CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MAY 27, 2009

A regular meeting of the Board of Trustees was held on Wednesday, May 27, 2009 at the Shrine Room, Main Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:36 p.m.

TRUSTEES PRESENT

Shirley Barnett	Javier Sauceda, Vice Chair
Koné Bowman	Devin Scott
David Flaisher	Kevin Williams
Charlie Harrison, Chairman	Andrea Wright

TRUSTEES ABSENT

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

OTHERS PRESENT

Anthony Asher, 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
Linda Watson, Retiree
Randall Yakey, The Oakland Press
Lee Green – Southfield

PUBLIC DISCUSSION

Deferred retiree Michelle Zeeman stated that the last audit available on the website is the 2006 report. Ms. Zimmermann said that the 2007 Audit Report will be posted to the website.

Retiree Linda Watson asked if the trustees attend functions each month. She also asked if the trustees are permitted to talk with the consultant outside of the meeting. Chairman Harrison said that the trustees are allowed to have contact with the consultant outside of the meetings.

Ms. Watson also asked if the trustees receive compensation or have credit cards. Chairman Harrison stated that trustees do not receive compensation. They do have individual credit cards they use when they attend educational sessions.

APPROVAL OF CONSENT AGENDA

Trustee Flaisher asked for the Board's approval for a CFA meeting he attended in Detroit on May 7, 2009.

Chairman Harrison questioned if this issue should be addressed during the approval of the consent agenda. Ms. Zimmermann said that the Board needs to approve Trustee Flaisher's reconciliation in order for him to be reimbursed because the travel policy does not allow reimbursements for sessions outside of the policy. She suggested that the Board implement a blanket approval for Trustee Flaisher's CFA meeting reimbursements.

Trustee Sauceda asked if these are monthly meetings. Trustee Flaisher said that there are nine meetings per year. Trustee Barnett asked if this pertains to the Retirement Board or if it is City business. Trustee Flaisher said that the meetings focus on investments.

Mr. Kuhn said that he is a CFA and attends the meetings. The meetings are strictly educational and investment related.

Chairman Harrison confirmed that the meetings are held monthly. Trustee Flaisher said that he attends each meeting time permitting.

There was discussion whether this pertained to the retirement system and whether it should be reimbursed. Chairman Harrison said that this is a new educational area for the system.

Trustee Wright said that the Board approved his attendance at the February meeting. She suggested that the item be addressed under Secretary in the agenda. Chairman Harrison confirmed that the item would be placed in the agenda under Secretary.

A. Minutes of Regular Meeting – April 22, 2009
B. Communications:
   1. Correspondence from Julius Baer Re: Press Release (organizational structure)
   2. Correspondence from Artio Global Re: March 2009 Fact Sheet
   3. Correspondence from Artio Global Re: Q2 CIO Letter
C. Conference Information:
   1. 55th Annual employee Benefits conference – IFEBP – Nov. 8-11, 2009
   2. Investing in Infrastructure Conference – IREI – Nov 30-Dec 2, 2009
D. Financial Reports
   1. Financial Reports – April 2009
   2. Commission Recapture – April 2009
   3. Securities Lending – April 2009
   4. Securities Lending Deficiency
   5. Accounts Payable

a. ADP	$2,817.21
b. City of Pontiac	1,674.08
c. Coffee Break	36.40

d. Gray & Co. 8,104.17
e. Ikon 198.59
f. Kennedy Capital 33,011.00
g. Loomis Sayles 28,462.79
h. Mesirow Financial 28,905.47
i. Munder Capital 65,854.00
j. Office Depot 97.76
k. Onyx Capital 100,000.00
l. Oppenheimer Capital 28,128.43
m. Plante Moran 1,400.00
n. Sawgrass Asset Management 35,199.00
o. Scott Harris 54.92
p. Slades Printing 89.60
q. Stevens Record Management 73.70
r. Sullivan, Ward, Asher & Patton 2,971.01
s. VISA 9,820.28

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

1. Remove from the Rolls:
   a. Gilberto Negron (deceased 04-18-09): Option II benefit of $1,415.41/mo. to beneficiary Olga I. Negron
2. Application for Service Retirement
   a. Jeanette Michalak – NOMC 4 years, 4 months Age 60
   b. George W. Tarvis – SAEA 10 years, 1 month Age 60 (of deferred)
   c. Penny L. Sherwood – NOMC 5 years, 4 months Age 55
   d. Othel Mosely – Local 2002 22 years, 4 months Age 60
3. Final Benefit Calculation
   a. Raymond Cochran #2465 $422.58
   b. Daniel Rhodes #2468 $4,900.60
   c. Jeanette Michalak #2478 $216.63
   c. Penny L. Sherwood #2483 $314.87
4. Disability Re-Examination
   a. Leroy Williams, Sr.

RESOLUTION 09-040 By Bowman, Supported by Wright
Resolved, That the Board approve the consent agenda for May 27, 2009 as presented.

Yeas: 8 – Nays: 0

CONSULTANTS

Re: Gray & Company
Mr. Gray indicated that they have three items on the agenda; Roy Dixon from Onyx Capital will provide an overview of the investment, Oppenheimer Capital is here to discuss fixed income options and a review of the 2009 first quarter performance report.

Onyx Capital Advisors Update

Roy Dixon said that they are here to clear up any misconceptions and information regarding their company and the investments. He said what has appeared in the newspaper has been misdiagnosed.

He said that they are a Midwest manufacturing private equity fund. They were forced to go outside of this sector due to unanticipated carnage in manufacturing and the fact that it is one of the hardest hit areas. They vetted over one hundred deals but they will not overpay or chase exuberance. He used an example of a company in Ohio. After going through the due diligence process they were looking at a three-times multiple but it was bid up as high as seven times. They did not overpay for it. They have made good decisions on companies they have to date.

LaRoy Williams described the characteristics of the U.S. economy in 2008. These are trying times with unemployment high and continuing to rise. It has an effect on the purchasing capacity of the consumer. He discussed credit availability and said that the general conclusion is that there is a lot less lending in the market. Financial companies are rightsizing their businesses. They now have very tight controls and lenders are looking for pristine deals. It will be hard to find financing through the end of 2009. It is still tough, but they have gotten deals done. There has been a significant drop in new credit approvals. GDP growth hit a decline of more than 6% for the first time in 2008. Consumers are purchasing less and companies are producing less.

Mr. Dixon reviewed their investment strategy. They look for companies with revenues from $10 million to $250 million range but most are in the $30 million to $50 million range. They look for EBITDA of $1 million and above in the US and Canada. Their niche is manufacturing, distribution, service companies and the financial sector. Their geographical region is the Midwest and southern regions.

Mr. Williams said they looked at a company in Arizona, but it does not make sense for them to have any West Coast investments based on the time difference, travel time and size of the companies they are investing in.

Mr. Dixon said that they are looking at investments in manufacturing companies in Michigan. They have a niche in the plastics business. Mr. Williams said there is potential risk but could be an excellent opportunity in the future. Mr. Dixon said that it is attractively priced at two times to three times the multiple.

He explained their investment strategy. They look for companies that meet their added value approach within their geographic parameters with annual revenues in the low to middle market. They apply this to their industry focus while examining prior customers and competitors as well as the company's leverage relationship network. They determine the type of investment and how to structure the equity.

He presented an overview of their business process. The first step is to put together a list of prospects. Once this is determined they setup a meeting and begin the qualification process by reviewing financials, the company's history, etc. If a company does not pass the qualification process it put into the archives.

The next step is the deal cycle with three stages; analysis, negotiation and Letter of Intent (LOI). If the LOI is rejected the company is put into the archived opportunities. If the LOI is accepted the next step is due diligence. The team will take approximately two weeks to go through the process. They review customers and line up bankers. Once the company passes the due diligence they put together a purchase agreement.

Ms. Zimmermann asked how many Letters of Intent they have issued. Mr. Williams said they are currently looking at five or six deals.

Mr. Gray asked if the team is subcontracted. Mr. Dixon said that they contract this service from UHY. Mr. Williams said that they have a special group at UHY that performs due diligence. Mr. Dixon said that UHY has locations all over the country and they are well-versed in deal flow.

Mr. Dixon said that their philosophy is to target companies and management with proven market capabilities that are looking to expand those strengths.

Mr. Williams reviewed the SCM Auto Group investment. SCM Auto Group is comprised of three individual companies. An initial investment was made to Second Chance Motors, a pre-owned vehicle dealership. It has stores in four different states (Georgia, North Carolina, Texas and Michigan) that provide vehicle sales and warranty revenue. It is a great market while the country is rightsizing and consumers are determining what they can afford. It is also a good market in areas that do not offer mass transit.

The second company is Second Chance Motors Finance a floor plan financing company. Many dealerships have lost their floor plan financing through GMAC and Chrysler Credit. This is a premium product. Stores pay more than 30% annualized to finance inventory.

The third company is Second Chance Motors the consumer financing arm. They are currently in negotiations with a couple of banks. They received a Term Sheet from a bank that recognizes a profit model in this environment. This firm finances individuals based on credit risk, normally more than 20%.

Mr. Dixon said that the philosophy is to offer car loans to immigrants and those who are credit challenged. He said there is a good article in the Wall Street Journal regarding the explosion of the used car market. Many individuals cannot obtain financing with credit scores of 550 to 575, so the situation is ripe for an exploding consumer group. The dealership is a conduit for the consumer finance company. This business is exploding and is the crown jewel. They collect 90% of the paper. The company is doing so well other companies are trying to buy the financing arm. This market is extremely strong.

Mr. Gray asked them to explain what was invested and a sense of what the returns are. He asked them to address board’s concerns that the companies were not in the Midwest.

Mr. Williams said that the investment in floor plan financing is paying 30% or more annually. The cost of funds is less for the group. The cost on the consumer side is 20%. Most pay a higher risk adjusted rate. This presents an attractive revenue model. Mr. Williams said that without the finance unit, stores pay 30% for the floor plan; the cost of funds is less for the group.

Second Chance Motors experienced heavy sales during tax season and gross profits increased. The operating profits were down due to the acquisition of computer systems and people. They are not looking at much of an expansion on the store side. The individual companies could be sold separately but it would be more attractive if they were liquidated as a group. They do not have the actual return percentage, but the lending arm has a 15% or greater return on investment.

Second Chance Finance saw annualized revenue and operating profits increase in 2008. They are looking to expand leverage with outside institutions to increase returns. There is an option to start lending to indirect dealers on a small basis to expand capacity.

The exit strategy for Second Chance Credit is to look for a hedge fund to invest in the company or a public offering. Revenue is up more than three times; operating profits increasing from $51,000 in 2007 to $152,000 in 2008. This is a growth model for a great return. Equity would bring dividends of 8% and convertible to 50% or greater at the time of liquidation. They sell at multiples of cash flow.

Mr. Williams said that Galaxy Tooling, Inc. is a designer and manufacturer of precision tooling in the Midwest. They are located in Winfield, Kansas and have a smaller production facility in Ponca City, Oklahoma. They learned of this opportunity through their attorney. Their sales have grown to over $20 million annually by expanding into the aerospace and plastic industries. Their exit strategy is to find a larger strategic buyer in five to seven years.

Hi-Tec Associates, Inc. was acquired in May, 2008 and is a technically staffing company supplying highly skilled technical and administrative personnel to several industries including aerospace and defense. They supply engineering, information systems, manufacturing and systems design staffing to companies like Boeing, Northrup and Lockheed. The strategy is to buy and build the company. Exit-wise, there are a number of people looking to buy these companies.

Mr. Dixon said that this company is in a good space. According to the U.S. Bureau of Labor Statistics this staffing industry will grow faster and add more jobs than almost any other industry. The company has the top secret clearance with the Department of Defense which is the highest level of clearance for companies in the industry.

Mr. Williams said that the company stayed in the same areas and did not expand for thirty years. The owners were past retirement age and Onyx has recruited a CEO and a CFO to replace the former CFO. They plan to expand the business through the current company contracts and its good name. They want to buy and build a complimentary service like information technology. The company has not experienced any build up or breaks with its established clients.

Mr. Dixon said that their year-end is May 31, 2009. They may have more investments soon.

Mr. Gray said GERS was their first investor and they had not been back since; he encouraged to the board to ask questions. Mr. Gray said that based on the articles in the newspaper and other discussion the Board wanted to bring Onyx in. He asked if the trustees had any questions.

Trustee Flaisher asked if this investment is part of the basket clause. He also asked if the Board will receive audited statements from both Onyx and SCM. Mr. Dixon said that the audited statements will be provided in June. They will report at the August Manager Review Meeting.

There was discussion regarding the inaccurate information in the newspaper articles. Trustee Bowman asked for clarification on the record regarding the $5 million investment into Second Chance Motors. Mr. Dixon said he had money in other investments. He hopes that everyone is now on the same page. Chairman Harrison asked how much was invested. Mr. Dixon said that $500,000.00 was invested into the dealerships.

Mr. Gray said it sounds like the investments are going well. They will get verification in June. He asked if Mr. Dixon could address the Elliot Fullen letter. Mr. Dixon said that he and Mr. Fullen have had a long-standing relationship since college. Mr. Fullen is an unofficial partner of the company. He does not receive any compensation. He assists with due diligence. They are open to him joining the company in the future.

Chairman Harrison said that in light of the media it was important to get the facts straight. He thanked Mr. Dixon and Mr. Williams for coming in and reviewing the portfolio with the Board.

<u>Fixed Income Discussion</u>
Mr. Thunelius said that he feels interest rates will go higher and there will be inflation. He feels rates will go much higher, probably in 2010 or 2011. The Administration cannot bail everyone out. A large rise in interest rates will slow the housing market. It will have to be reckoned with. The question is how do you add performance. Cash gets you nowhere. Investing in futures is an option. As a bond manger he wants duration less than the benchmark.

He addressed the trustees' issue with the turnover rate. He said he wants the Board to be aware that he is only compensated if the system does well. His interests are aligned with the Board's. He assured the Board that when there is a lot of turnover in the portfolio no one is getting anything from the trades. They have a strict policy as to who they can do business with. The policy is vetted through and with the trader. He stated that 70% of trades are done electronically. The trading company with the best bid gets the business. There are five bids for every trade. His incentive is to out perform which is in line with the fund's goals. He feels this is a technical rebound, not a fundamental recovery. This is not a buy-and-hold market.

Chairman Harrison said that last year A paper was not necessarily A paper and some of this paper has muddled down the portfolio. Mr. Thunelius said that CMO's and mortgages that traded down are now rebounding and they have taken advantage.

Mr. Gray said that the staff expected a high percentage of turnover when the portfolio was in transition. However, it has remained high.

Mr. Thunelius said that when he arrived he sold most of the financials and mortgages which comprised 60% of the portfolio. In 2008 there was a movement of components. When mortgages are being purchased by the government you cannot park because it starts to spread.

He discussed the process: they sell a security and purchase a treasury, and then they sell the treasury when they locate a better security to hold. This makes the turnover seem high because they count each transaction.

Mr. Gray asked if he expects the high turnover to continue. Mr. Thunelius said that he expects some recovery but it will come down as things improve. As GDP stabilizes it is good to own credit. There will be significant turnover in a technical market. The mortgage portion of the portfolio (40%) is low coupon.

Ms. Zimmermann asked if his method is to trade frequently to gain incremental income is due to the volatility in the market. Mr. Thunelius said it is. Turnover will come down when the recovery improves.

Tom Scerbo said that Mr. Thunelius started in 2007. He discussed how Bill McDaniel used financials to enhance the spread of the portfolio. Mr Thunelius decided to sell the financials in the portfolio due to concerns with the sector. His decision has helped the portfolio out perform the benchmark.

Mr. Thunelius discussed TBAs, explaining that they are pools of mortgages that are not yet issued. For these, a transaction is recorded even if it is rolled. They make a trade but they do not settle for a month. They buy to match the benchmark. If the interest rate is higher before the settlement date then they sell and put themselves in another TBA with a higher coupon. Some firms do not count that as turnover. Oppenheimer counts every trade as turnover even if they do not own it. The benchmark has 40% mortgage exposure. Mr. Scerbo said that this protects against an unexpected change of rates.

Mr. Gray asked if he expects this to continue for the next few years. Mr. Thunelius did.

Mr. Gray asked what the added value is gained from this method. Mr. Thunelius said that in aggregate, the active management adds 150 basis points of gross performance per year.

Trustee Bowman left at 3:04 p.m.

Mr. Thunelius described the typical core plus sector opportunity set and how fixed income managers need to go outside the benchmark to add performance when interest rates rise. Outside of the benchmark they would use Inflation Protected Securities (TIPS), Collateralized Mortgage Obligations (CMO). They will not use foreign currency or high yield.

They feel the only solution for the debt crisis is inflation as the government prints more money. He explained some of the options they could utilize. They could invest in split-rated securities with half touching investment grade and half touching below investment grade. He feels comfortable with this option. They are often attractively priced and offer a significant spread over treasuries.

They could also increase the use of asset-backed securities (ABS). Historically they have never allocated more than 1% to 2% versus the benchmark at 3%. However, with the government back-stopping these assets, they see this as an opportunity to increase the weighting slightly above the benchmark.

They would limit what is held in cash in the portfolio to 10% since there is virtually no return there. They could prepare to sell securities to bring down duration. They are not biased on which option to use. They are looking to increase performance for the fund.

Chairman Harrison asked if they are already leaning toward core plus. Mr. Thunelius said they are and that his track record is in core plus. Chairman Harrison asked if this would be temporary or long-term. Mr. Thunelius suggested that they park there for awhile.

In 2008 owning treasuries and other high quality issues was preferred, a true core portfolio. They are now finding opportunities in credit and outside the core space. He said this could last one to two years and would be based on the market moving back to fundamentals.

He said that split-rated securities are a good source of returns. BBB-rated securities represent 37% of the investment grade world. He named examples of companies that are split-rated. Chairman Harrison asked if they own any of the named securities. Mr. Thunelius said that they own two of the securities including International Paper. They have also looked at Kinder Morgan and Owens Corning. It takes roughly two to three months to buy these names. They were looking to buy Alcoa on the credit side.

They are looking to take advantage of the government back-stopping to releverage the marketplace by investing in Term Asset-Backed Securities Loan Facility (TALF). He said that they are looking at Ford asset-backed issues. They cannot participate in TALF but want to take advantage of the ancillary benefit. What is being issued today is really AAA. In 2007 only treasuries were AAA.

Mr. Thunelius said there are two ways to shorten duration. He wants less interest rate sensitivity. For this you can use futures. He understood that there was some fear of leverage. Mr. Gray asked him to explain how they work and what the associated risk is.

He discussed how to manage duration by using futures. You can sell 5-year treasury futures which will shorten the duration of the portfolio. At the maturity of the contract you would have the option to deliver the securities or roll the futures into a new contract. Oppenheimer would roll the contracts to maintain their target duration of the portfolio. If interest rates decline, the portfolio will lose money on futures, however the other securities in the portfolio will gain. Futures will not create additional liabilities and are the most liquid option. To control the risk exposure associates with futures, limits may be written into the investment policy, such as using futures only to shorten the duration of the portfolio.

Without futures, Mr Thunelius indicated he will shorten the duration using cash. In this scenario, the portfolio will have a lower yield and the same interest rate sensitivity. The portfolio will perform similar to the futures portfolio with less income.

Mr. Gray asked for the worst case scenario. Mr. Thunelius said that the worst case would be to short the futures and be forced to deliver the securities.

Ms. Zimmermann confirmed that the basic strategy is to sell a contract to deliver a treasury at some time in the future that can be traded at anytime. You trade out the security in the portfolio for a security you have to deliver. She asked what the exposure would be. Mr. Thunelius said it would be 10% to 15% of the portfolio. The average duration in futures would be four years to get to the targeted duration of the portfolio.

Ms. Zimmermann asked if they know what incremental performance would be returned by shortening the duration to 3½ to 4 years. What could impact and cause the portfolio to blow up.

Mr. Thunelius said that rates could go higher, become static or push lower. Anything put in cash would be a drag on the portfolio.

Ms. Zimmermann said that the portfolio is actively trading TBA's and round traps. Why would you never go to cash? Mr. Thunelius said that the benchmark duration and portfolio duration is four years. Using cash would drag the overall income down. You want to maintain positions in securities you want to hold. If you shift from 10-year maturities to 5-year maturities, you may not be able to find the securities that you like and the yield would be significantly less.

Trustee Flaisher asked if interest rates rise will bonds be worth less. Mr. Thunelius said that when bonds sell off all bonds go down. Trustee Flaisher also asked if the manager provides audited statements. Mr. Scerbo confirmed that they provide audited statements.

Mr. Scerbo said that the goal is to make more money with less risk. Mr. Thunelius has a lot of experience in all of these opportunity sets and is looking to get more performance for the fund.

Chairman Harrison said that the fund does not want to be flat footed. Mr. Kuhn said tweeking the guidelines will give managers more tools for their toolbox.

Meeting Break at 3:25 p.m.
Mr. Thunelius and Mr. Scerbo left the meeting at 3:25 p.m.
Meeting Resumed at 3:35 p.m.

Mr. Gray apologized that Munder was not included at the meeting to present their options on how they will provide performance when interest rates increase.

Chairman Harrison confirmed that the Board was not required to vote at today's meeting.

Ms. Zimmermann said that the Board heard from Oppenheimer Capital today, they will hear from Munder at next month's meeting and during the Manager Review Meeting in August they can update the Investment Policy Statement regarding this strategy if it is approved.

2009 First Quarter Performance Report

Mr. Gray provided a brief overview of the capital markets. A table displaying the S&P Index for the periods of 1929 through 1937; 1973 through 1979 and 2007 through 2009 were reviewed. He said that we have been there before and the equities market has experienced these types of losses in the past.

The total plan value as of March 31, 2009 was $311.3 million versus $337.5 million as of May 26, 2009.

There were two standout managers for the period. Peritus went from $15.7 million to $19 million an increase of 21% from April 1, 2009 to date. Artio experienced a 22% increased from $23.2 million to $28.3 million.

There was a lot of movement in the portfolio especially in international equity and high yield. Net of fees, the total plan out performed the policy index -5.67% versus -7.78% adding 211 basis points of performance. One-year performance was -24.35% versus the policy index at -28.37% which demonstrated how the portfolio protected in the down market adding more than 402 basis points of performance. He said that they spend a lot of time ensuring the downside protection.

The funds from Mesirow have been transferred to UIM.

Munder Capital had a period with returns of -6.69% versus the benchmark at -3.36%. He has met with Tony Dong to discuss their performance. They have bounced back from the first quarter to date.

Systematic consistently delivers with performance for the period of -5.53% versus the benchmark at -14.68%.

Loomis Sayles' continues their trend with performance for the period at –11.00% versus the benchmark at -19.63%.

Kennedy Capital's also outperformed the benchmark for the period with returns of -11.53% versus -14.95%.

There are no hard numbers for private equity. The Board should receive a true valuation once per year.

Mr. Kuhn informed the Board that the CAPROC investment is at zero. They received payment after the quarter ended. Even with the $7 million write off the fund is up $27 million. Mr. Gray said that the Board went through a lot with the CAPROC investment; getting out was smart. They are waiting for another shoe to drop in commercial real estate.

Trustee Flaisher asked how Nexos and Onyx could be up $2 million. Mr. Gray explained that Nexos and Onyx requested capital draw downs. They are not fully funded and periodically request draw downs of the committed capital. He will verify the amount of the draw downs.

Trustee Flaisher also asked if all the managers provide audits. Mr. Gray confirmed that the managers provide audited financials for the Board each year.

REPORTS

Re: Chairman - None

Re: Secretary
Trustee Flaisher told the Board that there are eight CFA meetings per year.

Chairman Harrison said that the cost would be under $500 annually. He asked if the trustees had any questions or concerns. Going forward this would be a blanket expense. He told the Board that the expense is investment related and the speakers are economic experts.

Mr. Kuhn said that the meetings are strictly investment related.

Trustee Barnett stated that Trustee Cochran did not ask for this reimbursement. Chairman Harrison explained that Trustee Cochran did not attend those meetings. He called for a motion for Trustee Flaisher to attend eight CFA meetings annually.

RESOLUTION 09-041 By Wright, Supported by Scott
Resolved, That the Board approve Trustee Flaisher to attend the 2009 CFA Meetings.

Yeas: 6 – Nays: 0
Abstained: Trustee Flaisher

Re: Trustees/Committees - None

Re: Administrator
Ms. Zimmermann distributed copies of the April Securities Lending Report. She stated that the report was not available when the agendas were sent out due to a problem with the Northern Trust system.

<u>CAPROC Settlement Agreement</u>
The final CAPROC payment was received totaling $6.5 million per the settlement agreement. The investment was written down in the 2008 Audit Report.

<u>IRS Withholding Procedures</u>
She referred to an article under the Report Section on how the IRS has put out new withholding adjustment procedures for pension plans.

Placement Agent Disclosure Policy
Ms. Zimmermann referred to an article from Plan Sponsor regarding the pay-to-play investigation that is continuing to have effects around the retirement services industry. CalPERS has recently issued a policy that mandates the disclosure by investment partners and external managers who retain placement agents.

Chairman Harrison asked if a third party disclosure statement should be incorporated into the Investment Policy Statement.

Ms. Zimmermann said that the only way for the Board to know if there is a third party marketer is if it is disclosed by the manager. This is a hot topic and a policy could be added to the IPS. Chairman Harrison asked if they should add this issue to the agenda for the June meeting. Ms. Zimmermann will prepare a draft and, if approved, it could be presented at the Manager Review Meeting in August.

Re: Legal

Mr. Asher said that a third party marketer should be disclosed. However, he feels it should be addressed in the specifications of the investment manager's contract. Chairman Harrison said that there is nothing wrong dealing with disclosure on an individual basis.

CompuCredit Corp
Mr. Asher reported that the Retirement System had been appointed lead plaintiff on October 22, 2008.

Merrill Lynch Bond Litigation
Mr. Asher reported that this matter is currently pending n the United States District Court for the southern District of New York. Merrill Lynch has proposed a settlement of $150 million. We will continue to monitor this situation on behalf of the Board.

Northern Trust – Securities Lending
Mr. Asher said that Exxon Mobil has filed a class action lawsuit which falls under the Federal statute under ERISA. They could amend the complaint to include public funds. A cause for action is needed.

Northern Trust has refused to disclose requested information. They are currently putting together a group of experts. Before moving on this action, a third party evaluation is needed.

IRS Determination Letter
Mr. Asher reported that this matter is currently pending with the IRS. They will keep the Board up-to-date on this issue.

CAPROC LLC
Mr. Asher reported that the in accordance with the Settlement Agreement $12,000,000.00 was wire transferred on Friday, May 1, 2009. The General Employees Retirement System received a payment of $6,519,273.00. A fee for expenses was also negotiated in the amount of $30,000.00

and $5,000.00 was paid on May 8, 2009. The remainder totaling $25,000.00 will be paid by 2010 in installments of $2,500.00 per month.

<u>Willa Hayes Letters of Conservatorship</u>
Mr. Asher reported that they have forwarded the attached correspondence requesting an updated Letter of Conservatorship. They have not heard back from Mr. Fried.

<u>Detroit Free Press Statement</u>
Mr. Asher reported that Ms. Billings sent out a letter to Jennifer Dixon from the Detroit Free Press in response to the reporter's inquiry with regard to an article about Detroit pension trustees' travel. He said that the issue was dealt with by referring to the system's educational policy.

<u>Miscellaneous Articles</u>
Mr. Asher referred to miscellaneous articles for the trustees' information

Trustee Wright left at 4:18 p.m.

<u>Derivative Action</u>
Mr. Asher asked that the Board approve the filing of lead plaintiff status in a derivative action against Direct TV and Liberty Media. He said that they were buying and selling stocks for their own gain.

RESOLUTION 09-042 By Barnett, Supported by Sauceda
Resolved, That the Board authorize Coughlin Stoia to pursue lead plaintiff status in the Direct TV/Liberty Media Derivative Action.

Yeas: 6 – Nays: 0

Trustee Flaisher confirmed that the pursuit of lead plaintiff status is the same as the Police & Fire Retirement System.

Union Representatives – None

UNFINISHED BUSINESS

Re: Asset Disposition Policy
Ms. Zimmermann explained that legal counsel drafted an asset disposition policy for equipment no longer being used by the Retirement Office. Because these assets are purchased by the retirement systems, a policy was needed to determine their value and how to dispose of these assets.

RESOLUTION 09-043 By Barnett, Supported by Flaisher
Resolved, That the Board approve the Asset Disposition Policy.

Yeas: 6 – Nays: 0

NEW BUSINESS

Re: Ratification of Capital Call
Ms. Zimmermann requested that the Board approve a recent capital call from Invesco Private Equity for $19,195.06.

Trustee Flaisher asked if a capital call is the same as a margin call. Ms. Zimmermann explained that there is capital that has been committed to the manager and when they require money to fund the investment they make a capital call.

RESOLUTION 09-044 By Sauceda, Supported by Barnett
Resolved, That the Board approve the Invesco Private Equity capital call for $19,195.06.

Yeas: 6 – Nays: 0

SCHEDULING OF NEXT MEETING AND ADJOURNMENT:

Regular Meeting: June 24, 2009 1:30 p.m. - Shrine Room, Main Level, City Hall

ADJOURNMENT

RESOLUTION 09-045 By Sauceda, Supported by Williams
Resolved, That the meeting be adjourned at 4:40 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 May 27, 2009

David Flaisher, Secretary
As recorded by Jane Arndt