

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
AUGUST 26, 2009**

A regular meeting of the Board of Trustees was held on Wednesday, August 26, 2009 at the Executive Conference Room, Affinity Group Credit Union, 144 E. Pike Street, Pontiac, Michigan 48342. The meeting was called to order at 1:37 p.m.

TRUSTEES PRESENT

Shirley Barnett	Devin Scott
Koné Bowman	Kevin Williams
Charlie Harrison, Chairman	Andrea Wright (<i>arrived at 2 p.m.</i>)
Javier Saucedo, Vice Chair	

TRUSTEES ABSENT

Debra Woods (*excused*)
Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Sandra Rodwan, Rodwan Consulting Company	Mattie Lasseigne, Retiree
Claudia Scott, Rodwan Consulting Company	Linda Watson, Retiree
Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.	Randall Yakey, Oakland Press
Anthony Asher, Sullivan, Ward, Asher & Patton, P.C.	
Sharon Almonrode, Sullivan, Ward, Asher & Patton, P.C.	
Laurence O. Gray, Gray & Company	
Ellen Zimmermann, Retirement Accountant	
Jane Arndt, M-Administrative Assistant	

PUBLIC DISCUSSION

Ms. Watson discussed the issue of mis-numbered resolutions in the 2006, 2008 and 2009 minutes. Miss Zimmermann explained that this issue is on the agenda and will be addressed later in the meeting.

Ms. Watson also asked how long the financial consultant has been the consultant for the retirement system. Mr. Gray said that his firm Gray & Company was hired in June, 2005. Ms. Watson also asked who the consultant was prior to Gray & Company. Chairman Harrison stated that NEPC was the former consultant.

Ms. Lasseigne explained that she submitted a FOIA requesting travel and VISA usage from the retirement system. She stated that she does not have a personal agenda. She is concerned that there has been a lot of travel, the trustees have different hotel room prices and why the trustees

have their own VISA card. She questioned whether the trustees could get a group rate if the Retirement Office booked their flights. She also confirmed that there is a credit card policy which addresses usage.

Chairman Harrison said that prior to the trustees having their own individual VISA card the Retirement Office was cutting checks to the hotels and trustees for travel. It created a lot of issues with some hotels not accepting the checks. The individual VISA's negated that problem and are only used for the trustee's hotel and transportation. He said that most of the trustees book their own flights. He also explained that it does not cost anymore for them to book their flights versus the Retirement Office. He also stated that there are occasionally different lodging rates because there are various hotels to choose from at certain conferences which are based on availability.

Ms. Lasseigne also asked if it is mandatory that all trustees attend a conference. Chairman Harrison said that the trustees attend the sessions and that they utilize their education when making decision for the Retirement System.

Ms. Lasseigne felt that two or three of the trustees could attend a conference and bring back materials for the others to review and to report to the Board. She is concerned regarding the amount of money being spent on travel as a retiree. She also asked if Trustee Bowman is a Council appointee and questioned his October and November travel based on his term being up at the end of the year. Trustee Bowman said that he could be reappointed as the citizen trustee.

Ms. Watson questioned what the information would be used for if he is not reappointed to the Board. He said he would put together information for the new trustee and could potentially use it if he is appointed as the citizen trustee. He said that he was appointed because of his industry knowledge. He commented that Chairman Harrison had passed information onto him as the Council appointee.

Ms. Lasseigne did not understand how these two conferences would be critical for Board business. Ms. Watson said in all honesty she does not feel he should be taking the additional trips.

APPROVAL OF CONSENT AGENDA

A. Minutes of Regular Meeting – July 22, 2009

B. Communications

1. Correspondence Article Re: Northern Trust Countersues BP
2. Correspondence from Sawgrass Asset Management Re: June Financial Review & Outlook
3. Correspondence from Artio Global Investors Re: CIO Letter 3rd Qtr 2009
4. Correspondence from Munder Capital Re: Peter Root Retirement
5. Correspondence from Fred Leeb Re: Retiree Association
6. Correspondence from Onyx Capital Re: Change in Use of Funds Drawn
7. Correspondence from Onyx Capital Re: Reporting

- 8. Correspondence from Patricia Williams Re: Healthcare
- 9. Correspondence from Vickie Crivea Re: Healthcare
- C. Conference Information:
 - 1. Private Equity Client Conference – Mesrirow – Sept. 16-17, 2009
- D. Financial Reports
 - 1. Financial Reports – July 2009
 - 2. Commission Recapture – July 2009
 - 3. Securities Lending – July 2009
 - 4. Securities Lending Deficiency
 - 5. Capital Call Ratification
 - 6. Accounts Payable

a. ADP	\$2,634.57
b. Artio Global	61,818.90
c. City of Pontiac	3,348.16
d. Gray & Company	8,104.17
e. Ikon	198.59
f. Kennedy Capital	41,139.00
g. Loomis Sayles	32,469.00
h. Munder Capital	69,915.00
i. Office Depot	101.46
j. Oppenheimer Capital	28,792.60
k. Rodwan Consulting	2,800.00
l. Sawgrass Asset Management	35,802.00
m. Slades Printing	45.50
o. Stevens Record Management	151.97
p. Sullivan, Ward, Asher & Patton	72.50
q. VISA	2,402.25
- E. Retirements, Refunds, Final Calculations, Re-Examinations
 - 1. Remove from the Rolls:
 - a. Lana Coleman (deceased 07-10-09); survivor benefit of \$854.82/mo. to Detra Coleman
 - b. Helen Keller (deceased 07-27-09)
 - c. Mazie Norwood (deceased 06-07-09)
 - 2. Application for Service Retirement

a. Sam Eng – NOMC	8 years, 0 months	Age 60
b. Richard W. Brace – SAEA	11 years, 2 months	Age 60 (Off Dfrd)
c. Hillary P. Viets – NOMC	11 years, 0 months	Age 60
 - 3. Final Benefit Calculation

a. Keith McDonald	#2447	\$2,840.06
b. Rudy Nichols	#2463	346.92
c. George Tarvis	#2480	541.74
d. Sam Eng	#2494	617.14
e. Hillary P. Viets	#2495	989.50
 - 4. Disability Re-Examination
 - a. David Daves

RESOLUTION 09-058 By Williams, Supported by Saucedo

Resolved, That the Board approve the consent agenda for August 26, 2009.

Yeas: 6 – Nays: 0

Ms. Zimmermann said that Trustee Wright requested to attend the Bernstein Litowitz conference on securities litigation in October.

RESOLUTION 09-059 By Barnet, Supported by Scott

Resolved, That Trustee Wright be approved to attend the securities litigation conference sponsored by Bernstein Litowitz with the expense to be paid from the earnings of the Fund.

Yeas: 6 – Nays: 0

CONSULTANTS

Re: Sullivan, Ward, Asher & Patton – Securities Lending

RESOLUTION 09-060 By Saucedo, Supported by Scott

Resolved, That the Board move to closed session to discuss securities litigation.

Roll Call:

Shirley Barnett – Yes

Javier Saucedo – Yes

Koné Bowman – Yes

Devin Scott – Yes

Charlie Harrison – Yes

Kevin Williams - Yes

The Board moved to closed session at 2:03 p.m.

Trustee Wright arrived at 2:40 p.m.

The Board returned from closed session at 3:11 p.m.

Meeting break at 3:11 p.m.

Trustee Bowman left at 3:11 p.m.

Meeting resumed at 3:16 p.m.

Re: Rodwan Consulting – 2008 Valuation Presentation

Ms. Rodwan reported that this is the annual actuarial valuation as of December 31, 2008.

The purpose of the valuation is to compute the liabilities associated with benefits to be paid on behalf of current retirees, active employees and vested inactive members. The valuation also determines the funded condition of the Retirement System as well as computing the City's recommended contribution.

As of December 31, 2008 the accrued liabilities of the System were \$261 million with a market value of assets of \$487.9 million. This determined a funded ratio of 159.3% compared to a funding value of 167.9% as of December 31, 2007. Chairman Harrison stated that not many funds have a higher funding level than this System.

She reviewed the financial data and the funding value of assets. As of December 31, 2008 the smoothed valuation of assets was \$417 million versus the market value of assets at \$336 million. The smoothed market value of assets spreads the capital gains and losses over a five-year period versus the market value of assets.

The overall experience was less favorable than expected. The funding value of assets was the primary source of the unfavorable experience; investment return was 0.71% versus the 7.5% assumed experience. She explained that some retirement systems had negative returns. The positive experience was good for their purpose.

She discussed how the number of active members has decreased from 295 in 2007 to 286 as of December 31, 2008. As of December 31, 2008 retirees and beneficiaries were 1,097 versus 1,086 in 2007. There were 214 inactive vested members this year versus 258 the prior year. She said this is quite a few and is different from most systems.

The contribution recommendations are based on a level percent of active payroll. The total normal cost is 18% of payroll and is based on the long-term on-going cost of the Retirement System including regular retirement, pre-retirement death, disability and withdrawal. The System has more assets than the liabilities; this is amortized over a thirty-year period. This amount is enough to offset the contributions normally required by the City. The long range cost could change but to date no contributions are required in the short-term.

The actuarial accrued liabilities are \$261.4 million and assets are \$416.7 million with the total unfunded actuarial accrued liabilities of (\$155.2 million).

She explained how they determine the unfunded accrued liability. Accrued liabilities included the present value of benefits payable to current retirees and beneficiaries of \$203 million; \$11.9 million for vested terminated members and \$46.6 million for active member liability.

The history of assets and accrued liabilities was reviewed. In 2001 the funded ratio was 173.6%, in 2007 it was 167.9% and in 2008 it was 159.3%.

The overall experience of the Retirement System during the year ended December 31, 2008 was less than favorable based on the long-term assumptions. The primary source of the unfavorable experience was the rate of investment returns. She explained that a portion of the unfavorable experience in 2008 will be spread over the next four years and that the funded ratio may not go up as a result.

Chairman Harrison said that 2008 was not an ordinary year and asked how many hits the Retirement System can take. Ms. Rodwan referred to the funding value of assets summary and explained how the smoothing of investment income will help to balance the negative experience. She said that another year of negative experience could drive down the funding ratio.

She reviewed the actuarial assumptions and methods. The economic assumptions included an interest rate of 7.5% net of expenses and a salary increase of 4.5%. When the number of future members goes down it helps the overall experience of the fund.

The demographic assumptions look at the mortality rate or future life expectancy of the members. She pointed out that newer mortality tables have a shorter life expectancy for women. Ms. Billings asked if this is a conservative table. Ms. Rodwan confirmed it is a more conservative table and recommended changing to a newer mortality table.

The actual termination of employment rate was higher than the assumption.

Retirement rates displayed that 35% of members retire in their first year of eligibility. Liabilities would increase if all members retired during their first year of eligibility.

Trustee Wright asked if they use the same information/assumptions or do they get real numbers. Ms. Rodwan said that they would not use the same assumptions and would suggest an experience study to provide a guide for any adjustments.

Ms. Rodwan reviewed the Asset Summary. As of December 31, 2008 the market value of assets was \$487.9 million compared to the computed smoothed market value of \$416.6 million. She explained how the smoothing process balances gains and losses to offset negative experience. If the System experiences another bad year it could certainly drive down the funding ratio.

Since 1985 the number of retirees has doubled. The average pension was similar to that in 2007 at \$16,618.00.

She described the chart containing the age of the retired members, the survivor beneficiaries and the annual pension amount.

The active number of members over the past three years has decreased. In 2006 there were 324, and in 2008 there were 286. It looked like there were big pay raises during 2008 with the average compensation increasing more than the assumption used for pay raises.

The estimated annual benefits for inactive members are \$1.28 million.

The present value of future benefits payable to current retirees and beneficiaries were computed to be \$203 million. The reserve for retired benefit payments was reported as \$197 million. They recommend that the difference of \$6, 009,259 be transferred from the reserve for employer contributions to the reserve for retired benefit payments. This transfer does not affect the valuation; it is simply a bookkeeping entry.

RESOLUTION 09-061 By Saucedo, Supported by Bowman

Whereas, The responsibility for the direction and operation of the City of Pontiac General Employees' Retirement System and for making effective the provisions thereof are vested in the Board of Trustees; and

Whereas, The pension provisions provide that an actuarial valuation shall be made at the close of each fiscal year for the purpose of establishing the financial condition of the Retirement System and as a check on its current operating experience, and that the Secretary shall prepare each year

the annual report of the Board to be submitted to the City Council showing among other things, a statement of assets, liabilities and reserves certified by the actuary; and

Whereas, The pension provisions further provide that an annual determination shall be made of the actuarial reserve requirements or the several annuities and benefits prescribed, to be financed in addition to interest and other income accruing to the Retirement System by contributions by the members and by the City; and

Whereas, The actuary has computed the pension reserves and contributions necessary for the July 1, 2010 through June 30, 2011 fiscal year and has presented the Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System as of December 31, 2008 to the Retirement Board;

Now, Therefore, Be it Resolved, That the Report of the Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System as of December 31, 2008 be accepted by the Retirement Commission and be placed on file; and

Be It Further Resolved, That the City contribution requirements of covered member payroll for the period contained on page 4 thereof, and the City dollar contribution and payment schedule requirement contained on page 4 thereof is hereby certified to the City Council as the amount necessary for the July 1, 2010 through June 30, 2011 fiscal year appropriation by the City Council to finance the pension reserves of the City of Pontiac General Employees' Retirement System; and

Be It Further Resolved, That the annual transfers recommended on page 9 thereof be authorized; and

Be It Further Resolved, That a copy of this resolution be provided to the actuary and copies of this resolution and the report of the Sixty-Second Annual Actuarial Valuation of the City of Pontiac General Employees' Retirement System be provided to the City Council.

Yeas: 6 – Nays: 0

Chairman Harrison stated that in light of what has happened it was good to go from 167% to 159% funded. He asked if there were any questions or comments.

Re: Gray & Company

Mr. Gray said they went over a lot of detail in the capital markets review at yesterday's manager review meeting. There was a lot of good news. As of June 20, 2009 total plan assets were \$342.5 million. As of August 25, 2009 performance continues to improve with total plan assets of \$366.4 million.

Equities are up since June and fixed income is up with Peritus returning 31.7%. From January through June their performance is up 40%.

Private equity managers supplied good detail.

He said that at the last meeting he brought an updated list of minority and women-owned brokers. He said that the Board had requested that the list be trimmed down. He will work with staff.

Ms. Watson confirmed that the Onyx investment was frozen at \$3.6 million.

REPORTS

Re: Chairman - None

Re: Secretary - None

Re: Trustees/Committees - None

Re: Administrator - None

Re: Legal

CompuCredit Corp

Ms. Billings reported that a hearing on the Defendants' Motion to Dismiss has not yet been scheduled.

Merrill Lynch Bond Litigation

Ms. Billings reported that the settlement is still pending in the United States District Court for the southern District of New York. They will continue to monitor this situation on behalf of the Board.

The DIRECTTV Group, Inc. Derivative Litigation

Ms. Billings reported that the Complaint for Breach of Fiduciary Duties was filed and the litigation is in the initial phase of discovery.

IRS Determination Letter

This matter is currently pending with the IRS.

Minimum Distribution Percentage – Member Jeanette Michalak

Ms. Billings reported that she has reviewed the IRS Minimum Distribution requirement with regard to a member who has elected the 100% joint and survivor benefit naming her child as her beneficiary.

She said that the IRS has imposed the Minimum Distribution Percentage to dissuade members from nominating a much younger non-spouse beneficiary because the tax liability will be spread out over a longer period of time and it will take longer for the IRS to get their money. The IRS requirement penalizes the member in the calculation of the benefit by taking the difference between the member's age and the beneficiary's age and subtracting the number of years the member is younger than age 70.

In this case the member is sixty years old and her beneficiary is thirty-four years old. They are twenty-six years apart in age and the member is ten years from turning age seventy. Therefore, the excess age of the member over the age of the beneficiary is sixteen. This would make the applicable percentage for a sixteen year adjusted employee/beneficiary age difference of 82%. If the member had chosen the 50% survivor option her benefit would not have been affected.

She could not find any reason not to comply with the IRS requirement.

RESOLUTION 09-062 By Wright, Supported by Barnett
Resolved, That the Board of Trustees approve the legal opinion regarding the minimum distribution rules.

Yeas: 6 –Nays: 0

House Bill No. 5184

Ms. Billings reported that House Bill No. 5184 was introduced after it was reported that the City of Detroit Retirement Systems' trustee travel records were not available and had been destroyed. She stated that documents can only be destroyed under a record retention policy.

House Bill No. 5184 was introduced by Representative Bledsoe and it will amend Public Act 314 requiring a System to retain expense records for a period of five years from the date of record including travel expenses.

Chairman Harrison said that whether it passes or not it is better to be more transparent. Ms. Zimmermann said that the Retirement Office has not destroyed any records to date.

Immucor, Inc. Securities Litigation

RESOLUTION 09-063 By Williams, Supported by Saucedo
Resolved, That the Board move to closed session to discuss Immucor, Inc. Securities Litigation.

Roll Call:

Barnett – Yes	Scott – Yes
Harrison – Yes	Williams – Yes
Sauceda – Yes	Wright - Yes

The Board moved to closed session at 3:54 p.m.

The Board returned from closed session at 3:59 p.m.

RESOLUTION 09-064 By Williams, Supported by Saucedo
Resolved, That the Board approve the Chairman to sign the Immucor, Inc. Securities Litigation Retainer Agreement with Coughlin Stoia.

Yeas: 6 – Nays: 0

Union Representatives – None

General Employees Retirement
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UNFINISHED BUSINESS

Re: Placement Agency Policy Draft

Ms. Zimmermann reported that the policy was drafted based on the national pay-to-play scandal. The policy was drafted to avoid any future problems. This has not been an issue for our system.

The policy was put on the agenda two months ago for the Board's approval. By incorporating this policy into the Investment Policy Statement it insures that the manager adds this to their disclosures to the consultant.

RESOLUTION 09-065 By Barnett, Supported by Wright

Resolved, That the Board approves the Placement Agency Policy and its incorporation into the Investment Policy Statement effective August 26, 2009.

Yeas: 6 – Nays: 0

NEW BUSINESS

Re: Resolution Numbering

Ms. Zimmermann referred to the attached sheet containing the 2009 resolutions that had been incorrectly numbered. She asked that the Board receive and file the information.

RESOLUTION 09-066 By Wright, Supported by Saucedo

Resolved, That the Board receive and file the notice containing the incorrectly numbered 2009 resolutions.

Yeas: 6 – Nays: 0

Re: Request for Re-Exam Waiver - Hoffmeister

Ms. Zimmermann referred to a letter from the spouse of member Dan Hoffmeister requesting that the annual re-examination provision be waived. The member is paralyzed and there is zero probability that he will ever work again. She asked if the Board required the Medical Director's report before making their decision.

RESOLUTION 09-067 By Scott, Supported by Williams

Resolved, That the Board approve the waiver for re-examination for retiree, Daniel Hoffmeister.

Yeas: 6 – Nays: 0

Re: Request for Retiree Information – Risk Management

Ms. Zimmermann reported that she received a request from Risk Management for retiree information. In the past a report was provided containing the member's date of birth, address,

retirement date, union and other information that was used for insurance and Medicare eligibility purposes.

Trustee Wright asked whether Human Resources could send a FOIA and questioned whether they should already have the information.

Ms. Billings reported that in June, 2008 the Court of Appeals ruled that addresses cannot be given out. They stated that people pay extra money for unlisted phone numbers and ruled that this information is private.

Ms. Zimmermann said that she appreciates the free flow of information between departments but because of the privacy issue this information cannot be released under a FOIA and that the Retirement Office is a separate legal entity from the City.

Trustee Scott did not understand why it makes a difference.

Chairman Harrison said that by securing the information the Board's fiduciary responsibility has not been breached. He suggested that members be directed to Risk Management when making changes with the Retirement Office. Ms. Zimmermann said the office does that now.

Ms. Billings stated that any written request for information is treated as a FOIA. However, addresses are treated as private information and cannot be released. She understands that it does not make sense as a convenience factor but the information has to be treated this way.

Trustee Wright asked why Human Resources needs the information. Trustee Scott said they use it for insurance purposes.

RESOLUTION 09-068 By Barnett, Supported by Wright
Resolved, That the Board approves the Retirement Office to provide requested information to Human Resources/Risk Management excluding addresses and phone numbers.

Yeas: 6 – Nays: 0

Re: Legal Opinion – IRS Minimum Distribution Rates – Refer to legal report above

Closed Session Minutes

Ms. Zimmermann distributed closed session minutes from the last meeting for the Board's approval.

RESOLUTION 09-069 By Williams, Supported by Barnett
Resolved, That the Board approve the closed session minutes from July 22, 2009.

Yeas: 6 – Nays: 0

IRS FBAR Disclosure

General Employees Retirement
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Ms. Zimmermann distributed an article regarding a decision from the IRS delaying the disclosure of offshore investments for pension funds.

Trustee Wright asked if it is legal to establish the retiree association. Ms. Billings said it is legal if done properly and they can collect dues. Trustee Wright said that it has nothing to do with the pension system and has been established to provide input into the City's current healthcare issue.

SCHEDULING OF NEXT MEETING AND ADJOURNMENT:

Regular Meeting: September 23, 2009 1:30 p.m. - Shrine Room, Main Level, City Hall

ADJOURNMENT

RESOLUTION 09-070 By Scott, Supported by Saucedo
Resolved, That the meeting be adjourned at 4:28 p.m.

Yeas: 6 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on August 26, 2009

As recorded by Jane Arndt