

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
OCTOBER 28, 2009**

A regular meeting of the Board of Trustees was held on Wednesday, October 28, 2009 at the City Council Conference Room, Second Level, 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
Charlie Harrison, Chairman	Debra Woods (<i>arrived at 1:44 p.m.</i>)
Javier Saucedo, Vice Chair	Andrea Wright

TRUSTEES ABSENT

Mayor, Clarence Phillips (*absent*)

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton, P.C.
Laurance Gray, Gray & Company
Ellen Zimmermann, Retirement Accountant
Jane Arndt, M-Administrative Assistant
Linda Watson, Retiree

PUBLIC DISCUSSION

Linda Watson told the Board that she had a question regarding bankruptcy that was answered by the Board's attorney.

She questioned whether the Board had received an audit report from Onyx. Ms. Zimmermann reported that the audit report had been received.

APPROVAL OF CONSENT AGENDA

- A. Minutes of Special Meeting: September 23, 2009
- B. Communications
 1. Correspondence from Artio Global Advisors Re: 08/09 Fact Sheet
 2. Correspondence from Artio Global Advisors Re: IPO
 3. Correspondence from UIM Re: Resignation
 4. Correspondence from Invesco Re: Acquisition of Morgan Stanley Retail Asset Business

C. Conference Information:

1. Super Bowl of Indexing – IMN – December 6-9, 2009

E. Financial Reports

1. Financial Reports – September 2009
2. Commission Recapture – September 2009
3. Securities Lending – September 2009
4. Securities Lending Deficiency
5. Capital Call Ratification
6. Accounts Payable
 - a. ADP \$2,779.59
 - b. City of Pontiac 1,674.08
 - c. Gray & Co. 113,604.68
 - d. Ikon 198.59
 - e. Northern Trust 51,243.06
 - f. Office Depot 209.06
 - g. Rodwan Consulting 3,200.00
 - h. Stevens Record Management 109.14
 - i. Sullivan, Ward, Asher & Patton 510.50
 - j. Visa 246.89

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

1. Remove from the Rolls:
 - a. Matlyn Brown (deceased 09-23-09)
 - b. Rose Chaput (deceased 08-21-09)
 - c. Cleo Dyer (deceased 08-24-09)
 - d. Beatrice Jones (deceased 09-19-09)
2. Application for Service Retirement:
 - a. Lavern Brinkey - NOMC 2 years, 6 months Age 60
 - b. Michele K. Hancock – NOMC 10 years, 3 months Age 60
 - c. Eric Nelson – Non-union 35 years, 0 months Age 57
 - c. Janet Bruno - NOMC 6 years, 5 months Age 60
 - d. Juanita Harper – Teamsters 12 years, 1 month Age 53
3. Final Benefit Calculation
 - a. Lavern Brinkey #2501 \$220.92
 - b. Michele K. Hancock #2502 431.15
 - c. Janet Bruno #2506 414.23
4. Pop-up Effective:
 - a. Shirley Nichols (beneficiary deceased 09-18-09); Member benefit increased from \$1,349.13 to \$1,520.39
5. Change of Retirement Effective Date
 - a. Eric Hoover changed from November 1, 2009 to December 1, 2009
 - b. Eric Hoover changed from January 13, 2010 to November 13, 2009

Ms. Zimmermann added two change-of-date notifications to the consent agenda for Eric Nelson and Eric Hoover.

Trustee Wright stated that the memo from Eric Nelson was confusing. She questioned why Larry Marshall requested that Mr. Nelson change his retirement date. She also had a question regarding Eric Hoover's original retirement date before the extension. Ms. Billings said his original application was on the September 23, 2009 agenda.

Trustee Bowman commented that he did not receive his agenda packet in the mail and he would like to review the packet before voting.

Trustee Woods arrived at 1:44 p.m.

Chairman Harrison stated that the Opal Public Funds Summit West Conference has not been approved for the trustees' attendance. Trustee Wright noted that the trustees request attendance and the Board approves the attendance. Chairman Harrison stated that he is planning to attend the conference as well as the following trustees: Trustee Saucedo; Trustee Woods; Trustee Barnett and Trustee Williams.

Ms. Billings recommended that the resolution state that anyone wishing to attend the Public Funds Summit be approved. She also suggested that the Hoover and Nelson retirement date changes be included in the resolution.

RESOLUTION 09-075 By Saucedo, Supported by Barnett
Resolved, That the Board approve the trustees' attendance at the Opal Public Funds Summit West in Scottsdale, Arizona on January 6-8, 2010.

Yeas: 7 – Nays – 0
Abstained: Bowman

RESOLUTION 09-076 By Bowman, Supported by Barnett
Resolved, That the Board approve the consent agenda for October 28, 2009 as amended.

Yeas: 7 – Nays: 0
Abstained: Bowman

CONSULTANTS

Re: Gray & Company

Mr. Gray thanked the trustees for their attendance at the manager reception the previous evening.

Performance Brief

He provided a brief performance overview from the flash report for the period ending September 30, 2009 and the market values from Northern Trust as of October 26, 2009.

As of September 30, 2009 total plan value was \$380.4 million versus \$377.9 million as of October 26, 2009.

Year-to-date performance at 18.57% and quarter-to-date performance at 12.52% was slightly below the benchmark. This may be due to the managers' defensive posture. The report does not provide risk adjusted performance numbers. He also noted that the index is constructed differently using the example of the tech bubble. He said that sometimes managers do not keep up with the benchmark citing the difference in managing money versus the benchmark.

International equity manager Artio was flat compared to the benchmark.

Fixed income performance is providing the income to pay the bills for the system. Oppenheimer and Munder outperformed the Barclays U.S. Aggregate which was formerly the Lehman Aggregate with returns of 6.91% and 6.66%, respectively versus the benchmark at 5.72%.

High yield realized its worst performance when spreads were wide but now that spreads have narrowed high yield is out performing. Peritus's performance is well above the benchmark but their performance is below the benchmark since inception.

Private equity numbers are negative based on the J-curve effect. These investments are for the long-haul and these managers should do well. He informed the Board that he attended a private equity conference last month.

Onyx SEC Inquiry

He explained that they received an inquiry from the SEC for Onyx. They are required to submit answers to questions posed by the SEC by November 6, 2009.

Trustee Barnett questioned whether the SEC was investigating Onyx. Mr. Gray explained that Roy Dixon has a Series VII Broker Dealer License which requires disclosure of any business outside its scope. The SEC routinely checks every few years for any outside compensation. Onyx's assumption is that everyone received the same request and they are prepared for whatever is requested or occurs.

Trustee Wright asked why a copy of the letter was not included in the packet. Ms. Zimmermann said that the letter from the SEC stated this is a non-public inquiry so she did not feel it was appropriate to put it in the records.

Ms. Billings said that it was a voluntary request for information by the SEC and that further, under Michigan Public Act 314 there are constraints on what documents can be disclosed by the SEC. Mr. Gray confirmed that his request was a subpoena. Ms. Billings stated that the letter is on file in the Retirement Office.

Nexos Presentation

Mr. Gray reported that Eduardo Bohórquez from Nexos was unable to attend the meeting due his recent knee surgery. It was recommended that he not fly after the procedure.

UIM Termination/Contract

Mr. Gray said that he was sorry he was not at the last meeting to discuss the UIM sale and contract termination with the Board.

He discussed the managers in the UIM portfolio. He said that there are a number of world class managers located in Michigan. He said that the portfolio was designed to be Michigan-centric containing best of class managers. He asked if there were any questions.

Trustee Wright questioned why they had not received information from Ms. Billings regarding the transition as indicated at the last meeting. Ms. Billings said that since the last meeting, Ms. Zimmermann received a letter from UIM stating they had resigned which meant no one was managing these assets. It was imperative to get a contract in place. They received a contract from Gray & Company which mirrored the UIM contract authorizing the consultant to look over the investments. She found no legal issues with the contract.

Trustee Bowman confirmed that there is not a conflict having the consultant as the manager of managers. Ms. Billings said that there is nothing illegal with the consultant making the investment decisions or taking on the responsibility for selecting managers as long as the Board is comfortable.

Mr. Gray said that he checked with the SEC regarding this issue. In years past, there were only three to five managers to select from that provide this service and now there are around thirty. A number of systems are moving from a quasi-discretionary to non-discretionary with regards to their investments. In many cases these investors do not have the time or inclination to make these decisions especially on the alternative side, based on the liability and difficulty of truly understanding these investments. Hedge funds, timber and private equity are very complex investments. There is nothing illegal and everything is totally transparent. There would be a conflict if they were actually managing securities but they would not be doing that. The first manager of managers program initiated by the board was exciting and by most measures, a success. However, if the trustees are not comfortable they could dismantle the program.

Ms. Billings said that another one of her firm's retirement system clients has hired a manager of managers to handle 100% of their investments.

Mr. Gray stated that there are several different models the Board could chose from. There would be full transparency and the managers would be available to attend the manager review meetings.

Trustee Wright said she is uncomfortable. She understands it is not illegal and questioned why it was not handled this way two years ago. She feels that it appears as if the consultant is double dipping collecting fees as the manager and consultant. She appreciates the fact that if these firms are not under the manager of managers' umbrella their fees will be much higher and they would not be able to hire them directly. However, she would like it to be another manager.

Mr. Gray said that he could bring back other options and a list of managers for the Board's review. He indicated that some of these managers of managers have most favored nation clause.

Chairman Harrison polled the remaining trustees for their opinions. He said that it is only fair for everyone to be involved. He restated that these managers have taken reduced fees and without a manager of managers, the fees would increase.

Trustee Bowman stated that if there is not a conflict they need to move on and go forward. He felt that it should be documented that there is not a conflict to avoid any unnecessary scrutiny.

Chairman Harrison requested that the attorney provide a written report pertaining to the issue of the consultant taking on the responsibility of being the manager of managers.

Trustee Barnett felt that if there is no conflict of interest she does not have a problem moving forward with the proposed

Trustee Woods said that she is comfortable with Gray & Company managing the investments and was not aware of any issue.

Ms. Zimmermann reviewed the issue to date. Two years ago the Board was wanted to start a manager of managers program when they hired UIM, a subsidiary of Gray & Company. They were hired to select managers, monitor performance and to fire managers if they were not performing. Due to financial issues, UIM was sold with the understanding that the current employees would be kept on for a period of time during the transition. However, once UIM was sold they began to fire everyone and sent a letter of resignation to the System. At that point there was no contract or oversight of the managers who are holding the System's assets. Gray & Company stepped in to manage the assets and provide oversight. Mr. Gray said that he owned 95% of UIM and has 90% ownership in Gray & Company.

Vice Chair Saucedo said that he is comfortable with Gray & Company. Trustee Williams agreed but feels that because this is a new relationship the same due diligence should apply.

Mr. Gray said that he will bring back names for the Board's review.

Trustee Williams confirmed his confidence in Gray & Company but stated that he felt the Board should follow the same process they use for all manager searches and selections.

Chairman Harrison confirmed that Ms. Billings would provide a written report and the consultant would proceed with the search process. He also stated that if UIM had not terminated the employees and resigned the investment would still be handled the same way.

Trustee Williams said that as a trustee he felt the Board should follow the correct process.

Ms. Billings said that this is not a moot point. There needs to be a contract in place to manage these assets. She informed the Board that they cannot terminate this agreement before another agreement is in place.

Chairman Harrison confirmed this would be a stop gap agreement until which time other managers can be reviewed and a written legal opinion is received clarifying the issue.

Mr. Gray said that he could bring a list of names back to the Board. He indicated that there are over thirty firms that currently provide this service such as Russell and Watson Wyatt.

Chairman Harrison said that he has been involved in bringing more minority and women-based investment and brokerage firms into the System during his time on the Board. He acknowledged Mr. Gray's efforts to move in that direction having started the emerging manager program. He is comfortable with Mr. Gray and Gray & Company's performance.

Trustee Wright left at 2:26 p.m.

REPORTS

Re: Chairman - None

Re: Secretary - None

Re: Trustees/Committees - None

Trustee Wright returned at 2:26 p.m.

Re: Administrator

Deferred Member Benefit Statements

Ms. Zimmermann reported that the Deferred Member Benefit Statements were mailed out September 17, 2009.

Mandatory Furlough Days

Ms. Zimmermann referred to the mandatory furlough day notices included in the package stating that the staff would not be available to the Board or members on certain days. This is part of the City's cost saving measures. The Human Resources Department is stating that the furlough hours will not have an impact on the member's retirement benefit and should be included in the final average calculation. She requested that the attorney review this and write an opinion.

RESOLUTION 09-077 By Woods, Supported by Saucedo

Resolved, That the Board direct legal counsel to write an opinion regarding mandated furlough days and whether this time is includable in a member's final average calculation (FAC).

Yeas: 8 – Nays: 0

GRS Software

Ms. Zimmermann reported that there have been a number of recent cost study requests. She also stated that in order to continue to calculate estimates and retirements the Retirement Office needs to renew the GRS Software Agreement. The current agreement expires at the end of October. The cost has increased from \$3,000.00 to \$3,500.00 plus an additional \$500.00 to add a new pay code to the system.

Chairman Harrison confirmed that there has been discussion on the need to maintain or acquire software in the past. Ms. Zimmermann stated that to acquire the new software it would cost \$80,000.00 to \$100,000.00.

RESOLUTION 09-078 By Barnett, Supported by Saucedo
Resolved, That the Board approve the renewal of the GRS Software Agreement.

Yeas: 8 – Nays 0

Furlough Day Notice

Ms. Zimmermann suggested that a notice be sent to the retirees to notify them of the furlough days. This will alleviate any confusion when retirees are unable to contact the Retirement Office.

RESOLUTION 09-079 By Barnett, Supported by Bowman
Resolved, That the Administrator is directed to send a communication to retirees notifying them of the furlough day schedule.

Yeas: 8 – Nays: 0

COLA Payments

Ms. Zimmermann informed the Board that there may be a need to rebalance at the November/December meeting due to the COLA payments in November. Currently, there is adequate cash to cover the November COLA payments.

2010 Board Meeting Calendar

Ms. Zimmermann distributed a copy of the proposed 2010 Board Calendar for the trustees' review.

RESOLUTION 09-080 By Saucedo, Supported by Bowman
Resolved, That the Board approve the 2010 Board Meeting Calendar.

Yeas: 8 – Nays: 0

Re: Legal

CompuCredit Corp

Ms. Billings reported that a hearing on the Defendants' Motion to Dismiss has not yet been scheduled.

Merrill Lynch Bond Litigation

Ms. Billings reported that the settlement is still pending in the United States District Court for the southern District of New York. They will continue to monitor this situation on behalf of the Board.

The DIRECTTV Group, Inc. Derivative Litigation

Ms. Billings reported that the Complaint for Breach of Fiduciary Duties was filed and the litigation is in the initial phase of discovery.

Immucor, Inc. Securities Litigation

Ms. Billings reported that the Complaint for Violation of the Federal Securities Laws and Demand for Jury Trial was filed and the litigation is in the initial stage of litigation.

IRS Determination Letter

Ms. Billings reported that this matter is currently pending with the IRS. She is surprised that she has not received any follow up from the IRS, with the exception of their initial acceptance letter, concerning over thirty determination letter applications she had filed.

Discretionary Investment Advisor Agreement with Gray & Company

Ms. Billings stated that it is imperative that there is a contract in place due to the UIM resignation. She has reviewed the Gray & Company contract and made minor changes that were accepted.

Chairman Harrison verified that this is a stop gap contract for the interim. Ms. Billings stated that the contract from Gray & Company is a good clean contract for the Board.

Chairman Harrison affirmed that a contract needs to be in place so there is someone managing the managers and assets.

RESOLUTION 09-081 By Scott, Supported by Woods

Resolved, That the Board approve the Gray & Company Investment Advisor Agreement.

Yeas: 6 – Nays: 1 (Wright)

Abs: (Bowman)

Investment Policy Statement

Ms. Billings reported that there were no substantive changes to the IPS.

Crossman Domestic Relations Order

Ms. Billings reported that she reviewed the Crossman Domestic Relations Order and forwarded it to the administrator to send to the actuary to confirm that there would be no increased benefit payout.

Northern Trust Securities Lending Litigation

Ms. Billings said that they have partnered with Coughlin Stoia and anticipate filing a complaint against Northern Trust before the December meeting. She requested that the Board authorize the Chairman to sign the retainer agreement if needed.

RESOLUTION 09-082 By Barnett, Supported by Saucedo

Resolved, That the Board authorize Chairman Harrison to sign the retainer agreement in the Northern Trust litigation.

Yeas: 7 – Nays 1 (Bowman)

Trustee Scott left at 2:43 p.m.

Coughlin Stoia Portfolio Monitoring Report for the Quarter Ended March 31, 2009

This report is for the trustees' information. Once these cases settle, it is customary to file a proof of claim.

Union Representatives – None

UNFINISHED BUSINESS

Re: Disaster Recovery

Ms. Zimmermann stated that she has been trying to work with the IT Department for the past year to access the payroll company using the laptop in order to process and transmit payroll in the event of a disaster. They have provided limited support and have not been able to resolve the problem. She requested that the Board authorize her to bring someone in from the outside that can fix the problem.

RESOLUTION 09-083 By Barnett, Supported by Bowman

Resolved, That the Board authorize the Retirement Administration to consult with an outside Information Technology professional to fix the payroll transmission issue.

Yeas: 7 – Nays: 0

Trustee Bowman offered his assistance stating that he was the Chair of the IT Subcommittee. Ms. Zimmermann thanked him for his offer stating that at the moment she was currently only trying to resolve the payroll transmission problem.

Re: Investment Policy Statement – Refer to Legal

NEW BUSINESS

Re: CD Renewal

Ms. Zimmermann reported that the CD is renewed each year and it is customary for the Board to take the interest and deposit it into the cash account and reinvest the principle.

RESOLUTION 09-084 By Supported by

Resolved, that the Certificate of Deposit be renewed for a one year period and the interest be issued to the System as a check.

Yeas: 7- Nays: 0

Re: Service Credit Inquiry - Wilkins

Ms. Zimmermann reported that member Carol Wilkins was employed by the City for more than ten years and was a vested employee before she was laid off. She was recalled by the City but has concerns on whether her service credit over ten years and the service credit she is now

accruing could be lost if the City files for bankruptcy before she reaches the mandatory time in order to apply the additional service credit. She does not feel she was separated from the City since she was laid off with call-back rights. She also requested clarification on how the final average calculation is calculated. She has requested legal clarification.

Ms. Zimmermann requested that legal counsel provide a written opinion.

RESOLUTION 09-085 By Bowman, Supported by Wright
Resolved, That the Board direct legal counsel to provide a written opinion in regard to the Carol Wilkins service credit and retirement issue.

Yeas: 7 – Nays: 0

Trustee Wright verified that the Retiree Association has no affiliation with the Retirement System. Ms. Zimmermann said that they have no affiliation and the meeting notice was put in the agenda for the trustees' information.

SCHEDULING OF NEXT MEETING AND ADJOURNMENT:

Regular Meeting: December 2, 2009, 1:30 p.m. –Shrine Room, Main Floor, City Hall

ADJOURNMENT

RESOLUTION 09-086 By Barnett, Supported by Bowman
Resolved, That the meeting be adjourned at 2:51 p.m.

Yeas: 7 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on October 28, 2009

As recorded by Jane Arndt