

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

A regular meeting of the Board of Trustees was held on Wednesday, November 28, 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

Koné Bowman (*arrived at 2:15 p.m.*)

Robert Giddings

Charlie Harrison, Chairman

Javier Saucedo, Vice Chair

Devin Scott (*arrived at 1:33 p.m.*)

Kevin Williams (*arrived at 1:33 p.m.*)

Debra Woods

Andrea Wright

TRUSTEES ABSENT

Raymond Cochran

Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Laurence Gray, Gray & Company

Chris Kuhn, Gray& Company

Tom Michaud, VanOverbeke, Michaud & Timmony

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

Charlie Crumm

Ellen Zimmermann, Retirement Systems Administrator

Jane Arndt, M-Administrative Assistant

APPROVAL OF CONSENT AGENDA

A. Minutes of Regular Meeting: October 24, 2007

B. Minutes of Special Meeting: November 13, 2007

C. Communications:

1. Correspondence from Julius Baer Re: Q3 and October Commentary
2. Correspondence from Tompkins to Weisman Re: CAPROC Meetings
3. Correspondence from Kennedy Capital Re: Portfolio Manager Departure
4. Correspondence from GERS Re: Kennedy Probation Notice
5. Correspondence from Capital Guardian Re: Performance Update & Monthly Update
6. Correspondence from Peritus Re: October Portfolio Update
7. Correspondence from Julie Gonsch Re: Staffing Changes at Northern Trust
8. Correspondence from Hospital Retirees to Mayor / City Council
9. Correspondence from Citigroup/Smith Barney Re: Revised Commission Rates

10. Conference Information:

- a. 2008 Annual Legislative Conference – NCPERS – Feb 4-6, 2008
- b. Investment Education Symposium – Jan 30-Feb 1, 2008

C. Financial Reports

- 1. Financial Reports – October 2007
- 2. Commission Recapture – October 2007
- 3. Securities Lending –October 2007
- 4. Accounts Payable:

a. ADP	\$4,746.45
b. Berwyn Group	230.00
c. Capital Guardian	23,525.57
d. Comerica (WAM)	7,491.44
e. Gray & Co.	8,104.17
f. Ikon	198.59
g. Julius Baer	114,892.69
h. Kennedy Capital	62,019.00
i. Mellon Global Securities Services	5,612.44
j. MES (Miller, Hoffmeister)	1,125.00
k. Mesirow Financial	44,659.91
l. Munder Capital	88,392.00
m. Northern Trust	85,148.56
n. Oppenheimer Capital	30,666.96
o. Peritus I Asset Management	86,052.93
p. Pontiac Coffee	36.40
q. Sullivan, Ward, Asher & Patton	145.00
r. VanOverbeke, Michaud & Timmony	8,664.50
s. Visa	3,116.42

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

- 1. Remove from the Rolls:
 - a. Hershel Wooten (deceased 11-09-07)
- 2. Application for Retirement:
 - a. William DePauw – NOMC 9 years, 7 months Age 60
 - b. Ruth Ramsey – Non Union 20 years, 3 months Age 59
 - c. Edward Miller – Local 2002 16 years, 9 months Age 52 (duty dis)
 - d. Anne Fiskin – PMEA 11 years, 0 months Age 60 (off deferred)
 - e. Larry Marshall – Non Union 32 years, 10 months Age 53
 - f. Ann LaBarge – Local 214 20 years, 0 months Age 61
 - g. Daniel Hoffmeister – SAEA 23 years, 9 months Age 56 (non duty dis)
 - h. Alvin Hardy – SAEA 18 years, 2 months Age 52 (PT service)
 - i. Linda Chambers-Martin 20 years, 5 months Age 48 (PT service)
- 3. Final Pension Calculations:
 - a. Leonard Smith #2370 \$2,382.86 (revised for PT service)
 - b. Patricia Jeffries #2385 2,206.66
 - c. Cheryl Hariskins #2388 623.16

Trustee Wright had questions on pages three and six of the October 24, 2007 Regular Meeting Minutes. She asked that the sentence stating “She felt that he used their system as an example,” on page six be removed.

Trustee Wright also had a question on the agenda for the November 28, 2007 meeting. Trustee Wright asked whether Leonard Smith’s revised pension benefit was retroactive to his effective date of retirement. Ms. Zimmermann confirmed that it was retroactive to his effective date of retirement.

Trustee Williams and Scott arrived at 1:33 p.m.

RESOLUTION 07–081 By Woods, Supported by Wright
Resolved, That the consent agenda for November 28, 2007 be approved as amended.

Yeas: 8 – Nays: 0

Chairman Harrison stated that he and Trustees Bowman and Woods would like to attend the Opal Public Funds Summit Conference in Scottsdale, Arizona being held January 16, 2008 through January 18, 2008.

RESOLUTION 07–082 By , Supported by Wright
Resolved, That the Board approved Chairman Harrison and Trustees Bowman and Woods to attend the Opal Public Funds Summit Conference in Scottsdale, Arizona on January 16, 2008 through January 18, 2008.

Yeas: 8 – Nays: 0

CONSULTANTS

Re: Legal Services RFP Finalists Presentation

Mr. Michaud stated as a professional courtesy he would leave the room during the presentation.

Ms. Billings arrived at 1:48 p.m.

Cynthia Billings – Sullivan, Ward, Asher and Patton, P.C.

Ms. Billings distributed presentation materials. She thanked the Board for the opportunity on behalf of her firm.

She said that Sullivan Ward was established in 1950 and is the oldest labor and pension firm in the state. They presently employ fifty attorneys with thirty-five being full-time litigators. They are highly experienced in dispute resolution including collective bargaining, real estate, employment and labor law, general and personal liability and appeals.

They have extensive knowledge of issues involving ERISA and the Public Employee Retirement System Act (PA 314) which govern public pension systems. They are well-known for their

appellate services. They have gone before the State of Michigan Court of Appeals and received their decision .

They are a turn-key firm that offers everything a retirement system needs. Some of the services offered include drafting ordinances and amendments, reviewing service providers, interpretation of the Internal Revenue Code and appeals representation.

She reviewed the experience and of key members of the firm. Anthony A. Asher has been with the firm for over thirty-five years and is Chief Executive Officer. He has over thirty years of experience representing clients in labor relations, employment management and employee benefits policy planning.

Phillip J. O'Brien is the Chief Financial Officer and a senior principal of the firm. He represents and counsels clients in ERISA, Internal Revenue Code and benefits issues.

Cynthia J. Billings has been an attorney for approximately fifteen years specializing in municipal retirement and health systems. She recently completed the Certified Employee Benefit Specialist designation co-sponsored by the IFEBP and the Wharton School of Business. She is a certified Plan Administrator and is currently pursuing a professional designation as a Certified Pension Consultant. She recently took the 401K Coordinator's exam.

Ms. Billings is a citizen representative on the Human Resources Review Committee and the Water and Sewer Technical Review Committee for the City of Rochester Hills. She is also a trustee on an employee benefit fund and as such has a better understanding of the issues facing trustees.

Michael Asher is a top litigator specializing in employee benefits and employee relations. He has assisted the IFEBP and MAPERS with a number of due diligence processes.

Brian S. Ahearn has represented both public and private employers in all phases of labor and employment law for more than thirty-five years. He has co-authored numerous papers most notably the Michigan Public Employer Labor Relations Manual.

Jacqueline A. Kelly is a former associate professor of law and an excellent attorney. Her expertise is in state employment and benefit laws, negotiation of employment agreements and ERISA/Internal Revenue Code compliance and litigation.

The firm is innovative concerning benefits issues.

Trustee Bowman arrived at 1:50 p.m.

She referred to the speaking engagements including continuing education affiliations and professional affiliations of the firm.

She reviewed the representative list of the firm's Michigan public plan clients.

She stated that the firm has represented a number of private and public retirement systems for more than thirty-five years. Many of the firm's benefit and labor attorneys are also trustees on pension funds. She will attend her first meeting next month as a trustee. She presented a list of plan professional references for review.

She concluded her presentation and asked if the trustees had any questions.

Chairman Harrison commented that Sullivan Ward currently provides representation for the Police and Fire Retirement System who do not have investments in alternative asset classes. He asked what Ms. Billings's thoughts are relative to alternative investments.

Ms. Billings said that Michael Asher recently authored a paper on alternative investments which was presented at MAPERS. She said that it is the client's decision

Trustee Bowman asked if her firm has litigation against the City. Ms. Billings said they do not.

Trustee Woods asked if the fees would be the same for the next two years. Ms. Billings stated that the fees would be guaranteed for two years and they have not changed during the past six years. Any fee changes would be negotiated with the Board.

Chairman Harrison confirmed that a legal report would be presented at every meeting. He also asked if Ms. Billings would attend Council meetings if necessary. She said that she has not attended a Council meeting with the City of Pontiac to date. However, Ms. Zimmermann has gone before Council on behalf of the Police and Fire Retirement System and she was available by phone. She did confirm that she would be available for Council meetings and that they often go before Council for issues that pertain to Internal Revenue Code.

Chairman Harrison asked if there were any further questions.

Ms. Billings left at 2:01 p.m.

Tom Michaud – VanOverbeke, Michaud & Timmony

Mr. Michaud thanked the Board for the opportunity. He said that he feels it is prudent and recommends that the Board should review their service providers on a regular basis. He looks forward to going through the process. He would like to talk about his philosophy as an attorney and will present the specific details of his firm.

He is not a salesman or a marketing person. He feels the trustees should contact the clients of the systems he works for to get a better sense of their work and pertinent feedback of their efforts for other clients. In Michigan, the pension community is a close knit group. His actions speak louder than words in regard to client experience with his firm.

It has and continues to be an honor to serve the board. As a public pension system attorney he takes his work for the Board very seriously to insure that the system and the trustees are protected. Both he and the board work hard to make sure the members, retirees and trustees are protected. He and the Retirement Office take this very seriously.

His firm represents strictly retirement systems, not cities or labor organizations. This puts the Board in a better position to get the advice they need. His firm takes a proactive stance in the public pension arena. As a representative of MAPERS they provide resources by commenting on and drafting legislation in Lansing on behalf of Michigan plans.

He tries to promote trustees getting all the education they need. Often clients do not take advantage of educational opportunities due to time constraints, but he promotes continuing education internally and through MAPERS so trustees have access to conferences.

The firm is active in NAPPA (National Association of Public Pension Attorneys) which is an organization just for public pension attorneys. As a trustee it is imperative to have an experienced public pension attorney at your disposal. The speakers focus on public pensions and bring experience from other systems. Successful processes can be compared with those of other systems.

Because there is a lot of change on Boards, it is important to have processes and policies in place and to apply them consistently. His firm provides efficiencies due to the number of public pension clients they serve: experience with other clients helps to keep costs down. They work very hard and efficiently for the Board and with the Retirement Office. They have been successful in bringing good processes, forms and policies and avoiding the bad. When there are changes in managers and consultants, having policies, procedures and perspective transfers into results.

Mr. Michaud said that minimizing cost is important. It has been five years since they raised their fees. The price is reasonable and the firm works hard for the Board. He also brings perspective, having worked with the system for fourteen years. He knows the history and topics and this helps to bring consistency. He works hard in his role as counsel to maximize the Board's position as relates to contracts and negotiated fees. The firm's staff are all very professional.

They are responsible to make sure benefits are in place. He does not feel that some issues need to be brought before the Board on a monthly basis. Many issues are handled in the background with the Retirement Office. He does not feel he needs to present these issues each month so the Board knows what good work he is doing on their behalf.

A lot of the duties of his job are done behind the scenes working with the staff on forms and processes. He works hard to insure that there are answers to the unique questions. He believes all systems are different and unique. He does not make a distinction based on the size of the fund. He feels his work is very important and is what he plans to do for the rest of his career. He also enjoys being involved with the issues that arise with investment and benefit agreements. He values working with systems and the trustees.

He said that his firm was instrumental in developing the processes used when dealing with a number of disability issues. This process has minimized costs and time. It is tedious language but is a necessary part of the process. This insures that future Boards will not have to go through this course of action again. He has also dealt with IRS and ordinance update issues.

The Board has a unique opportunity to look at what will be done going forward. He is committed to being a valuable resource in that process. Due to the turnover of trustees and time constraints he will continue to ask for suggestions on ways to improve his efforts for the Board. Please let him know if there is anything he can do from an educational or professional service standpoint. He will continue to work hard. There will be times when the Board may not like the answers, but he will always provide professional, well-researched, thought-out opinions.

It has been a pleasure and he hopes to continue to serve the Board. It has been an honor and one he would like to continue.

Mr. Michaud left at 2:26 p.m.

Chairman Harrison stated that it is customary to discuss the candidates before a vote is taken.

Trustee Scott questioned why there were only two candidates. He asked about the RFP process. Ms. Zimmermann explained that she went through the listing from MAPERS to find other local firms that are members of the NAPPA. She was able to find three firms who were sent the RFP's. Only two firms responded.

Chairman Harrison said that it is important to find firms in Michigan. They will be more familiar with the laws and language that apply to public pension systems in the state and with MAPERS.

Trustee Wright asked if VanOverbeke, Michaud and Timmony have been legal counsel for GERS for fourteen years. She asked how long Sullivan Ward has been counsel for the Police and Fire Retirement System.

Ms. Zimmermann reviewed the history of legal counsel for the Police and Fire Retirement System. She said that Ron Zajak was the original legal counsel and employed both Michael VanOverbeke and David Parrott. When Zajak left, VanOverbeke continued the firm and Parrott became a sole practitioner. Parrot later affiliated with Sullivan Ward. Cynthia Billings was his backup and stepped into the role.

Trustee Barnett said that Ms. Billings is doing a good job for the Waterford pension board.

Trustee Scott asked why the Board could not hire a firm that is well-versed in international systems and familiar with MAPERS and why it is important to be a member of MAPERS. Ms. Zimmermann explained that you can hire that type of firm but their costs will be higher and they are unfamiliar with Michigan state laws governing pension systems.

Chairman Harrison explained that it is better to have a firm from Michigan because of their affiliation with MAPERS and their level of expertise with public pension systems in Michigan. The system is not looking to provide on-the-job training for a new firm.

RESOLUTION 07-083 By Barnett, Supported by Woods

Resolved, That the Board approve the hire of Sullivan, Ward, Asher and Patton as legal counsel to replace VanOverbeke, Michaud and Timmony.

Yeas: 7 – Nays: 1 (Trustee Scott)
Abstained – Trustee Giddings

Re: Gray & Company – Third Quarter Performance Report

Mr. Gray stated that the numbers were good for the quarter and given the time constraints he will present a high level analysis of the period.

He reviewed the current framework of the market and how it has affected the fund. He said that Mr. Kuhn has refreshed the capital markets report and is trying to bring more recent pertinent information as displayed in the updated charts and graphs. The new format will include the most significant story from the market for that period.

The sub prime issue has been repeatedly discussed as it continues to affect home ownership and values. Much of this is due to the loose credit underwriting practices during the “easy money” era. Sub-prime mortgages represent approximately 12% of the mortgage market and are a small fraction of the overall housing market. However, the effects have stretched across the global financial markets.

The Federal Reserve reduced the fed funds and discount rates by 50 basis points as an attempt to stabilize the credit markets. Bernanke’s intervention in the inter-bank lending market was intended to temporarily ease the crisis and volatility. His assistance was seen as a way to hold off a recession and assist consumers who are struggling with higher housing and energy costs.

The growth theme has dominated for the past two quarters over value which has been in favor since March, 2000. It looks like growth is back in favor with performance at 4.2% versus -0.2% for value for the quarter. The transition has also shifted from small cap to large cap which has seen out performance the past two quarters.

He reviewed the S&P sector performance. Managers who were overweight in consumer discretionary and financials underperformed those who were concentrated in energy and technology which can be witnessed by the performance in the portfolio.

Overall, fixed income performance has been good. Government issues benefited from the flight to quality with long-term securities performing best and long-term government bond performance for the quarter at 4.9%. High-yield performance correlates with the stock market.

Trustee Wright left at 2:48 p.m.

With the flight to quality and away from high-yield one manager did not do well this quarter. Mr. Kuhn said that with the sub prime crisis and quality concerns, the market saw a lot of dumping of CLO’s and CDO’s.

In the international space emerging markets performed extremely well. The MSCI was up 14.4% for the quarter. Export-oriented economies of goods and manufacturing services did well. Julius Baer performance lagged due to the absence of emerging markets in Pacific Rim countries.

Mr. Gray said they are pleased with the top line performance numbers ex-real estate. Three month performance was 1.7% versus the policy benchmark of 1.2%, year-to-date performance was 10.0% versus 7.8% for the benchmark and one-year performance was 17.1% versus 14.1% for the benchmark. The domestic equity side of the portfolio is currently going through transition. The allocation from the World Asset Management S&P Index Fund was transferred on November 27, 2007.

If you use the Russell 3000 (which has a broader exposure to domestic equity) as the benchmark, the numbers are even more favorable. Using the Russell 3000 as the comparison domestic equity performance for the quarter was 12.6% versus 8.8%, 21.0% versus 16.5% for the one-year period and 14.5% versus 13.7% for the three-year period.

Mr. Crumm left at 2:52 p.m.

Mesirow did not perform well again for the quarter ending September 30, 2007. Per the investment policy, the Board should put them on watch based on their lack of performance. Mr. Gray has put a call in to the manager. He said that their lack of performance continues to be based on poor stock selection. He will invite them to come to the next meeting.

RESOLUTION 07-084 By Williams, Supported by Woods

Resolved, That the Board approve to put Mesirow on watch for underperformance pursuant to the investment policy statement.

Yeas: 9 – Nays: 0

Trustee Wright returned at 2:55 p.m.

Trustee Scott left at 2:55 p.m.

Mid cap equity is doing exceptionally well. Performance for both Munder and Systematic was in the 1st percentile for both the quarter and the year.

Loomis has been a good and consistent manager who has been with the fund since 1994. Their performance was in the 1st percentile for the quarter, the one-year period and for the three-year period. Their performance was in the 6th percentile for the five-year period and the 5th percentile for the ten-year period.

Kennedy Capital is currently on watch after the departure of Matt Jermak. Dick Sinise and Donald Cobin have been managing the portfolio since he left. Their performance has been above the benchmark but nothing stellar.

There is only one manager in international equity. Their performance was 1.7% versus the benchmark at 2.2% for the quarter.

Chairman Harrison questioned that Julius Baer recently requested to increase their allocation in the emerging market space. He asked if they were in the wrong sectors. Mr. Gray said that they had requested latitude to increase their allocation in emerging markets.

Mr. Kuhn said that they are not big players in China and India. Their emerging market exposure is in Poland and Eastern Europe and more consistent and stable emerging market countries. They are not overly allocated to that space.

Mr. Gray said the problem was with their country allocation. Their current exposure in emerging markets is 28.3%. They have done exceptionally well. One-year performance of 32.3% and three-year performance of 28.9% were both in the 1st percentile.

Trustee Scott returned at 3:00 p.m.

Fixed income is steady as she goes with performance slightly above the Lehman Brothers Aggregate. Most managers are invested in AAA rated securities with duration of four to six years.

High yield manager Peritus was off 300 basis points for the quarter -3.3% versus -0.3%. It is no surprise that high yield is at the bottom of the heap based on the current volatility. Their performance ranked them at the 100th percentile but did not harm the portfolio overall.

ChrisKen is winding down. CAPROC still requires a lot of clean up.

Chairman Harrison asked if CAPROC payments are going into cash. Mr. Gray confirmed that it is in cash. Mr. Gray inquired if the returns were 1.25% of the principal amount. Ms. Zimmermann said that they are 5% annualized.

Chairman Harrison asked if this could affect the funding status. Mr. Kuhn said that it will not affect the funding status, only the market value. Mr. Gray stated that in relation to the fixed income portfolio it will have no affect. There may be some affect based on the basket clause in Public Act 314.

Mr. Gray concluded by reporting that for the quarter ending September 30, 2007 the top line numbers look good. The total market value of the portfolio to date is over \$504 million.

Onyx

Mr. Gray said he owes the Board a write up. It is currently being reviewed by their legal counsel. He will forward it to the Board for their information. He asked if he could answer any questions regarding this investment.

At the meeting with Elliot Fullen Mr. Gray was assured that all parties are fully engaged. Mr. Fullen is working in the Atlanta office. Ms. Zimmermann inquired if there are employment contracts for the principals. Mr. Gray said that they do not have employment contracts.

He asked if the Board feels there is cause for concern based on how this investment began with exposure to real estate and now is a private equity investment. Mr. Gray reiterated that thus far, only two bills out of those submitted that were legitimate charges for the organizational reimbursement. Legitimate charges totaling \$257,913.90 with the amount due from the system being \$51,582.78. Onyx also requested the disbursement of funds outside the normal protocol; the manner of request and timeframe were not within standard procedures. Gray & Company along with staff will ensure these matters are corrected.

There is currently only one deal in place which is called Second Chance Motors. This is their first venture and does not fall within their original investment guidelines of Midwest manufacturing. The principals of the venture are all local contacts here within the Detroit area. Onyx has provided a write up on the investment. He asked if there were any further questions.

Trustee Scott questioned why there are no employment contracts. He asked if the Board should have them. Mr. Gray stated that Trustee Cochran had requested them at the last meeting however, Onyx does not have them. There is a letter from Onyx in the agenda signed by the principals stating their roles and commitment in lieu of such contracts. Trustee Scott questioned why Onyx would not have an employment agreement and whether the Board should require them to submit one.

Mr. Gray said that having employment contracts would add an extra level of assurance. Mr. Michaud said that an employment contract is good insurance and the Board would typically want it. The non-compete clause is even more important because there is the chance that a principal could take a deal with them and you have no way of getting your money out.

Mr. Gray said that for the record the other private equity managers in the portfolio Nexos, Invesco and Mesirow all have employment contracts. You would expect a traditional manager to also have them. Ms. Zimmermann asked what would happen if there is a dispute between the key principals and one leaves since all are key people in the firm and with the investment. Chairman Harrison questioned if they could be put on watch.

Mr. Michaud said that typically there is a provision that states if one of the principals passes away or leaves the company it will be dissolved. This is called a key-man provision. He will check to make sure it is in the operating agreement. It is very important because you cannot get your money back out of the investment.

Chairman Harrison said that we keep digressing and they have complied with what we asked and now we want more.

Trustee Scott confirmed that Trustee Cochran had asked for the employment agreements. He also said he feels it is important to make sure the due diligence is complete to cover all the bases.

Mr. Gray said that he will go back to Onyx and request an employment agreement on behalf of the Board. He asked if there is anything else that needs to be resolved.

Trustee Woods asked Mr. Gray if he is comfortable with the investment. He said due to the sensitivity of the original project in Turks and Caicos, he has performed more due diligence on this company and everyone involved in the firm than he can recall in his career.

He said that he feels their intentions are good but nice people fail, too. It is important that Elliott Fullen is on board. He thinks they will ultimately get the job done but it will be very difficult especially outside of Michigan. He said that he can get an employee contract if the Board wants it. He has never pushed or hurried any investment as a consultant. He said that at the end of the day we are all liable as individuals and collectively.

Trustee Bowman said that he is tired of this issue and would like it resolved. The letter stating that the principals are on board with the company was brought back to the Board. At this point it will either fly or it will not. He is ready to vote. It has been nearly a year since this investment began and it seems we are being extremely careful with other people's money. He asked if they should take a vote to continue with the investment contingent on receiving an employment agreement and whether or not it is acceptable.

Chairman Harrison asked if a vote should be taken contingent on the employment agreement.

Mr. Michaud said that the Board has signed the contract and if they want to get out then they will have to entertain discussion on whether to disqualify them as a manager. The longer the Board waits to take action the more difficult it will be. You are bound to either transfer the assets or give reason not to.

Trustee Wright said that she voted to fund the investment a long time ago. She said that they have confirmed the consultant's comfort level. She asked if there is anything else needed or any other steps before the Board proceeds in accord.

RESOLUTION 07-085 By Wright, Supported by Bowman

Resolved, that the Board approve the transfer of assets of \$51,000 for organizational expenses to Onyx Capital Advisors and move forward with the private equity investment.

Trustee Scott asked if everything that was requested and all questions have been satisfied. Trustee Giddings questioned if this is the money to fund the investment with Second Chance Motors. Mr. Gray stated that this is to approve the transfer of assets for organizational expenses.

Mr. Gray said that Second Chance Motors is the first company Onyx has invested in. Trustee Giddings asked if the Board has the right to look at the books of Second Chance Motors. Mr. Gray said typically that they do not have the right to examine the books of the underlying investments. The Board has invested in a blind pool and has no control over the investments.

Trustee Saucedo said he is uncomfortable with the investment. It originally started as a real estate investment and then was changed to private equity. He said he does not want to be responsible for the \$5 million being invested with Onyx.

Trustee Giddings questioned the investment in Second Chance Motors. He conjectured that Onyx was laundering money, stating why else would they invest in a company where the principals had recently went through a bankruptcy.

Mr. Gray said that this is a very big deal and at the end of the day this private equity investment, due to its size relative to the total plan assets, will not move the needle enough to make a big difference.

Chairman Harrison said that the discussion is moving away from the motion on the table.

Roll Call:

Trustee Barnett – Yes

Trustee Bowman – Yes

Trustee Giddings – No

Chairman Harrison – Yes

Trustee Scott – No

Trustee Saucedo – No

Trustee Williams – Yes

Trustee Woods – Yes

Trustee Wright - Yes

Meeting Break at 3:39 p.m.

Trustee Giddings left at 3:39 p.m.

Meeting Resumed at 3:45 p.m.

Re: Chairman

Chairman Harrison stated that the Brokerage Committee met and added two names to the list. Julie Moll from Smith Barney and Wanda Young from Inter Securities were added to the list to insure a local and minority presence. The rest of the names on the list are out of state trading companies.

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

2007 Cost Of Living Adjustment

Ms. Zimmermann reported that the 2007 COLA was disbursed totaling \$1,330,408.35.

CAPROC Property Sale

She informed the Board that correspondence was received from CAPROC. They sent a request that would allow them to ratify the sale of properties at 1 Michigan Avenue and Crosspoint. Both properties are highly leveraged. The projected proceeds will be applied to reduce the

principal owed to the Police and Fire Retirement System and the General Employees Retirement System.

Hospital Deferred Trustee

She announced that Trustee Giddings will be retiring and will not be eligible to continue as a trustee for the deferred hospital members. Trustee Barnett said that Melissa Tetmeyer has provided a list of deferred members to the Hospital's Human Resources Department who will be handling the election for the new trustee.

Actuarial Valuation Monthly Statement

She reported that the annual member benefit statements were received from the actuary however, there were a number of erroneous statements. Ms. Munson is working with the actuary to resolve the issue.

2006 Disability Retiree Income Verifications

Income verification responses have been received from all but one member. After review, no members have gone over their allowable income.

2008 Mileage Reimbursement

The Internal Revenue Service has adjusted the 2008 mileage reimbursement rate to 50.5 cents.

Waiver of Thirty Day Application Notice for Laid Off Employees

She stated that at the last meeting she was asked to verify the resolution allowing laid off members to apply for retirement with less than thirty days notice. She confirmed that the resolution was written and approved for any occurrence going forward.

Fiduciary Liability Insurance

She has submitted the fiduciary insurance renewal. She asked that they provide a better deductible.

GERS Retirement Ordinance

She distributed completed copies of the ordinance to the trustees.

Re: Legal

Mr. Michaud said that he is disappointed in the vote. This will be the first time he has ever been fired or lost a client. He will work diligently to ensure that the transition is as seamless as possible.

He asked if the Board had any specific questions. He asked and the Board agreed that he be allowed to stay on to resolve the current securities litigation issues.

Union Representatives – None

UNFINISHED BUSINESS

Re: Actuarial RFP (Need to set date for presentations)

Ms. Zimmermann asked that the Board set a date to hear the actuarial presentations. Chairman Harrison asked if there is a timing issue. Ms. Zimmermann said that it would be better if it was done before the end of the year. This would allow for an easier transition. The data is normally provided to the actuary in January or February for the valuation and the transition could take some time.

There are two finalists Gabriel, Roeder Smith & Company and Rodwan Consulting Company. She sent out a number of RFP's and received only two replies.

She was directed to schedule a meeting for the actuarial presentations on December 12, 2007 at 10:00 a.m. and notify finalists.

Re: Draft Education Policy

Mr. Michaud referred to his draft trustee education policy. He said that it is essential for trustees to attend educational conferences. He stressed that it is important for the Board as whole to take a stance and have an education policy in writing.

RESOLUTION 07-086 By Barnett, Supported by Saucedo
Resolved, That the Board approve the Education Policy.

Yeas: 8 – Nays: 0

Re: Draft Overpayment Policy

Mr. Michaud stated that periodically an error results in the over-payment or under-payment to a member. It is the Board's responsibility to recoup costs insuring the future income stream of the fund.

Repayment options were reviewed. The options were based on the specific nature of the overpayment and the amount. It was determined that the Board would provide a notification to the member allowing them thirty days to select their repayment option based on the Board's policy.

RESOLUTION 07-087 By Barnett, Supported by Wright
Resolved, That the Board approve the Retirement Benefit Overpayment Policy.

Yeas: 8 – Nays: 0

NEW BUSINESS

Re: Request for Retiree Names and Addresses

Ms. Zimmermann stated that the Retirement Office received a request for the contact information for Pontiac General Hospital and NOMC retiree names and addresses.

Mr. Michaud explained that this is public information which is applicable under FOIA and the Board should comply with the request regardless of the purpose.

Re: Adolfo Gonzales Appeal

Ms. Zimmermann reported that Mr. Gonzales recently came to the Board to dispute his retirement benefit. Mr. Michaud had written a legal opinion in response to Mr. Gonzales's dispute.

Mr. Michaud stated that it was determined that the benefit was in accordance with the member's selection and required no further action from the Board. At that time, Mr. Gonzales was told he had sixty days to file an appeal to present new information.

Mr. Gonzales has filed an appeal within the sixty day timeframe: there has been no new compelling information that would change the determination. The information received reconfirmed what was previously presented. This issue requires no further action.

Re: Draft City Employee Trustee Travel Form

Ms. Zimmermann explained that at the last meeting the Board addressed the need for a separate travel request form for City employee trustees. She presented a draft of the new form that would be utilized in lieu of changing the Board's current travel requisition which is used for issuing per diems and the reconciliation of travel expenses. The form would also specify the list of suggested and approved educational forums the trustees need to attend. It was noted that the CAPP classes were not included and need to be added to the list.

Trustee Woods disagreed that a new form should be required and is in violation of the travel policy.

There was discussion resulting in a few minor changes to the form.

RESOLUTION 07-088 By Bowman, Supported by Scott
Resolved, That the Board approve the City Employee Trustee Travel Form as amended.

Yeas: 7 – Nays: 1 (Trustee Woods)

Re: Draft 2008 Board Calendar

There was one discussion in regard to holding the manager review meeting in two sessions.

RESOLUTION 07-089 By Bowman, Supported by Saucedo
Resolved, That the Board approve the 2008 Board Meeting Calendar.

Yeas: 8 – Nays: 0

RESOLUTION 07-090 By Woods, Supported by Barnett
Resolved, That the Board move to closed session.

Yeas: 10 – Nays: 0

Re: Board Committee Review

Ms. Zimmermann said that it is customary to ask on an annual basis if the trustees would like to be added or removed from a specific committee. No changes were indicated.

Re: Tommy Goodman Service Credit

Ms. Zimmermann said that she was contacted by the SAEA questioning the status of Tommy Goodman as he is similarly situated. He also approached Ms. Zimmermann stating that he feels that the same circumstances that apply to those members of SAEA who were recently approved to receive their part-time service credit toward retirement also apply to him. She forwarded his request to the Human Resources Director but has not received a response.

Trustee Wright asked if he has applied for retirement. Ms. Zimmermann stated that based on his current service credit he is not eligible but is a similar circumstance.

Chairman Harrison stated that his service credit needs to be supplied by the Human Resources Director. Trustee Wright felt that it was not up to the Human Resources Director because he would only intervene if there is a dispute. Mr. Michaud said that by forwarding the issue to the Human Resources Director it will insure clarity.

Ms. Zimmermann stated that Mr. Goodman has full time service credit. Trustee Woods said that he wants to receive the same benefit as referenced in the MOU for the permanent part-time members. Trustee Bowman asked when he obtained his full-time service credit. There was discussion about where Mr. Goodman worked and whether he was full-time or permanent part-time. Trustee Bowman also indicated that the Whall Report identified Mr. Goodman as a contracted employee for the Housing Commission for approximately five years.

Ms. Zimmermann stated that she brought this issue before the Board to request their direction on how to proceed. He will ultimately contact the Retirement Office expecting a resolution.

Chairman Harrison stated that the issue eventually has to go to Human Resources. Ms. Zimmermann stated that the Retirement Office will continue to follow the current procedures to calculate service credit. Chairman Harrison said that Ms. Zimmermann brought this before the Board for informational purposes. It will be a sensitive issue going forward. Trustee Woods felt that it is an issue for the union.

Re: Draft Revised Agenda

The draft of the revised agenda was reviewed. Trustee Barnett stated that it had been recommended to remove the Secretary agenda item. She feels it should be left on the agenda as a professional courtesy.

Public discussion will be moved to the front of the agenda. All consultant reports will be conducted under the consultant portion of the agenda. Unfinished business was considered an area to remind trustees of issues that have not been resolved. Once action is taken on the issue it will be removed from the agenda.

SCHEDULING OF NEXT MEETING

Regular Meeting: January 23, 2008 at 1:30 p.m. in the Shrine Room of City Hall.

ADJOURNMENT

RESOLUTION 07-091 By Saucedo, Supported Barnett

Resolved, That the meeting be adjourned at 3:46 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 November 28, 2007.

Raymond Cochran, Secretary

As recorded by Jane Arndt