

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MARCH 28, 2007**

A regular meeting of the Board of Trustees was held on Wednesday, March 28, 2007 at the Shrine Room, Main Level, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342, The meeting was called to order at 1:37 p.m.

TRUSTEES PRESENT

Shirley Barnett

Koné Bowman (*arrived at 1:44 p.m.*)

Raymond Cochran, Secretary (*arrived at 1:44 p.m.*)

Robert Giddings

Charlie Harrison, Chairman

Javier Saucedo, Vice Chair

Kevin Williams

Andrea Wright

TRUSTEES ABSENT

Devin Scott (*excused*)

Debra Woods (*excused*)

Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Andrea Coffey-Stewart, Gray & Company

Cynthia Billings, Sullivan, Ward, Asher & Patton, PC

Stuart Tompkins, Sullivan, Ward, Asher & Patton, PC

Tom Michaud, VanOverbeke, Michaud & Timmony

Ellen Zimmermann, Retirement Systems Administrator

Jane Arndt, M-Administrative Assistant

APPROVAL OF CONSENT AGENDA

A. Minutes of Regular Meeting: February 21, 2007

B. Communications:

1. Correspondence from Comerica/WAM Re: Comerica Relocation
2. Correspondence from Oppenheimer Capital Re: Gutstein Departure
3. Correspondence from Julius Baer Re: January / February Market Commentary
4. Correspondence from Hymie K. Dahya Re: Retro Retirement Benefit Request
5. Conference Information:
 - a. Washington Legislative Update - IFEBP – May 21-23, 2007
 - b. Annual Conference – NCPERS – May 18-24, 2007
 - c. Stars & Stripes – FRA – April 15-17, 2007
 - d. Various Programs – IFEBP – various dates
 - e. Institutional Client Conference – Northern Trust – April 18-20, 2007
 - f. Program for Advanced Trustees – NCPERS/Harvard Law School – July 26-27, 2007
 - g. Infrastructure Investment – Institutional Investor – June 27-28, 2007
 - h. Mid-Sized Pension Management Conference – NYU Stern – May 8-11, 2007

- i. Spring Conference – MAPERS – June 3-5, 2007
- j. New Dimensions of Retirement Plans – III – Nov 14, 2007
- k. Recovering Investor Assets – ii Forum – Oct 11-12, 2007
- l. Wharton School Investment Classes – IFEBP/Wharton – various dates
- m. Public Funds Summit East – Opal Financial – July 11-13-, 2007

C. Financial Reports:

- 1. Financial Reports – Preliminary February 2007
- 2. Commission Recapture – January 200
- 3. Accounts Payable:
 - a. ADP \$6,678.37
 - b. City of Pontiac 1,674.08
 - c. Gray & Co. 8,104.17
 - d. Ikon 443.20
 - e. Loomis Sayles 40,694.26
 - f. Mellon Global Securities 3,828.46
 - g. Mesirow Financial 2,581.43
 - h. Office Depot 258.40
 - i. Plante Moran 297.50
 - j. Sullivan, Ward, Asher & Patton 12,961.25
 - k. Visa 4,598.72
 - l. Wall Street Journal 174.30

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

- 1. Remove from the Rolls:
 - a. David Lee (deceased 02-08-07)
 - b. Janice Simmons (deceased 02-22-07):survivor benefit of \$2,352.46/mo to Paul Simmons
- 2. Application for Service Retirement:
 - a. Jerry Pollins – SAEA 20 years, 0 months Age 56
 - b. Has Mukh Dahya – Non union 4 years, 6 months Age 65 (Reciprocal)
 - c. Larie Miracle - NOMC 11 years, 9 months Age 60
 - d. Paula Barach – NOMC 12 years, 7 months Age 55
 - e. Kervin Young – Non union 9 years, 5 months Age 60 (Reciprocal)
 - f. Richard Downey – Teamsters 214 11 years, 11 months Age 60
- 3. Final Pension Calculations:
 - a. Mervin T. Hoover #2358 666.98
 - b. Karl Rudlaff #2367 3,841.54
- 4. Disability Re-Examinations:
 - a. Curtis Major
 - b. Joseph Babin

Trustee Wright pointed out a typographic error on page 12 of the minutes.

Ms. Zimmermann requested that item B.4. be separated from the consent agenda and moved to New Business.

Ms. Zimmermann requested that she be approved to Recovering Investor Assets Conference being held October 11-12, 2007. Chairman Harrison asked to attend the Public Funds Summit East being held July 11-13, 2007.

RESOLUTION 07-023 By Saucedo, Supported by Wright
Resolved, That the Board approve Ms. Zimmermann to attend the Spring MAPERS Conference and the Recovering Investor Assets Conference, and that Chairman Harrison is approved to attend the Public Funds Summit East Conference.

Yeas: 6 – Nays: 0

RESOLUTION 07-024 By Saucedo, Supported by Wright
Resolved, That the consent agenda for February 21, 2007 be approved as amended.

Yeas: 6 – Nays: 0

CONSULTANTS

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

RESOLUTION 07-025 By Williams, Supported by Wright
Resolved, That the Board will move to closed session to discuss pending litigation.

Roll Call:

Shirley Barnett	Javier Saucedo
Robert Giddings	Kevin Williams
Charlie Harrison	Andrea Wright

The Board moved to closed session at 1:41 p.m

Trustees Bowman and Cochran arrived at 1:44 p.m.

Trustee Bowman left at 2:45 p.m.

The Board came out of closed session at 2:57 p.m.

RESOLUTION 07-026 By Barnett, Supported by Williams
Resolved, That the Board approve the closed session minutes from the January 29, 2007 meeting.

Yeas: 7 – Nays: 0

RESOLUTION 07-027 By Cochran, Supported by Wright
Resolved, That the Board direct legal counsel to pursue settlement with CAPROC without the acquisition of the One Michigan building.

Yeas: 6 – Nays: 0

Ms. Billings and Mr. Tompkins left at 2:57 p.m.

Re: VanOverbeke, Michaud & Timmony – Onyx Capital Advisory Fund I, L.P.

Mr. Michaud distributed his initial review and opinion draft of the Onyx Capital Advisory Fund I, L.P. operating documents. He reviewed the terms and structure of the operating agreement as presented. His role is to keep the Board informed of the terms and details that are in place today, so they can make sound business decisions.

Currently, Detroit is in the process of revising the operating agreement. The details of the agreement could change based on Detroit potentially being a significant investor and they are in a position to be afforded concessions by the manager due to the amount of their potential investment.

The structure is a limited partnership similar to CAPROC and is a long-term commitment with no liquidity.

Mr. Michaud discussed the current terms and limitations of the operating agreement.

Trustee Wright left at 3:09 p.m.

Chairman Harrison asked if Mr. Michaud had engaged Onyx regarding the issues in his draft opinion. Mr. Michaud said that he was waiting for the Board to review the opinion, understand the terms of the business agreement and supply feedback. He would then engage Onyx if the Board directed. Chairman Harrison said it would have been easier to review if the draft opinion referenced bullet points for those issues that need to be addressed.

Trustee Barnett asked if the consultant had any input or suggestions. Ms. Zimmermann clarified that the Board has already reviewed the investment with them. She said Detroit is going to invest significantly more money and will have greater input in the structure of the operating agreement.

Mr. Michaud explained that the Board has been through the investment process with the manager. He is now in the process of reviewing the details of the business agreement. He reminded the Board that if three or four years down the road they decide they want out of the investment they can't get out. Trustee Giddings commented that this is unique and different from the standard asset management contracts and is unlike most of the fund's traditional investments.

Detroit's commitment is subject to others coming in with Detroit investing 10% of what others commit up to a maximum of \$10 million from both Detroit systems. Mr. Michaud asked if the Board would be interested in negotiating a similar option.

He reviewed the fee details stating that according to the agreement there will be distributions in advance taken adding a level of incentive fee.

He also said that the agreement specifies a 2% management and unspecified organizational fees that goes back to an unspecified date which is based on the commitment date. The fund would be potentially paying a management fee prior to the initial close.

Trustee Wright returned at 3:17 p.m.

Chairman Harrison asked for clarification about the 2% management fee. Ms. Zimmermann explained that they may be assessing the management fee prior to the initial close.

Trustees Wright and Williams both felt that the system would be paying for nothing. Trustee Wright asked for the reference within the draft that describes this fee. Mr. Michaud said the reference could be found on page 4 under distributions.

He received the private placement memorandum, limited partnership agreement and subscription agreement from Onyx. He found inconsistencies and ambiguities between the operating document and the private placement document that need to be clarified.

There was discussion regarding whether the Board should let Detroit take the lead in negotiating the terms of the agreement. Chairman Harrison said that the system should not try and mirror Detroit. Trustee Saucedo said that the system needs to address and clarify the agreement in their own best interest.

Mr. Michaud said that the document is a currently moving document and that the terms need to be further clarified and identified, for example, the areas that delegate all authority to the general partner and specifying the date of closing. He asked the Board for their direction. Ms. Zimmermann suggested that Mr. Michaud review the agreement in detail.

Mr. Michaud reviewed the structure of the investment.

Mr. Michaud said that he has not been engaged to propose changes in the operating documents or negotiate terms of the deal with Onyx. His draft has identified areas that need to be addressed. He told the Board that Honnigan, Miller, Schwartz and Cohn provide the legal services for Onyx.

Chairman Harrison said that the Board should go through the items. Trustee Barnett asked if the Board should wait for Detroit. Chairman Harrison responded that the Board should concentrate on their own issues. Ms. Zimmermann felt that what Detroit negotiates will likely be offered to all partners. Mr. Michaud cautioned the Board and told them they should not rely on Detroit because they may not address the same concerns or require the same concessions.

Trustee Williams asked if the trustees could obtain written documents for the next meeting. It is important to understand the terms before the closing. Mr. Michaud told the Board they should review his draft summation since the finer points of the agreement may change.

Trustee Barnett asked if there will be similar problems with the other private equity investments. Mr. Michaud said that they are all different and there is no norm. The larger the fund the less

there is to negotiate. He said that the Mesirow contract has already been approved by the Board. He said because they are a large fund of funds they have more standardized terms that you either accept or don't accept. He added that he has not received any documents from Nexos. The documents from INVESCO were just received ten days ago and he has not finished reviewing them.

Trustee Wright commented that she is confused about the document. She suggested that Mr. Michaud prepare a list of inconsistencies from the summary document. He said that his draft provides 95% of what needs to be understood and that the final points will be provided when the documents are finalized.

Trustee Giddings left at 3:37 p.m.

He reviewed the terms noting the organizational expenses including operational expenses, legal and marketing fees. He said that most operating agreements have limits where shares of fees equal X. The standard of liability is gross negligence which is a high level versus simple negligence. He also stated that most documents include a performance standard. He reminded the Board that the document is a moving target and that amendments are limited and the longer they wait there will be less opportunity to make changes. He added that there is a minor fee reduction from 2% to 1.9% after the six year period. He said that if the terms were changed to four years it would be to the Board's advantage.

There was discussion about whether Mr. Michaud should move forward and engage Onyx to clarify areas and specific terms. The Board could wait and have Detroit move forward with their negotiations and then work to amend that.

Trustee Giddings returned at 3:43 p.m.

Chairman Harrison and Trustee Cochran said that they feel Mr. Michaud should negotiate for the Board to try and make the necessary changes. Ms. Stewart added Onyx needs Pontiac's commitment in order to access the commitments from Detroit.

Ms. Zimmermann left at 3:50 p.m.

Mr. Michaud said that it is important for the system to address their issues quickly. He also said that they should not assume that Detroit will have the same objectives.

Ms. Zimmermann returned at 3:53 p.m.

Ms. Stewart commented that Mesirow is on their fourth fund and INVESCO is in their fifth fund.

RESOLUTION 07-028 By Cochran, Supported by Saucedo
Resolved, That the Board direct legal counsel to get clarification with regard to Onyx Capital Advisory Fund I, L.P. operating documents.

Yeas: 7 – Nays: 0

Re: Gray & Company

Ms. Stewart suggested the discussion regarding brokerage, commission recapture and soft dollar policies be postponed to the April, 2007 meeting.

REPORTS

Re: Chairman

Chairman Harrison asked that the Board return their surveys to Ms. Zimmermann. He stated that the Service Provider Review Committee needs the survey to move forward.

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

SAEA Contract

Ms. Zimmermann made the Board aware that the new SAEA contract has closed the defined benefit plan to new hires. Going forward they will be part of the 401(a) defined contribution plan, however, currently there is no provision allowing for members of SAEA to participate in the existing plan and no details of the SAEA plan have been provided.

Trustee Harrison left at 3:55 p.m.

World Asset Management

Ms. Zimmermann referred to correspondence received from Bob Kay of World Asset Management. He wanted to assure the Board that there will be no changes in their service and convey that they are staying in Detroit in light of Comerica's move to Dallas.

Reappoint Citizen Trustee

Ms. Zimmermann informed the Board that it is time to reappoint the citizen trustee which is Trustee Williams. She said that it is customary for the Board to send a letter of recommendation to the City Council. Trustee Williams questioned the expiration of his term. Ms. Zimmermann explained that his term will run from April 1, 2007 through March 31, 2011.

RESOLUTION 07-029 By Cochran, Supported by Saucedo

Resolved, That the Board send a letter of recommendation to City Council endorsing Trustee Williams for citizen trustee for the term April 1, 2007 through March 31, 2011.

Yeas: 6 – Nays: 0

Trustee Harrison returned at 3:58 p.m.

Hymie K. Dahya – Retro Retirement Benefit Request

Ms. Zimmermann said that Mr. Hymie K. Dahya sent a letter to the Retirement Office to be forwarded to the Board. He served as the Finance Director for the City of Pontiac and was

eligible for retirement benefits based on the time he worked for the City plus his reciprocal time on February 3, 1999.

His letter stated that he left in late 1998 to receive medical treatment out of state. Due to the length of his medical treatment he was approved for long-term disability through the City of Pontiac. He was terminated by the Mayor during his leave and never returned.

Upon Mr. Dahya's termination, Ms. Zimmermann sent him the forms to apply for his retirement benefit. Unfortunately, Mr. Dahya was of the understanding that he could not apply for or collect retirement benefits until his long-term disability expired. His long-term disability benefit recently terminated and he contacted the Retirement Office. He was informed by the office that he was eligible to receive pension benefits the day after his termination. He is now asking to receive his retirement benefit retroactive to February 3, 1999.

Mr. Michaud said that he would be happy to provide an opinion and refer it to the office. Trustee Barnett questioned whether it is against policy to pay retroactive pension benefits. Trustee Giddings asked if it was wrong to collect long-term disability and pension benefits during the same period.

There was discussion regarding whether a legal opinion was necessary. It was determined that Mr. Michaud would render a legal opinion in order to set precedence, protect the Board and aid the Retirement Office in the administration of policy.

Union Representatives – None

UNFINISHED BUSINESS

Re: Fiduciary Liability Insurance

Mr. Michaud advised that CHUBB responded with a brief response addressing 75% of the issues in the inquiry. CHUBB has denied changing the standard coverage of the policy. There was a brief discussion concerning why the policy was reviewed after it was approved and the invoice was paid.

Re: Ordinance Clean-up - Postponed to next meeting.

Mr. Michaud explained that it would be beneficial to forward any changes or recommendations for the ordinance to City Council and the collective bargaining units. He said that this would assist in incorporating all needed changes before the ordinance is adopted. Trustee Wright asked if there is a format to reviewing the ordinance. Mr. Michaud said that the ordinance with proposed changes can be provided to the trustees. This will give them an opportunity to review the changes and allow for discussion at the next meeting.

NEW BUSINESS

Re: Certification of Election Results

Ms. Zimmermann distributed election results to the Board of Trustees. The trustee election results showed that Devin Scott received the greatest number of votes and was duly re-elected to the office of Employee Trustee of the General Employees Retirement System. Ms. Zimmermann requested that the Board approve a resolution to adopt the official election results.

Resolution 07-030 By Wright, Supported by Barnett

Whereas, a General Election for Employee Trustee to the Board was conducted on March 27, 2007, and

Whereas, the official results of the election have been certified and canvassed

Resolved, that the official election results are hereby certified by the Board of Trustees.

Yeas: 7 – Nays: 0

Trustee Wright informed the Board that she has not had time to complete the draft of the Board newsletter. She should have the draft available at the next meeting.

Legal

RESOLUTION 07-031 By Saucedo, Supported by Williams

Resolved, That the Board of Trustees go into closed session to discuss pending litigation.

Roll Call:

Barnett – yea	Sauceda - yea
Cochran – yea	Williams - yea
Giddings – yea	Wright - yea
Harrison – yea	

The Board moved to closed session at 4:10 p.m.

The Board returned from closed session at 4:14 p.m.

RESOLUTION 07-032 By Barnett, Supported by Wright

Resolved, That the Board of Trustees receive and file the legal memorandum regarding Eagle Hospitality.

Yeas: 7 – Nays: 0

PUBLIC DISCUSSION

SCHEDULING OF NEXT MEETING

Regular Meeting: April 25, 2007 at 1:30 p.m. in the Shrine Room of City Hall.

ADJOURNMENT

RESOLUTION 07-033 By Barnett, Supported Saucedo
Resolved, That the meeting be adjourned at 4:17 p.m.

Yeas: 7 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on March 28, 2007.

Raymond Cochran, Secretary
As recorded by Jane Arndt