

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JULY 27, 2005**

A regular meeting of the Board of Trustees was held on Wednesday, June 27 2005 at the Shrine Room Main level, City Hall 47450 Woodward Ave., Pontiac, Michigan. The meeting was called to order at 1:36 p.m.

TRUSTEES PRESENT

Eugene White, Chairman	Robert Giddings
Kevin Williams	Larry Marshall (<i>arrived at 1:47 p.m.</i>)
Ed Hannan, Secretary	Javier Saucedo
Charlie Harrison, III	Debra Woods
Paulette Poehlman	

TRUSTEES ABSENT

Shirley Barnett (*excused*)
Mayor, Willie Payne

OTHERS PRESENT

Larry Gray, Gray & Company
Beth Bialy, Plante & Moran
Tom Michaud, VanOverbeke, Michaud & Timmony, PC
Ellen Zimmermann, Retirement Systems Administrator
Jane Arndt, M-Administrative Assistant

APPROVAL OF CONSENT AGENDA

Re: Consent Agenda – July 27, 2005

A. APPROVAL OF MINUTES

1. Minutes of Special Meeting: June 14, 2005
2. Minutes of Regular Meeting: June 22, 2005

B. COMMUNICATIONS

1. Correspondence from Julius Baer Re: June 2005 Commentary
2. Correspondence from GE Asset Management Re: Compliance Statement
3. Correspondence from Mesirov Financial Re: Staff Changes
4. Conferences:
 - a. Super Bowl of Indexing - IMN

General Employees Retirement
Regular Meeting, July 27, 2005

b. Fall MAPERS – September 25-27, 2005

C. FINANCIAL REPORTS

1. Financial Reports – June 2005
2. Securities Lending Report – May 2005
3. Commission Recapture Report – May 2005
4. Accounts Payable:
 - a. ADP \$1,873.53
 - b. Crawford & Winiarski 2,889.63
 - c. Gabriel, Roeder, Smith & Co. 4,600.00
 - d. Ikon 198.59
 - e. Loomis Sayles 38,057.36
 - f. Morris, Nichols, Arsht & Tunnell 545.06
 - g. NEPC 25,979.07
 - h. Office Depot 279.61
 - i. Plante Moran 870.00
 - j. Slade's Printing 95.20
 - k. Sullivan, Ward, Asher & Patton 9,543.66
 - l. Visa 1,716.80

E. RETIREMENTS, REFUNDS, FINAL CALCULATIONS, RE-EXAMINATIONS

1. Remove from the Rolls:
 - a. Carrie Stevens (deceased 07-07-05)
 - b. Gerald Lockett (deceased 06-29-05)
2. Application for Service Retirement:
 - a. Mary Thomas – Teamsters 214 22 years, 4 months Age 62
 - b. Darlene Hudson – MAPE 27 years, 1 month Age 50
 - c. McKinley Jones – SAEA 14 years, 1 month Age 60
3. Final Pension Calculations:
 - a. Donna Biron #2220 2,835.77 (re-calc)
 - b. Janet Ervin #2203 5,327.99
 - c. Darlene Hudson #2297 1,270.81
 - d. James Basigkow #2215 3,095.55 (re-calc)
 - e. Gary Bledsoe #2142 2,340.33 (re-calc)
 - f. Michael Chapman #2249 2,713.04 (re-calc)
 - g. James Colbeth #2091 2,868.09 (re-calc)
 - h. Ned Colburn #1429 3,775.18 (re-calc)
 - i. Dan Connolly #2183 4,282.26 (re-calc)
 - j. Meguel Contreras #2252 2,165.82 (re-calc)
 - k. Victor Farnum #2109 3,091.48 (re-calc)
 - l. Freddie Garland #2085 3,021.80 (re-calc)
 - m. Johnny Harris #2275 1,937.10 (re-calc)
 - n. Frederick Jackson #2264 3,092.59 (re-calc)
 - o. Willie McCoy-Johnson #2172 2,109.16 (re-calc)
 - p. Douglas Meyer #2073 2,366.61 (re-calc)
 - q. Kenneth Moss #2123 2,911.01 (re-calc)
 - r. Joh Perry (Kathleen D. Perry) #2202 1,033.78 (re-calc)
 - s. Howard Scruggs #2193 3,534.01 (re-calc)

General Employees Retirement
Regular Meeting, July 27, 2005

- | | | |
|----------------------|-------|--------------------|
| t. Bernard Slumkoski | #2280 | 2,135.22 (re-calc) |
| u. Patrick Tippin | #2086 | 2,369.60 (re-calc) |
| v. Kenneth Trout | #2177 | 3,627.63 (re-calc) |
4. Request to Change Effective Date of Retirement:
 - a. Richard Hahn
 - b. Judy Storum
 - c. Twila Salek
 - d. Portia Fields-Anderson
 - e. Portia Fields-Anderson
 - f. Mark Sharpe
 - g. Mark Sharpe
 - h. Mark Sharpe
 5. Withdrawal of Application to Retire
 - a. McKinley Jones
 - b. Thressa Mahone

RESOLUTION 05-105 By Hannan, Supported by Saucedo
 Resolved, That the consent agenda for July 27, 2005 be approved as presented.

Yeas: 8 – Nays: 0

CONSULTANTS

Re: Plante & Moran – 2004 Audit Presentation

Ms. Bialy stated the audit opinion is an unqualified or “clean” opinion which is the highest level of assurance possible. She briefly explained that the Management Discussion and Analysis is a summary for non-financial users of the statements. The net assets held in trust increased from \$410 million to \$429 million over the prior year. Ms. Bialy summarized investment income return from 2003 to 2004 as 10% versus 19% respectively. She remarked that the fund managers were performing well.

She reviewed the balance sheet noting that total assets were \$476.8 million, total liabilities were \$47.4 million and net assets held in trust were \$429.4 million at year end.

Trustee Marshall arrived at 1:47 p.m.

Trustee Harrison was concerned about the large number of employees retiring in 2005 and its impact on the Fund. Ms. Bialy stated that she did not think that these high numbers should affect the overall condition of the fund. Trustee Hannan stated that many of those who retired might have retired later in the year, however, that he does feel we will see an overall affect. He did say that the actuarial numbers could balance out due to employee reduction and withdraw from pension system.

Trustee Harrison asked when current numbers would be available. Ms. Zimmerman stated that they would not be reflected for two years in the contribution rates. Ms. Bialy pointed out that retirees heavily outnumber current employees

Ms. Bialy reviewed the letter of comments and recommendations with regard to GASB 43 and 45 requirements pertaining to retiree health care. The new standard states that the City is required to amortize past costs over a period of 30 years. Trustee Harrison pointed out the City of Pontiac is currently funding per this requirement and that most other communities are not currently following these guidelines. It was then determined that the City is currently funding the VEBA at a 3% rate. Ms. Bialy suggested that the Board check with the actuary to determine what the City's contribution rate/percentage should be. The annual valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded, any under funding must be reported as a liability on the government-wide statement of net assets.

GASB 40 will require additional disclosure of deposit and investment risk next year.

Ms. Bialy stated that Plante & Moran is not and has never been the auditor for CAPROC and that their involvement was over-stated. They did, however, prepare tax returns for CAPROC for a few years but have declined continuation of this service.

Ms. Bialy said that Plante & Moran is recommending to the GERS that a document management/disaster recovery system be setup to ensure that documents/records are secure in the event of a fire, natural disaster, etc. The Board expressed interest in proceeding. She will meet with Ms. Zimmermann to discuss services, determine specifications and prepare an RFP.

RESOLUTION 05-106 By Saucedo, Supported by Woods
Resolved, That the information regarding the GERS Audit Report as of December 31, 2004 be approved as presented.

Yeas – 9 Nays – 0

Re: Gray & Company - Management Changes at Kennedy Capital

Mr. Gray reviewed letter stating that Paul Miller, President and Chairman of Kennedy Capital passed away on July 14, 2005. He suggested to the board that Kennedy Capital be put on probation during their transition. He also stated that he would work on the details of a letter with Ms. Zimmermann informing them of the parameters of the probation. He noted that Gray & Company would watch the performance of the account during this transition. He also noted that Kennedy Capital has been one of the best performers. Trustee White inquired as to the length of probation. Mr. Gray suggested six months. He stated that Kennedy Capital has hired an executive search firm to fill position. Their expectation is that the position will be filled in 60 days.

RESOLUTION 05-107 By Harrison, Supported by Hannan
Resolved, That Kennedy Capital is to be put on the watch list in accordance with the Investment Policy Statement as a result of significant personnel changes.

Yeas - 9 Nays – 0

Re: ChrisKen Liquidation Plan Ratification

Gray & Company has signed off on the ChrisKen Plan of Liquidation received on 6/27/05. They looked into the disposition of the real estate market and feel that share prices are substantially higher than original share prices. Due diligence is proposed to confirm these findings.

Trustee Harrison asked how many total shares of ChrisKen were liquidated. Mr. Gray does not have the share number from the liquidation earlier in the year. He stated that ChrisKen currently has \$4.3 million per NEPC's report. The amount of the proceeds may be as high as \$10 million, but ChrisKen is currently holding back funds. The liquidation should be complete by the end of the year.

Mr. Gray feels the board should take advantage of the higher share prices. Trustee Hannan asked about ChrisKen shares being marked down by 1/3 of their value. Mr. Gray said that they have not done well in the real estate market. Mr. Gray suggested the review of the GERS real estate portfolio in August. They will look to hire manager with diverse market experience and who is not in one specific area. Choosing a new manager is down the road. Mr. Gray suggested the Board wait and see what happens with CAPROC and whether pro rata distribution is in dollars or property. Trustee Hannan questioned if our distribution is real estate, whether the long-term goal is to dispose of it. Mr. Gray said that if property is part of decision it should be fixed up and sold. It is best not to try and time the market.

RESOLUTION 05-108 By Saucedo, Supported by Harrison
Resolved, That the approval of the ChrisKen Liquidation Plan be ratified.

Yeas - 9 Nays - 0

Consultant Transition

Mr. Gray said the transition from NEPC is going well. They will meet with all managers and review the portfolio down to the security level. They will also review asset allocation for better risk/performance profile. They are pleased to be working with the System.

Mesirow Staff Changes

Ellen Zimmerman indicated there was a staffing change at Mesirow. Mr. Gray said that the John Solecki's termination would not affect our business with Mesirow. He had no knowledge as to why he was let go. Two new hires were brought on to replace Mr. Solecki who was a marketing person.

Trustee Marshall left at 2:15 p.m.

General Employees Retirement
Regular Meeting, July 27, 2005

REPORTS

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Letter to Members

The letter of reassurance to members has been sent to the active members; retirees will be sent the same letter when more envelopes are received.

Formatted

Closed Session Minutes: June 22, 2005

Ms. Zimmerman distributed copies of the minutes of closed session from June 22, 2005 for the Board’s review and approval. Tom Michaud asked if there were any questions, comments or concerns.

RESOLUTION 05-109 By Harrison, Supported by Saucedo
Resolved, That the minutes of the closed session of June 22, 2005 be approved as presented.

Yeas: 8 – Nays: 0

Fiduciary Liability Insurance

Ms. Zimmerman distributed a document containing a quote for fiduciary liability insurance obtained by Trustee Poehlman.

\$2,000,000/\$25,000 deductible	\$30,000 Annual Premium
\$5,000,000/\$50,000 deductible	\$47,500 Annual Premium

She said that she had requested a second quote from the agent used by PFRS as directed by the Board. She was told later that the underwriter (Chubb) will provide only one quote per policy and the Board already had the quote obtained by Trustee Poehlman. Discussion followed by the Board regarding the cost and coverage.

Trustee White asked what underwriter PFRS used. Ms. Zimmerman replied that Chubb is the only underwriter currently writing policies for public funds. The quote we received from the City’s agent is the only quote we can obtain.

Larry Marshall returned at 2:35 p.m.

RESOLUTION 05-109 By Hannan, Supported by Saucedo
Resolved, That the motion to obtain fiduciary liability insurance be tabled until further notice.

Yeas: 9 – Nays: 0

General Employees Retirement
Regular Meeting, July 27, 2005

Re: Legal

Mr. Michaud informed the Board that they have been appointed as lead plaintiff in the Molex litigation. He said he would keep the Board advised.

UNFINISHED BUSINESS

Re: Ordinance Clean-up - Postponed

NEW BUSINESS

Re: Cost Study: Gray-Robeson

Re: Cost Study: Delgado

RESOLUTION 05-110 By Harrison, Supported by Woods
Resolved, That the actuarial cost studies for Gray-Robeson and Delgado be received and filed.

Yeas: 9 – Nays: 0

Retirements, Changes of Retirement Date

Requests for Change of Retirement Date

Ms. Zimmermann distributed copies of change of retirement date for Paulette Poehlman.

RESOLUTION 05-111 By Woods, Supported by Saucedo
Resolved, that the Request to Change the Date of Retirement for Paulette Poehlman, be approved.

Yeas: 9 – Nays: 0

PUBLIC DISCUSSION

None.

SCHEDULING OF NEXT MEETING

Regular Meeting: August 24, 2005 at 1:30 p.m. in the Shrine Room of City Hall.

General Employees Retirement
Regular Meeting, July 27, 2005

ADJOURNMENT

RESOLUTION 05-112 By Saucedo, Supported Woods
Resolved, That the meeting be adjourned at 2:52 p.m.

Yeas: 9 – Nays: 0

I certify that the foregoing is true Minutes of
the General Employees Retirement System
held on July 27, 2005.

Ed Hannan, Secretary
As recorded by Jane Arndt