

**CITY OF PONTIAC, MICHIGAN  
GENERAL EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
SEPTEMBER 28, 2011**

A regular meeting of the Board of Trustees was held on Wednesday, September 28, 2011 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:40 p.m.

**TRUSTEES PRESENT**

Shirley Barnett

Koné Bowman

Charlie Harrison, Chairman

Leon Jukowski, Mayor

Phyllis Long

John Naglick, Secretary

Tuesday Redmond

Devin Scott

Patrice Waterman

Kevin Williams

**OTHERS PRESENT**

Cynthia Billings, Sullivan Ward Asher & Patton

Chris Kuhn, Gray & Company

Ellen Zimmermann, Retirement Administrator

Jane Arndt, M-Administrative Assistant

David Jackson, Fmr City Employee

Larry Marshall, Retiree (*arr. at 2:07 p.m.*)

Al Garcia, Retiree

Sandra Kelof, Retiree

Al Phillips, President Local 2002

Linda Watson, Retiree

Debra Woods, Retiree

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**PUBLIC DISCUSSION/UNION REPRESENTATIVES**

Ms. Watson questioned the line item expenses – City of Pontiac under Accounts Payable in the agenda.

Ms. Zimmermann indicated that those were costs reimbursed to the City for the retirement staff and expenses.

Ms. Watson asked how often the costs are reimbursed to the City. She also asked what the payment to Flood, Lanctot, Connor, Stablein was for.

Ms. Zimmermann stated that this specific bill was for the period January, 2011 through June, 2011. The payment to Flood, Lanctot, Connor, Stablein was for legal fees.

Ms. Billings indicated the payment was for legal fees as part of the Onyx litigation.

Ms. Watson also asked about the payment to The Sargent Group.

Ms. Billings stated that The Sargent Group are the experts retained to exam the documents in the Onyx litigation.

Retiree, Larry Marshall confirmed that the Board did not move on the issue of hiring its own staff at the last meeting. He asked if it will be dealt with at today's meeting. He is opposed to the staff becoming Retirement Board employees. He is not satisfied the board has the authority to do this and does not see the need; things are going well. He does not believe or is satisfied with the explanation received with regard to MERC and the State of Michigan. He remains opposed and will pursue any means of protest against this issue.

Retiree, Debra Woods asked if the issues at the last meeting have been addressed. Prior to the vote there were questions and she asked if they have been answered. She does not understand why the Board would move forward without getting the questions answered.

Chairman Harrison said that a special meeting was held to discuss this issue. At the meeting trustees were asked to submit questions in writing to the staff. Some members took advantage of this. He feels that progress has been made and that questions have been answered and more may be answered at today's meeting. There are answers in the minutes to a number of questions including the Board's.

Trustee Redmond asked if there is a written report with the answers. She also inquired about the 70%/30% split with the Police & Fire System. There are issues on the table that need to be resolved. Even though questions were not put into writing, they were not answered; that needs to be dealt with.

Chairman Harrison said that this item is on the agenda and the Board will be able to deal with this later in the meeting. The information needed by the Board will be provided in order for them to make a determination. The attorney provided a lot of the answers at the last meeting. We will come back to this issue as a Board.

Employee, Paul Mosher asked if the vacant position on the Board will be filled before the Board votes on this issue.

Mr. Mosher was told that at this point there are no vacant positions on the Board.

Local 2002 President, Al Phillips asked if the Board plans to make a decision today.

Chairman Harrison assured Mr. Phillips that this issue will not affect him and that the union position will remain a union position. Nothing will change with regard to that.

Mr. Marshall asked if the Board composition is still pending. He asked if there has been any input from the collective bargaining groups. He is just wondering if there will be an update. It seems that the Board is moving away from public scrutiny which could be an issue. He believes

there is a danger that the Board would begin to travel excessively, give raises and buy buildings. As a member of the Retirement System he feels there is legitimate danger.

Ms. Woods asked how often the minutes are posted online. Last month's minutes with the answers to the questions were not posted.

Ms. Arndt explained that once the Board approves the minutes at the meeting they are sent to the IT Department to be posted on the website. It normally takes a week to get them posted. She confirmed that only approved minutes are posted and that minutes are normally one month behind.

Chairman Harrison stated that he appreciates everyone's comments and concerns.

## **AGENDA CHANGES**

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### **APPROVAL OF CONSENT AGENDA**

- A. Minutes of Special Meeting: August 23, 2011
- B. Minutes of Regular Meeting: August 24, 2011
- C. Communications
  - 1. Correspondence from Loomis Sayles Re: SEC Subpoena
  - 2. Correspondence from AMBS Re: August Market Commentary
  - 3. Correspondence from Peritus Re: Market Commentary
- D. Financial Reports
  - 1. Financial Reports – August 2011
  - 2. Securities Lending – July 2011
  - 3. Capital Calls:
    - a. Mesirow \$200,000
  - 4. Accounts Payable
    - a. ADP \$2,812.25
    - b. Berwyn Group 230.00
    - c. City of Pontiac 152,883.19
    - d. Coffee Break 65.11
    - e. ES&S (election) 792.81
    - f. Flood, Lanctot, Connor, Stablein 6,750.00
    - g. GE Capital (copier) 116.42
    - h. Gray & Company 8,104.17
    - i. Office Depot 75.02
    - j. Rodwan Consulting 1,700.00
    - k. The Sargent Group 16,017.00
    - l. Stevens Record Management 58.56
    - m. Visa 2,310.76
- E. Q3 A/P (due to PFRS) 629.73
- D. Retirements, Refunds, Final Calculations, Re-Examinations
  - 1. Remove from the Rolls:

- a. Mariette Carleton (deceased 08/18/11)
- b. Louise R. Eddy (deceased 08/25/11)
- c. Marie Neaves (deceased 08-27-11)
- 2. Application for Service Retirement:
  - a. Sheila Maksuta – Teamsters 214                      17 years, 1 month              Age 60
- 3. Applications for Deferred Retirement:
- 4. Final Benefit Calculations:
  - a. Larry Marshall                                      #2412                      \$7,763.84
  - b. Eric Nelson    #2503                      7,812.74
- 5. Change of Retirement Effective Date:
  - a. Ellen Zimmermann

**RESOLUTION 11-087** By Naglick, Supported by Waterman  
 Resolved, That the Board approve the consent agenda for September 28, 2011 as presented.

Yeas: 10 – Nays: 0

**CONSULTANTS**

**Re: Gray & Company**

Market Update

Mr. Kuhn distributed the market values as of September 26, 2011. He said there has been a little rebound the past few days. August was a difficult month with most funds losing around 5%. During September the Fund has incurred additional losses.

Chairman Harrison asked how this System compares versus the economy as a whole. He questioned whether the System experienced less down performance than other funds.

Mr. Kuhn stated that they have not reviewed this Plan versus other plans. Those plans with higher fixed income allocation did better over the summer.

Ms. Zimmermann asked if Mr. Kuhn would address Union Heritage.

Mr. Kuhn explained that Union Heritage is a large cap core manager and part of the large cap emerging manager portfolio originally hired under UIM. They recently went through a change in ownership and were purchased by J.P. Morgan Stanley. They have had strong performance but had trouble raising funds.

Ms. Zimmermann said that she has not received any communications from them in regard to this change and questioned whether they are still operating as an independent firm.

Mr. Kuhn acknowledged that he would look into the issue.

Money Market Recommendation

Mr. Kuhn explained that due to the debt issue in Greece they have been closely monitoring the money market funds and recently made a recommendation. They do not feel comfortable with the cash account remaining in traditional money market accounts and are suggesting that the Fund move into a government only strategy.

The European debt issues are getting worse. The System currently has \$12 million held in cash that could be directly impacted. All managers have cash accounts. He noted that the System's cash account has been switched over.

The System may give up a small amount of performance in the government-only account. Expected returns will go from 15 basis points to 8 basis points, but the risk outweighs the potential excess returns.

Trustee Bowman confirmed that the Fund's cash account would be making less.

Ms. Zimmermann confirmed that there would be less performance. She referred to the Statement of Changes included in each month's agenda showing that the monthly interest on the account earns roughly \$769.00 on \$14 million to \$15 million held in the account.

*Ms. Billings left at 2:09 p.m.*

Mr. Kuhn said that there would be less performance but most money market funds have exposure to Europe and European banks. Even U.S. banks could have exposure through derivatives to European banks. It could have a large impact on the Fund similar to the securities lending issue.

**RESOLUTION 11-088** By Jukowski, Supported by Naglick

Resolved, That the Board ratify the Administrator's signature on the directive to Northern Trust authorizing the change of the cash sweep from the "Collective Short Term Investment Fund" to the "Collective Government Short Term Investment Fund."

Yeas: 10 – Nays: 0

Peritus – UBS Account

Mr. Kuhn reported that Peritus Asset Management has requested opening a trade account with UBS. UBS wants to know who they are acting on behalf of. They are comfortable with providing the information to UBS.

Ms. Zimmermann indicated that UBS is looking for a resolution.

Chairman Harrison questioned whether this issue requires Board approval.

Mr. Kuhn stated that they are looking for trustee information, a signature and name on the account.

Ms. Zimmermann stated that UBS is looking for the body's authorization.

Chairman Harrison asked if Ms. Zimmermann is comfortable with the request.

Ms. Zimmermann confirmed that she is comfortable and trusts Mr. Kuhn's opinion. She referred this issue to him because she had never received this type of request before.

Trustee Naglick said that this is probably part of UBS's compliance.

Mr. Kuhn said that they wanted to insure that none of the System's assets were being held at UBS and that this was a transaction only account.

*Ms. Billings returned at 2:15 p.m.*

**RESOLUTION 11-089** By Bowman Supported by Barnett  
Resolved, That the Board provide the trustee information and authorize the trade account with UBS.

Yeas: 10 – Nays: 0

Mr. Kuhn told the Board that the Investment Policy Statement included in the agenda packet is the updated version approved at the last meeting. He recommended that the trustees update their Trustee Handbooks with the most recent version of the IPS.

He also told the Board that he has offered to provide investment education for the two new trustees, Phyllis Long and Tuesday Redmond. He can perform one on one training or group-based training for the trustees. He asked if any trustees were interested.

He will set a time to open up the training to additional trustees.

## **REPORTS**

### **Re: Chairman**

Chairman Harrison told the Board that the Vice Chair position is open. He proposed that nominations be submitted at the October, 2011 meeting for those who are interested. He asked that this item be added to the October, 2011 agenda.

*David Jackson, Al Phillips, Larry Marshall & Paul Mosher left at 2:20 p.m.*

**Re: Secretary** – None

**Re: Trustees/Committees** - None

**Re: Administrator**

General VEBA Trustee

Ms. Zimmermann indicated that the General VEBA meeting was held prior to this meeting. That Fund needs the GERS Board to appoint one of the GERS Employee Trustees to the vacant position on its Board. She noted that the General VEBA Board meets quarterly.

Trustee Redmond volunteered to fill the vacant position on the General VEBA Board.

**RESOLUTION 11-090** By Williams, Supported by Jukowski

Resolved, That the Board appoint Employee Trustee Redmond to the vacant position on the General VEBA Board.

Yeas: 10 – Nays: 0

Chairman Harrison welcomed Trustee Long to the Board. She was “baptized” at the special meeting. The trustee position is an on the job learning experience and education is very important.

He informed the Board that Trustee Scott will be leaving and wished him well. He expressed his appreciation to Trustee Scott for his willingness to give up his time to serve as a trustee. He wished Trustee Scott the best in life and to his family.

Employee-Trustee Election - Scott

Ms. Zimmermann reported that the Employee-Trustee position for Trustee Scott is currently vacant. The election needs to be held within ninety days of a vacancy. She asked that the Board approve the election calendar and designate a canvasser.

**RESOLUTION 11-091** By Jukowski, Supported by Redmond

Resolved, That the Board approve the election calendar for the Employee-Trustee for the remainder of the term ending March 31, 2015.

Yeas: 10 – Nays: 0

Trustee Long questioned how the Board can vote on a memorandum dated prior to the meeting.

Ms. Zimmermann explained that the Board is voting to ratify the action.

Employee –Trustee Election Process

Ms. Zimmermann raised an issue regarding the election. When they started running elections at City Hall there were only about 100 employees eligible to vote. At the last election only 37 members voted. She explained the costs associating with running an election including creating the ballots and programming of the voting machine. It costs the system roughly \$800.00 to run an election. She asked the Board if the next election could be done using manual ballots and a ballot box.

Chairman Harrison indicated that the process would be open to any member.

Ms. Zimmermann explained the voting process using manual ballots and a ballot box. The ballot box will be sealed by the City Clerk and opened at the end of the election to count the ballots.

Trustee Redmond asked if the ballots will still have numbers.

Ms. Zimmermann stated that if the ballots have numbers assigned it would be easy to track who the member voted for. She said the numbered tabs are removed when voting to ensure privacy.

Trustee Scott was concerned about using paper ballots. He also confirmed that the election costs the System \$800.00.

Ms. Zimmermann indicated that any member is welcome to be present at the counting of the ballots.

*Al Phillips & Paul Mosher returned at 2:30 p.m.*

**RESOLUTION 11-092** By Barnett, Supported by Long

Resolved, That the Board approve the use of paper ballots at the upcoming Employee-Trustee Election being held November 29, 2011.

Yeas: 10 – Nays: 0

#### Election Canvasser

Ms. Zimmermann requested that the Board determine which trustee will act as the canvasser for the General Election to be held on August 30, 2011.

Trustee Barnett volunteered to act as the canvasser.

#### FOIA Request

Ms. Zimmermann referred to the cover letter sent regarding a FOIA request submitted from a financial publication.

#### MAPERS Legislative Update

Ms. Zimmermann indicated that there are a number of changes being proposed for Public Act 314 and information is provided.

*Chris Kuhn left at 2:30 p.m.*

#### **Re: Legal**

**RESOLUTION 11-093** By Bowman, Supported by Waterman

Resolved, That the Board approve to move to closed session to discuss pending litigation regarding Onyx, Northern Trust, Emdeon and Lockheed Martin.

Roll Call:

Trustee Barnett – yea

Trustee Naglick - yea

Trustee Bowman – yea  
Chairman Harrison – yea  
Trustee Jukowski – yea  
Trustee Long – yea

Trustee Redmond - yea  
Trustee Scott - yea  
Trustee Waterman - yea  
Trustee Williams - yea

*The Board moved to closed session at 2:33 p.m.*  
*The Board returned from closed session at 3:19 p.m.*  
*Meeting break at 3:19 p.m.*  
*Meeting resumed at 3:24 p.m.*

**RESOLUTION 11-094** By Bowman, Supported by Long  
Resolved, That the Board approve to petition the court to change Mr. Dixon’s bankruptcy to Chapter 7 jointly with the SEC as recommended by legal counsel

Yeas: 10 – Nays: 0

**RESOLUTION 11-095** By Williams, Supported by Bowman  
Resolved, That the Board approve the closed session minutes from July 27, 2011.

Yeas: 10 – Nays: 0

**RESOLUTION 11-096** By Bowman, Supported by Jukowski  
Resolved, That the Board approve to pay 20% of the Sargent invoices for the Onyx case.

Yeas: 10 – Nays: 0

**RESOLUTION 11-097** By Waterman, Supported by Jukowski  
Resolved, That the Board ratify the Administrator’s signature on the Emdeon Affidavit and Verification.

Yeas: 10 – Nays: 0

**RESOLUTION 11-098** By Waterman, Supported by Jukowski  
Resolved, That the Board authorize the Administrator to attend on behalf of the Retirement System, the hearing for lead plaintiff in the Lockheed Martin matter.

Yeas: 10 – Nays: 0

Finisar Securities Litigation

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

Longtop Financial Technologies Limited Litigation

Ms. Billings reported that the Court denied the System's Motion for Lead Plaintiff and appointed a small group of institutional investors with larger losses as lead plaintiff. This matter is closed.

The Schweitzer – Mauduit International Securities Litigation

Ms. Billings reported that the Court granted the Defendants' Motion to Dismiss. After an extensive investigation Robbins Geller has been unable to develop sufficient facts to address the Court's concerns. It is Robbins Geller recommendation that the System file a stipulation of dismissal with the Defendant and the Court.

**RESOLUTION 11-099** By Jukowski, Supported by Barnett  
Resolved, That the Board authorize the filing of a stipulation of dismissal per legal counsel recommendation.

Yeas: 10 – Nays: 0

Sybase Litigation (RGRD)

Ms. Billings reported that on September 9, 2011 the Court approved the settlement and is currently reviewing the legal fees.

Rehab Care (MR)

Ms. Billings reported that this matter is still pending. She will keep the Board updated in regard to this matter.

Nexos Private Equity Growth Fund

Ms. Billings reviewed the correspondence provided in the legal report. She referred to email communications between Mr. Kuhn to Gregory Winters of the Chicago Transit Authority regarding this issue and why Gray & Company is recommending a liquidation of the Nexos Fund.

She also referred to correspondence dated September 20, 2011 from Karla Kraft of Hodel Briggs Winter with her response regarding Nexos's material misrepresentation and the fund's diversification violation. Ms. Kraft indicated that the System was aware of the lack of diversification and material misrepresentation when they approved the first drawdown.

Ms. Kraft also responded to Ms. Billings' issue regarding the high organizational fees for a fund that only raised \$14 million which exceeded the \$850,000.00 indicated in the Limited Partnership Agreement. She stated that the startup costs are the same regardless of the size of the fund.

Ms. Billings disputed Ms. Kraft's response. Nexos still violated the Limited Partnership Agreement. Even though the System approved the first drawdown, Nexos still had thirteen months to raise capital. They also violated the agreement when they only invested in one company. They did not provide sufficient information or documentation as to why profits went down. She indicated that a footnote on a financial statement does not rise to the level of the Limited Partnership Agreement. Nexos will also receive a similar demand letter from the Chicago Transit Authority.

### Correspondence to Dennis Cowan Regarding Board Composition

Ms. Billings referred to the correspondence regarding the Board composition. She has forwarded the correspondence to the new Emergency Manager.

Trustee Naglick indicated that this issue is still being coordinated with Mr. Cowan.

### Fiduciary Liability Insurance

Ms. Billings reported that she has been battling with the insurance agent regarding the deletion of recourse endorsement which states that it is only effective if the premium was paid by the trustee. She received a letter from Heather Bishop of Chubb that indicated the System will not be charged for the recourse endorsement.

Trustee Bowman asked why the System chose Chubb as the provider.

Ms. Billings explained that there are not many companies that provide fiduciary liability insurance. She noted that Chubb, Ullico, Travelers and AIG are the main fiduciary liability insurance providers.

Trustee Bowman questioned whether Hartford is a provider.

Ms. Billings stated that she has never seen Hartford listed as a provider. She noted that this would not be a good time to change the policy provider.

### Partial Termination

Ms. Billings reported that she is continuing to work with Human Resources to obtain the PAS Forms and layoff lists needed to make the determination. She explained that a partial termination would mean that members with less than ten years of service credit that were laid off could be vested in the System.

### Kaplan Fox – Tabled

Ms. Billings reported that Kaplan Fox is another firm that recently reached out to the Board. The Court likes to see Funds have multiple securities litigation monitoring firms.

### The Estate of Elizabeth Pursley

Ms. Billings reported that the Retirement Office was not informed of the death of member Elizabeth Pursley. Ms. Pursley's estate was overpaid \$3,196.72 which was deposited into her bank account. A letter has been sent to the estate regarding the repayment of these benefits. She noted that they are looking into whether there is another party on the checking account which is the only way they might recoup the payments.

### Investment Policy Statement

Ms. Billings reported that the deletion of the provision in the Investment Policy Statement with regard to a hostile takeover in private equity is not an issue under PA 314.

PA 314 Update - Tabled

Ms. Billings indicated that she will report on this matter at the next meeting

**Re: Union Representatives**

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**UNFINISHED BUSINESS**

**Re: Retirement Office Staffing**

Chairman Harrison asked that Ms. Billings provide the rationale for the Board hiring the Retirement Office Staff.

Ms. Billings questioned whether the issue is if the Retirement Office can have its own staff. She indicated that under Public Act 314 the Retirement Board is allowed to retain their own staff. They have a fiduciary responsibility to the members. Currently, the staff are City employees but the Retirement Systems reimburse the City for their salaries and all their employee benefits.

Trustee Naglick said that the financial situation of the City is an issue and the City could potentially not make payroll. It is important that there is continuity in the Retirement Office. You cannot just flip a switch to make the change. There should be no disruption.

Ms. Zimmermann said that she has heard that the Library and Housing are considering separating and becoming their own employers. However, because they are members of the System, the Retirement Office will still need their pay data and other pertinent information. She would appreciate an amendment to the Retirement Ordinance to insure that the Library and Housing Commission members remain covered.

Chairman Harrison asked if this separation is taking place.

Trustee Naglick said that he has a meeting at the Library after this meeting to discuss the issue. They are currently being treated like the Pontiac School District. Both those entities are funded by a tax millage. He said that they are not at that point with Housing.

Trustee Scott said that there are union members employed so no changes are needed to the Retirement Ordinance.

Trustee Long indicated that there are non-union employees employed at the Housing Commission.

Trustee Scott said that he was talking about the Library.

Trustee Long said that there are non-union members at the Library.

Ms. Billings indicated that the Retirement Ordinance would have to be amended to accommodate these changes for non union employees.

Trustee Redmond asked who has the responsibility of notifying the members with regard to the separation.

Ms. Billings stated that the Board has a fiduciary responsibility to administer the System.

Trustee Scott said that the Retirement System was generated by the employees and the City. He questions that there are people that are not receiving benefits that are involved in the decision making. He felt that the Board needs to tweak how they do business to make sure that the people get paid. He does not believe that the City is going bankrupt and there is still money.

Chairman Harrison asked that trustees be recognized by the Chair if they have a question or comment. He indicated that Public Act 314 supersedes the City and the unions. The Board is trying to be proactive because the City could potentially run out of money per the Finance Director; there could be payless paydays.

The issue regarding the union employee has been addressed. That employee will remain in the Union. The staff will still report to the Board. Nothing will happen to their benefits. They will still receive what they are receiving now. There is a potential conflict with the Retirement Staff reporting to the Finance Director. He gave an example of the Administrator reporting to the Board, the Mayor and the Finance Director and the issue it could create.

Trustee Waterman asked what procedures need to take place or what needs to happen to transition the staff.

Ms. Billings stated that she can pull a document together on what needs to happen for the transition.

Trustee Long asked how this will relate to benefits. She said that she has no opinion either way but from a benefit standpoint the more people in the City's benefit plan helps to decrease rates. She said it is difficult for small groups to obtain a low rate. She also questioned whether the Library and Housing will have the same benefits.

Trustee Naglick said that it should not have an affect because the City is self insured.

Trustee Long indicated that as the group decreases rates go up. The more people in a group the better the rates.

Trustee Naglick said that he wears two hats. They are all here because they are trustees. He said that the Retirement Staff is comprised of four nice people that report to him. He does not understand why everyone is just talking about the City. He does not understand why, as a Board, they do not want to hire the staff.

Trustee Long said she is just asking questions. As a new trustee she takes all the issues into consideration. She would like to know why the Retirement System was designed the way it was.

Ms. Zimmermann said that the Retirement System was founded in 1943 so there is no way to know.

Trustee Naglick said that Public Act 314 gives the Board the authority to hire their own staff. There will still be four people and nothing will change. He does not understand why people are fighting it.

Trustee Long felt that before it is changed the Board should understand why it was designed the way it is.

Chairman Harrison gave an example of how the City once utilized the weak mayor / city manager form of government. Now the City uses the strong mayor form of government. He indicated that things evolve and are changed over time.

Trustee Long gave an example of how originally Social Security was not setup in Michigan. As the Payroll Administrator she likes to see what positions are not included.

Chairman Harrison stated that Trustee Waterman asked for documentation on what is needed for the transition.

Trustee Long stated that it could cost the System more for benefits. She wanted the trustees to be aware.

Ms. Billings asked who they would talk with about maintaining benefits.

Trustee Jukowski asked if Michael Stampfler (the prior Emergency Manager) decided that the Library and Housing Commission could not be part of the City's group for medical benefits.

Trustee Bowman stated that it makes no sense to take the members out of the City's plan.

Chairman Harrison said that the Board needs to look at the most cost effective way to provide benefits and for the staff to remain in the City plan.

Trustee Naglick asked that this issue could be folded into the report being provided by Ms. Billings and that the steps could be laid out.

Trustee Redmond stated that the union employee issue has not been resolved.

Chairman Harrison indicated that the union position would remain in the union.

Trustee Redmond asked what the System will pay for rent and other expenses.

Chairman Harrison stated that the Retirement System currently pays rents and all expenses related to the staff.

Trustee Waterman said that the 70%/30% split issue also needs to be resolved.

Trustee Naglick explained that the 70%/30% split was based on the total assets of the Systems. When they ran the calculation it was very close to the split percentage.

Chairman Harrison stated that all the information is going to be provided in writing.

Trustee Redmond asked when the 70%/30% split was determined.

Ms. Zimmermann confirmed that the Board would like her to research the 70%/30% split.

Ms. Billings told the Board that they can email her with any other questions they might have.

Chairman Harrison asked that Ms. Billings send new questions to all the Board members for reference.

Trustee Barnett asked Trustee Scott why he is dead set against hiring the staff.

Trustee Scott said that the history of this issue began with the Chairman stating that the Board needs to be proactive. He referenced an issue brought up in 2005 when the Retirement Administrator asked about the employees receiving raises. The questions regarding the separation precede him being on the Board. Separating from the City concerns him. Currently the City employees and staff do not report to the Board. If this is allowed to happen he feels there will be no oversight.

When the City switched to a strong mayor system the people were allowed to decide. He feels this is being done for the wrong reasons. More questions are coming up at each meeting. This is only a partial discussion. He will see everyone on the other side.

**Re: Citizen Trustee Appointment** – Still Pending, Refer to Legal

**Re: Board Composition** – Still Pending, Refer to Legal

**Re: Employee-Trustee Election Results**

Ms. Zimmermann requested that the Board certify the official election results.

**RESOLUTION 11-100** By Redmond, Supported by Naglick

Whereas, a General Election for the Retiree Trustee to the Board was conducted on August 30, 2011, 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: 10 – Nays: 0

**Re: UBS Resolution for Peritus** – Refer to Consultants

**Adopted IPS** – Refer to Consultants/Legal

Ms. Zimmermann indicated that the IPS in the agenda packet should be put in their trustee handbooks.

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## **NEW BUSINESS**

### **Re: Death Audit**

Ms. Zimmermann stated that the death audit was recently run. One death was indicated that had already been reported to the Retirement Office. She questioned whether the Board would like the death audit run more frequently.

### **Re: State Tax on Pensions**

Ms. Zimmermann reported that beginning in tax year 2012 a tax on pensions will be implemented. Those retirees age 67 and older are exempt. Tax payers receiving a pension age 66 to 60 will receive a partial tax exemption. There is a \$20,000.00 exemption for single filers and a \$40,000.00 exemption for joint filers. There is also a waiver form that retirees can apply for.

She asked that the Board approve sending a communication to retirees to contact their tax advisors and indicating that the Retirement Office can offer no additional information or advice on the issue. The information from the State will accompany the communication. The correspondence will be sent in October. In November/December the correspondence will include a W-4P as well. She feels that the more communication with the retirees the better because this issue will be confusing.

Trustee Naglick asked if ADP could take the lead.

Ms. Zimmermann explained that the members will have to be coded individually. She explained that ADP has the ability to withhold taxes but the withholding is determined by what the member claims. The Retirement Office has no way of knowing the members' other income and will not be able to answer the members' questions. They will have to contact their tax advisor for assistance.

Trustee Naglick confirmed that assisting members with their tax issue could bring liability to the Board.

She requested that the Board approve the Retirement Office to send communications to retirees regarding the new pension tax.

**RESOLUTION 11-101** By Naglick, Supported by Jukowski

Resolved, That the Board authorize Ms. Zimmermann to send communications to the retirees regarding the new pension tax that will take effect in tax year 2012.

Yeas: 10 – Nays: 0

**SCHEDULING OF NEXT MEETING**

Regular Meeting: September 28, 2011 @ 1:30 p.m. – City Council Conference Room

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**ADJOURNMENT**

**RESOLUTION 11-102** By Bowman, Supported by Waterman  
Resolved, That the meeting be adjourned at 4:19 p.m.

Yeas: 10 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on September 28, 2011

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Secretary, John Naglick  
*As recorded by Jane Arndt*