

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MAY 25, 2005**

A regular meeting of the Board of Trustees was held on Wednesday, May 25 2005 at the Shrine Room Main level, City Hall 47450 Woodward Ave., Pontiac, Michigan. The meeting was called to order at 1:30 p.m.

TRUSTEES PRESENT

Eugene White, Chairman
Shirley Barnett
Ed Hannan, Secretary
Charlie Harrison, III
Paulette Poehlman

Robert Giddings (*arrived at 1:37 p.m.*)
Larry Marshall (*arrived at 1:44 p.m.*)
Javier Saucedo
Kevin Williams
Debra Woods

TRUSTEES EXCUSED

Mayor Willie Payne

OTHERS PRESENT

Billie Swazer, Retiree
Tom Michaud, VanOverbeke, Michaud & Timmony, PC
Doris Ewing, NEPC
Ellen Zimmermann, Retirement Systems Administrator
Theresa Vasquez, M-Administrative Assistant

APPROVAL OF CONSENT AGENDA

Re: Consent Agenda – May 25, 2005

A. APPROVAL OF MINUTES

Minutes of Regular Meeting: April 27, 2005

B. COMMUNICATIONS

1. Correspondence from Julius Baer Re: April 2005 Commentary
2. Conferences:
 - a. Public Funds Symposium – II – Oct. 25-26, 2005
 - b. Portfolio Management – Chicago GSB – Aug. 22-26, 2005
 - c. 2005 Trustees & Administrators Institutes – IFEBP – June 13-15
 - d. Advanced Investments Management – IFEBP – Sept. 12-15, 2005
 - e. 4th Annual Institutional Conference - GE Asset Management – June 8-9, 2005.

C. Financial Reports:

1. Financial Reports – April 2005
2. Securities Lending Report – March 2005
3. Accounts Payable:
 - a. ADP \$1,847.86
 - b. City of Pontiac 1,674.08
 - c. Comerica (WAM) 5,053.97
 - d. Kennedy Capital 52,579.00
 - e. Mellon Global Securities 49,786.29
 - f. Morris, Nicols, Arsht & Tunnell 7,867.12
 - g. Munder 32,508.00
 - h. Office Depot 140.54
 - i. Oppheimer Capital 67,215.28
 - j. Plante Moran 6,000.00
 - k. Sullivan, Ward, Asher & Patton 15,193.58
 - l. Visa 2,325.00

D. Retirement, Refunds final Calculations, Re-Examinations

1. Remove from the Rolls:
 - a. Ida Beene (deceased 04-05-05)
 - b. Bernice Ferguson (deceased 04-08-05)
 - c. Thomas L. Barrett (deceased 05-05-05)
2. Application for Service Retirement:
 - a. Mark Sharpe – Teamsters 214 34 years, 0 months Age 52
 - b. Stephen McGinnis – SAEA 27 years, 0 months Age 55
 - c. Marcia Andres – NOMC 22 years, 8 months Age 55
 - d. Antonio Macias – SAEA 35 years, 4 months Age 54
 - e. Denise Jackson – Non Union 27 years, 5 months Age 51
 - f. Janice Gaffney – Non Union 26 years, 0 months Age 50
 - g. Ethel P. Poehlman – Non Union 27 years, 11 months Age 55
 - h. Alvin Love – Non Union 30 years, 9 months Age 59
 - i. Gloria Lofton – Teamsters 214 30 years, 2 months Age 54
 - j. Frederick Jackson - Local 2002 36 years, 11 months Age 58
 - k. Judy Storum 22 years, 0 months Age 54
 - l. Twila Salek – Non Union 26 years, 8 months Age 46
 - m. Doug Borisen – SAEA 40 years, 4 months Age 62
 - n. Rafus Jones – PPMA 33 years, 10 months Age 54
 - o. Eudoxia Carr – PPMA 33 years, 7 months Age 59
 - p. Denise Cobb – Teamster 214 30 years, 4 months Age 53
 - q. Johnny Harris – Local 2002 25 years, 11 months Age 58
 - r. Thressa Mahone – Non Union 18 years, 5 months Age 51 (reciprocal)
3. Final Pension Calculations:
 - a. Willie McCoy Johnson #2172 (pop-up) 1,898.24
 - b. Marcia Andres #2246 1,059.85

RESOLUTION 05 – 089 By Hannan, Supported by Harrison

Resolved, That the consent agenda for May 25, 2005 be approved as presented.

Yeas: 10 – Nays: 0

CONSULTANTS - NEPC

Lehman Index Methodology Changes

Ms. Ewing explained the methodology changes for 2005 to the Board. The change reorganizes the securities in the universe by type of debt. Previously there were three categories: government, corporate and securitized. Now, a treasury index classification has been added. The second change impacts the way quality ratings are assigned to securities. She said the Investment Policy Statement should be changed as it relates to split-rated securities. She will provide language for the appropriate change.

Re: 1st Quarter Performance Report

Ms. Ewing reported the fund declined 1.1 % after a strong 4th quarter with \$427 million in assets at the end of the quarter. There are concerns of higher inflation, oil prices and interest rates; there has been a move to quality. High yield was down. Large cap outperformed small cap and international outperformed domestic equity. The S & P 500 index lost 2.1% during the quarter. Global bonds were down 2.6% for the quarter. Ms. Ewing stated emerging equity markets were strong with positive returns. Consumer staples were modestly in the black; utilities and energy were strong performers. Bonds were basically all negative with long bonds at 0%. Short rates were moving up; long bonds declined 70 basis points so managers with a barbell structure did well.

Asset growth was negative for the quarter declining \$8 million. The equity commitment was below the median public fund commitment level. The total fund lost 1.1% during the quarter and ranked 53rd percentile of all public funds. The return for the one-year period was 6% ranking the fund in the 65th percentile. For the five-year period the fund ranked 35th. Ms. Ewing reviewed composite returns by asset class.

Trustee Marshall left at 2:00 p.m.

Oppenheimer was overweight in technology and down 0.6% during the quarter trailing the benchmark by 70 basis points. They continue to have difficulty outperforming its benchmark. Mesirov was respectable over the quarter with a 1.6% increase. GE lost 4.7% for the quarter and under-performed the growth index by 60 basis points ranking 64th percentile of large cap growth managers. The S&P index fund matched the index (WAM).

Trustee Marshall returned at 2:04 p.m.

Kennedy met the median for the quarter after many strong quarters. Loomis under-performed with a 2.2% loss; they were under the median small cap manager, but beat the benchmark. Munder has been conservative and had modest performance. Julius Baer

was flat for the quarter, beating the EAFE index by 20 basis points and ranking in the 62nd percentile. They were under-weight to Japan and overweight to emerging markets which enhanced their return.

Oppenhiemer under-performed and Ms. Ewing suggested the Board may want to restructure for more value added since both fixed income managers are conservative and tend to overlap. Seix has trended down past a few quarters at 1.6% and because they are conservative, they have lagged their peers. Capital Guardian had a respectable performance in global bonds matching the benchmark.

Ms. Ewing said the returns for CAPROC were based on the cash-on-cash dividends, which were zero. There is no adjustment for appraisals reflected in NEPC's numbers; there was a write-down in the first quarter. ChrisKen is liquidating its properties and the portfolio is winding down.

In summary, the fund declined in the first quarter and the April markets are still off. The board still has some managers that are not carrying their weight: real estate managers. It is hoped the real estate will wind out; the real estate market is frothy now.

Ms. Ewing left at 2:21 p.m.

Re: VanOverbeke, Michaud & Timmony, PC – Molex Inc. Securities Litigation

Mr. Michaud reported the General retirement system incurred an \$11,000 loss and they are currently investigating violations of the federal securities laws at Molex, Incorporated.

REPORTS

Re: Chairman

Ordinance Change Re: Board Terms

Chairman White expressed his concern to the Board regarding a resolution that was to be brought before Council. Trustee Marshall stated the unions (2002, Teamsters and SAEA) approached him regarding Trustee Poehlman retiring. He told them her term would end when she retires in June. The unions feel she has done a good job as trustee and would like for her to continue until her term expires. Trustee Marshall told them they would have to go to City Council. He supported it. Chairman White expressed his displeasure that the issue had not come to the Board before going to City Council. Trustee Harrison told the Board he had received several letters from unions asking that a resolution be brought to the Council agenda. He said he was not trying to bypass the Board. The item was removed from the City Council's agenda.

Mr. Michaud said that the Ordinance requires the recommendation of the Retirement System and that it is important to follow the process as required by the Ordinance.

Mr. Michaud also indicated that a change to the composition of the board is a mandatory subject of collective bargaining. The City cannot unilaterally change the composition of the board; unions have a say in a change like this; then it goes to City Council.

The board discussed prior terms of office, including the NOMC trustee position, and the merits of changing terms of office.

The Board discussed further the process of amending the Ordinance and Mr. Michaud read from the Ordinance indicating that any changes to the Ordinance requires prior approval by the Board. Trustee Marshall asked if that means he cannot do anything without the approval of this board. Mr. Michaud replied in the affirmative.

Mr. Michaud recommended that any proposed changes to the retirement Ordinance be presented to the Retirement Board and that such changes may be done through collective bargaining agreement (e.g. Memo of Understanding)

Trustee Harrison left at 3:06 p.m. returned at 3:14 p.m.

Trustee Harrison distributed copies of letters from Teamsters 214 and Local 2002.

Trustee Marshall and Trustee Harrison left at 3:15 p.m. and returned at 3:17 p.m.

Trustee Marshall said he would get the MOU's (memorandum of understanding) signed by the union and the city. Trustee Harrison said it would have to go through the Retirement Board first. Trustee Poehlman has until May 31, 2005 to consider changing her retirement date. According to the ordinance a special election must be filed within 90 days of a vacancy.

Re: Secretary

None.

Re: Trustees/Committees

None.

Re: Administrator

Business Cards

Ms. Zimmermann advised the Board if business cards are needed to contact Ms. Vasquez and cards would be ordered.

Fiduciary Life Insurance

Ms. Zimmermann reported that Trustee Poehlman checked on fiduciary life insurances. Ms. Poehlman said CHUBB Insurance would \$500 million of coverage with a \$50,000 deductible or \$200 million coverage with a \$25,000 deductible. She indicated that PFRS had obtained a policy with \$2 million of coverage with a \$1,000 deductible. Chairman White directed Ms. Zimmermann to obtain another quote.

CAPROC Meeting

Ms. Zimmermann reported on May 26, 2005 the shareholders meeting for CAPROC would be held. The office of Sullivan, Ward, Asher & Patton, PC has requested the General Employee Trustees attend this meeting. Trustee Barnett said she would be present. Sullivan, Ward asked the Board to allow them to vote for the Board via proxy.

RESOLUTION 05 – 90 By Williams, Supported by Saucedo

Resolved, That the General Employees Retirement Board of Trustees authorize Sullivan, Ward, Asher, PC to represent the General Employees Retirement System by proxy vote.

Yeas: 10 – Nays: 0

UNFINISHED BUSINESS

Re: Consultant Finalist Recommendations

RFP Committee

Ms. Zimmermann reported the RFP committee met and chose four firms. The firms selected were Gray & Company, Morgan Stanley, Portfolio Analytics, and Callan Associates. Interviews will take place on June 14, 2005.

RESOLUTION 05 –090 By Saucedo, Supported by Barnett

Resolved, That the General Employees Retirement Board of Trustees will scheduled a special meeting on June 14, 2006 at 9:00 a.m. for the purpose of reviewing the finalist for Consultant. The meeting will be held at the Municipal & Health Services Credit Union.

Yeas: 10 – Nays: 0

NEW BUSINESS

Re: Employee Trustee Special Election

Pending.

PUBLIC DISCUSSION

Billie Swazer, a retiree of the General Employees Retirement System, expressed her concern to the Board regarding the city's financial deficit. She questioned whether the City could obtain dollars from the General Retirement System. Trustee Harrison explained to her that the pension was a separate trust and could not be obtained by the city. Mr. Michaud concurred, noting that both trust law and the Internal Revenue Code support this.

SCHEDULING OF NEXT MEETING

Special Meeting: June 14, 2005 at 9:00 a.m. in the Municipal & Health Service Credit Union at 144 E. Pike – Lower level.

Regular Meeting: June 22, 2005 at 1:30 p.m. in the Shrine Room of City Hall.

ADJOURNMENT

RESOLUTION 05 – 091 By Saucedo, Supported by Saucedo, Supported by Barnett Resolved, That the meeting be adjourned at 3:22 p.m.

Yeas: 10 – Nays: 0

I certify that the foregoing is true
Minutes of the General Employees
Retirement System held on May 25,
2005.

Ed Hannan, Secretary

As recorded by Theresa Vasquez