

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
AUGUST 29, 2007**

A regular meeting of the Board of Trustees was held on Wednesday, August 29, 2007 at the Shrine Room, Main Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:39 p.m.

TRUSTEES PRESENT

Shirley Barnett	Devin Scott
Koné Bowman	Kevin Williams (<i>arrived at 1:48 p.m.</i>)
Raymond Cochran	Debra Woods
Charlie Harrison, Chairman	Andrea Wright (<i>arrived at 1:49 p.m.</i>)
Javier Saucedo, Vice Chair	

TRUSTEES ABSENT

Robert Giddings (*excused*)
Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Laurence Gray, Gray & Company
Tom Michaud, VanOverbeke, Michaud & Timmony
Martin LaPrade, Sawgrass Asset Management, L.L.C.
Brian Monroe, Sawgrass Asset Management, L.L.C.
Ed Taylor, Sawgrass Asset Management, L.L.C.
Alex Urbani, Wright Investors' Services
Michael Loura, Wright Investors' Services
Ellen Zimmermann, Retirement Systems Administrator
Jane Arndt, M-Administrative Assistant

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting: May 30, 2007
- B. Communications:
 - 1. Correspondence from ChrisKen Re: CRT Liquidating Trust Distribution
 - 2. Correspondence from Capital Guardian Re: Monthly Update / Performance Update
 - 3. Correspondence from Julius Baer Re: July 2007 Commentary / Mid-Year Update
 - 4. Correspondence from Teamsters Local 214 Re: Imposed Contract Agreement
 - 5. Correspondence from Peritus Re: July Market Overview
 - 6. Conference Information:
 - a. MATPERS – IMN – September 17-18, 2007
 - b. Visions, Insights & Perspectives – IREI – January 15-17, 2008
- C. Financial Reports:

1. Financial Reports – July 2007
2. Commission Recapture – 2007
3. Accounts Payable:
 - a. ADP \$2,561.50
 - b. The Berwyn Group (death audit) 230.00
 - c. City of Pontiac 1,674.08
 - d. Comerica (WAM) 7,537.70
 - e. Gray & Co. 8,104.17
 - f. Ikon 198.59
 - g. Julius Baer 119,099.04
 - h. Kennedy Capital 64,437.00
 - i. Loomis Sayles 41,048.60
 - j. Mesirow Financial 42,960.83
 - k. MGFOA 49.00
 - l. Munder Capital 88,441.00
 - m. Oppenheimer Capital 29,770.70
 - n. Plante Moran 745.00
 - o. Pontiac Coffee 18.20
 - p. Sullivan, Ward, Asher & Patton 7,850.30
 - q. VanOverbeke, Michaud & Timmony 8,385.50
 - r. Visa 1,431.28

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

1. Remove from the Rolls:
 - a. Laura Adams (deceased 08-14-07)
 - b. Claude Day (deceased 07-18-07)
 - c. Helen Gaultney (deceased 08-07-07)
 - d. Wilhelmina Gudobba (deceased 03-28-07)
 - e. Joseph Woods (deceased 05-21-07)
2. Application for Retirement:
 - a. Barbara Wynder – Non-union Court 3 years, 0 months Age 62 (reciprocal)
3. Final Pension Calculations:
 - a. John (Kathleen) Perry #2202 \$1,052.44
 - b. Richard Downey #2378 867.67

Trustee Woods asked if the trustees had any questions regarding the letter sent from the Teamster’s business agent to the City Council in reference to the imposed contract agreement.

RESOLUTION 07–062 By Woods, Supported by Saucedo

Resolved, That the consent agenda for August 29, 2007 be approved as amended.

Yeas: 6 – Nays: 0

Chairman Harrison requested that the rules for the meeting be suspended for the guests in attendance. He suggested that the two items for discussion under Public Discussion be moved up on the agenda.

RESOLUTION 07-063 By Woods, Supported by Scott
Resolved, That the Board suspend rules and move Public Discussion up on the agenda.

Yeas: 6 – Nays: 0

PUBLIC DISCUSSION

Chairman Harrison asked that the guests restate their names for the minutes.

Adolfo Gonzales (Retiree)

Mr. Michaud stated that at the last meeting Mr. Gonzales addressed the Board requesting clarification regarding the election he made at the time of his retirement and the recent change in his pension benefit. He referred to the legal opinion included in the agenda packet that pertains to this issue.

He said that Mr. Gonzales's forms and elections very clearly reflect the calculations and amount of his benefit before and after age 65. The Board has no authority to make changes to a benefit in pay status. He asked if there were any questions.

Trustee Williams arrived at 1:39 p.m.

Trustee Wright arrived at 1:40 p.m.

Mrs. Gonzales asked if there is an appeal process. Mr. Michaud asked if there was any additional information to examine. He said the process allows the party to file an appeal within sixty days from the meeting requesting that the Board reconsider their decision.

Mrs. Gonzales asked if the documentation included the two page agreement. Mr. Michaud stated that the file is very substantial and that a copy of the documents and opinion will be forwarded to them. At this point there is no basis to make a change.

Mrs. Gonzales asked when the third party verifier began meeting with applicants. Ms. Zimmermann said that there is no third party verifier and questioned who they spoke with.

Mrs. Gonzales said that when her husband turned sixty-five and the benefit decreased it came as a shock to them.

Trustee Bowman arrived at 1:45 p.m.

Trustee Scott asked if there is any harm changing the benefit. Mr. Michaud stated that the actuary calculates the benefit using specific information about the member and the beneficiary. The plan provision does not give the Board the authority to change or modify pension benefits or provide pension benefits not otherwise available. When the member makes their decision it is binding.

Chairman Harrison stated that you can not make changes to an annuity anywhere and the pension benefit is an annuity. He referred to the benefit being calculated based on the mortality amortization tables.

Mr. Gonzales stated that the amount did not coincide with what he was told when he made his election. He was not expecting his benefit to drop to \$860.00. Mr. Michaud stated that the paperwork clearly defined the amount before age sixty-five at \$1,723.84 and \$878.36 after age sixty-five.

Mrs. Gonzales asked why the benefit decreased \$577.00 per month. She felt the system was making money. Mr. Michaud stated that there is no cost savings to the system and explained that the benefit is based on average life expectancy and the additional monies provided before age sixty-five have to be paid back before the member reaches that determined age.

Trustee Cochran stated from a financial perspective it is not a dollar to dollar offset. The actuary uses a life expectancy of seventy-two and has to recover that amount in seven years based on life expectancy and actuarial assumption.

Chairman Harrison said that the Board is here to make certain that those who are part of the system are treated fairly. However, they can not go back and undo the ordinance. Apparently, the Mr. Gonzales did not understand the benefit at the time of his retirement. The Board is compassionate to the situation but their hands are tied. The legal opinion is that the benefit can not be changed. Mr. Gonzales has the option to appeal the decision.

RESOLUTION 07-064 By Barnett, Supported by Wright
Resolved, That the Board receive and file the legal opinion and deny the Adolfo Gonzales option change request.

Yeas: 8 – Nays: 1 (Trustee Scott)

SAEA Calculation

Chairman Harrison asked the Human Resources Director, Larry Marshall, to attend the meeting to put to rest the SAEA calculation issue stating that the Board serves those who they represent.

Mr. Marshall stated that the SAEA collective bargaining unit went to arbitration to resolve a dispute with service years included in the service credit calculation. Prior to this collective bargaining agreement an MOU would have been prepared to resolve this dispute. However, the new language reflects that the Human Resources Director has the final say on service credit used for FAC. Ninety-nine percent of the time there are no disagreements and the language was put there to let the parties that negotiate interpret the benefit and go to arbitration as usual.

There was a disagreement regarding service credit and the seniority date of a member. Human Resources had calculated the amount of service credit as less then the Union and more then the Retirement Office. The issue went to arbitration. The arbitrator determined that the time calculated by Human Resources should be granted.

All documentation was provided to the arbitrator including what was provided by the Retirement Office. There are still some unresolved issues referring to CETA employees from the 1970's and 1980's who were members of PMEA (now Teamsters). There was an arbitration case from the 1980's that represented certain permanent part time people in that union whose classifications were to receive pension benefits.

Chairman Harrison asked if there were any active employees who fit this situation. Mr. Marshall said that the last group would be at the library or community centers. Chairman Harrison asked how many. Trustee Woods stated there were none: they had been laid off.

Mr. Marshall referred to another issue regarding the 0747 Custodian Local 2002 classification. There was an MOU that built seniority into the hiring agreement. These arrangements were made in the 1980's. In 1999 this classification was taken out of the pay plan through the collective bargaining agreement.

There is currently a dispute regarding service years as a permanent part time custodian. He stated that for the past eleven years this has been his job to determine the intent of the parties' collectively bargained rights. He has been trying to reach an understanding with the Unions. He has been to arbitration two to three times supporting the Retirement Office. The determination has been made and co-signed by the arbitrator. He was told that certain criteria were not taken into consideration and he can not speak for what they did not do.

Ms. Zimmermann said that there is no argument with the collective bargaining agreement that was negotiated. It is a change from how things were done before. The language states that the Human Resources Director will calculate the service credit and FAC for members of SAEA. According to a recent email, it is not the intent of Human Resources to calculate service credit and FAC unless there is a dispute. The information needs to be forwarded to the actuary so a cost study can be prepared and forwarded to Council seven days prior to enactment

She is anxious to resolve this issue for the members and provide them their benefit. However, she needs the service credit and FAC in writing from the Human Resources Director. She requested a memorandum to clarify the language. Her intention is not to violate the collective bargaining agreement or state law but is waiting for the Human Resources Director to provide the service credit.

On August 24, 2007 a memorandum requesting service credit and FAC was sent to the Human Resources Director. This information is needed to process these people.

She stated that there is a grievance that was sent to the Retirement Office for Leonard Smith with the arbitration stating different service credit without documentation. Mr. Marshall said that he attempted to deliver the back up documents to Ms. Zimmermann and she would not accept them: she asked for a memorandum instead. This is not a new benefit because it was agreed to in the 1980's. He said that he does not believe that a new actuarial study is necessary and the City does not want to pay for it. It is his opinion, not a legal opinion, that when the two parties are in agreement and this is not a new benefit it should not require an actuarial study.

Chairman Harrison explained that the issue is not with the benefit. As Ms. Zimmermann stated the Office and Board do not have a dispute with the benefit or the people who are part of the arbitration award. What they need is clarity so the FAC can be determined and an actuarial study completed. He asked if legally an actuarial study needs to be done. Mr. Michaud stated that it is very clear that the award is making someone eligible to receive a pension benefit and it is considered a benefit increase. The service credit historically was not recognized by the retirement system so from a legal perspective it requires a cost study of the benefit. His legal opinion is based on Public Act 728 which states that any benefit change is a liability that requires an actuarial study. He appreciates the fact that Mr. Marshall is here today. Ms. Zimmermann has stated that you have the ability to grant these benefits for the City. However, in order for the Board of Trustees to take action the Human Resources Director must provide the information and obtain the cost study.

Ms. Zimmermann explained that Mr. Marshall brought a stack of papers to give her. She asked that her provide a one sentence memorandum stating the service credit and FAC so she would not have to guess the amount of service he intended to provide.

Chairman Harrison said that he contacted Mr. Marshall and asked him to attend the meeting to rectify the situation.

Mr. Marshall said that he wanted to make it clear that he does not recognize this as a new benefit. Even though this is his opinion, the arbitrator directed the City to comply with the order, not the Human Resources Director, the Council or the Administration. He wanted to make his position clear.

Trustee Wright asked if the arbitrator's decision was based on an MOU prepared in 1983. Mr. Marshall replied that the MOU from 1983 gave the 0747 custodian class the time and the arbitrator's decision gave them those benefits. Trustee Wright asked why the dispute was not resolved in 1983 and the service credit added then. She also confirmed that these members were permanent part-time at the time. Mr. Marshall stated that these were 0747 custodian agents. Mr. Marshall stated that he does not know why the service was not recognized then.

Trustee Cochran said that in his experience since the information is not new but is a correction there should not be a requirement to furnish an actuarial study. Mr. Michaud stated that since the service credit was not historically recognized by the retirement system or forwarded to the actuary the cost study is necessary.

Mr. Marshall stated that he still disagrees and that he is not going to grant anything the parties are not entitled to. The language was negotiated to allow the parties to collectively bargain the benefit. He is not trying to interpret the retirement system so do not interpret his contracts.

Mr. Michaud asked if Mr. Marshall has a problem providing the information in writing that is needed to calculate the current benefits and those going forward. Mr. Marshall said that he will provide the information in writing in the event of a dispute

Mr. Michaud stated that the Board has to implement the collective bargaining language but they cannot delegate their fiduciary duty.

Trustee Wright asked if the Board needs something from the Union stating that the agreement appoints the Human Resources Director responsible for calculating service credit and FAC only in the event of a dispute. She said it is confusing since the email still reads that the Retirement Office continues to calculate both service credit and FAC and the contract says it is Human Resources.

Trustee Barnett questioned if this benefit is retroactive. She also asked if this collective bargaining agreement language opens the door for all former part-time employees to receive benefits. Mr. Marshall said that it only applies to those who were permanent part-time and became regular employees. Most of those employees have been removed from service too long for it to apply. He said that this issue was not handled properly in the 1980's. He had no idea until the grievances were presented that these people had issues.

Mr. Marshall said that he preferred to sit down with the Board and the attorneys to resolve this issue. He referred to a letter from the SAEA attorneys with an EEOC claim and a subpoena from the persons involved in the grievance. Ms. Zimmermann was not aware of the subpoena.

Ms. Zimmermann stated that Mr. Marshall brought service credit that was different from that calculated by the Retirement Office. He said Leonard Smith's seniority date was September 4, 1986 and Linda Chambers's was September 3, 1985. He removed the time when they were part-time employees but not when they were permanent part-time. Ms. Zimmermann said that service credit is not a date, but is specified in months and years. He said that he would appreciate getting the actuarial studies processed, however he still disagrees that they are necessary.

Trustee Wright said that the Board needs to deal with the Administrator's request to get the information in writing. She is still concerned about the interpretation of the contract language and feels it should be clarified in writing to verify that the Human Resources Director will only intervene in the event of a dispute. Mr. Marshall said that he will have SAEA provide that documentation.

RESOLUTION 07-065 By Wright, Supported by Saucedo
Resolved, That the Board request that the Supervisory and Administrative Employees Association and the City Of Pontiac clarify the language in the collective bargaining agreement relating to the determination of pension benefits by the Human Resources Director.

Yeas: 9 – Nays: 0

Mr. Marshall and Mr. and Mrs. Gonzales left at 3:06 p.m.

There was discussion among the trustees regarding service credit and the contract language.

Meeting Break at 3:12 p.m.

Meeting Resumed at 3:22 p.m.

CONSULTANTS

Re: VanOverbeke, Michaud & Timmony

Mr. Michaud will present under the Legal Report portion of the agenda.

Re: Gray & Company – Large Cap Growth Finalists Presentations

Mr. Gray recapped the manager review meeting saying it was a good meeting with strong performance across all asset classes. He reviewed manager performance with the following manager performance above the benchmark: Munder 600 basis points; Systematic 460 basis points; Loomis at 260 basis points; Kennedy at 320 basis points and Julius Baer at 720 basis points.

At the last meeting they agreed to see two managers Sawgrass Asset Management and Wright Investors' Service. He informed the trustees that today's investment decision is for \$38.3 million which is a big decision. Trustee Wright questioned whether the allocation was coming from the Northern Trust index fund. Mr. Gray confirmed that they are replacing the Northern Trust index fund and said that there are more up-to-date asset allocation numbers available.

Trustee Wright questioned why Mesirov is not being replaced due to their poor performance. Mr. Gray said that when they were hired their disclaimer was that they would perform around the benchmark but protect during a down market. He is in the process of preparing a write up on Mesirov for the Board.

Sawgrass Asset Management, L.L.C.

Brian Monroe – Director, Sales & Marketing

Martin LaPrade – CFA, Partner

Ed Taylor - Client Service Representative

Mr. Taylor introduced himself, Brian Monroe, sales and marketing and Marty LaPrade, partner and CFA.

Mr. Monroe reviewed the firm structure and noted that Mr. LaPrade is one of the founders of the firm. They are 100% employee owned which means if the clients do well they do well.

They have been in business for ten years and have had no investment professional turnover since inception retaining their staff experience and continuity. They are confident that they will be here in the future.

Sawgrass is dedicated to institutional assets only and growth equity is all they do. Sixty-five percent of their clients are public funds. Their value is their participation on the upside and preserving capital on the downside.

They currently have \$1.5 billion in assets under management with over \$1 billion in public funds. He told the Board to feel free to contact their public fund clients for references.

He introduced Mr. LaPrade as the lead large cap manager.

Mr. LaPrade stated that the heart of Sawgrass is their team. They have over fifteen years of experience working together. Their CFA's have built a great product. He said they have been together during the good times and during the tough times.

Their investment edge is the blending the science of their investment selection and the art of determining where in the investment cycle we are. If you look at the numbers you can get lost. Today's current environment calls for a little less risk. Their repeatable investment discipline provides superior earnings growth and consistency by avoiding surprises. They look for companies with improved earnings forecasts because not all good companies make good stocks. They look for companies with modest price/earnings ratios and high quality earnings at reasonable prices.

Their sell discipline involves evaluating when the model scores deteriorate. They pay close attention to the preservation of capital looking for a strong price and volume break. If the fundamental factors experience a change or if the risk profile requires realignment, they are not afraid to sell.

He described their top ten holdings with 25.7% in technology large cap growth names. What they are seeing right now is that technology has held up better in this segment of the market. There is a lot of work to do in the market through the stretch. The fundamentals of the market are good and if the Fed keeps interest rates low they will do well with these types of companies leading the market.

Mr. Monroe said management fees are 60 basis points on the first \$20 million and 50 basis points on the balance. He thanked the Board for the opportunity.

Mr. Taylor told the Board that they had a long talk concerning the management fees and to demonstrate their good faith with the City of Pontiac they lowered their fee from 70 basis points to 60. He said that with holdings like IBM and Cisco the market might be a roller coaster right now but the end of the ride will be smooth.

Chairman Harrison questioned their allocation to financials given the sub prime issue and asked if they had holdings in Countrywide. Mr. LaPrade said that their exposure in financials is primarily in the insurance industry with Wells Fargo being the only bank holding. He said the sub prime issue will hit the mortgage companies.

Trustee Barnett asked what their performance is ranked relative to their peers. Mr. LaPrade said that their performance has outperformed the benchmark the past seven years. Trustee Barnett asked if it was the top 25 or the top 25 to 50. He said their performance ranked in the top 25. He said their performance has been consistent but lagged in 2003.

Ms. Zimmermann asked when the firm was established. He said in January, 1998 but their investment team has worked together for more then twenty years.

Ms. Zimmermann questioned their concentrated portfolio. He said that they average 2% to 5% with forty-five to sixty stocks in the portfolio. She asked if they add a name if they have to get rid of a name. He said that it depends on the environment of the market.

Chairman Harrison asked how they evaluate a company or perform their research. Mr. LaPrade said that they do not make a lot of company visits. They look at the character of the sales and components of the company's revenues.

Chairman Harrison left at 3:50 p.m.

Trustee Wright asked where they are located. Mr. LaPrade replied Jacksonville Beach, Florida.

Trustee Bowman questioned if something happens to a key member of the team. Mr. LaPrade said it is a team process. Mr. Monroe said that it is their business with full ownership ties, not just their job.

Mr. Monroe, Mr. LaPrade and Mr. Taylor left at 3:52 p.m.

Mr. Gray asked if there were any questions. He described Wright Investors' Service as a smaller firm.

Trustee Scott asked if their strength was maintaining performance. Mr. Gray said that they are very efficient with the flow of information. They focus on the risk side when the market goes down. Indexes do not offer protection when the market goes down. Sawgrass captured 64% of the downside with Wright at 90%. It is hard to find this kind of down market performance net of fees.

Chairman Harrison returned at 3:51 p.m.

Wright Investors' Services

Alex Urbani – CFA, Consultant Relations

Michael Loura – VP, U.S. Equity Management

The focus is what is different about Wright Investors' from other managers. They have been in business since 1960 and have a solid foundation of fund research. In 1965 they began managing money. They have a long history with the state of Michigan laborers and carpenters retirement systems. They are owned by their employees and co-owner The School for Ethical Education (SEE). John Winthrop Wright who established the firm left his shares to the school. The school is a non-profit that promotes positive character in young people. They have fifty-three investment professionals and staff with low professional staff turnover. They currently have \$2.7 billion in assets under management as of June 30, 2007.

He described their investment process. They deliver value stock selections and apply their systematic and disciplined portfolio construction and risk controlled process.

Their focus is on quality. They identify stocks by their performance history, relative quality, value and earnings momentum. Quality is very important in the current period.

Their quantitative ranking model process dates back to late 1960. They were originally a measuring and quality rating organization. They began managing money in 1965. They rank stocks within a multifactor stock selection process with thirty-two screens of specific quality standards.

Their multi-factor selection process measures quality, profitability, value, momentum and indicates if the stock has been overbought/oversold.

Their risk controls dampen volatility by managing risk against relevant benchmarks. They consistently increase added value to the portfolio year after year.

He reviewed their process. The quantitative analysis measures quality characteristics. The fundamental analysis monitors the management of the company and analyzes non news and sector news flow. Risk management optimizes sector weights and the portfolio relative to the benchmark. When it comes to buying a security it is easy. The sell decision encompasses each stage of the process.

Trustee Bowman left at 4:07 p.m.

Constraints applied within the portfolio do not allow for more than 5% in any one position.

There are not big variations within their industry allocations compared to the benchmark. They look at earnings growth and the price/earning ratio. Their performance numbers speak to this by outperforming the benchmark by 2%. They are a smaller firm and are proud of their affiliation with the school.

Trustee Woods asked about their management fees. Their fees are 70 basis points on the first \$5 million; 60 basis points on the next \$5 million; 50 basis points on the next \$10 million and 40 basis points on the next \$15 million.

Trustee Barnett asked where they are located. They are located in Milford, Connecticut.

Mr. Gray asked if there were any other questions.

Trustee Wright asked if the School of Ethical Education was founded by Mr. Wright. He said that the school was founded by Mr. Wright. The school fosters positive character in young people. It provides training and one on one instruction for kids and teachers. The school just received a grant from the Templeton Foundation.

There was discussion regarding the concentration of the Wright portfolio with 120 stocks being more diverse. Trustee Scott asked what the difference is between a concentrated portfolio and a diverse portfolio. It was explained that there is more risk associated with a concentrated

portfolio that has only 45 to 60 positions versus a diverse portfolio which spreads out the risk among significantly more positions.

Mr. Gray asked if there were any questions on the managers. The Board has narrowed their decision to two managers. Wright Investors' Service has more assets as a firm. Their large cap equity product is \$48 million which is very small. However, they manage the space well.

Trustee Scott left at 4:15 p.m.

Ms. Zimmermann asked that Mr. Gray review the manager's performance.

Performance	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
Sawgrass	7.21%	8.98%	6.06%
Wright	6.08%	9.76%	4.19%
Benchmark (Russell LG)	7.06%	7.01%	3.48%

Standard Deviation	<u>Three Year</u>	<u>Five Year</u>
Sawgrass	8.55%	15.69%
Wright	7.76%	12.01%
Benchmark (Russell LG)	9.33%	14.87%

Mr. Gray said that the end result is that they are both great managers that are hitting on all cylinders.

RESOLUTION 07-066 By Woods, Supported by Barnett

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the Retirement System and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, the Board has reviewed with its investment consultant the Retirement System's investment portfolio and asset allocation in light of: (1) the portfolio's historical performance; (2) recent changes in the economic and financial market conditions; and (3) the Board's goal of maximizing future gains without overtly increasing risk or volatility in the portfolio, and

WHEREAS, in light of the foregoing factors and upon recommendation of its investment consultant, the Board is desirous of making changes in its investment manager and the structure of its current portfolio, and

WHEREAS, the Board's investment consultant has conducted an investment manager search and has presented to the Board prospective investment managers for consideration, and

WHEREAS, the Board is of the opinion that by hiring an investment management firm to manage a Large Cap Growth equity portfolio, the Retirement System will have greater diversity and accordingly less potential volatility, and

WHEREAS, the Board has reviewed and discussed the prospective investment managers and has interviewed potential candidates, and

WHEREAS, the Board has discussed investment, philosophy, strategy, historical performance, and fee structure of various firms and is of the opinion that Sawgrass Asset Management, L.L.C. meets the Board's requirements, and

WHEREAS, the Board, upon the recommendation of its investment consultant and having completed its due diligence, is desirous of retaining Sawgrass Asset Management, L.L.C. as an investment manager of the Retirement System, therefore be it

RESOLVED, that Sawgrass Asset Management, L.L.C. is hereby appointed as investment manager to manage a Large Cap Growth equity account, and further

RESOLVED, that subject to approval of a final agreement as to form and content by the Board's legal counsel and the Board, the Board of Trustees enter into a written agreement with Sawgrass Asset Management, L.L.C. and that such agreement be executed by appropriate signatories on behalf of the Board, and further

RESOLVED, that management of assets previously under management by Northern Trust growth index fund shall be allocated to Sawgrass Asset Management, L.L.C. , and further

RESOLVED, that the agreement between Northern Trust and the Board shall be terminated immediately upon transfer of assets and that Northern Trust is hereby directed to transfer management of assets to Sawgrass Asset Management, L.L.C. , and further

RESOLVED, that the Board's investment consultant is hereby directed to coordinate the reallocation of the Retirement System's assets and to ensure that the reallocation is consistent with the Board's discussion and investment guidelines, and further

RESOLVED, that the investment managers be requested to coordinate with the Board's investment consultant to facilitate a smooth and cost effective transition of the management of the Retirement System's assets, and further

RESOLVED, that the Board hereby directs its Custodian to open an account for the Board for its investment manager Sawgrass Asset Management, L.L.C. , and further

RESOLVED, that copies of this resolution be forwarded to Sawgrass Asset Management, L.L.C., Custodian, and the Board's investment consultant.

Roll Call:

Trustee Cochran – Sawgrass
Trustee Woods – Sawgrass
Trustee Barnett – Sawgrass
Chairman Harrison – Sawgrass

Trustee Williams - Sawgrass
Trustee Wright – Sawgrass
Trustee Saucedá – Sawgrass

Emerging Managers Program

Chairman Harrison stated that the Board has already voted and approved UIM at last month's meeting. Mr. Gray will be providing an update on the managers.

Mr. Gray thanked the Board for the vote of confidence and making him a manager of managers. He said he has a number of managers interested including Lombardia with offices in Chicago and on the West Coast; Piedmont, WestEnd out of Charlotte, Alpha Partners out of Detroit and Atlanta Life. He will provide full transparency keeping with the investment policy statement.

What they are trying to accomplish by melding managers is to exceed the returns of the S&P 500 at 7.05% with managers who have consistently returned performance of 10.5% for the past ten years. You should be able to provide out performance for the fund with these managers. However, past performance is not indicative or a guarantee of future performance. He said that you do not have to sacrifice on performance because you hire an emerging manager.

Chairman Harrison commented that it is like value added.

Trustee Scott returned at 4:22 p.m.

Ms. Zimmermann stated that she knows the Board approved the investment but questioned who would control the asset allocation from the WAM S&P 500.

Mr. Michaud stated that he reviewed and has approved the contract. The fee schedule is 65 basis points. The Board needs to give authority to sign the contract and transfer assets.

Trustee Wright said she is confused with which bucket the investment is coming from. Chairman Harrison said that they removed the passive index managers and hired active managers.

Trustee Wright asked if the allocation to UIM is \$48.8 million and if Sawgrass is receiving the Northern Trust allocation.

Chairman Harrison said that this is a defensive strategy with the active managers holding their own and stingy on the downside.

Trust Wright asked if WAM is being removed and adding UIM not five additional managers. Mr. Gray confirmed her statement.

RESOLUTION 07-067 By Woods, Supported by Williams

Resolved, That the Board approve the signing of the UIM contract and the authority to transfer assets of \$48.8 million.

Yeas: 8 – Nays: 0

Ms. Zimmermann confirmed that the custody will include five separate reports under UIM.

Annual Investment Policy Statement Review

Mr. Gray stated that the IPS was recently updated. Ms. Zimmermann informed the Board; that the managers should be provided with the IPS and brokerage guidelines. The Board directed Ms. Zimmermann to send the brokerage policy to the managers for their review and signatures.

Chairman Harrison asked if the Board will look at other asset classes. He knows they are still leery about real estate given the recent litigation. He asked if real estate will continue to be included in the asset allocation once all the payments have been received from CAPROC and ChrisKen. Mr. Gray said that long-term real estate will be included in the portfolio and will provide value but this is not the time given the sub prime issue.

RESOLUTION 07-068 By Cochran, Supported by Scott
Resolved, That the Board adopt the updated Investment Policy Statement.

Yeas: 8 – Nays: 0

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Ms. Zimmermann reported that the SAEA Policy Memorandum was forwarded to the appropriate parties.

The ordinance update has been forwarded to the appropriate parties.

She recognized Ms. Munson who scored 94 on the MAP Test.

Re: Legal

Mr. Michaud referred to the conclusion of his legal opinion regarding recognizing service for reciprocal time when contributions have not been paid back. He asked that the Board receive and approve his opinion.

Trustee Wright asked if this was in reference to the Beverly Stubbs reciprocal time issue. Mr. Michaud confirmed.

RESOLUTION, 07-069 By Williams, Supported by Saucedo
Resolved, That the Board receive and accept the legal opinion regarding reciprocal time when contributions have not been repaid

Yeas: 8 – Nays: 0

Mr. Michaud reviewed the Judge Bowman issue. He said he previously issued a legal opinion stating that Judge Bowman could not purchase additional service credit in order to receive a pension benefit. It was recently determined that when he asked for the information in reference to when he could begin drawing a benefit he was given incorrect information. Trustee Wright stated she thought he could not draw a benefit until age sixty. Ms. Zimmermann said that she did not realize he was vested and has fulfilled the necessary non-union requirements to begin drawing a benefit at age fifty-five. The issue has been resolved.

Union Representatives – None

UNFINISHED BUSINESS

Re: Ordinance Clean-up

Ms. Zimmermann reported that the updated Ordinance has been forwarded to Council.

Re: Defined Contribution Plan for SAEA Employees - No change to date. No new hires.

Re: Actuarial Search – Pending

Re: SAEA Processing Policy

The SAEA Processing Policy was forwarded to appropriate parties.

NEW BUSINESS

Re: Longevity Calculation

Ms. Zimmermann reported that while Ms. Munson was working on the longevity calculation she discovered an error. In 2003 the Payroll Division changed a pay code which included lump sum holiday pay in the longevity calculation. Ms. Munson contacted Phyllis Long who has corrected the mistake going forward. This calculation affects six dispatchers who were members of the General Employees Retirement System

Ms. Zimmermann stated that the Retirement Offices does not recover the monies if the difference between what is tied out in payroll and the FAC is less then \$100.00 pursuant to Board policy. If it is more then the limit the retiree's pension needs to be corrected and the monies recovered. She asked for direction from the Board. Trustee Barnett asked if the Board is bound to correct the error and recover the monies. Ms. Zimmermann confirmed.

Mr. Michaud suggested that the members are allowed to determine if they want to make a lump sum payment or to smooth the amount over a long period. Ms. Zimmermann said that the custom is to give the member the same amount of time as the overpayment to repay when errors occurred.

RESOLUTION 07-070 By Woods, Supported by Saucedo

Resolved, That the Board approve the members to repay the overpayment either in a lump sum payment or over a longer period.

Yeas: 8 – Nays: 0

Mr. Michaud stated that there is not an official overpayment policy. Ms. Zimmermann was directed to draft an error policy.

Re: Death Audit

Ms. Zimmermann reported that the death audit returned two retirees Herbert Peck and Wilhelmina Guddobba. Mr. Peck’s beneficiary has been setup and Ms. Guddobba’s repayment has been received.

RESOLUTION 07-071 By Scott, Supported by Saucedo
Resolved, That the Board move to closed session.

Roll Call:

Trustee Cochran	Trustee Williams
Trustee Woods	Trustee Wright
Trustee Barnett	Trustee Saucedo
Chairman Harrison	Trustee Scott

Board moved to closed session

Board came out of closed session

RESOLUTION 07-071 By Wright, Supported by Williams
Resolved, That the Board approve lead plaintiff recommendation in RAIT Financial litigation and settlement of Home Depot litigation.

Yeas: 8 – Nays: 0

SCHEDULING OF NEXT MEETING

Regular Meeting: September 26, 2007 at 1:30 p.m. in the Shrine Room of City Hall.

ADJOURNMENT

RESOLUTION 07-072 By Saucedo, Supported Barnett
Resolved, That the meeting be adjourned at 4:59 p.m.

Yeas: 8 – 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 29, 2007.

Raymond Cochran, Secretary
As recorded by Jane Arndt