

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
AUGUST 25, 2010**

A regular meeting of the Board of Trustees was held on Wednesday, August 25, 2010 at the City Council Chambers, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:44 p.m.

TRUSTEES PRESENT

Shirley Barnett

Koné Bowman

Charlie Harrison, Chairman

Leon Jukowski, Mayor

John Naglick, Secretary

Devin Scott

Patrice Waterman

Kevin Williams

Debra Woods, Vice Chair

Andrea Wright

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.

Laurance O. Gray, Gray & Company

Ellen Zimmermann, Retirement Accountant

Jane Arndt, M-Administrative Assistant

Michael Stampfler, Emergency Financial Manager

Dennis DuBay, Keller Thoma

Nicholas Nahat, Keller Thoma

(Refer to Attached List)

Chairman Harrison thanked those attending the meeting for their participation. He understands they have concerns and opinions they want to raise.

Trustee Bowman asked for a point of clarification on whether the System allows temporary employees a seat on the Board.

Ms. Billings stated that the Retirement Ordinance provides that the Finance Director, by virtue of position, has a place on the Board as long as he is an employee of the City.

Trustee Jukowski stated that the City's Attorney has confirmed by PAS Form that Mr. Naglick is an employee of the City and is on the payroll. He is a member of the Board by virtue of his position which is indicated in the Retirement Ordinance.

Trustee Bowman was concerned that Mr. Naglick is the Acting Finance Director and a temporary employee. He asked whether he could vote knowing he will soon be gone.

Ms. Billings said that the Retirement Ordinance states that by virtue of the position he is eligible to be on the Board. However, it does not address the temporary employee situation. She has not seen the City Attorney's opinion. She is going by her memory of the Ordinance and would request that she be given the opportunity to review and provide an opinion.

Chairman Harrison said that the Board's Attorney will request a copy of the City Attorney's opinion and conduct research after the meeting. There is no problem having Mr. Naglick on the Board as the issue stands with accordance to the Retirement Ordinance. If it is deemed Mr. Naglick is ineligible his vote will not count and a revote may be needed. We need to allow the attorneys to do their job.

Retiree Walter Moore asked if the Board has a copy of the City Attorney's opinion. He felt they should request a copy. He also asked if the City Council needs to confirm the position.

Trustee Jukowski said that the City is currently operating under the control of an Emergency Financial Manager and the position does not require Council confirmation.

Trustee Barnett was concerned that a ten-member Board could change the vote.

Chairman Harrison assured that the Finance Director whether acting, temporary or interim has a position on the Board.

Trustee Jukowski said that it does not matter. If the employee is appointed they would be eligible to vote.

Chairman Harrison recommended that the Board move forward. The legal counsel will determine the validity.

He told the meeting attendees that public discussion will not be a question and answer period. He asked those who plan to voice their concerns to the Board to go to the podium and state their name for the record.

PUBLIC DISCUSSION

Retiree Owen Winnie said that if there is a decision that requires a vote, the Board's legal counsel should make a decision as to whether the Finance Director can sit on the board.

Chairman Harrison asked speakers to keep comments to three minutes.

Dennis DuBay from Keller Thoma stated that he is the Attorney representing the Emergency Financial Manager. He asked if the Board is planning to take up the issue introduced at the special meeting regarding the EFM's request for a reimbursement of retiree healthcare costs.

Chairman Harrison said that there are plans to disperse funds from the General VEBA Fund. The Board's Attorney will discuss this issue at length. The other item is not currently on the agenda and did not pass at the last meeting.

Mr. DuBay tried to confirm whether the request for funds from the General Employees Retirement System will be addressed at this meeting.

Chairman Harrison said that it can be introduced under new business later in the meeting. He affirmed that the issue did not pass at the last meeting and is not listed on the agenda. The Board received the request from the EFM just before the start of the meeting. The issue can be taken up under new business.

Ms. Billings stated that the requested invoicing was just received and once the information is reviewed a determination will be made. The Chairman of the General VEBA will be contacted and a special meeting can be scheduled eighteen hours in advance of the meeting to vote on the release of General VEBA assets.

Walter Moore stated that he is a retiree, resident and a former mayor of the City of Pontiac. He questioned whether the issue can be reconsidered if the motion was defeated if no one on the prevailing side reintroduces it.

Ms. Billings stated that Mr. Moore is correct that under Robert's Rules the motion cannot be reconsidered at the same meeting unless someone from the prevailing side reintroduces it. However, it can be renewed at the next meeting under Section 38 of Robert's Rules, titled Renewal of a Motion. She will provide Mr. Moore with the relevant section of Robert's Rules.

Kathi McNally said that she is a hospital retiree. She understands that the Board is considering transferring assets from the pension system to maintain current employees on staff and 140 from the retirement fund which was stated in the paper. She has a hard time believing that the number is that low. There are a lot of deferred hospital retirees who have not reached eligible retirement age.

She is concerned because when the hospital broke away from the City the employees were not given the opportunity to withdraw the hospital's contributions and their contributions were frozen. In the 1970's City employees stopped making contributions. The City has benefited from the hospital employees' contributions but the hospital retirees have not. She explained that City employees get thirteen checks and hospital retirees get twelve checks per year. Since there is a 160% funding ratio she believes raises for hospital retirees should be taken in consideration. She is also speaking for Floyd Stevenson who is out of town.

Retiree Linda Watson said that she was led to believe that the issue was deadlocked at the special meeting held on August 17, 2010. She asked who was for and who was against the motion.

Chairman Harrison read a portion of the proposed resolution from the special meeting held on August 17, 2010. He summarized that the Board's attorney was of a different opinion than the EFM's attorney. They are looking for clarification from the Attorney General's Office to insure the System is operating properly and to get as quick an answer as possible so the City can move in the direction they need to. The current EFM took over from EFM Fred Leeb who put \$3.8 million of pension assets into the City's budget. Mr. Stampfer needs to get closure on this issue. He is not here to be at odds with the Board. He is acting in good faith. He has a report he needs to send to the State. He read the roll call vote.

Ms. Billings explained that the special meeting was called by Michael Stampfler, the EFM. The General Employees Retirement System is governed by Internal Revenue Code Section 420 and the State of Michigan Public Act 28. The Retirement System is governed by both statutes. Section 420 has specific requirements that must be fulfilled. The Board is a fiduciary of this System.

There is a difference of opinion on the interpretation of Public Act 28 which is a murky statute. There is not a lot of case law or attorney general opinions to assist in interpreting in this statute. The EFM's attorney believes the previous fiscal year's interest earnings, up to 50% for the purpose of Public Act 28 are available to fund health care benefits. He believes that the City's contributions include all assets of the System except for the amount directly allocated as employee contributions. She recommended that the Board get an opinion from the Attorney General to determine the legality of a transfer. No member of the Board was in favor of transferring the assets at this juncture. They agreed to obtain an opinion from the Attorney General before proceeding.

Trustee Bowman said that he was opposed to the language in the resolution. He read the entire resolution from the special meeting.

WHEREAS, the Emergency Financial manager for the City of Pontiac has delivered a request dated August 9, 2010 to the Board of Trustees regarding retiree healthcare costs;

WHEREAS, the Emergency Financial Manager requests that the Board of Trustees consider and approve that the Pontiac General Employees Retirement System transfer certain assets, as allowed under law at MCLA 38.571 to pay for medical benefits of retirees;

WHEREAS, the payment of those medical benefits from the requested asset transfer will mitigate the City's contribution for such medical benefits for retirees and assist in improving the overall financial condition of the City;

NOW, THEREFORE, the Board of Trustees resolves and approves the following:

1. The Board of Trustees authorizes legal counsel to prepare requirements within the scope of Public Act 28 and submit to the Attorney General for an opinion. And, in concept, the transfer of assets as requested in the letter dated August 9, 2010 from the Emergency Financial Manager and as contemplated under MCL § 38.571;
2. The Board of Trustees authorizes its attorneys, actuaries and representatives to Work with the City's Emergency Financial manager, attorneys and representatives concerning the transfer of such assets for retiree medical benefits;
3. The Board of Trustees agrees to meet in September, 2010 to review the actuarial report being provided at the City's expense and further consider and approve the Emergency Financial Manager's request to transfer assets as contemplated under MCL § 38.571.

He disagreed with the wording in the resolution which stated that in concept the Board would approve reimbursement of retiree healthcare.

Chairman Harrison said that the Board would not agree to consider the transfer of assets without an opinion from the Attorney General. Some of the Board did not feel comfortable voting on the resolution. The motion would not have allowed the release of funds. Even if the Attorney General's opinion states that in effect they are able to transfer the assets, it does not mean that the Board would move forward. There is still wiggle room. They are not in favor of throwing funds into the abyss. If it gets to that point, the Board's legal counsel may state her opinion that it cannot be done.

Ms. Billings said as a point of clarification she agrees with the concerns voiced by Ms. McNally. There are requirements under IRC Section 420 that state that the funding level cannot fall below 125%. It also takes into consideration that everyone is 100% vested which is a requirement of IRC 420.

Chairman Harrison asked what would happen if the City was in receipt of funds and the funding level drops below 125%. Ms. Billings said that the City would be required to put the money back.

Chairman Harrison said that there is a chance that the market and economy can have another downward trend. The System has been blessed that the Fund was able to take a hit and stay well funded. He does not know what will happen in the future. The Board has to wear their trustee fiduciary hats and cannot be concerned about the City's issues.

Trustee Bowman said that the fund took a hit last year and it can happen again.

Ms. Billings stated that under IRC Section 420 the actuarial assumption used is not the same one that is used for annual valuations. The funding level will not be determined based on the current actuarial assumptions.

Trustee Bowman asked what the actuarial number is without the smoothing.

Ms. Zimmermann explained the five-year smoothing method used by the actuary. Gains or losses are realized as one-fifth of the year's gains or losses. This allows funding to be relatively level with regard to contributions. The valuation smoothes losses over a five-year period and takes the average of the five-year results for funding and contribution purposes.

Retiree Mitch Foltz asked what percentage of the portfolio was lost.

Retiree Linda Watson said that the Fund lost \$151 million. She also stated that she has a number of questions relative to this issue. What is the position of the GERS as it relates to the use of excess funds for retiree healthcare? Has the GERS asked its advisors about funding of retiree healthcare, taking into consideration the following: There will never be enough excess funds sufficient to fund retiree healthcare, the actuary reports indicated unfunded liability in excess of \$150 million for the General VEBA. The retirement fund could only pay for retiree healthcare

for a short period of time. If the GERS does pay for healthcare and the market crashes as it did recently and in 1987, the City will be faced with a need to begin contributing to GERS and also pay for retiree healthcare. The result is an underfunded GERS and healthcare. Would it not be better to keep the GERS Fund healthy rather than having two problems? Most retirees when asked said they would rather be assured of a pension and worry about healthcare than to worry about both. Shouldn't the General VEBA be used before touching the retirement funds? Has the Board reviewed the new Federal Healthcare laws and the impact that law may have on retiree healthcare? Has GERS revised their assumptions recently and how conservative are they?

Another consideration would be for the GERS not to contribute to healthcare and the pension fund remains healthy. The GERS could consider increasing pensions to partially offset healthcare for retirees, if the City tries to reduce or stop paying for healthcare.

Ms. Billings said it is her position that the use of excess funds for retiree healthcare cannot be done because it does not qualify under Public Act 28. An opinion from the Attorney General may clarify the murky points. Under the law as it is, it cannot be done.

The General VEBA is very underfunded. Under IRC Section 420 funds cannot be transferred out of the GERS if General VEBA funds are available.

The General VEBA was established to pay for retiree healthcare. The Board can commit assets to pay for eligible retiree healthcare costs if the proper invoicing is received which are the documents that have been requested.

Trustee Scott left at 2:37 p.m.

Mitch Foltz asked if the City will be incurring debt to the General VEBA and if it becomes underfunded, will it be a rolling debt for the City. The City promised healthcare but the Courts have said that healthcare is not a guaranteed benefit. Currently the City is contributing 3% out of the General Fund to the General VEBA but where the money comes from to pay for healthcare can change.

Retiree Carol Czechowski asked when the VEBA came into play and whether the hospital retirees are part of the VEBA.

Ms. Billings said that hospital retirees are not part of the VEBA; it is for City retirees only.

Ms. Billings continued answering the questions presented by Ms. Watson. The General VEBA will never have enough excess funds to fund retiree healthcare. It is the Board's responsibility as a fiduciary of the pension assets to protect them and act prudently.

If the market crashes and the City starts taking assets out of the GERS the funding will fall and the City will be required to make contributions. If the City cannot make the contributions the System will have to file a lawsuit. If the City financially cannot pay it will go on the tax rolls and become the responsibility of the tax payers.

She said that the S&P 500 has returned negative performance over the last ten years. She represents a number of pension boards whose funding levels have not done this well.

Trustee Scott returned at 2:42 p.m.

Whether the Board has reviewed the new federal healthcare laws with regard to this situation is the Board's prerogative. It would only be relevant if pension assets were currently being used.

The Board meets with the actuary and the investment consultant looking at revised assumptions each year. The Board is required to adopt prudent actuarial assumptions each to meet the long-term viable assumption. An experience study is also conducted every five years to determine actual rates.

She addressed the question regarding an increase in pension benefits to offset healthcare costs. It is an interesting concept but the Board does not have control over the benefits. They cannot increase benefits and healthcare is under City benefits. The Union is responsible for collectively bargaining for active employees. An increase in retiree benefits is determined by City Council.

Chairman Harrison said that the Board knows that the hospital retirees and some City retirees have been asking for a raise in their benefits. The Board does not have authority to increase or decrease benefits. They can only administer what the Retirement Ordinance states.

Ms. Watson asked if the Police & Fire Retirement System of the Police & Fire VEBA have been asked to contribute to the General Fund. Ms. Billings said that the Police & Fire System is not 125% over funded; therefore, they cannot transfer assets. The Police & Fire VEBA currently pays healthcare costs for a portion of the police and fire retirees.

Ms. Watson asked if the transferring of GERS and General VEBA assets was the only item discussed at the special meeting. She questioned why it was communicated that the vote was deadlocked.

Trustee Jukowski said Mr. Leeb put money from GERS in the budget and did not approach the Board. Ms. Zimmermann brought the issue before the Board when she discovered it. Mr. Leeb sent the budget to Lansing. Leeb's attorney was to contact the Board's attorney to discuss the legality of the transfer, but to his knowledge, Mr. Leeb's attorney never contacted the Board's attorney.

Because Michael Stampfler is working under the budget submitted by Fred Leeb, he asked if the Board would be willing to consider the option. Because of the language, the motion did not pass. We are here today to figure out if we want an Attorney General opinion to see if it can be done. Then the Board decides if it is prudent. This will all be a moot issue if the Attorney General says it cannot be done. As mayor, this issue will come up again.

If the Attorney General comes back and says yes then the Board would hold a meeting to determine if the option is prudent. A new valuation would have to be done to insure that the

funding level was 125%. If the System is over 125% funded than X dollars could be accessed but the Board is not there yet.

He cannot say that the Board is in favor of transferring funds, however, if the Board's Attorney comes back and says it is not legal the trustees would be subject o personal liability if they vote against their legal counsel's opinion.

He feels it is prudent to request an opinion from the Attorney General. They are looking to find every cent available to keep from having to lay off employees. Today they are voting to ask the Attorney General for his opinion. They are not voting to transfer pension assets today.

Retiree Bill Harris commented that there is no money left in social security and the money taken out of it was never paid back.

Trustee Jukowski said that he knows the City needs to restructure; if we get a comprehensive plan to balance the City's books, then he thinks it should be considered. The pension system is no open checkbook, but if there is a plan in place he would favor doing it.

Retiree Walter Moore commented that several Attorney General Opinions have been noted. He asked which one is the latest.

Ms. Billings stated that the Attorney General opinions address different issues. They are looking for one where the municipality has not been required to make contributions for a number of years. There are no opinions on how to determine earnings when contributions have not been made for many years. She also indicated that the letter from the city attorney includes unrealized gains into the equation. If the Board authorizes her to obtain an opinion from the Attorney General, she will work with the GERS actuary to ensure that all of their questions regarding PA 28 are posed to the Attorney General.

Mr. Moore said that the State currently has a lame duck Attorney General and questioned whether existing law could be used. He also asked if a specific dollar amount has been requested and is officially before the Board.

Chairman Harrison said that is a good question. The minutes of the special meeting held on August 17, 2010 show that he asked what the dollar amount is and the target date. He asked if the amount is \$3.8 million which was put in the City's budget or \$6 million from the VEBA. In fairness to the EFM he is working with a moving target.

Mr. Moore asked if a formal request for \$3.8 million has been made to the VEBA.

Ms. Billings said that there is nothing in writing. If the VEBA has \$10 million and retiree healthcare is \$4.8 million only the money needed to cover the cost can be taken. The EFM is looking to find out what is available.

Mr. Moore told Ms. Billings that the EFM is fishing if the Attorney General's Opinion states that the assets can be transferred.

Trustee Jukowski said that retiree healthcare costs need to be paid. If the cost is more than \$6 million the plan is to take the additional amount out of GERS. There is the possibility of massive lay offs and diminished City services.

Mr. Moore said that the Mayor needs to separate pension board business and City business and recognize both sides.

Trustee Jukowski said that the Board's attorney does not feel there is any legal precedent on file. He has read both opinions with both having legitimate issues.

Mr. Moore told the Mayor that he cannot vote on faith. He would like to see the Board vote it down. You cannot always be safe.

Trustee Jukowski said that the prudent and logical choice is to ask the Attorney General if it is legal.

Chairman Harrison said that the meeting has turned into a Town Hall Meeting explaining that this is the Board's regular monthly meeting.

Mitch Foltz has questions regarding the numbers reported in the newspaper and the actual number of retirees. He also asked if retiree healthcare was paid from the fund from which the retiree retired. For example, a Water employee who retired health care would have his health care paid for out of the Water & Sewer Fund.

Trustee Wright recapped the number of active employees and said that 60% is attributable to the General Fund and 40% to other funds. Medical costs are paid from funds from which a person retired.

Trustee Naglick said that \$3.8 million was inartfully plugged into the budget. The City is self insured. The expense for retiree healthcare from the General Fund is \$6.3 million; if the Board says no, then they have to find the money.

Mr. Foltz said he heard the City is considering moving back to Blue Cross/Blue Shield. Currently everyone is under Humana. The rumor says that non-Medicare eligible retirees will go to Blue Cross.

Trustee Jukowski said there is some movement but he does not know.

He also asked if \$6 million is taken from the General VEBA would it not cover retiree healthcare costs for at least a year or two. Trustee Naglick said that from a financial perspective the \$6.3 million is just what is needed to cover the General Fund for one year.

Mr. Foltz also questioned whether a separate fund has to be setup within the pension system per IRS requirements. Ms. Billings said that a 401h account would be setup within the pension

system. She again stated that both laws have to be complied with before moving forward and assets can only pay for retiree healthcare liability.

Mr. Foltz said that as a public servant, using the military as an example, he feels he has earned his healthcare benefits and cannot imagine that the City would take pension money out of the System.

Trustee Jukowski said that they are not talking about impairing benefits or taking anything away.

Mr. Foltz also asked what would happen if the City goes bankrupt. He also asked if under Public Act 28 is the City able to indefinitely transfer assets to cover costs.

Ms. Billings said that the Board would have to approve the transfer of assets and vote on it each year under IRC Section 420 and Public Act 28.

Trustee Jukowski said that under bankruptcy all contractual obligations are on the table and healthcare benefits could change drastically or go away. The pension benefit contracts are with GERS.

Mr. Winnie said that it is important to keep the pension system healthy. He added that the employees and employer have not made contributions to the System for over thirty years.

He also said that he read in the paper that the former EFM has the opportunity to remove trustees from the Board. Ms. Billings stated that the composition of the Board is determined through collective bargaining and one side cannot unilaterally make changes or change the composition of the Board. There are employee-elected and citizen-appointed trustees on the Board.

Trustee Jukowski clarified that the former EFM felt he could vote in place of the Mayor. He can change his Finance Director, not the composition of the Board.

Trustee Wright noted that there are three employee trustees that could be laid off and their replacements would have to be elected.

Fred Cowser said that when Doctor's Hospital took over hospital retirees no longer receive health insurance. He feels the hospital retirees are entitled to health insurance. They are old and need money. He asked if anyone can do anything.

Chairman Harrison said that it is a moot point because the Board has no authority to provide healthcare benefits to hospital retirees.

Ms. Billings said that the City Council could possibly take control of the issue.

Chairman Harrison said in all fairness it is time to close public discussion. This Board has never conducted a two hour public discussion.

Retiree Edith Kaminski and Carolyn Clark thanked those Board members who voted no at the special meeting because it was a two-fold motion. They asked the Board to please vote no again if it is a two-fold motion. The Board represents the retirees and they ask that they keep their best interest at heart.

APPROVAL OF CONSENT AGENDA

A. Minutes of Regular Meeting: July 28, 2010

B. Minutes of Special Joint Meeting: August 17, 2010

C. Communications

1. Correspondence from Artio Global Re: June, July Fact Sheets
2. Correspondence from Artio Global Re: Q3 CIO Letter
3. Correspondence from AMBS Re: August 2010 Newsletter
4. Correspondence from Kennedy Capital Re: July Update

D. Financial Reports

1. Financial Reports – July 2010
2. Commission Recapture – July 2010
3. Securities Lending – Not available
4. Capital Call Ratification: None
5. Accounts Payable
 - a. ADP \$2,879.06
 - b. Artio Global 71,229.18
 - c. Coffee Break 31.92
 - d. GE Capital Information (copier) 116.42
 - e. Gray & Co. 8,104.17
 - f. Kennedy Capital 58,212.00
 - g. Loomis Sayles 37,868.90
 - h. MES Solutions 640.00
 - i. Munder Capital 74,798.00
 - j. Office Depot 31.66
 - k. Oppenheimer Capital 28,496.53
 - l. Rodwan Consulting 1,400.00
 - m. Systematic 53,303.04
 - n. Stevens Record Management 50.83
 - o. Sullivan, Ward, Asher & Patton 15,458.00
 - p. VISA 124.00
 - q. USPS 1,783.03

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

1. Remove from the Rolls:
 - a. William Dale, Sr. (deceased 07-30-10)
 - b. Geraldine Fiddler (deceased 06-10-10)
 - c. George Fletcher (deceased 07-21-10)
2. Applications for Service Retirement:
 - a. Denise K. Beach – NOMC 15 years, 8 months Age 60
 - b. Sally Lange – SAEA 11 years, 9 months Age 60 (off deferred)

- | | | |
|-----------------------------------|-------------------------------|------------|
| c. Debra Lavallis – Teamsters 214 | 25 years, 4 months | Age 48 |
| d. Sandra Parrot – NOMC | 6 years, 11 months | Age 60 |
| 3. Final Benefit Calculations: | | |
| a. Sandra Parrot | #2588 | \$449.88 |
| b. Denise K. Beach | #2589 | \$701.65 |
| 4. Pop-ups Effective | | |
| a. Forest Freeland | beneficiary deceased 05-30-10 | \$1,321.07 |

Trustee Woods said that she has a correction on page four of the Special Meeting Minutes from August 17, 2010. She asked that Teamsters 314 be changed to Teamsters 214.

Trustee Bowman said that on page nine of the Regular Meeting Minutes from July 28, 2010 there is a change to the following sentence “*This could deplete pension system assets by 30%.*” It should read “*The pension system has already taken a 30% hit and could not sustain another hit.*”

Trustee Barnett said that on page eleven of the Regular Meeting Minutes from July 28, 2010 there is a change to the following sentence. *She explained that the System had an “at will” clause giving them the right to terminate UIM with or without clause at any time.* It should read without cause versus clause.

RESOLUTION 10-077 By Waterman, Supported by Barnett
Resolved, That the Board approve the consent agenda for August 25, 2010 as amended.

Yeas: 10 – Nays: 0

CONSULTANTS

Re: Sullivan, Ward, Asher & Patton

Ms. Billings stated asked that the item be tabled to the next meeting.

Re: Gray & Company

Mr. Gray asked that his report be tabled to the next meeting.

REPORTS

Re: Chairman - None

Re: Secretary - None

Re: Trustees/Committees - None

Re: Administrator

General Employees Retirement System
Regular Meeting,
August 25, 2010

Executive Order Regarding Wire Transfers

Ms. Zimmermann reported that the current EFM has issued an executive order stopping all wire transfers for funds. The contributions had not been received due to the stoppage of the wire transfers. She is working on this with Mr. Naglick.

CFA Exam – Deborah Munson

Ms. Zimmermann reported that Ms. Munson has asked if the Board will authorize to pay for her to take the CFA Level 2 Exam on September 22, 2010 with the costs being proportioned between the two retirement systems. She noted that Ms. Munson recently passed the CFA Level 1 Exam.

Mr. Naglick asked who Ms. Munson is and her position. Ms. Zimmermann explained that Ms. Munson is the Accountant for the retirement systems. Her duties include investment accounting and payroll among others.

RESOLUTION 10-078 By Barnett, Supported by Bowman

Resolved, That the Board approves to pay for the Level 2 CFA Exam for Retirement Accountant, Deborah Munson from the investment earnings of the Fund.

Yeas: 10 – Nays: 0

VEBA Transfers

Ms. Zimmermann said that, like the PF VEBA, invoices / documentation will be required to effectuate the transfers for healthcare costs to be reimbursed.

Re: Legal

Airgas Securities Litigation

Ms. Billings reported that Ms. Zimmermann was deposed for seven hours on July 27, 2010 with regard to the Airgas Securities Litigation. The litigation is proceeding through discovery.

The Schweitzer – Mauduit International Securities Litigation

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

IRS Determination Letter

Ms. Billings reported that she has not received a response from the IRS since her last response to them regarding the additional information that was requested.

Cruz EDRO

Ms. Billings reported that the Cruz EDRO was rejected with regard to the issues set forth in her response.

Miscellaneous Correspondence Regarding Willa Hayes Letter of Conservatorship

Ms. Billings reported that the Letter of Conservatorship authorizes the System to pay Ms. Hayes' pension benefit to the conservator.

FOIA Request from Financial Investment News
For the Trustees Information

Motley Rice Portfolio Monitoring Report
For the Trustees Information

Bernstein Litowitz Portfolio Monitoring Report
For the Trustees Information

Miscellaneous Articles

- Robin Geller Corporate Governance Bulletin, Third Quarter 2010 – the Importance of Alert and Active Institutional Investors

Re: Union Representatives – None

UNFINISHED BUSINESS

Re: Disaster Recovery Plan – Software Survey

Ms. Zimmermann reported that she has included a copy of a survey prepared by a University of Florida college student with pension software system reviews by a number of Retirement Administrators for the trustees' information.

Re: Transition Summary

Ms. Zimmermann indicated the summary includes a recap of the transactions when assets were transferred from terminated manager Oppenheimer Capital to Ambassador Capital.

NEW BUSINESS

Trustee Jukowski said that he feels that going forward the Board needs to know fully what its obligations are. He wears two hats as the CEO and a Board Trustee and has a strong interest in knowing whether or not funds can be withdrawn from the Fund. He would like the Board's legal counsel to work with the EFM's legal counsel to determine if an IRC Section 420 is legal under the current statutes.

Ms. Billings stated that technically the agenda needs to be amended.

Trustee Waterman asked whether the agenda should have been amended at the beginning of the meeting. Ms. Billings said that there is no provision on the agenda to add an item to the agenda. She questioned whether the trustees take issue.

Trustee Jukowski said he would like to amend the agenda. Ms. Billings said that technically the agenda is to be amended at the beginning of the meeting.

RESOLUTION 10-079 By Jukowski, Supported by Naglick
Resolved, That the Board approve to amend the agenda adding an item that would consider the matter of obtaining an opinion from the Attorney General to determine if assets can be transferred out of the System to fund retiree healthcare.

Roll Call:

Trustee Barnett – Nay	Trustee Scott – Yea
Trustee Bowman – Nay	Trustee Waterman – Nay
Chairman Harrison – Nay	Trustee Williams – Nay
Trustee Jukowski – Yea	Trustee Woods – Nay
Trustee Naglick – Yea	Trustee Wright - Nay

Trustee Williams questioned Ms. Billings on how the motion can be brought back from someone not on the prevailing side. Ms. Billings said a motion can be renewed at another meeting without being introduced by someone from the prevailing side.

Trustee Woods said that the motion has failed twice. She also indicated that her Union has already voted down the vesting requirement needed under IRC Section 420.

Trustee Scott left at 3:54 p.m

Ms. Billings said she received a letter from the EFM’s attorney and gave it a cursory review. However, her opinion has not changed.

SCHEDULING OF NEXT MEETING

Regular Meeting: September 22, 2010 @ 1:30 p.m. – Shrine Room, Main Level, City Hall

ADJOURNMENT

RESOLUTION 10-080 By **Barnett**, Supported by Waterman
Resolved, That the meeting be adjourned at 3:57 p.m.

Yeas: 9 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on August 25, 2010

As recorded by Jane Arndt