

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JULY 27, 2011**

A regular meeting of the Board of Trustees was held on Wednesday, July 27, 2011 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:41 p.m.

TRUSTEES PRESENT

Shirley Barnett	Tuesday Redmond
Koné Bowman (<i>arrived at 1:42 p.m.</i>)	Devin Scott
Charlie Harrison, Chairman	Patrice Waterman
Leon Jukowski, Mayor	Kevin Williams
John Naglick, Secretary	

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton	David Jackson, Fmr City Employee
Chris Kuhn, Gray & Company	Larry Marshall, Retiree
Ellen Zimmermann, Retirement Administrator	Debra Woods, Retiree
Jane Arndt, M-Administrative Assistant	Janice Stewart, Member
	Sam Scott, Legislative Aid

PUBLIC DISCUSSION

Member, Janice Stewart stated that election petitions were never received at the Department of Public Works.

Chairman Harrison asked what the procedure is for distributing election notices and petition information.

Ms. Arndt indicated that she sends out the election information using routing slips and inter-office mail to those departments and divisions outside of City Hall. She hand delivers the notices to those departments located within City Hall. She indicated that she did send the information to D.P.W.

Ms. Stewart said that there are individuals at D.P.W. who have stated they had planned to run for the Employee Trustee position on the Board. They were unable to submit a petition because they did not receive the election information.

Trustee Waterman asked if it is too late to file a petition.

Trustee Bowman asked if nominations can be re-opened.

Ms. Zimmermann stated that if it is the Board's pleasure the nomination process can be re-opened.

There was a discussion on the timeframe for the election.

Chairman Harrison asked about the timing logistics of the election to insure the staff is allowed sufficient time to conduct the election.

Ms. Billings suggested that if only one group did not receive the notice the members could submit their names.

Ms. Zimmermann pointed out that the members have to submit a signed petition with ten names of members of the Retirement System.

RESOLUTION 11-071 By Bowman, Supported by Waterman

Resolved, That the Board approved the re-opening of the nominating process for the vacant employee trustee position on the Board for one week for DPW only.

Yeas: 9 – Nays: 0

Former employee David Jackson addressed the Board. He stated that he has worked at the Water Department for approximately ten years and was recently laid off needing six months to be fully vested in the Retirement System. He is looking for direction from the Board.

Trustee Scott stated that Human Resources is looking into the matter. They are working with the Emergency Manager to determine if something can be done for these employees.

Mr. Jackson asked if the Board can grant bridge time or allow the purchase of service credit.

Chairman Harrison stated that this is an issue that the Board does not deal with at this stage in the process.

Trustee Scott stated that he explained to Mr. Jackson that this is not an issue for the Retirement Board at this time.

AGENDA CHANGES

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting: May 18, 2011
- B. Minutes of Regular Meeting: June 22, 2011
- C. Communications

1. Correspondence from AMBS Re: Newsletter July 2011
2. Correspondence from Oakbrook Re: Q2 2011 Report
3. Conferences:
 - a. 57th Annual Employee Benefits Conference – IFEBP – Oct. 30 – Nov. 2, 2011
 - b. Fall MAPERS – September 18-20, 2011

D. Financial Reports

1. Financial Reports – June 2011
2. Securities Lending – May 2011
3. Capital Calls:
 - a. Invesco \$98,006
4. Accounts Payable
 - a. ADP \$1,314.73
 - b. Bienenstock (Onyx) 621.75
 - c. GE Capital (copier lease) 116.42
 - d. Gray & Company 8,104.17
 - e. Ikon (copier maintenance) 108.91
 - f. Northern Trust 53,670.33
 - g. Office Depot 112.60
 - h. Rodwan Consulting 1,400.00
 - i. Slades Printing 67.20
 - j. Stevens Record Management 88.00
 - k. Sullivan, Ward, Asher & Patton 18,965.00
 - l. USPS - postage 2,355.86
 - m. Visa 6,633.62

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

1. Remove from the Rolls:
 - a. Richard Nicholas (06-22-11): survivor benefit of \$418.36/mo to Luvinia Nicholas
2. Application for Service Retirement:
 - a. Thomas Lewis, Jr. – SAEA 14 years, 6 month Age 67
 - b. Ellen Zimmermann – Non Union 13 years, 9 months Age 54 (reciprocal)
3. Applications for Deferred Retirement:

a. Sharonda Bell	10 years, 5 months	Pension Starts 11/01/2039
b. Andrew Brown	10 years, 2 months	Pension Starts 02/01/2023
c. Angeline Close	11 years, 11 months	Pension Starts 12/01/2036
d. Brian Foley	16 years, 10 months	Pension Starts 01/01/2025
e. Sammy Geeter Jr.	13 years, 8 months	Pension Starts 12/01/2022
f. Tracy Kilburn	14 years, 7 months	Pension Starts 12/01/2021
g. MiToya Lewis	12 years, 6 months	Pension Starts 03/01/2037
h. Dwayne Luster	16 years, 3 months	Pension Starts 10/01/2018
i. William Luster	11 years, 3 months	Pension Starts 08/01/2012
j. Juanita Boykins Moody	13 years, 11 months	Pension Starts 01/01/2014
k. Toney Mosley	6 years, 4 months	Pension Starts 04/01/2020 (reciprocal)
l. Larry Pernermon	16 years, 6 months	Pension Starts 06/01/2020
m. Helena Pentecost	10 years, 2 months	Pension Starts 02/01/2024
n. Luis Rivera	11 years, 9 months	Pension Starts 08/01/2019
o. James Smothers	14 years, 5 months	Pension Starts 03/01/2021
p. Donna Taylor	24 years, 10 months	Pension Starts 01/01/2025

- | | | |
|-----------------------|--------------------|---------------------------|
| q. Dale Vandagriff | 13 years, 3 months | Pension Starts 08/01/2012 |
| r. Bryant Vaughn | 10 years, 9 months | Pension Starts 02/01/2032 |
| s. Curtis Wadsack | 19 years, 2 months | Pension Starts 06/01/2023 |
| t. James Walker | 17 years, 1 month | Pension Starts 11/01/2020 |
| u. Johnny White | 16 years, 7 months | Pension Starts 05/01/2019 |
| v. Timothy Youngquist | 17 years, 4 months | Pension Starts 01/01/2020 |
4. Final Benefit Calculations:
 5. Change of Retirement Effective Date:
 - a. Debra Woods
 - b. Charles Anthony
 - c. Ellen Zimmermann

Trustee Barnett asked about the late charges on the Ikon invoice.

Ms. Zimmermann stated that the late charges did not apply and were waived.

RESOLUTION 11-072 – By Bowman, Supported by Woods
 Resolved, That the Board approve the consent agenda for July 27, 2011.

Yeas: 9 – Nays: 0

CONSULTANTS

Re: Gray & Company

Mr. Kuhn provided a copy of the Fund's updated market values. He told the Board that Larry Gray is in Washington, D.C. this week.

He explained that the amounts that are bolded and red are their recommendations that need to be reduced due to over allocations; this will be done during the semiannual rebalancing.. The equity managers are \$33 million to \$34 million over allocated except in the value portfolio.

He explained performance during the second quarter of 2011. April was a good month but May and June's performance was not good. Most portfolios were relatively flat for the quarter.

Coming into this quarter the Fund had three good quarters of performance.

Chairman Harrison asked about the debt ceiling issue.

Mr. Kuhn said that the markets have hit a soft patch. The Federal Reserve has downgraded their forecast.

Chairman Harrison asked how this would affect Wall Street.

Mr. Kuhn said that Wall Street could ignore the forecast but the ripple affect could cause higher interest rates. A credit rating of AA for the United States would affect everyone and could cause an upward shift in yields. It could also affect the value of the dollar and drive it even lower.

The European block of countries is continuing to struggle. This could also cause other currencies like Brazil to grow even stronger.

Ms. Zimmermann said that the uncertainty of Wall Street and the economy has impacted a lot of companies. Many are holding large amounts of cash but they are not hiring or purchasing goods. Many of the CFO's are making comments that they are unwilling to take on risks in this economic environment.

Mr. Kuhn said that companies have been this way for sometime. Most have a lot of cash on their balance sheets but not in the U.S. They are holding their money in the U.K., Spain and other countries. They get more use out of their money over there and do not have to pay taxes.

The current Fund value is around \$430 million.

He told the Board that they are working on the global equity search.

REPORTS

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees

Trustee Scott stated that Chairman Harrison sent a letter to the Emergency Manager on behalf of the Board seeking his opinion on whether he cares if the Retirement Office Staff separates from the City. He did not recall that the Board was considering separation.

Chairman Harrison said that the issue will be dealt with very quickly. The Board has been speaking to this issue for sometime regarding the separation of the Retirement Staff. The Emergency Manager has been proposing this for sometime. The Emergency Manager has the authority based on the new legislation to do this.

The Board is considering the separation of the Retirement Office and Staff based on the City's fiscal stress. The Board has not voted; they are considering. What we were looking for was his feedback instead of going back and forth on this issue.

The Board will address this issue at Thursday's meeting. He does not want to discuss tomorrow's meeting today.

Trustee Scott said that the Board agreed to meet with the Police & Fire Board to discuss the issue. He and several other members are not in favor. When he spoke with the Emergency Manager he was not in favor.

Chairman Harrison said that he would rather discuss the issue tomorrow. He felt that Trustee Scott was confusing the word considering. All the information will come out at tomorrow's meeting.

Trustee Scott stated that he is not considering the issue.

Trustee Naglick said that they are having tomorrow's meeting to discuss the issues.

Trustee Jukowski said that under the current status of the law the Union may not be an issue based on the Emergency Manager's authority.

Trustee Redmond asked about the 70%/30% split with Police & Fire. She asked when this was voted on and if it is still the same.

Ms. Zimmermann indicated that it was determined a long time ago and it was based on the value of assets in each System.

Chairman Harrison thanked Ms. Zimmermann for the clarification.

Trustee Scott asked if Chairman Harrison had explained his statement that the Board was considering.

Chairman Harrison stated that he felt Trustee Scott was tripping over the words.

Trustee Scott stated that there is power in words.

Re: Administrator

Medicare Part B Reimbursement

Ms. Zimmermann reported that this is the first month that the Medicare Part B payments for the City were processed. Ms. Munson is running the payroll using City funds. She spoke with Trustee Naglick and told him that the postage for mailing the checks will cost approximately \$2,400.00 per year. The Retirement System will bill the City for the postage.

Trustee Barnett asked where the money is coming from. Ms. Zimmermann indicated that a separate ADP payroll is being run from a City account. Trustee Scott's department is executing the payment in Banner.

Re: Legal

Ms. Billings requested that the Board move to closed session to discuss pending litigation.

RESOLUTION 11-073 By Jukowski, Supported by Williams

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

Roll Call:

Trustee Barnett – Yea	Trustee Scott - Yea
Trustee Bowman – Yea	Trustee Redmond - Yea
Chairman Harrison – Yea	Trustee Waterman - Yea
Trustee Jukowski – Yea	Trustee Williams - Yea

Trustee Naglick – Yea

The Board moved to closed session at 2:13 p.m.

The Board returned from closed session at 3:02 p.m.

RESOLUTION 11-074 By Waterman, Supported by Redmond

Resolved, That the Board approve the reimbursement of legal fees for Trustee Bowman and Chairman Harrison for up to \$20,000.00 per trustee in reference to the Onyx litigation.

Yeas: 9 – Nays: 0

RESOLUTION 11-075 By Waterman, Supported by Williams

Resolved, That the Board approve the closed session minutes for June 22, 2011.

Yeas: 9 – Nays: 0

The Schweitzer – Mauduit International Securities Litigation

Ms. Billings reported that this matter is still pending. The Court has not issued its decision on behalf of the Retirement System opposing the Defendants’ Motion to Dismiss.

Nexos Private Equity Growth Fund

Ms. Billings reported that Nexos has stated they will provide the remaining documentation by Friday, July 29, 2011. They will review the documentation regarding an investment exit strategy.

Sybase Litigation (RGRD)

Ms. Billings reported that the Court has granted preliminary approval of the settlement. The final approval hearing is currently scheduled for September 9, 2011.

Rehab Care Group, Inc.

Ms. Billings reported that the parties are in the process of preparing the documents for court approval of the settlement.

Finisar Securities Litigation

Ms. Billings reported that the Motion for Lead Plaintiff is pending. They will keep the Board updated in regard to this matter.

Longtop Financial Technologies Limited Litigation

Ms. Billings reported that the Motion for Lead Plaintiff is pending. They will keep the Board updated in regard to this matter.

Ordinance Amendment Regarding Board Composition

Ms. Billings reported the Board has requested that the Emergency Manager amend the Board composition in the Retirement Ordinance due to the number of City employees that have been laid off. Currently, there are three active Employee Trustees and there is concern that the pool of active members will continue to decline. The amendment to the Retirement Ordinance would

allow City deferred vested members to serve as the Employee Trustee if there are no active members. There was also discussion regarding broadening the pool and opening up the position to retirees.

Chairman Harrison said that the rationale for broadening the pool of eligible candidates is because there are more retirees and it would be a better and larger pool. We lost a good trustee in Debra Woods who is not deferred and would not be eligible. The pool of active members will continue to shrink.

Trustee Barnett said that if the pool was opened up to retirees she feels that a retired hospital member should have a position on the Board. The Board has not been able to fill the Hospital Deferred Trustee position for a number of years. Most of the deferred members have retired and were not eligible for a trustee position.

Ms. Billings said that Trustee Barnett raises a valid point and that section of the Ordinance could be addressed as well. The Ordinance could be amended with regard to the trustee appointment allowing active members or deferred vested members to serve on the Board.

The Hospital Deferred Vested Trustee position could be changed to allow a hospital retiree or deferred vested member.

Ms. Zimmermann pointed out that the problem with the Hospital Deferred Vested Trustee position is that most of the members attained age and were in pay status and were no longer eligible candidates. At that time some members of the Board objected to that trustee position being filled with someone in pay mode.

Trustee Naglick recommended fixing both trustee positions.

Ms. Zimmermann said that the Board could look into whether the layoffs in the General System constitute a partial plan termination. She stated that if the System has declined 20% due to the number of layoffs under IRS Regulations it would allow the immediate vesting of anyone who was terminated within a year of that occurrence.

Trustee Scott asked what is a partial plan termination.

Ms. Zimmermann explained that if the recent layoffs result in a significant decrease of plan participants of 20% a partial plan termination may be deemed. This could be a way to address those members with less than ten years who were affected.

Ms. Billings said that she would get the information from Ms. Zimmermann.

Ms. Zimmermann said that she would need information from Trustee Scott.

Trustee Barnett asked if a cost study will be needed.

Ms. Zimmermann explained that this is not a new benefit or change in the plan. This would be included in the next actuarial valuation.

RESOLUTION 11-076 By Waterman, Supported by Bowman

Resolved, That the Board direct legal counsel to send the amended Board composition letter to the Emergency Manager.

Yeas: 9 – Nays: 0

Lockheed Martin Corporation Litigation

Ms. Billings reported that it has been alleged that the CEO and CFO of Lockheed Martin issued materially false and misleading statements resulting in the company's stock being traded at artificially inflated prices. The System lost \$17,000.00 and since time was of the essence the Secretary signed the Retainer Agreement.

She told the Board that someone with larger losses will more than likely step in as lead plaintiff. She requested that the Board ratify the Secretary's signature on the Retainer Agreement.

RESOLUTION 11-077 By Bowman, Supported by Waterman

Resolved, That the Board ratify the Secretary's signature on the Lockheed Martin Corporation Litigation Retainer Agreement.

Yeas: 9 – Nays: 0

Rosemary Corr Letters of Conservatorship

Ms. Billings reported that this is for the trustees' information.

William Hampshire Petition for Administration and Letters of Administration

Ms. Billings reported that this is for the trustees' information.

Bernstein Litowitz – *The Advocate* – Spring 2011

Ms. Billings reported that this is for the trustees' information.

Miscellaneous Articles

- Mlive.com – *Michigan Supreme Court agrees to consider legality of taxing public pensions* – June 15, 2011
- The Detroit News, June 16, 2011 – *Michigan Supreme Court to Review Pension Tax*

Ms. Billings referred to the article from the Detroit News dated June 16, 2011 regarding the Michigan Supreme Court reviewing the pension tax and ruling under the Michigan Constitution that benefits cannot be diminished.

IRS Business Mileage Rate

Effective January 1, 2011 – 51 cents per mile for business mile driven.

Effective July 1, 2011 – 55.5 cents per mile for business mile driven.

Arthur Brown and Vida Twum

Ms. Billings indicated that this is for the trustees' information.

Trustee Naglick asked why a cost study is needed.

Ms. Billings explained that she spoke with the actuary and the additional service credit for time worked as a temporary employee was not included in the actuarial valuation.

Ms. Zimmermann said that they are looking into doing one cost study for each union affected and have made a request to the actuary. It would cost approximately \$500.00 to \$1,000.00.

Trustee Naglick questioned whether it is typical to request a cost study for temporary time. He felt it would help to have the cost study requirement process completed regarding temporary time so the Board would be all set.

Chairman Harrison stated that cost studies are required based on Public Act 314.

Ms. Billings stated that the Public Act 314 cost study requirement went into effect in 2002.

Trustee Scott felt that the language in the contract was all that was needed.

Ms. Billings indicated that the resolution approved at the last meeting indicated that a cost study was required.

Trustee Scott stated that he does not feel that a cost study is needed.

Ms. Billings stated that the CBA indicates that the Human Resources Director can interpret benefits previously negotiated, such as service for temporary time, but, the CBA does not specifically state service credit for temporary time and as such the actuary has not included this in her prior reports, so a cost study is required.

Ms. Zimmermann stated that one cost study will get this issue resolved.

Trustee Scott asked if the members have received their service credit at this point in time.

Ms. Billings stated that under the law the Board is required to have seven days notice before a change in benefits is implemented.

Trustee Naglick said that going through the process protects the Board and Human Resources.

Ms. Billings said that she would provide an analysis of how benefit changes can be implemented under state law.

Trustee Redmond asked if the factor will be corrected for Teamsters from 2.25% to 2.5% when the cost study is done.

Trustee Scott said that the 2.5% valuation has not been done.

Ms. Zimmermann asked that Trustee Scott forward the names of those members with temporary time that would be affected.

Trustee Naglick asked if there is any news on the Public Act 4 petition drive.

Re: Union Representatives

Ms. Billings suggested revising the agenda and moving the Union Representative to the front of the agenda with Public Discussion.

RESOLUTION 11-078 By Williams, Supported by Waterman

Resolved, That the Board approves the Union Representative agenda item be moved to the front of the agenda with Public Discussion.

Yeas: 9 – Nays: 0

Retiree, Larry Marshall requested that he receive a copy of the Board's agenda packet prior to the meeting.

Ms. Zimmermann said that he could receive copies of the approved minutes and the agenda prior to meetings.

Ms. Billings stated that there is no legal objection to providing the minutes in a draft form before a meeting.

Mr. Marshall said this would help him be more familiar with the issues prior to attending the meeting. It would also help when he is explaining issues to the union members he represents.

He does not want to talk about the meeting tomorrow. He questioned whether the Retirement Office employees becoming Retirement Board employees is a separation from the City or is it different.

Chairman Harrison said that he would like to continue the meeting without going into tomorrow's meeting.

Mr. Marshall stated that he thought the issue was about the Police & Fire Board wanting to hire their own employees. The talk about separating the employees from the City has been going on for fifteen years. He was opposed then and is opposed now. He asked if this topic would require a public hearing.

Chairman Harrison said that nothing will happen at tomorrow's meeting besides a discussion. And, nothing will happen without a legal opinion.

Mr. Marshall confirmed that a public hearing is not required.

He also stated that the Board composition should require a conversation between the employees and the unions. Currently, City employees and unions have an active participant on the Board. They need to be included in the conversation and need to know what information is being taken to the Emergency Manager.

Trustee Scott also commented on the documentation Ms. Zimmermann included in the agenda packet. He felt that the memorandum was inappropriate and reckless and that she was trying to slam him. There were no attachments related to this issue.

He stated that the issues were resolved in the Impasse Agreement approved by Fred Leeb on June 29, 2009. He distributed copies of the email correspondence with regard to the Arthur Brown issue.

Ms. Zimmermann stated that Trustee Scott has provided copies of the changes to the contract but the Retirement Office still does not have a full signed contract.

Trustee Scott stated that for the record they are still working from the Impasse Agreement and the amendments. All documentation has been provided to the Retirement Office.

UNFINISHED BUSINESS

Re: Medicare B Payroll – Refer to Administrator

Re: Citizen Trustee Appointment - Tabled

Ms. Billings reported that there has been no movement with regard to this matter.

Re: Board Composition – Refer to Legal

Re: Employee-Trustee Election – Refer to Public Discussion

Ms. Zimmermann indicated that the nominating petition process has been extended one week for the benefit of the DPW members who did not get notice.

Re: Arthur Brown Service Credit – Refer to Legal

Re: Vida (Twum) Owuse-Agyel Service Credit – Refer to Legal

NEW BUSINESS

Re: Semi-Annual Rebalancing

Ms. Zimmermann requested that the Board approve the semi-annual rebalancing to pay for benefits and operations for the next six months.

RESOLUTION 11-079 By Bowman, Supported by Waterman

Resolved, That the Board approves the transfer of \$2,250,000 from Sawgrass large cap growth account; \$2,250,000 from the Gray & Company emerging manager account; \$3,400,000 from the Munder mid cap account; \$3,000,000 from the Systematic mid cap account; \$2,250,000 from the Kennedy small cap account and \$2,250,000 from the Loomis Sayles small cap account to provide for benefits and operating expenses for the next six months.

Yeas: 9 – Nays: 0

SCHEDULING OF NEXT MEETING

Special Joint Meeting: July 28, 2011 @ 1:30 p.m. – City Council Conference Room
Special Meeting: August 23, 2011 @ 8:30 a.m. – Pontiac Marriott at Centerpoint
Regular Meeting: August 27, 2011 @ 1:30 p.m. – City Council Conference Room

ADJOURNMENT

RESOLUTION 11-080 By Waterman, Supported by Bowman
Resolve, That the Board adjourn the meeting at 3:44 p.m.

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on July 27, 2011

As recorded by Jane Arndt