

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
FEBRUARY 23, 2005**

A regular meeting of the Board of Trustees was held on Wednesday, February 23, 2005 at the Shrine Room Main Level, City Hall, 47450 Woodward Ave., Pontiac, Michigan. The meeting was called to order at 1:40 p.m.

TRUSTEES PRESENT

Eugene White, Chairman	Paulette Poehlman
Shirley Barnett	Javier Saucedo
Ed Hannan, Secretary	Kevin Williams
Charlie Harrison III	Debra Woods
Larry Marshall <i>arrived 3:23 p.m.</i>	

TRUSTEES EXCUSED

Robert Giddings (*excused*)
Larry Marshall (*excused*)
Mayor Willie Payne (*excused*)

OTHERS PRESENT

Tom Michaud, VanOverbeke, Michaud & Timmony, PC
Philip O'Brien, Sullivan, Ward, Asher & Patton, PC
Melissa Tetmeyer, Retirement Coordinator
Ellen Zimmermann, Retirement Systems Administrator

APPROVAL OF MINUTES

Re: Minutes of Regular Meeting – January 26, 2005

RESOLUTION 05-033 By Harrison, Supported by Saucedo
Resolved, That the minutes of the regular meeting of January 26, 2005 be approved as presented.

Yeas: 6 - Nays: 0

CONSULTANTS

Re: CAPROC Update

Mr. O'Brien recapped that CAPROC members met in January at which meeting we voted to terminate CAPROC Manager, Inc. Mr. Weisman was there, also representatives from Southfield. No one was there from Wayne County. The Pontiac boards voted further to replace CAPROC Manager Inc. with MayfieldGentry.

There was a hand-shake agreement with Weisman that if there were no changes to the mortgages, we would hold off installing MayfieldGentry until after the arbitration. CAPROC LLC is a Delaware LLC so action must be enforced under Delaware law. Mr. Weisman filed a lawsuit in chancery court in Delaware on January 28, 2005. We believe we should not be in Delaware court but should go to arbitration. We have a motion to dismiss the court action. A status quo order is being considered by a judge until the matter is decided.

CAPROC Manager is to operate the LLC in the usual manner. They cannot change employment agreements and cannot sell or further encumber the mortgages. In 2004, CAPROC LLC got a line of credit using the mortgages as security. We are compelled not to speak poorly of CAPROC and cannot say that MayfieldGentry is the manager, or that we are in litigation. We will demand arbitration in Michigan in Oakland County. They will have to look to Delaware law as relates to the issues presented.

The two main issues were that the Pontiac boards did not want the mortgages sold or further encumbered. The drafters did not address a termination provision; we can suggest that it can be done although it is not stated in the documents. Discussion occurred regarding the termination provisions.

There was a lack of fiduciary duty on CAPROC's part and a tremendous waste of assets; they are paying \$12.5 million a year for property management. In the arbitration demand, we will assert that Mr. Capozzoli and Ms. Burt and possibly others are defendants. Mr. O'Brien felt the financial statements will be hard to justify as will the projected budget. By March 18, 2005, the court will look at whether to dismiss the Delaware action and allow the Michigan arbitration. If we are successful, the status quo will be maintained. Discovery requests have been served by CAPROC asking for communications relating to the calling of the special meeting to terminate the manager.

Mr. O'Brien discussed the questionable value of the \$8.5 million recorded as goodwill and the additional \$3.5 million booked as revenue to cover the operating losses. The loss approximates \$12 million in total and they will assert that those are damages. In 60 to 90 days, they will have detailed reports from Deloitte Touche who are reviewing the matter. There is also a real estate expert to testify as to the mismanagement of the company. He has received an email from Mr. Weisman that they will not further encumber the mortgages. CAPROC said that tenant improvements were the cause for the sale of the mortgages and we are impeding operations.

Trustee Harrison left at 1:57 p.m.

Discussion followed regarding the inapplicability of ERISA and the position of the trustees from Southfield and Wayne. Mr. O'Brien said that if those boards agreed with Pontiac, all the claims would go away and the manager could be terminated. Once CAPROC Manager Inc. is terminated, the two votes per founding board is over; each fund has an ownership percentage at that point. The two Pontiac boards would decide what happens then.

Trustee Harrison returned at 2:00 p.m.

We hope to get the others on board for the benefit of the plan participants. This should not be adversarial. Mr. Michaud said there are three parallel avenues here: the Pontiac boards determine the course, all institutional shareholders take over the company jointly, or, proceeding with the request to withdraw. Mr. O'Brien said there may come a time when SWAP recommends to withdraw the request to withdraw. As trustees, in addition to withdrawing, you may have a fiduciary duty to pursue damages.

Trustee Hannan arrived at 2:08 p.m.

Trustee Hannan reported that he and Trustee Storum from PFRS met with Southfield representatives for an hour and a half. Those trustees kept repeating the same things and it essentially came down to an issue of trust. They trust Mr. Capozzoli and we do not. The intent of the meeting was to convince them to look at the investment as fiduciaries and put their consultant's feet to the fire. We discussed the dividends, the accounting and explained it was a series of concerns. They were put off by the meeting to terminate the manager and felt it was set on short notice. Trustee Hannan said overall it was a positive meeting.

Mr. O'Brien left at 2:15 p.m.

Re: Securities Litigation

Ruby Mannen, Bruce Gambel, David Bergman

Trustee Harrison left at 2:18 p.m.

Mr. Bergman, of Milberg Weiss Bershad & Schulman, LLP, introduced his associates and said that they were here to describe a no-cost service to protect the participants of the fund. In general, every important social and economic leveling event has resulted from private class actions. Milberg Weiss, the oldest continuing class action firm for the past 40 years, also does other work than securities class actions and he gave examples.

The government has not had great success in the last seventy years in stamping out greed such as was illustrated by WorldCom, Enron and the like. Milberg Weiss has been in the

forefront of defending defrauded shareholders. Fifteen years ago, it was mostly individuals; now it is large pension money. In 1995, congress changed the laws to give preference to institutional investors to become lead plaintiffs. The intent was to have those with the most to lose, make the important decisions thereby protecting the small investors. An additional service is needed to monitor these activities and they have developed a system.

Trustee Harrison returned at 2:25 p.m.

Mr. Gambel discussed PLSRA. Misrepresentation or omission is when a stock price is artificially high. They get portfolio transactions from the custodian to watch during the claim period to determine if they believe there was a loss to the fund. They can set a threshold for contacting the fund, a minimum potential loss. They will then advise the client whether to file for lead plaintiff status. They would calculate the loss at the time of settlement and assist with the proofs of claim. They provide quarterly reports of potential losses. In 2003, class action settlements produced \$5 billion in assets to investors. Less than 30% of those affected pursued their claims.

Ms. Mannen came to Milberg Weiss three years ago. She noted the fiduciary duty to participants and the need to have a voice in the matter. Outside counsel helps at every step. Boards should adopt best practices as the standard has changed from the prudent man to the prudent investor. She discussed the affirmative duties of trustees and recommended adoption of a policy that includes them.

Mr. Bergman said he is a litigator. They monitor the market and cases. They employ more than 120 attorneys and also have in-house forensic accountants and investigators in numerous offices. If the price drops and there was a misdeed, then they advise as to who may be the lead plaintiff, what the losses are, and advise what to do. Most lawsuits (95%) settle. Money managers also get copies of their reports. Fraud is a growth industry.

Trustee Marshall arrived at 2:39 p.m.

There is no cost to the clients: they are paid by the court if there is a recovery. They usually receive between 15% and 30% and recovery is based on a formula. There are only three major claim processing firms in the country.

Ms. Mannen, Mr. Gambel and Mr. Bergman left at 2:50 p.m.

Mr. Michaud explained that currently the board has Lerach monitoring securities litigation, however, they can also retain Milberg Weiss. It would require the Board to authorize them to look at the portfolio. Discussion followed.

Resolution 05-034 By Barnett, Supported by Woods
Resolved, that Milberg Weiss Bershad & Schulman, LLP be retained for securities litigation monitoring services.

Yeas: 8– Nays: 0

Re: ChrisKen Property Sale Proceeds

Ms. Zimmermann distributed copies of correspondence from ChrisKen received that day. The Trustees discussed the sale proceeds and core real estate and the ways in which one can invest in core real estate. Ms. Zimmermann was directed to have the consultant provide some general information on this.

COMMUNICATIONS

Ms. Zimmermann noted that the forms for MAPERS and NCPERS were being distributed and should be completed and returned to the Retirement Office promptly. She explained that the correspondence from Julius Baer about the change to a single share structure would make the organization more representative.

RESOLUTION 05–135 By Saucedo, Supported by Barnett

Resolved, That the monthly correspondence, as listed below be received and placed on file on behalf of the Board:

- A. Correspondence from NEPC Re: Importance of Leadership in Managing Tomorrow's Programs
- B. Correspondence from Julius Baer Re: January 2005 Market Commentary / Single Share Structure
- C. Correspondence from Seix Advisors Re: Change of Address
- D. Correspondence from Mesirow Financial Re: Chief Economist
- E. Correspondence from Sullivan, Ward, Asher & Patton Re: CAPROC, LLC
 - 1. Spring Conference – MAPERS – May 15-17, 2005
 - 2. Public Funds Workshop / Roundtable – IIR – April 28-29, 2005
 - 3. Benefits Conference for Public Employees – IFEBP – July 11-13, 2005
 - 4. Fundamentals of Qualified Benefit Plans & Other Arrangements – CEBS – March 2, 2005
 - 5. Emerging Managers' Forum – IMN – March 14, 2005

Yeas: 8– Nays: 0

FINANCIAL REPORTS

Re: Financial Reports – January 2005

RESOLUTION 05–036 By Harrison, Supported by Saucedo

Resolved, That the Financial Reports for January 2005 be approved as presented and placed on file.

Yeas: 8- Nays: 0

Re: Securities Lending Report – December 2004

RESOLUTION 05–037 By Harrison, Supported by Saucedo
Resolved, That the Securities Lending Report for December 2004 be approved as presented and placed on file.

Yeas: 8 Nays: 0

Re: Commission Recapture Report – December 2004

RESOLUTION 05–038 By Barnett, Supported by Hannan
Resolved, That the Commission Recapture for December 2004 be approved as presented and placed on file.

Yeas: 8- Nays: 0

Re: Accounts Payable

Trustee Harrison said his Board Visa bill was delivered to Counsel Office in error.

RESOLUTION 05–039 By Saucedo, Supported by Poehlman
Resolved, That the payment's for the following invoices be approved and disbursed from the investment earnings of the retirement fund.

1. ADP	1,837.50
2. Capital Guardian	34,324.03
3. City of Pontiac	1,674.08
4. Comerica (World Asset Management)	4,943.18
5. GE Asset Management	40,439.83
6. Ikon (copier)	198.59
7. Kennedy Capital	59,585.00
8. Loomis Sayles	39,179.38
9. Mellon Trust	46,981.83
10. Mesriow Financial	29,713.71
11. Munder Capital	32,153.00
12. Office Depot	90.50
13. Oppenheimer Capital	66,515.53
14. Plante Moran	470.00
15. Seix Advisors	28,357.57
16. Sullivan, Ward, Asher & Patton	6,239.65
17. Visa	8,701.06
18. Wall Street Journal	299.00

Yeas: 8- Nays: 0

REPORTS

Trustee Harrison left at 3:14 p.m.

Re: Chairman

There was discussion of the rumor that NOMC has told staff they will be getting the money representing the current over-funding from the pension fund.

Trustee Harrison returned at 3:16 p.m.

Re: Secretary

None.

Re: Trustees/Committees

None.

Re: Administrator

Fiduciary Insurance

Ms. Zimmerman said that at the last meeting fiduciary liability insurance was discussed. Since that meeting, she received calls and information from firms who had spoken with trustees about this. She suggested that the Board direct legal counsel to solicit information from firms since he will have to review the proposals and contracts at some point anyway.

RESOLUTION 05-040 By Barnett, Supported by Saucedo

Resolved, that the Board of Trustees direct legal counsel to seek bids for fiduciary liability insurance.

Yeas: 8 Nays: 0

Re: Legal

None.

Re: Union Representatives

None.

UNFINISHED BUSINESS

Re: Ordinance Clean-up

Ms. Zimmermann noted that there were additional changes to be made to the ordinance to make sections agree with the collective bargaining agreements as well as changes to comply with tax law. Mr. Michaud indicated the changes must be done by December 2005.

Trustee Marshall left at 3:25 p.m.

Re: Consultant RFP

The RFP Committee is scheduled to meet March 7, 2005 to review and update the RFP. Trustee Hannan asked to see a copy before it is issued.

Trustee Marshall returned at 3:27 p.m.

NEW BUSINESS

Re: Amend Retirement Payroll – Ralph Florio

RESOLUTION 05–041 By Harrison, Supported by Saucedo
Resolved, That the payroll be amended to remove Ralph Florio who deceased on February 9, 2005.

Yeas: 9 - Nays: 0

Re: Amend Retirement Payroll – Vivian McGuire

RESOLUTION 05–042 By Harrison, Supported by Saucedo
Resolved, That the payroll be amended to remove Vivian McGuire who deceased on February 9, 2005.

Yeas: 9 - Nays: 0

Re: Amend Retirement Payroll – Marie Lewis

RESOLUTION 05–043 By Harrison, Supported by Saucedo

Resolved, That the payroll be amended to remove Marie Lewis who deceased on February 5, 2005.

Yeas: 9 - Nays: 0

Re: Amend Retirement Payroll – Mary E. Fair

RESOLUTION 05–044 By Harrison, Supported by Saucedo
Resolved, That the payroll be amended to remove Mary E. Fair who deceased on January 18, 2005.

Yeas: 9 - Nays: 0

Re: Amend Retirement Payroll – Myrtle Austin

RESOLUTION 05–045 By Harrison, Supported by Saucedo
Resolved, That the payroll be amended to remove Myrtle Austin who deceased on January 11, 2005.

Yeas: 9 - Nays: 0

Re: Application for Retirement – Andrea Mansour

RESOLUTION 05–046 Harrison, Supported by Poehlman
Whereas, Andrea Mansour, a member of the Retirement System (Non Union), has applied to the Retirement System for a service retirement, and

Whereas, Said member is 60 years of age and has 16 years and 6 months of credited service;

Resolved, That the application for Service Retirement submitted by Andrea Mansour be accepted for processing.

Yeas: 9 - Nays: 0

Re: Application for Retirement – Olivia Hodge

RESOLUTION 05–047 By Harrison, Supported by Poehlman
Whereas, Olivia Hodge, a member of the Retirement System (NOMC), has applied to the Retirement system for a service retirement, and

Whereas, Said member is 55 years of age and has 22 years and 2 months of credited service;

Resolved, That the application for Service Retirement submitted by Olivia Hodge be accepted for processing.

Yeas: 9 - Nays: 0

Re: Application for Retirement – Diana Cypret (reciprocal)

RESOLUTION 05–048 By Harrison, Supported by Poehlman
Whereas, Diana Cypret, a member of the Retirement System (Non Union), has applied to the Retirement system for a service retirement, and

Whereas, Said member is 60 years of age and has 4 years and 11 months of credited service;

Resolved, That the application for Service Retirement submitted by Diana Cypret be accepted for processing.

Yeas: 9 - Nays: 0

Re: Application for Retirement – Diane York

RESOLUTION 05–049 By Harrison, Supported by Poehlman
Whereas, Diane York, a member of the Retirement System (Non Union), has applied to the retirement system for a service retirement, and

Whereas, Said member is 61 years of age and has 31 years and 7 months of credited service;

Resolved, That the application for Service Retirement submitted by Claudia Filler be accepted for processing.

Yeas: 9 - Nays: 0

Re: Final Benefit Calculation – Kenneth Moss

RESOLUTION 05–050 By Harrison, Supported by Saucedo
Resolved, That Kenneth Moss (#2123) be granted a retirement allowance in the amount of \$2,619.91.

Yeas: 9- Nays: 0

Re: Final Benefit Calculation – James Basigkow

RESOLUTION 05–051 By Harrison, Supported by Saucedo
Resolved, That James Basigkow (#2215) be granted a retirement allowance in the amount of \$2,786.00.

Yeas: 9 - Nays: 0

Re: Final Benefit Calculation – Diana Cypret

RESOLUTION 05–052 By Harrison, Supported by Saucedo
Resolved, That Diana Cypret (#2225) be granted a retirement allowance in the amount of \$166.82.

Yeas: 9 - Nays: 0

Re: Final Benefit Calculations – Olivia Hodge

RESOLUTION 05–053 By Harrison, Supported by Saucedo
Resolved, That Olivia Hodge (#2237) be granted a retirement allowance in the amount of \$843.84.

Yeas: 9 - Nays: 0

Re: Final Benefit Calculations – Andrea Mansour

RESOLUTION 05–054 By Harrison, Supported by Saucedo
Resolved, That Andrea Mansour (#2241) be granted a retirement allowance in the amount of \$1,402.00.

Yeas: 9 - Nays: 0

Re: Application for Disability Retirement – J. Babin

Mr. Babin asked that his application for disability retirement be expedited as he is scheduled for surgery and will soon be without insurance coverage so his application was brought to the meeting since agendas had already gone out. Ms. Zimmermann distributed the determination form and the detailed report from Dr. Tripp.

The trustees discussed the reports from the medical director. Questions were raised regarding the reports. Mr. Michaud stated the Board has received a report from its Medical Director stating that the member does not meet the requirements. The Board can decide to agree with the medical opinion or to go against it. Ms. Zimmermann said the Retirement Office and Risk Management Office should work together to identify members who may qualify for disability retirement earlier in the process. The Board

directed Ms. Zimmermann to schedule a special meeting with the Medical Director on February 28, 2005 to discuss the case.

Re: AA Capital Partners

Trustee Harrison said that a few of the trustees have been approached regarding alternate investments. There is a firm that wants to do an educational presentation for the Board. He spoke with Ed Taylor of AA Capital Partners and would like them to come in and make an educational presentation with no obligation.

RESOLUTION 05-055 By Harrison, Supported by Williams

Resolved, That AA Capital Partners be invited to make an educational presentation regarding alternate investments at the March 2005 meeting.

Yeas: 9 – Nays: 0

PUBLIC DISCUSSION

None.

ADJOURNMENT

RESOLUTION 05-056 By Saucedo, Supported by Harrison

Resolved, That the meeting be adjourned at 3:50 p.m.

Yeas: 9 - Nays: 0

I certify that the foregoing is true
Minutes of the General Employees
Retirement System held on February
23, 2005.

Ed Hannan, Secretary
As recorded by Ellen Zimmermann