

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MARCH 24, 2010**

A regular meeting of the Board of Trustees was held on Wednesday, March 24, 2010 at the Shrine Room, Main Level, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:40 p.m.

TRUSTEES PRESENT

Shirley Barnett	Patrice Waterman
Charlie Harrison, Chairman	Kevin Williams
Leon Jukowski, Mayor	Debra Woods
Javier Saucedo, Vice Chair	Andrea Wright

TRUSTEES ABSENT

Devin Scott (*excused*)

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Laurance Gray, Gray & Company
Ellen Zimmermann, Retirement Accountant
Jane Arndt, M-Administrative Assistant
Mattie Lasseigne, Retiree
Linda Watson, Retiree

PUBLIC DISCUSSION

Linda Watson asked where the awards ceremony was held and whether any trustees attended. She also asked if any trustees attended the Public Funds Summit in February.

Chairman Harrison stated that the awards dinner was held in Huntington Beach, California. He tried to confirm that Ms. Watson was referring to the IMN Conference held in conjunction with the awards dinner. He told her that in order for the cost of attending the awards ceremony to be reimbursed the trustees had to attend the conference.

APPROVAL OF CONSENT AGENDA

- A. Minutes of Special Meeting: February 10, 2010
- B. Minutes of Regular Meeting: February 24, 2010
- C. Communications

General Employees Retirement
Regular Meeting,
March 24, 2010

1. Correspondence from Munder Capital Re: Congratulations
2. Correspondence from SWAP Re: CAPROC Final Payment
3. Correspondence from Sawgrass Re: Financial Review & Outlook
4. Correspondence from AMBS Re: March 2010 Market Overview
5. Correspondence from Artio Global Re: Fact Sheet January 2010
6. Correspondence from Kennedy Capital Re: SEC Routine Examinations

D. Financial Reports

1. Financial Reports – February 2010
2. Commission Recapture – January & February 2010
3. Securities Lending –
4. Capital Call Ratification: None
5. Accounts Payable
 - a. ADP \$8,184.18
 - b. Coffee Break Service 27.13
 - c. GE Capital Information (copier) 116.42
 - d. Gray & Co. 8,104.17
 - e. Mesriow Financial 50,456.00
 - f. Loomis Sayles 8,706.92
 - g. Office Depot 100.87
 - h. Rodwan Consulting 1,700.00
 - i. Slades Printing 144.00
 - j. VISA 6,977.33
 - k. Wall Street Journal 83.92

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

1. Remove from the Rolls:
 - a. Nettie Arnett (deceased 02-16-2010)
 - b. Ethel Cagnon (deceased 01-24-2010)
 - c. Grace Colebrook (deceased 02-28-2010)
 - d. Shirley Sundahl (deceased 03-15-10)
2. Applications for Service Retirement:

a. Willie Ramsey – SAEA	25 years, 10 months	Age 60
b. Brenda Bolden – PMEA	21 years, 1 month	Age 60
c. Switlana Korduba – NOMC	8 years, 6 months	Age 68

Ms. Zimmermann distributed the securities lending recap and the quarterly due to due from report. She asked that the items be added to the agenda.

Chairman Harrison asked if there were any other additions to the agenda.

RESOLUTION 10-022 By Saucedo, Supported by Woods

Resolved, That the Board approve the addition of the securities lending recap and quarterly due to due from report to the Consent Agenda.

Yeas: 8 – Nays: 0

RESOLUTION 10-023 By Woods, Supported by Saucedo
Resolved, That the Board approve the consent agenda for February 24, 2010 as amended.

Yeas: 8 – Nays: 0

CONSULTANTS

Re: Sullivan, Ward, Asher & Patton – Northern Trust -No Report

Re: Gray & Company

Mr. Gray provided an update of the valuation of the portfolio. For the period ending December 31, 2009 total plan value was \$390.5 million; on February 28, 2010 the value was \$389.2 million and on March 19, 2010 the value was \$403.3 million. The market has been relatively flat but it was nice to see some performance from the year end numbers.

He received a call on March 23, 2010 from Tom Scerbo of Oppenheimer Capital informing him that Jerry Thunelius resigned. There was no clarity as to why he resigned but he indicated that it could be due to money or title. Currently, Mr. Thunelius' teammates are managing the portfolio in the interim. They will be doing due diligence on the Oppenheimer team.

Chairman Harrison commented that Jerry Thunelius was going to implement futures in the portfolio. Ms. Zimmermann indicated that the contract to implement futures has not been signed.

Chairman Harrison said that the two fixed income managers mirror each other. However, Oppenheimer was being more aggressive without adding a lot of risk. He asked if the other manager should take their place or is it premature to put them on watch. Mr. Gray said that it is standard practice to put Oppenheimer on watch.

He said that Mr. Scerbo indicated that they are currently looking for a replacement for Mr. Thunelius. With the potential for rising interest rates he asked if the Board would be interested in adding an intermediate manager that would shorten the duration. Another alternative would be to move the allocation to the other fixed income manager. He questioned whether the trustees would be concerned with one manager having such a larger percentage of the Fund's assets.

He participated in a conference call with Northern Trust where they stated that the securities lending deficiency has been fully reversed. Ms. Billings pointed out that these are the unrealized losses versus the realized losses. Mr. Gray said that the next Northern Trust statement will reflect a zero balance.

Ms. Billings said that the Fund may be able to recover some of the realized losses dependent on the outcome of the class action lawsuit filed against Northern Trust.

Mr. Gray said that the trustees may be interested in listening to Northern Trust's webcast. Analysts feel that the market will continue to be choppy and there is a fifty / fifty split with some

seeing a 7% to 10% increase and other feel the market is frothy and will pull back 7% to 10%. There are still a lot of concerns but feels that a \$13 million increase is good for the quarter.

Chairman Harrison said that he knows that Mr. Gray has been busy with other things but wonders if the timing is right to look at other asset classes that are not currently utilized referring to real estate. He asked what Mr. Gray's thoughts are with regard to the real estate allocation. Mr. Gray said that the System was too early in their allocation to high yield. However, last year Peritus was up 75%. There is a lot of money to be made in real estate, but real estate managers are not spending money anytime soon. They like the space but time-wise the opportunities are not there. The third or fourth quarter should see some better opportunities.

Chairman Harrison felt that high yield is in the eighth inning of a nine inning ball game. He asked Mr. Gray's thoughts on whether the asset allocation model should be updated. He questioned whether the Fund has gotten all the performance out of high yield and should pull back.

Mr. Gray said that at the manager review meeting he discussed that they were looking to address the fixed income model based on the compression of the yield curve. The money in this asset class has been made. Tim Gramatovich from Peritus will tell you the opposite. They are looking to set client expectations that the easy money has been made. They would suggest a serious look at the allocation to the Peritus portfolio. They will get a better sense of the performance when they look at the current coupons and capital gains and will provide a review at the next meeting.

REPORTS

Re: Chairman

Chairman Harrison said that he read the press release on March 18, 2010 in the Oakland Press giving the System kudos on being awarded the Small Pension Plan of the Year. It is a big feat to compete with state, county and city pension systems and it was a team effort. Everyone involved should be proud of the accomplishment. It is nice to get some positive feedback and get the good information out there. There are a lot of people that are not aware of the Fund's position.

Re: Secretary - None

Re: Trustees/Committees - None

Re: Administrator

Postage Machine

Ms. Zimmermann informed the Board that there have been some changes at the City. The mail function has been changed and is now being handled by the Law Department. She checked with both Chairs regarding the lease of a Pitney Bowes postage machine. The cost is \$598.00 per quarter not including postage. Cost wise we will know the direct cost for postage.

Chairman Harrison asked if this will amount to a cost savings in the long run. Ms. Zimmermann said that the Retirement Office has not been charged properly for a long time. The staff has been

trained and the machine is simple to use. This will insure that checks and mailings get out in a timely manner.

Retirement Ordinance Amendment – Non Union Furlough Day Valuation

Ms. Zimmermann told the Board that they sent this resolution to Council to insure that non-union employees were allowed the same treatment as other unions in allowing furlough day values to be included in retirement calculations. The Council approved the resolution at the March 18, 2010 meeting.

Disaster Recovery

She also reported that she is on track with the system overview and is getting information on backing up data and imaging.

Furlough Days

Ms. Zimmermann reported that based on the new SAEA contract, those members do not participate in furlough days. LaJuan Craft is a member of SAEA and will be working without supervision. Finance Director, Monica Fontaine said that she would be available to let Ms. Craft into the office. She will also be allowed to leave the door to the Income Tax Division open when leaving the Retirement Office during the day.

GERS Over Funding and General VEBA Inquiry

Ms. Zimmermann informed the Board that she received an inquiry from Ms. Gionatti regarding the overfunding of the GERS Plan and using the VEBA funding to offset retiree healthcare costs. She forwarded this information to her this week.

Defined Contribution Plans

Ms. Zimmermann reported that SAEA, Local 2002 and Teamsters 314 have established defined contribution plans in their current contracts. The Retirement Office has been asked to do the setup for these plans. She spoke with the Payroll Division and has never been provided with the details or information. Local 2002 new hires will participate in this plan rather than the defined benefit plan.

Chairman Harrison confirmed that Ms. Zimmermann was referring to a 401a Plan. She explained that all three new plans have the same provisions but are different than Non-Union and Appointed plan already in existence.

Chairman Harrison also asked if the employees will be contributing funds. Ms. Zimmermann said that the employees will contribute 3% and the City will contribute 8%. She does not understand why the City would want to put employees into a defined contribution plan where they are required to make contributions when the defined benefit plan is over funded.

Chairman Harrison said that long-term it could become an issue for the System and the City will have to come up with the money.

SAEA Contract

General Employees Retirement
Regular Meeting,
March 24, 2010

Ms. Zimmermann informed the Board that the Retirement Office received a copy of the SAEA Contract which included an increase in the retirement multiplier. She will provide the contract in the next agenda.

2010 Budget

Ms. Zimmermann distributed copies of the Non-Union Amendment and the 2010 Retirement Division Budget. She said that there are significant changes in this year's budget. The medical insurance cost allocation increased from \$40,200.00 to \$75,692.00 per active employee. A couple of the line items decreased but several items significantly increased with no information provided. She said that the administrative costs should be budgeted at zero and the actual numbers will be input later by the administration. This will impact the budgeted costs.

Trustee Barnett asked if the City has changed the medical insurance carrier. Ms. Zimmermann said that the insurance carrier is still Humana.

Citizen Trustees

Ms. Zimmermann reported that two of the citizen trustee positions on the Board are expiring. She distributed a draft copy of a resolution that is customarily sent to the City Council recommending that the seated trustees be reappointed to serve another term on the Board

Chairman Harrison asked if there should be a correction because the draft was being sent to Mayor Jukowski. Ms. Zimmermann explained that the draft has always been sent through the Mayor's Office and she will clarify it is through the mayor to the city council.

RESOLUTION 10-024 By Barnett, Supported by Woods

Resolved, That the Board approve to send a resolution to City Council recommending that Chairman Harrison and Trustee Saucedo be reappointed as Citizen Trustees on the Board.

Yeas: 8 – Nays: 0

Watch List - Oppenheimer Capital

Ms. Zimmermann stated that a resolution is needed to put Oppenheimer on the watch list.

RESOLUTION 10-025 By Barnett, Supported by Waterman

Resolved, That the Board approve to put fixed income manager Oppenheimer Capital on the watch list.

Yeas: 8 – Nays: 0

Re: Legal

Motley Rice Portfolio Monitoring Agreement

Ms. Billings reviewed the fiduciary responsibilities of the Board with regard to securities litigation. They are mandated to look for fraud where the System incurs losses. The Board utilizes two of the largest firms Coughlin Stoia and Bernstein Litowitz to monitor the portfolio looking for fraud. When the System incurs significant losses these firms apply for lead plaintiff

status. The Court appoints the investor with the most losses as the lead plaintiff. If the System is not appointed lead plaintiff the Custodian files a proof of claim once the litigation is settled.

She also indicated that the Courts like to see more than one firm monitoring the portfolio. Motley Rice is a law firm located in South Carolina. They have performed due diligence on the firm and found them to be well qualified. She will be recommending this firm to the Police & Fire Retirement System also.

She said that the firm has 65 attorneys and 350 support staff. She requested that the Fund enter into a portfolio monitoring agreement with Motley Rice. There is not cost to the System and it is done through the Custodian. Having three firms will insure that all complaints and litigation are brought to the Board's attention.

Chairman Harrison asked if they will be bringing the same litigation issues to the Board. Ms. Billings said it is rare that these firms bring the same actions to the attention of the board. It is good to have three sets of eyes monitoring the portfolio.

She has reviewed the Motley Rice contract and there is no inappropriate language and it includes an immediate termination clause. Chairman Harrison confirmed that it is the same standard language used in the other firms' contracts.

RESOLUTION 10-026 By Williams, Supported by Waterman
Resolved, That the Board approve to retain Motley Rice to monitor the portfolio and approve the Chairman to sign the contract.

Yeas: 8 – Nays: 0

The DIRECTTV Group, Inc. Derivative Litigation

Ms. Billings reported that this was a derivative action representing the shareholders filed in California. Parallel litigation challenging the merger was filed in Delaware. A settlement was reached and approved by the Court in Delaware. This settlement released all merger-related claims including the Retirement System's. Pursuant to that settlement the System's claim in California will be dismissed. The Chairman approved the withdrawal of the litigation pending ratification by the Board. She requested that the Board ratify the Chairman's approval.

RESOLUTION 10-027 By Saucedo, Supported by Barnett
Resolved, That the Board ratify the Chairman's approval to withdraw the DIRECTV Group, Inc. Derivative Litigation.

Yeas: 8 – Nays: 0

Stryker Securities Litigation

Ms. Billings reported that the complaint was filed on behalf of the Retirement System on January 15, 2010. The Motion for Lead Plaintiff status is pending. A copy of the complaint was filed on behalf of the Retirement System on January 15, 2010 and is attached for the trustees' information.

Airgas Securities Litigation

This securities litigation came up between meetings. It was presented to Chairman Harrison; however, because of bad weather he was unable to get into the office to sign the retainer agreement. He authorized the Administrator to sign the paperwork on his behalf. She asked that the Board ratify the Administrator's signature on the Retainer Agreement and Verification in the matter of the Airgas Securities Litigation.

RESOLUTION 10-028 By Saucedo, Supported by Barnett

Resolved, That the Board ratify the Administrator's signature on the Airgas Securities Litigation Retainer Agreement and Verification.

Yeas: 8 – Nays: 0

The Schweitzer – Mauduit International Securities Litigation

Ms. Billings reported that the Motion for Lead Plaintiff is pending. She will keep the Board apprised with regard to this matter.

IRS Determination Letter

Ms. Billings reported that the matter is still pending with the IRS. She has not heard back on the System's Determination Letter but has begun receiving letters for other clients.

CAPROC, L.L.C.

Ms. Billings reported that the last payment from CAPROC for \$1,250.00 has been received completing the settlement agreement.

Retiree George Flagg – Power of Attorney

Ms. Billings explained that retiree George Flagg's benefit payment had been stopped based on years of returned checks. A notice was sent out notifying the member that the benefit would be suspended until the member provides a notarized document with their correct address.

The member's son Anthony Simpson contacted the Retirement Office when the benefit was not deposited into Mr. Flagg's account. He explained that his father was blind, only had one leg and he did not have any picture identification. He indicated that he has Durable Power of Attorney (POA) for his father. He returned with the POA but there was a question as to its validity.

Mr. Flagg came to the office to reinstate his benefit, however, he still did not possess picture identification. The Retirement Office has reinstated his benefit. Ms. Billings distributed information that can help the member acquire a copy of his birth certificate and recommended that the Retirement Office follow up to obtain picture identification.

Crossman EDRO

Ms. Billings explained that Mr. Crossman is divorced from his former spouse. She approved the EDRO submitted on October 13, 2009 awarding the spouse 50% of the benefit effective the date of retirement in compliance with State Law. However, the Union negotiated a retroactive retirement date of November 18, 2008. Pursuant to the terms of the EDRO the alternate payee

would be entitled to benefit payments effective November 18, 2008 and based on the Court Order a check will be issued to the alternate payee.

Ms. Zimmermann explained that the member contacted the Retirement Office explaining that he made payments to the alternate payee in lieu of the agreement. The EDRO will need to be amended or the Retirement System will issue a retroactive lump sum payment to the alternate payee and as a result reduce the member's benefit. The attorneys have been contacted for clarification.

Kennedy Capital Management SEC Form ADV

Ms. Billings reported that the Retirement Office received the ADV Part I and Part II from Kennedy Capital Management. This is the form used by an investment manager when registering with the SEC. This manager has reported no criminal or regulatory activity.

Coughlin Stoia - New Firm Name as Partners Change Roles

- Ms. Billings explained that Coughlin Stoia Geller Rudman & Robbins is changing their name to Robbins Geller Rudman & Dowd by the end of March. Nothing has changed and this is customary with partners transitioning, retiring or passing away. There is no change with regard to the firm's attorneys.

- Coughlin Stoia Portfolio Monitoring Report, Third Quarter 2009
This report is for the trustees' information.

Bernstein Litowitz Portfolio Monitoring Report, Fourth Quarter 2009

This report is for the trustees' information.

The NAPPA Report, February 2010

Ms. Billings explained that she is a member of the National Association of Public Pension Attorneys (NAPPA). The association's February monthly report which is included in the agenda contained the results of a survey of the membership with regard to how much liability insurance each fund carries. She felt this would be of interest to the trustees.

The Detroit News, March 10, 2010 Editorial – Crime and Pensions

Ms. Billings informed the Board that an editorial published in the March 10, 2010 issue of the Detroit News indicated that rising costs of public workers' pension and healthcare benefits are making it more difficult to fight crime in Michigan. The high costs make it difficult to keep police officers on the streets.

The Senate Republicans are proposing to ask voters in August to approve a new law that would require public employees to fund 20% of their healthcare coverage out of pocket.

Union Representatives – None

UNFINISHED BUSINESS

Re: Employee Trustee Declaration

Chairman Harrison congratulated Trustee Wright for being re-elected to the office of General appointed as Employee Trustee to the Board. The Administrator and trustees offered their congratulations.

RESOLUTION 10-029 By Barnett , Supported by Waterman

Whereas, a vacancy will occur on the General Employees Retirement System Board of Trustees when the Employee-Trustee term expires on March 31, 2010; 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 Andrea Wright, an employee of the City of Pontiac, having met all requirements to serve as Employee-Trustee, is officially elected to the office of Employee-Trustee for a term beginning on April 1, 2010 and expiring on March 31, 2014.

Yeas: 8 – Nays: 0

Re: Disaster Recovery (See Staff)

NEW BUSINESS

Re: Northern Trust Issues

Ms. Zimmermann indicated that the Retirement Office has experienced an up and down relationship with Northern Trust. There has been a communication problem with their client service representative. She is not very responsive.

Ms. Munson was reviewing the security lending adjustments postings and noticed that adjustments from 2008 were posted in 2009. She questioned how they could post entries to the system after the fact. She was told that is how their accounting system is setup. Ms. Munson cannot understand how their reconciliation can be correct. It appears that Northern Trust did not address the reconciliation issue nor are they looking to reconcile the adjustments.

Re: Loomis Sayles Contract Amendment Ratification

Ms. Zimmermann explained that the IPS is sent to all the investment managers. When the current IPS was reviewed by the compliance people at Loomis Sayles they discovered that there was an issue in the old contract that did not contain the current fee schedule language. The language states that the market value of the account will be determined based on the custodian valuation at the end of each quarter versus the manager statement.

Ms. Billings said that because this issue came up between meetings, Ms. Zimmermann signed the amended fee schedule. She asked that the Board ratify Ms. Zimmermann's signature.

Chairman Harrison confirmed that this is routine and that the trustees were okay with this process. Ms. Zimmermann explained that in the past the Finance Director signed these types of agreements.

RESOLUTION 10-030 By Wright, Supported by Jukowski
Resolved, That the Board ratify the Administrator's signature to amend the contract so billing will be based on custodian values in the event of a difference.

Yeas: 8 – Nays: 0

SCHEDULING OF NEXT MEETING AND ADJOURNMENT:

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

ADJOURNMENT

RESOLUTION 10-031 By Saucedo, Supported by Waterman
Resolved, That the meeting be adjourned at 2:33 p.m.

Yeas: 8 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on March 24, 2010

As recorded by Jane Arndt