losses.

CompuCredit Corp

Ms. Billings reported that the Court appointed the Retirement System as lead plaintiff. A hearing on the Defendants' Motion to Dismiss has not yet been scheduled.

Merrill Lynch Bond Litigation

Ms. Billings reported that this matter was settled with the Defendants paying \$150 million into a settlement fund. The settlement is still pending in the United States District Court for the southern District of New York. They are in the process of filing the Proof of Claim.

Chairman Harrison asked Ms. Billings knows what the Retirement System's share of the settlement is. Ms. Billings said that she does not know.

The DIRECTTV Group, Inc. Derivative Litigation

Ms. Billings reported that the Complaint for Breach of Fiduciary Duties was filed on behalf of shareholders to protect the interest of the shareholders. The litigation is in the initial phase of discovery.

As a result of al related action in the Delaware courts, the judge granted a stay in the California action.

To maintain standing to pursue a shareholder action, a plaintiff must retain at least some shares of the company's stock throughout the duration of the litigation.

Immucor, Inc. Securities Litigation

Ms. Billings reported that on January 14, 2010 the Court appointed the Colleges of Applied Arts and Technology Pension Plan (CAAT) as lead Plaintiff who had larger losses than the Retirement System. This action is being closed out.

IRS Determination Letter

Ms. Billings reported that every five years the System files an Application for Determination Letter with the IRS in order to be in compliance and maintain its status as a qualified plan. She explained the timing issue and stated that the matter is still pending with the IRS.

Correspondence and Proposed Ordinance Amendment Regarding Inclusion of Furlough Days in Final Average Compensation

Ms. Billings reported that she had been asked to research whether or not furlough days may be included in a member's final average compensation for the purpose of calculating the member's retirement benefit. Pursuant to the Ordinance an amendment would be required to allow the calculation to be included for non-union employees.

The Teamsters Local 214 had specific language that referenced furlough days be included in the calculation of retirement benefits.

The AFSCME language is vague. The Union and the City can sign off on the furlough day being included in the retirement service credit. She sent a letter with updated language that would require Mr. Marshall's signature on behalf of the City.

She referred to the proposed Ordinance Amendment for non-union attached with the language changing the definition of compensation.

Chairman Harrison confirmed that the amendment has to go through the legislative body.

RESOLUTION 10-005 By Wright, Supported by Saucedo

Resolved, That the Board approve that the proposed Ordinance amendment for the inclusion of the value of furlough days in the definition of compensation be forwarded to City Council for their approval.

Yeas: 9 – Nays: 0

In the Matter of Onyx Capital Advisors, LLC

Refer to Consultants

House Bill 5323 – Proposed Amendment to Public Act 314

Ms. Billings referred to the draft of House Bill Number 5323 in the Legal Report. This amendment would apply to all Michigan public sector retirement plans.

Chairman Harrison asked if this amendment is being supported by the State of Michigan. Ms. Billings said that the bill is being promoted by MERS, MAPERS and the State of Michigan.

She reviewed the proposed changes including the percentage allocated to the basket clause which has increased 10% with the overall allocation being dependent on the size of the fund. It also allows an increase of 30% in international investments for all plans regardless of size. It also includes language specifically stating what expenses are payable out of pension system funds.

Ms. Watson left at 3:27 p.m.

Stryker Securities Litigation

Ms. Billings reviewed the Stryker Securities litigation. It is alleged that the Defendant falsely reported earnings from 2006 through 2008 allowing certain officers and directors of the company to sell personally held shares resulting in more than \$300 million in profits from insider trading.

Coughlin Stoia has recommended based on the Retirement System's losses to apply for Lead Plaintiff status. The Chairman has signed the retainer agreement. She asked that the Board ratify the Chairman's signature on the retainer agreement.

RESOLUTION 10-006 By Barnett, Supported by Saucedo

Resolved, That the Board ratify Chairman Harrison's signature on the Stryker Securities Litigation Retainer Agreement.

Yeas: 9 – Nays: 0

IRS Special Tax Notice

General Employees Retirement
Regular Meeting,
January 27, 2010

Ms. Billings reported that the IRS had updated their tax notice to incorporate recent legislative changes. The notice has been tailored to model the notice for the Retirement System. This notice should be provided to participants and/or beneficiaries who are entitled to receive a lump sum benefit including annuity withdrawals. The notice must be sent 180 days and no less than 30 days prior to the distribution.

IRS 2010 Standard Mileage Rates

Ms. Billings reported that the 2010 standard mileage rate is \$.50 per mile.

Bernstein Litowitz Portfolio Monitoring Report – Third Quarter 2009

Ms. Billings reported that this monitors fraud in the marketplace during a specific time period and is for the trustees' information.

Sullivan Ward

Ms. Billings stated that she wanted to address a recent published article about her law firm. Sullivan Ward represented the Iron Workers Local 25 Pension Fund in litigation commenced approximately six years. After protracted, complex litigation, the case resolved for \$110 million dollars.

Following the settlement, a former trustee, who is no longer on the Iron Workers' Board, filed a complaint. Sullivan Ward filed a Motion to Dismiss. In ruling on that Motion to Dismiss, the court dismissed a number of plaintiff's allegations. However, in ruling on a Motion to Dismiss, the Court is required to accept the allegations in the complaint as plead. Applying that standard, the Court did not dismiss the remaining allegations. Trial on those allegations will take place in the next few months. The law firm vehemently denies the allegations and believes that it will be fully vindicated.

Union Representatives – None

UNFINISHED BUSINESS

Re: Disaster Recovery

The software has been installed and Ms. Arndt is test scanning data for disaster recovery purposes.

Re: Board Calendar Revision

Ms. Zimmermann requested that the Board revise the 2010 Meeting Calendar. The April meeting needs to be changed from April 28, 2010 to April 21, 2010 due to a typo on the original meeting notice.

RESOLUTION 10-007 By Saucedo, Supported by Wright

Resolved, That the Board approve the change of date for the April, 2010 meeting to April 21, 2010 from April 28, 2010.

Yeas: 9 – Nays: 0

NEW BUSINESS

Re: Semi-Annual Rebalancing

Ms. Zimmermann requested that the Board approve the cash flow rebalancing plan as recommended by the consultant. This is a mature fund which requires adjustment to the asset allocation periodically. This also provides monies to fund benefits and expenses for the System.

RESOLUTION 10-008 By Saucedo, Supported by Woods

Resolved, That the Board approve the transfer of \$2,000,000 from Gray & Company large cap, \$2,000,000 from Systematic mid cap, \$2,500,000 from Oppenheimer fixed income, \$2,500,000 from Munder fixed income and \$3,000,000 from Peritus high yield to fund benefits and operations for the next six months.

Yeas: 9 – Nays: 0

Re: City Cost Allocation

Ms. Zimmermann referred to the administrative cost allocation from the City and the cost detail. She stated that there was a cost reduction of \$5,392.00.

RESOLUTION 10-009 By Saucedo, Supported by Woods

Resolved, That the Board approve the attached Administrative Cost Allocation to the City of Pontiac.

Yeas: 9 – Nays: 0

Re: Employee-Trustee Election Calendar / Canvasser

Ms. Zimmermann stated that Trustee Wright's term as employee-trustee expires on March 31, 2010. She has drafted the election calendar and materials for the upcoming election. She requested that a trustee be appointed to canvas the election.

RESOLUTION 10-010 By Wright, Supported by Scott

Resolved, That the Board approve Trustee Scott to canvas the 2010 Employee-Trustee Election and that Trustee Scott will canvas the election results.

Yeas: 9 – Nays: 0

Cost Studies

Trustee Wright stated that she understands the Kenneth Searcy cost study but questioned the Mark Hooper cost study. She asked if it was a service credit versus seniority discrepancy and whether Ms. Rodwan should have included an opinion regarding the eligibility.

Ms. Zimmermann said that it was not Ms. Rodwan's place to offer an opinion and she will discuss that issue with her.

Trustee Wright asked if Mr. Hooper was being paid based on 9 years and 3 months or 10 years designated by Larry Marshall. Ms. Zimmermann said that she would have to go back and verify.

Trustee Wright also asked about the Bruce Crossman cost study and whether his retirement date was November 18, 2008 versus January, 2009. She also asked who was paying for these cost studies.

Chairman Harrison said that the Mark Hooper cost study was paid for by the Retirement System. Ms. Zimmermann told the Board that this is the first time that she has requested that a cost study be prepared.

Ms. Billings said that a cost study should not be paid for by the Retirement System. She explained the difference between settlor and fiduciary expenses. When benefits are changed it should be paid as part of the settlor function which would be the City's responsibility.

Trustee Scott said that it is their belief that a cost study should not have been prepared because according to the City it was their intention in the CBA that if a temporary employee does not have a break in service before becoming a full time employee their service credit began at the time of their original hire date with the City.

Ms. Billings said that under the circumstances she felt the Retirement System could pay for the cost study on this occasion.

Ms. Zimmermann explained that there has been a lot of dialogue between her and Mr. Marshall regarding this issue. However, the Retirement Office has to adhere to the Ordinance and the State law. She does not care what is bargained but the Retirement System needs to know the cost of the benefit. She would like to work on a way to cooperate.

Chairman Harrison said that there seem to be a difference of interpretation and as more of these come up he would like the two functions to work together.

Ms. Billings said that the Board has the responsibility to administer the Retirement System as written.

Trustee Woods said that it was her understanding that this put the Board in a bad situation because Local 2002's intention was to sue the Board.

Mayor Jukowski asked if this was an issue with the retirement rules.

Trustee Wright said that she understands if the language is in the CBA but is concerned that it is setting past practice. Ms. Zimmermann stated that this was the same discussion with Walter Hardin, Linda Chambers and Leonard Smith and that the CBA does not include specific language.

Trustee Scott stated that the contract language states that if a temporary employee worked twelve months and was hired full time this time was included toward their retirement.

He also noted for the record that Mark Hooper's retirement should be based on 10 years and 1 month of service credit.

SCHEDULING OF NEXT MEETING AND ADJOURNMENT:

Special Meeting: February 23, 2010 at the Pontiac Marriot at Centerpoint, 8:30 a.m.

Regular Meeting: February 24, 2010, 1:30 p.m. – City Council Conference Room, Second Floor, City Hall

ADJOURNMENT

RESOLUTION 10-011 By Saucedo, Supported by Woods

Resolved, That the meeting be adjourned at 4:12 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 January 27, 2010

As recorded by Jane Arndt