

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
April 22, 2009**

A regular meeting of the Board of Trustees was held on Wednesday, April 22, 2009 at the Shrine Room, Main Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:38 p.m.

TRUSTEES PRESENT

Shirley Barnett	Javier Saucedo, Vice Chair
Koné Bowman	Debra Woods
David Flaisher	Andrea Wright
Charlie Harrison, Chairman	

TRUSTEES ABSENT

Mayor, Clarence Phillips (*absent*)
Devin Scott (*excused*)
Kevin Williams (*excused*)

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Stuart Tompkins, Sullivan, Ward, Asher & Patton, P.C.
Laurence O. Gray, Gray & Company
Chris Kuhn, Gray & Company
Ellen Zimmermann, Retirement Accountant
Jane Arndt, M-Administrative Assistant
Michelle Zeeman, Deferred Retiree

PUBLIC DISCUSSION

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting – March 25, 2009
- B. Communications:
 - 1. Correspondence from Systematic Re: Mid Cap Value Quarterly Review
 - 2. Correspondence from Artio Global Re: February 2009 Fact Sheet
 - 3. Correspondence from GERS Re: Discontinue Minute Master Service
 - 4. Correspondence from Dorothy Cheal Re: Thanks
- C. Financial Reports
 - 1. Financial Reports – March 2009
 - 2. Commission Recapture – February 2009 & March 2009
 - 3. Securities Lending – March 2009
 - 4. Securities Lending Deficiency
 - 5. Accounts Payable

a. ADP	\$2,669.24
b. Coffee Break	18.20
c. Gabriel, Roeder, Smith & Co.	3,800.00
d. Gray & Co.	8,104.17
e. Ikon	198.59
f. Northern Trust	40,790.15
g. Office Depot	41.21
h. Peritus Asset Management	58,906.95
i. Rodwan Consulting	1,400.00
j. Stevens Record Management	36.85
k. Sullivan, Ward, Asher & Patton	16,403.61
l. Systematic	38,766.17
m. VISA	514.07
n. Due to/Due From	1,086.02

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

1. Remove from the Rolls:
 - a. Charlotte Allen (deceased 03-19-09)
 - b. Rosalyn Dancer (deceased 03-30-09)
 - c. Otto Stutson (deceased 03-28-09)
2. Pop-Up Option Effective:
 - a. Arnold Rouser (beneficiary deceased 01-17-09) \$603.97

Chairman Harrison presented materials for the Public Funds Summit East Conference being held in Newport, Rhode Island, July 8, 2009 through July 10, 2009. He requested that the Board approve his attendance.

RESOLUTION 09-034 By Barnett, Supported by Woods

Resolved, That the Board approve Chairman Harrison’s attendance at the Public Funds Summit East Conference being held in Newport, Rhode Island, July 8, 2009 through July 10, 2009.

Yeas: 7 – Nays: 0

Ms. Zimmermann noted that correspondence was sent to Gabriel, Roeder, Smith & Company discontinuing the Minute Master services.

RESOLUTION 09-035 By Woods, Supported by Saucedo

Resolved, That the Board approve the consent agenda for April 22, 2009.

Yeas: 7 – Nays: 0

CONSULTANTS

Re: Sullivan, Ward, Asher & Patton – CAPROC Settlement

Mr. Tompkins reviewed the CAPROC settlement stating a resolution has been accepted by the two boards agreeing to a combined \$12 million settlement for both funds. The agreement was

finalized but due to the sudden death of the husband of Kathleen Burt, a key CAPROC principal, they have asked that the closing be extended to May 1, 2009.

He said that the transaction is being funded by the City of Southfield and Wayne County pension systems, which have agreed to contribute \$6 million each. The agreement will be finalized next week. He said that he does not know what percentage of the settlement each fund will receive at this time. Once he has that information, he will forward it to Ms. Zimmermann and Ms. Munson. This is the final step in closing out this investment.

Chairman Harrison asked if the General Employees Retirement System will receive the larger percentage of the settlement. Mr. Tompkins said he cannot confirm but that it is most likely correct. He will also forward information to the consultant.

RESOLUTION 09-036 By Woods, Supported by Wright
Resolved, That the Board extend the closing of the CAPROC Settlement Agreement to May 1, 2009.

Yeas: 7 – Nays: 0

Mr. Tompkins left at 1:42 p.m.

Re: Gray & Company

Mr. Gray distributed a flash report of fund performance ending March 31, 2009. He said this is a prelude to the formal performance report. January's performance was awful but came back a bit in March. Total plan assets as of December 1, 2008 were \$339 million versus \$311 million for the period ending March 31, 2009. However, it was nice to be able to bring out the black ink cartridges for the period.

He stated that some managers have lagged their respective benchmark for the month. They feel that the market is experiencing a false rally and it will not bounce back straight up.

Chairman Harrison questioned the private equity performance with Mr. Gray stating that their updates do not roll in each month.

The market values as of April 20, 2009 were distributed. He said that total fund assets have increased from \$311 million for the period ending March 31, 2009 to \$324.8 million. The increase in market value is a positive but there are still a lot of issues that remain in the market.

He asked if the Board had any questions.

Trustee Flaisher asked if there are any managers on probation or if any recommendations as such have been made. Mr. Gray confirmed that Mesirow Financial had been the only manager on probation and they were terminated.

He explained that the Mesirow asset allocation is in the process of being transitioned to United Investment Managers but that there have been a few glitches. Ms. Billings said that this issue is

addressed in the legal report. She said that UIM originally proposed Cabrerra Capital Markets, LLC as the transition manager. However it was found that this company has received citations and fines from NASD based on their securities transactions. UIM has agreed that CAPIS will provide this service since no problems were found for this vendor.

Fixed Income Discussion

Mr. Gray stated that the fixed income target allocation is 20%; currently at 33%. He said that Oppenheimer Capital and Munder Capital are the two fixed income managers. As the Fed funds rate rises, bond prices come down. They are looking to shorten the duration. He suggested that the Board have both managers come in at the next meeting to explain how they plan to avoid negative returns.

Trustee Barnett asked why Oppenheimer has so much turn over in their portfolio. Mr. Kuhn said that their turnover has increased the past three to six months. He said they employ an active trading strategy and are always looking for opportunities in the market. They are always looking to add several extra dollars to the portfolio. He said that Jerry Thunelius has suggested that the trustees come to New York and observe their process. Mr. Kuhn added that there is no incentive for the portfolio manager to make a lot of trades and that it is strictly performance based.

Mr. Gray said that if you drill down into their turnover you would see that it has added 20 basis points to 30 basis points of performance to the portfolio. The turnover has added value on a net basis. He said that the trustees can address their questions to Jerry Thunelius at the next meeting.

Chairman Harrison asked about the fixed income managers and where they stand regarding toxic mortgages. He also questioned if the asset allocation is off due to the overall economy and whether the portfolio should be rebalanced or not. Mr. Gray said that the retail methodology is the same in the institutional world. He referred to dollar cost average and said that there are a number of transitions occurring over the next six to twelve months. He recommended that they wait to reallocate the portfolio and let it run due to the current circumstances.

Detroit Free Press Article

Mr. Gray referred to the Detroit Free Press article regarding the City of Detroit Pension Systems. He asked if the trustees were comfortable with the managers in the fund, their returns and what expectations they have for the managers.

He said that the trustees were given a letter from Roy Dixon of Onyx Capital stating that Elliott Fullen is not a full time employee and that he has taken on an advisory role with their firm.

Trustee Woods left at 1:58 p.m.

He said that they have obtained copies of the stock certificates and provided a lot of due diligence with regard to this manager. He asked if the trustees would like to have Onyx in for an update and to allay allegations at the next meeting. He said that Northern Trust and Gray & Company have received high return figures for the investment arm of Second Chance Motors. He confirmed that Roy Dixon and LaRoy Williams would be at the May meeting.

Trustee Woods returned at 2:00 p.m.

Trustee Barnett said she thought that Second Chance Motors had closed based on the article from the Detroit Free Press. Mr. Gray said that the article was confusing and that it had referred to the closing of the Mel Farr dealerships. He said that Jennifer Dixon was doing her job as a reporter.

Directed Brokerage Soft Dollar Policy

Mr. Gray said that the Directed Brokerage Soft Dollar Policy needs to be updated. He is not familiar with the committee and their process, but a number of the companies are no longer in business.

Chairman Harrison said that the committee meets based on the information they receive from the consultant. He suggested a local firm Oppenheimer Capital which is different from the fixed income manager Oppenheimer. He said that Gail Perry Mason is the local contact and that she gives back to the community providing scholarships and helping children. He is not suggesting that they add a broker just to add one. This would add another minority broker to the group.

Trustee Wright confirmed that Ms. Perry-Mason is very popular in Detroit and is a dynamic woman who teaches seminars and speaks to women investors across the country. She suggested that Mr. Gray bring information back to the next meeting regarding this brokerage firm. It was determined that background information would be brought to the next meeting.

Trustee Flaisher asked if Ms. Perry-Mason is a CFA. Mr. Gray said that she is not and that most brokers are not CFA's. Oppenheimer Capital has trading capabilities. He said that most managers are not pushed to trade with specific brokers.

Chairman Harrison confirmed that the consultant will work on updating the list.

Trustee Wright asked the purpose of the Brokerage Committee. Ms. Zimmermann said that the committee was setup to develop the brokerage policy. They rely on Gray & Company for their knowledge of the brokerage world. Mr. Gray said that some firms are more competitive and viable than others. Ms. Zimmermann said that the updated list will be sent to the managers.

Trustee Flaisher reported that he has to leave the meeting at 2:15 p.m.

REPORTS

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Ms. Zimmermann distributed an article regarding the New York Attorney General's probe into the corruption scandal at the state's retirement fund for the trustees.

Deferred Retiree Sandra Turner Correspondence

Ms. Zimmermann explained that deferred retiree Sandra Turner sent correspondence to Trustee Flaisher regarding issues she encountered while trying to obtain her pension benefit. She contacted Ms. Turner and apologized profusely. She has been put on this month's payroll.

Her application was not processed timely and she is now asking for retroactive benefit payments back to the month she was first eligible to collect. She stated that her multiplier was 2.5%, however, when she terminated employment with the City, the multiplier was 2% for SAEA. There was a problem with her paperwork because there is only one group whose multiplier is 2% and so the print-out appeared to have the wrong bargaining unit.

She confirmed that the Retirement Office was in error and that the member followed the process. She explained that a deferred file did not exist and Human Resources was unable to locate a file for Ms. Turner.

Ms. Craft was able to locate payroll records on microfilm for Ms. Turner. Prior to Ms. Zimmermann, wage records were not pulled at the time of separation for deferred members. The normal process is to send copies of PAS forms to Human Resources so they can provide information to fill in the gaps and anything that might be missing. This allows the information to be verified by the Retirement Office.

Ms. Billing said that she found no legal issues with providing retroactive payment. The retiree was eligible in July, 2008 when she turned sixty. She contacted the Retirement Office in January, 2008 and did everything right, so she could begin collecting her benefit on schedule.

Trustee Wright asked the amount of her benefit. Ms. Zimmermann said it is approximately \$129.00 per month.

RESOLUTION 09-037 By Barnett, Supported by Wright
Resolved, That the Board approve Sandra Turner to receive retroactive benefit payments from August, 2008 to date.

Yeas: 6 – Nays: 0

Northern Trust

Ms. Zimmermann reported that David Smith is no longer with Northern Trust. The new representative is Daniel Hynes.

Plante and Moran 2008 Estimated Audit Costs

Ms. Zimmermann reported that Plante and Moran's estimated cost to prepare the 2008 audit is \$12,295.00. The GASB compliance portion will cost \$1,000.00 to \$1,500.00. This is approximately a \$250.00 difference from last year.

Disaster Recovery

Ms. Zimmermann reported that she is currently preparing to make electronic backup copies. She is looking into the most cost effective way to scan the data. The payroll program has been transferred to the office laptop. Ms. Munson will test the transmission of payroll to ensure that if the office is inaccessible, payroll can be run.

The GRS software has been down for the past three weeks. A technician from Gabriel, Roeder, Smith & Company came to the office and was able to fix the software problem this week.

Re: Legal

CompuCredit Corp

Ms. Billings reported that the Retirement System had been appointed lead plaintiff on October 22, 2008.

CBS Corporation

Ms. Billings reported that on March 5, 2009 the Court denied the system's Motion for Lead Plaintiff and appointed an investor with larger losses. They will continue to monitor the securities litigation on behalf of the system.

Merrill Lynch Bond Litigation

Ms. Billings reported this has been an ongoing matter. On February 19, 2009 the Court said that it would only allow claims by bond holders who had bought shares that were traceable to a particular offering. The City of Pontiac GERS and PFRS met the criteria and joined the litigation to insure their interests were protected. Coughlin Stoia has been in negotiations with Merrill Lynch trying to agree on a settlement. Merrill Lynch originally offered a settlement of \$50 million which was not accepted. Estimated damages are approximately \$280 million. After ongoing negotiations a settlement of \$150 million was agreed to by both parties. Coughlin Stoia felt this was the best deal for the systems. There are issues that certain securities could be thrown out because the matter was going before an unpredictable judge. There was the chance that if it went before this Court, the settlement could potentially be revoked.

RESOLUTION 09-038 By Saucedo, Supported by Wright

Resolved, That the Board ratify the Merrill Lynch Bond Litigation settlement for \$150 million.

Yeas: 6 – Nays: 0

Proposed Investment Management Agreement With UIM

Ms. Billings reported that the two agreements with UIM have been reviewed and accepted per the requested changes. They have agreed to change their transition manager from Cabrera Capital Markets to Capital Institutional Services (CAPIS).

Northern Trust – Securities Lending

Ms. Billings reported that Northern Trust has not provided due diligence reports regarding the procurement of the Lehman securities. As a fiduciary of the system they are obligated to provide that information to the Retirement System.

She referred to an email received from attorney Caryn Jacobs of Mayer Brown. They were told that they could have access to documents pertaining to the purchase of the Lehman bonds, however, the materials would have to remain confidential and not publicly distributed. Ms. Billings explained that as a public fund, this was not possible.

Correspondence was sent from Sullivan Ward to Ms. Jacobs on April 17, 2009 stating that they would give them ten days to respond or other legal action could be pursued. This is not a drop dead date but they are looking to get as much information as possible.

She also stated that Mr. Kuhn has spent a lot of his time at their office working on this issue on behalf of the Board.

IRS Determination Letter

Ms. Billings reported that she has had no contact from the IRS regarding the Application for a Determination Letter that was submitted on January 30, 2009. She will keep the Board up-to-date on this issue.

CAPROC LLC – Refer to Consultants

Willa Hayes Letters of Conservatorship

Ms. Billings reported a Letter of Conservatorship was received from Attorney Jeffrey Fried on behalf of Willa Hayes and was accepted as a true certified copy. It was recommended that Ms. Hayes' checks be forwarded to Mr. Fried. They have sent correspondence indicating that an updated letter is required because the conservatorship will expire on April 9, 2009.

Oakland Press FOIA

Ms. Billings reported that a FOIA was submitted by the Oakland Press regarding the letter from Onyx that was distributed during the March 25, 2009 regular meeting.

She advised Ms. Zimmermann to send an email to Roy Dixon attaching a copy of the FOIA request along with her correspondence regarding this issue. Her letter recommended compliance with the FOIA request. She pointed out that information regarding alternative investments is exempt but this request was not about exempt information.

Transition Management Agreement Letter - See Proposed Investment Management Agreement with UIM

Bobby Bracewell

Ms. Billings explained that Mr. Bracewell passed away on February 24, 2009. Just prior to his death, Mr. Bracewell was in the process of inquiring about his retirement benefits. On the date of his death, Mr. Bracewell did not have a surviving spouse, so no benefits are payable. He had not made an Option II election which would have allowed him the opportunity to nominate a beneficiary other than a surviving spouse.

Mr. Bracewell's beneficiary is entitled to any accumulated contributions. However, because he did not have a contingent beneficiary, his named beneficiary is his oldest living child.

Miscellaneous Articles

Ms. Billings referred to miscellaneous articles for the trustees' information. She referred to the March, 2009 Pension Analyst Compliance Bulletin. Currently public safety employees are eligible to receive tax-free distributions up to \$3,000 to pay for qualified health insurance premiums. There is a bill pending that will allow all public sector employees to qualify. Ms. Zimmermann added that this bill would not apply to beneficiaries.

The next article pertains to arbitration. Her firm does not recommend arbitration clauses in contracts up front because it is difficult to get an arbitrator's decision revoked. They want the option of taking an issue to Court.

Ms. Billings referred to the 15th Annual ILEP Conference. She said that two attorneys from Coughlin Stoia were scheduled to speak. It is similar to the BLBG Fall Conference.

Union Representatives – None

UNFINISHED BUSINESS

NEW BUSINESS

Re: Notice to Retirees – Federal Withholding

Ms. Zimmermann reported that a notice was sent out to retirees regarding the new withholding rates. As part of the Stimulus Bill, reduced withholding rates have been implemented for payroll processing. These rates are being utilized as an aid to assist the economic recovery by withholding less than the previous tables. These rates were implemented by the payroll processing company for the March 2009 payroll. Retirees were advised to check with their tax advisor to ensure they have adequate withholding.

SCHEDULING OF NEXT MEETING AND ADJOURNMENT:

Regular Meeting: May 27, 2009 1:30 p.m. - Shrine Room, Main Level, City Hall

ADJOURNMENT

RESOLUTION 09-039 By Bowman, Supported by Saucedo
Resolved, That the meeting be adjourned at 2:45 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 April 22, 2009

David Flaisher, Secretary
As recorded by Jane Arndt