

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
DECEMBER 1, 2010**

A regular meeting of the Board of Trustees was held on Wednesday, December 1, 2010 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:30 p.m.

TRUSTEES PRESENT

Shirley Barnett

Koné Bowman (*arrived at 3:03 p.m.*)

Charlie Harrison, Chairman

Leon Jukowski, Mayor

John Naglick, Secretary

Devin Scott (*arrived at 3:08 p.m.*)

Patrice Waterman (*arrived at 1:36 p.m.*)

Kevin Williams

Debra Woods (*arrived at 1:34 p.m.*)

Andrea Wright

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton

Sharon Almonrode, Sullivan, Ward, Asher & Patton

Anthony Asher, Sullivan, Ward, Asher & Patton

Chris Kuhn, Gray & Company

Ellen Zimmermann, Retirement Accountant

Jane Arndt, M-Administrative Assistant

Frances Finnegan, Retiree (*arrived at 1:33p.m.*)

Dave Desmond, Peritus Asset Mgmt.

Tim Gramatovich, Peritus Asset Mgmt.

Ron Heller, Peritus Asset Mgmt.

Edith Kaminski, Retiree

Linda Watson, Retiree

PUBLIC DISCUSSION

Ms. Watson asked where the IFEBP and Opal Conferences are held and who has or plans to attend. Chairman Harrison said that Ms. Arndt will provide the information.

Ms. Watson also asked what the invoice indicated as Shirley Barnett was for. Ms. Zimmermann said that it represents a travel expense reimbursement.

AGENDA CHANGES

Trustee Jukowski asked that obtaining an opinion from the Attorney General be added to the agenda.

RESOLUTION 10-081 By Jukowski, Supported by Naglick

Resolved, That the Board approve the amendment to the agenda asking to obtain an opinion from the Attorney General regarding the transfer of pension assets to pay for retiree healthcare.

Roll Call:

Trustee Barnett – Nay
Chairman Harrison – Nay
Trustee Jukowski – Yea
Trustee Naglick - Yea
Trustee Williams - Nay
Trustee Wright - Nay

Motion Failed

APPROVAL OF CONSENT AGENDA

A. Minutes of Regular Meeting: October 27, 2010

B. Communications

1. Correspondence from Artio Global Re: October Fact Sheet / Q4 CIO Letter
2. Correspondence from Alliant Re: National Fiduciary Liability Insurance Program
3. Correspondence from Andrea Wright Re: Lay Off Notice
4. Correspondence from Kennedy Capital Re: Client Letter
5. Correspondence from GERS to Peritus Re: Watch List / High Yield ETF Launch
6. Correspondence from Systematic Re: Compliance with IPS / Transaction Cost Analysis
7. Correspondence from AMBS Re: View from the Grand
8. Correspondence from Loomis Sayles Re: White Paper
9. Correspondence from Sawgrass Re: September Financial Review & Outlook
10. Correspondence from Piedmont Re: Change of Address
11. Conference: 2011 Legislative Conference – NCPERS – Jan 30-Feb 1, 2011

C. Financial Reports

1. Financial Reports – October 2010
2. Securities Lending – September & October 2010
3. Capital Call Ratification: None
4. Accounts Payable
 - a. ADP \$5,773.40
 - b. Artio Global 75,538.95
 - c. Shirley Barnett 228.50
 - d. Berwyn Group 161.00
 - e. Coffee Break 25.20
 - f. GE Capital Information (copier) 116.42
 - g. Gray & Co. 127,403.91
 - h. Huttenlocher Group 19,808.00
 - i. Kennedy Capital 53,544.00
 - j. Loomis Sayles 38,575.13
 - k. Munder Capital 77,646.00
 - l. NCPERS 150.00
 - m. Northern Trust 50,063.05
 - n. Office Depot 222.39
 - o. Rodwan Consulting 1,400.00
 - p. Stevens Record Management 54.70
 - q. Sullivan, Ward, Asher & Patton 36,671.88
 - r. Systematic 53,684.24
 - s. USPS 2,057.43

- t. VISA 6,584.58
- 5. Due from City – Medicare Part B Reimbursement 650,413.50 (still pending)
- 6. Death Audit Results
- D. Retirements, Refunds, Final Calculations, Re-Examinations
 - 1. Remove from the Rolls:
 - a. George Flagg (deceased 08-26-10)
 - b. Amanda Foltz (deceased 10-20-10)
 - c. William Hampshire (deceased 10-14-10)
 - d. Katherine Noel (deceased 09-29-10)
 - e. Oggerlee Phillips (deceased 11-06-10)
 - f. Thomas Quinn (deceased 09-23-10) corrected surv benefit \$415.20/mo to D. Halloran
 - g. Nevah Spurlin (deceased 11-07-10)
 - h. Catherine J. Winters (deceased 11-21-10); surv benefit \$1,568.40/mo to Anne Winters
 - 2. Applications for Service Retirement:
 - a. Gloria Harris-Ford - PMEA 7 years, 11 months Age 60
 - b. Francis Finnegan – PMEA 13 years, 6 months Age 60
 - c. Madhu Oberoi – Non-Union 22 years, 1 month Age 63
 - 3. Application for Deferred Retirement
 - a. Cheyla Germany – Non-Union 11 years, 11 months Pension Starts 4-1-2031
 - b. Richard Seay – Non-Union 17 years, 10 months Pension Starts 4-1-2027
 - c. Andrea Wright – Non-Union 17 years, 1 month Pension Starts 9-1-2029
 - 4. Final Benefit Calculations:
 - a. Gloria Dudley #2425 \$1,384.81 (not listed in Feb, 2010)
 - b. Beverly Stubbs #2438 2,514.17 (not listed in Feb, 2010)

RESOLUTION 10-082 By Woods, Supported by Waterman

Resolved, That the Board approve the consent agenda for September 22, 2010 as amended.

Yeas: 8 – Nays: 0

Trustee Wright had a question on whether Trustee Naglick’s vote counts since his term as Acting Finance Director expired October 10, 2010 based on the Executive Order issued by the Emergency Financial Manager. There has never been a PAS Form designating John Naglick as the Acting Finance Director.

She questioned whether a new order had been issued. The order that expired on October 10, 2010 was date certain.

Chairman Harrison asked if the EFM made the appointment date certain.

Trustee Jukowski said that he can confirm that John Naglick is the Acting Finance Director.

Chairman Harrison questioned the Board should get confirmation based on the date certain issue.

Ms. Billings said there are no legal procedures the EFM is required to follow when appointing department heads. He is the Acting Finance Director until the Emergency Financial Manager says he is not.

Chairman Harrison confirmed that Trustee Naglick's vote will count.

Trustee Wright said that she wanted to make sure this issue was put on the record.

Francine Finnegan said that by the Emergency Financial Manager signing Trustee Naglick's paycheck, he acknowledges him as the Acting Finance Director.

CONSULTANTS

Re: Gray & Company

Peritus

Mr. Kuhn said that Peritus was invited to today's meeting to explain the purchase of a CDO in their high yield portfolio this past May. He said that the security was created back in May, 2005. He said that the Board would like some clarification on the CDO.

Tim Gramatovich said that they did not create the CDO; they were a sub advisor. There has been some confusion regarding the CDO. It is a rated public security which they acquired. The security was over-collateralized at \$195 million versus \$170 million on the debt side which they bought for 91 cents on the dollar with a 9% coupon or a 10% yield. As the head of credit he felt this was an outstanding opportunity purchase for the portfolio.

They met with Larry Gray in 2009 regarding acquiring this CDO and to get approval to buy more. They are happy to report that it is profitable at this juncture.

Chairman Harrison said that Ms. Munson found information that it is currently valued at \$70.00.

Ron Heller stated that he is responsible for the trading, buying, selling and pricing of the securities in the portfolio. He explained how market price is different from quote statements. Brokers outsource to companies like IDT that can be off by as much as fifteen points. At Northern Trust the security can be valued at \$71.00 per share and Deutsche can value it at zero and another can have it priced in the \$20.00 range.

There are a lot of different models used by brokers to determine value. They recently received a live bid offer from a dealer funding a large dealer trade at \$92 per share. It depends on where you buy or trade. The collateral value can be determined based on where you buy or trade the security. Some have priced the same security at par. Statement pricing differs from live market pricing.

Chairman Harrison stated that on the retail side rating agencies lever the value based on the underlying par value and put a price to it.

Mr. Kuhn said that a CDO is a pool of high yield securities that are separated into different tranche levels. The senior debt tranche is the first in line to get paid but receives the lowest interest rate. The other tranche levels get paid based on seniority level and the interest rate increases as the investor is exposed to more credit risk. The security is in the lowest tranche.

Mr. Gramatovich said that the System is invested in the debt tranche not the equity tranche.

Mr. Kuhn asked if there is enough value in this tranche to pay off the investors. Ms. Billings asked if the investment is liquid. Mr. Gramatovich said that the price valuation exceeds the debt in this tranche. He also said that there was a misconception that they picked up this security to bail out a client which made him furious. Their over site is the Security Exchange Commission and they are not allowed to do that as it would be prohibited. Their objective is to find a security that is profitable that generates cash flow.

Chairman Harrison said that Mr. Kuhn brought this to the Board's attention. He said that the Board's understanding was that this prompted a red flag because Peritus purchased the security without notifying the consultant and the Board.

Mr. Heller said that they spoke with Larry Gray regarding putting this security in the portfolio. It is a publicly traded and a CUSIP public security.

Ms. Zimmermann stated that the information should have come to the Board, whether they spoke with the consultant or not and it is quite unusual to have a manager sub-advising.

Dave Desmond said that they discussed an over allocation issue with Larry Gray. If it is inferred that there is a conflict of interest being a sub-advisor they will bring it to the Board's attention. He addressed the issue of waiting or preapproval to allow them to purchase a security and how they could miss out on a good investment.

Chairman Harrison said that the Board will take this issue up with the consultant if it does come back. He understands that the manager cannot wait for a Board meeting because they could lose the valuation of an investment. There are some issues that need to be worked out.

He thanked the manager for coming and leaving sunny California.

Mr. Gramatovich, Mr. Heller and Mr. Desmond left at 1:55 p.m.

It was determined that Ms. Almonrode and Mr. Asher would be moved up on the agenda.

RESOLUTION 10-083 By Barnett, Supported by Woods

Resolved, That the Board would amend the agenda and move Sullivan, Ward, Asher and Patton, P.C. to the next item on the agenda.

Yeas: 8 – Nays: 0

Ms. Billings requested that the Board move to closed session to discuss pending litigation.

RESOLUTION 10-084 By Woods, Supported by Barnett
Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

| | |
|-------------------------|------------------------|
| Trustee Barnett – Yea | Trustee Waterman - Yea |
| Chairman Harrison – Yea | Trustee Williams - Yea |
| Trustee Jukowski – Yea | Trustee Woods - Yea |
| Trustee Naglick – Yea | Trustee Wright - Yea |

Meeting moved to closed session at 1:57 p.m.

Meeting returned from closed session at 3:01 p.m.

Ms. Almonrode and Mr. Asher left at 3:01 p.m.

RESOLUTION 10-085 By Woods, Supported by Williams
Resolved, That the Board approve the closed session minutes for October 18, 2010 and October 22, 2010.

Yeas: 7 – Nays: 0

Chairman Harrison said that with all that is going on, he would like the Board to review the Ethics Policy and possibly update it if necessary.

Trustee Bowman arrived at 3:03 p.m.

Re: Gray & Company (continued)

Chairman Harrison said that Mr. Kuhn has the third quarter performance report and the real estate overview to present and it has already been a lengthy meeting. The real estate overview has been tabled for a long time. He understands that a number of the trustees came in under circumstances that skewed their opinion of real estate investing and the asset class. The Board can continue to table this asset class which is a good one to look at or allow Mr. Kuhn to proceed with the overview.

Mr. Kuhn indicated that a number of their clients are adding to their real estate portfolios. Residential and commercial real estate performance is six to nine months behind equities. Just recently there have been positive broad based performance results in real estate. They feel is it a great time to invest in real estate with performance at 6% to 9% versus fixed income yields at 3%.

Chairman Harrison asked if Mr. Kuhn is concerned that the Board keeps putting this off and whether it can wait until January. There are only a couple of people on the Board that have a good understanding of this asset class.

Mr. Kuhn said that it will take approximately five to ten minutes to present the performance report and fifteen to twenty minutes to present the real estate overview. The Board agreed to have Mr. Kuhn present both.

Trustee Scott arrived at 3:08 p.m.

Trustee Wright asked if there is an update on Nexos. Mr. Kuhn said that Nexos provided a semi-annual performance report for the third quarter.

Ms. Zimmermann said that the report was poor, did not contain any comparative information and looked like it could have been prepared by a high school student.

Third Quarter 2010 Performance Report

Mr. Kuhn explained the risk on / risk off relationship based on varying performance based on different economic cycles.

Inflation continues to be low at 0.2% for the three-month period; 1.1% for the one-year period; 1.6 percent for the three-year period and 1.9% for the five-year period. The Fed is currently trying to push up inflation. They are looking to keep the Fed Funds at 0% and purchasing \$600 billion in treasuries to keep rates low and the yield curve down. This is being referred to as Quantitative Easing 2 (QE2). The Fed's attempt at building consumer confidence is not working.

The equity markets experienced a risk on period for the third quarter, rebounding from the second quarter's risk off period. Performance was good with double digit returns. Confidence is being restored in the equity markets and we are seeing signs of life in the world economy. Returns for the three-year period are still in the red with five-year returns somewhat positive.

The yield curve continued downward during the third quarter. Fixed income experienced a good quarter based on quarterly yields of ½% to 1% and falling interest rates helped produce good returns around 2 ½ %. Performance for Barclays Credit at 4.65% and Barclays High Yield at 6.71% was good for the quarter with many people wanting these bonds.

The international equity markets realized good returns in their local currency. The dollar weakened this quarter versus most currencies which was good for U.S. investors. Both the international equity and fixed income markets experienced positive performance.

Chairman Harrison questioned the Fund's performance based on the performance of the emerging markets with China up 10%, India at 11%, Brazil at 14% with equity returns at 18% and local currency at 12.8%.

Mr. Kuhn said that the Fund was up 8.76%, slightly behind the policy index for the quarter. The equity managers were a little behind because they could not keep pace with the lower quality issues. The Total Fund is up 11.62% for the year, negative for the three-year performance and 4.29% for the five-year period.

They are watching Munder and Sawgrass more closely with both underperforming for the quarter and for the year. The other equity managers are meeting or exceeding their benchmark. They are pleased with the fixed income managers excluding Ambassador which has not been funded for a full quarter.

Trustee Naglick asked about the Onyx allocation valued at \$3.6 million. He thought it was only valued at \$1.00. Mr. Kuhn said that as of September 30, 2010 it was still valued at \$3.6 million. To date it is valued at \$1.00.

Mr. Kuhn said that private equity managers Invesco and Mesirow are still experiencing the J-curve effect.

This Fund's performance versus its peers is ranked in the top third long-term. He added that most funds do not have the same constraints. There are approximately two hundred public funds in the database.

Real Estate Overview

Mr. Kuhn explained the benefits of investing in real estate. Real estate generates 70% of the taxes for schools, roads and public safety. It accounts for 12% of the country's Gross Domestic Product. It adds portfolio diversification benefits in terms of risk and reward and competitive risk adjusted returns versus stocks and bonds.

Trustee Bowman felt that they had the same type of investment with CAPROC.

Mr. Kuhn said that CAPROC owned approximately twelve properties concentrated in office building and located in secondary markets without much diversification. Gray & Company thinks of real estate investments as diverse commercial real estate holdings across the United States also diversified by tenant. They look at secondary markets like Raleigh, Durham, North Carolina versus Novi, Michigan. The type of real estate diversification they look at is nothing like the CAPROC investment.

Trustee Bowman said he is still leery based on what recently happened with the Onyx investment.

He described Net Operating Income (NOI) as the property's gross rental income plus any other income less rental and vacancy expenses. It is a measure of the property's income.

The Cap Rate is the NOI divided by the fair market value which represents the property's yield. They have seen cap rates rise over the last several years. They have not seen lower NOI rates.

He explained the difference between investment types including debt and equity and public versus private. Public is traded like equity and has the same liquidity as the equity market. Private is illiquid and you have to find someone to buy the property before you can liquidate your investment. The debt side is safer having a higher priority of claims but has limited upside. On the equity side you can lose the investment.

There are three main styles including core, core plus/value-add and opportunistic. Properties located in Boston, New York, Washington, D.C. and Chicago are in the core space consist of apartments, office, retail and some industrial.

Core plus properties have some issues, for example making lease payments or not fully leased. These properties can be bought cheaper. Some investors buy older buildings that need to be rehabbed. They fix up the building by putting in a new parking lot or updating the lobby. When it is fully leased it is upgraded to the core space and they can sell the building for more.

Opportunistic is a more aggressive play that can result in high returns or high losses. They buy empty buildings or empty land.

Chairman Harrison said that he attended a session recently where they spoke about commercial properties like medical facilities and college dorms.

Mr. Kuhn said that there are a lot of managers that like medical office buildings next to hospitals. They are consistently leased with doctors whose offices are just offsite from the hospital. They tend to stay in their location because there equipment is large and hard to move.

Student housing is a niche that some investment managers like but some stay away.

He described the various real estate investment vehicles. REITs (Real Estate Investment Trusts) are publicly traded daily and are more like stocks versus real estate. There is not much diversification but they are liquid.

Open-end funds are a portfolio of real estate assets managed on behalf of the fund participants. This is similar to the Artio collective mutual fund. It is combined with other investments making it instantly diversified with quarterly liquidity if there is liquidity.

Closed end funds are similar to open-end funds but with a defined investment strategy. They are like private equity managers Invesco and Mesirow who go through a fund-raising period until they reach their capital goal then they close the fund. When the fund is closed they make the investment. They usually purchase fifteen to twenty properties. There is no liquidity but there may be small distributions from rent at 1% to 2% annually. It is a more aggressive strategy. When the properties are sold the funds come back to the investors.

Fund of funds is a diversified portfolio of specialized closed-end funds managed on behalf of the fund participants. The System could invest in one or two value-add funds but it would not be as diversified. Value-add is attractive and more aggressive.

Trustee Bowman asked how much can be invested. Mr. Kuhn said that the target is 5% or \$20 million.

Mr. Kuhn reviewed the real estate summary table. Core and core plus are more market oriented. Value-added and opportunistic are based on absolute returns.

The leverage increases from core at 25% out to opportunistic at 70%. Leverage can work for or against the investor. If the valuation is up it is good but if the valuation is down it is bad.

Chairman Harrison asked if there is a bell curve or specific time to invest. Mr. Kuhn said that historically the best time to invest in real estate is when the economy is coming out of a recession or a similar looking cycle. It appears to be a great time to put money to work. However, he cannot say there will not be a second recession. Real estate is at the top of the list for risk/return value. Currently, you can buy in at attractive valuations.

Chairman Harrison said that this has been a condensed version of the real estate overview. He questioned whether Gray & Company is looking to add this to the System's portfolio. Mr. Kuhn said that value-add and opportunistic carry more risk but you can get in with the players who take advantage of this market. They can buy a building cheap, charge less rent and still pay the bills, which is why it is so compelling.

Trustee Bowman asked what the difference is with this investment versus CAPROC. He is still wondering why the System would be looking at real estate.

Chairman Harrison said that it was brought up at a previous meeting. Currently, the System does not have any assets allocated to real estate. He does not want the Board to have buyer's remorse. The majority of this Board walked in during the CAPROC issue. He thought it was a good idea to get information regarding real estate investments from the consultant.

Trustee Barnett said that she is interested in investigating timber investments.

Mr. Kuhn said that at the June meeting he told the Board that real estate is an attractive investment.

Ms. Zimmermann indicated that real estate is part of the Board's asset allocation.

Chairman Harrison said that the target is 5% and is currently at 0%. He asked if other Michigan funds have begun real estate investments.

Mr. Kuhn said that one of their clients recently interviewed managers. Some clients are increasing their real estate allocation. He is encouraging the Board to look at real estate. The CAPROC portfolio was not an institutional quality investment. There is a big difference with better managers.

Trustee Naglick said that he realizes the System does not have any exposure. He trusts the managers to pick stocks but feels they should get their toes wet in something safer like public REITs.

Mr. Kuhn said that in the REIT space valuations have rebounded, but on the private side they have dropped 30% to 40% with a recent 6% rebound. A lot of value has been restored.

Ms. Zimmermann asked if the System invests in REITs would they be buying at the top. Mr. Kuhn said they would not be buying at the bottom.

Trustee Bowman said that he agrees with Trustee Barnett on looking into investments like timber, commodities and precious metals. The media has said that real estate will not pick up for three to five years.

Mr. Kuhn said that opportunistic real estate is a three year process while they put the investment to work. Core is more income oriented with less appreciation.

Trustee Bowman asked if the investment would see a gradual return swing or a snap back. Mr. Kuhn said that real estate tends to have a momentum effect, with positive quarters followed by more positive quarters, or negative following other negatives. REITs follow the equity market and appreciate a little over time.

Trustee Bowman said that he fears what happened with the CAPROC Florida building appraisal and the Detroit building having no value. Mr. Kuhn said that you have to find trusted advisors with conservative appraisals and be patient.

Trustee Naglick asked about the management fees. Mr. Kuhn said they are typically 65 basis points to 120 basis points.

Chairman Harrison asked if Gray & Company as a firm recommends that the System invest in real estate in some capacity and to let the Board know if they would be going in at the top.

Mr. Kuhn said that he would recommend this investment to the Board. He stated that REITs behave like small cap value.

Chairman Harrison asked the Board whether they want to continue the process and look at investing in real estate. He is not indicating that they should jump into this investment.

Trustee Williams said he does not want to make a rushed decision.

Trustee Naglick said he would like the consultant to bring some examples to the Board. He referred to the Police & Fire Retirement System who has investments in value-added, opportunistic fund of funds.

Mr. Kuhn asked the Board if they would like him to invite a real estate professional in. Trustee Bowman said no because it is their profession.

Trustee Jukowski said that he is not convinced that real estate has bottomed out. He is open to listening to more in depth information.

Mr. Kuhn said he feels in Michigan there is a bias against real estate. Out of all the real estate managers they work with only one has one building in Michigan. They cannot sell buildings in Michigan. They want to be in markets with some liquidity.

Trustee Bowman said he would like the consultant to bring in someone from the middle that could present examples of REITs, open-ended, closed-ended, core and fund of funds.

Trustee Naglick said that Mr. Kuhn could help target the Board's real estate direction.

Trustee Bowman said that he would like to look at timber and refinery investments. Mr. Kuhn said that he is not familiar with refinery investments but he knows that there have been no new refineries built in the United States in more than thirty years.

Chairman Harrison asked about long-term investments in solar energy. Mr. Kuhn said that there are a lot of questions regarding how alternative energy has not made an impact versus coal and other traditional energy sources.

Chairman Harrison said that the agenda should move forward and leave this item on the agenda.

REPORTS

Re: Chairman

Chairman Harrison said that in light of everything, he felt a review of the ethics policy would be a good idea, possibly updating it if necessary.

Re: Secretary - None

Re: Trustees/Committees

Trustee Jukowski said he would like to receive some clarity by obtaining an opinion from the Attorney General.

Trustee Woods said that her union has voted against vesting all its members that do not have the required ten years. She does not understand why this is still being pursued since they do not have her union's vote. She does not understand why they do not obtain their own opinion and questioned whether anyone has the option of getting an opinion.

Ms. Billings said that not just anyone can request an opinion from the Attorney General, you must go through your State Representative. It would be better if the Board has input if an opinion is requested.

Trustee Woods said her union does not want to vest all its members.

Ms. Billing explained the specifics of the vesting requirements. All members will immediately become vested including those members who have been terminated or left within one year of the signed agreement.

Chairman Harrison said that the City is talking about taking money but has not indicated how much. There has not been enough information provided or a plan of action put in place. As fiduciaries of the Retirement System they should not put money into a bottomless pit.

Trustee Wright said that she heard a few meetings ago that the City Council was going to obtain their own opinion.

Chairman Harrison said that he was told that the Council President said to leave it alone. They looked at it from the sense that there has not been a plan put in place.

Trustee Wright said that the amount put into the budget was \$3.8 million.

Trustee Naglick said that he has worked in the turn-around industry. In a financial crisis there are four ways to fix the problem.

Re: Administrator

Correspondence from Retiree Michelle Zeeman

Ms. Zimmermann distributed a letter sent from retiree Michelle Zeeman expressing some of her concerns.

RESOLUTION 10-086 By Jukowski, Supported by Waterman

Resolved, That the Board receive and file the correspondence received from retiree Michelle Zeeman.

Yeas: 9 – Nays: 0

Cost of Living Adjustment Payment

Ms. Zimmermann reported that the Cost of Living Adjustment (COLA) was paid to the retirees on November 10, 2010 at a cost of \$1,682,300.

2011 Board Meeting Calendar

Ms. Zimmermann reported that there was a typographical error on the 2011 Board Meeting Calendar. The April meeting date has been corrected and a new calendar was distributed.

Re: Legal

Airgas Securities Litigation

Ms. Billings reported that the litigation is proceeding through discovery.

The Schweitzer – Mauduit International Securities Litigation

Ms. Billings reported that the litigation is proceeding through discovery.

Almost Family, Inc. (RGRD)

Ms. Billings reported that the Motion for Lead Plaintiff has been withdrawn as another investor with significantly greater losses filed.

Amedisys Securities Litigation

Ms. Billings reported that the Court appointed another investor with greater losses lead plaintiff in this matter.

IRS Determination Letter

Ms. Billings reported that this matter is currently pending with the IRS.

Robbins Geller and Motley Rice Portfolio Monitoring Reports

For the Trustees' Information

Rudell Williams and Daniel Coon, Jr. Durable Power of Attorney

For the Trustees Information

House Bill 5323

Ms. Billings reported that House Bill 5323 contains amendments to Public Act 314 which was recently passed by the State House of Representatives and is currently in the State Senate. The amendment to Public Act 314 adds investment latitude including increasing the basket clause to 10%, increasing foreign equity investments to 10% and increasing the real estate investment 5%.

She said that MAPERS has requested that Retirement Systems send a letter to their State Senator Michael Bishop urging him to vote in favor of this bill.

RESOLUTION 10-087 By Woods, Supported by Bowman

Resolved, That the Board authorize legal counsel to send a letter to State Senator, Michael Bishop requesting his support of House Bile 5323.

Yeas: 9 – Nays: 0

Nexos Private Equity Growth Fund

Ms. Billings referred to draft correspondence being sent to Nexos stating that the System has capped the amount of the commitment and will not pay management fees or expenses going forward. It asked that Nexos provide audited financials for the Partnership including tax returns and schedules and evidence of the cash contribution made by the General Partner.

They materially misrepresented this investment. Chairman Harrison asked if the System could sue Nexos.

Ms. Zimmermann said that if the System invests in any other alternative investments, the agreement should include a hurdle and out-clause to insure that the fund reaches a pre-defined goal before assets are committed by the System.

Mr. Kuhn said they have already added that to their screening process.

New York Times October 17, 2010 Banks Shared Clients' Profits, but Not Losses

For the Trustees' information

Re: Union Representatives – None

General Employees Retirement System
Regular Meeting,
December 1, 2010

UNFINISHED BUSINESS

Re: Disaster Recovery Plan – Software Survey (Carry Forward)

Trustee Wright left at 4:40 p.m.

Re: Retirement Office Payroll

Ms. Zimmermann stated that the City pays the staff payroll and benefits and the Retirement System reimburses the City. Currently, the System owes the City around \$700,000. Because this is a major reimbursement, she brought it to the Board for their approval.

RESOLUTION 10-088 By Barnett, Supported by Naglick

Resolved, That the Board approve reimbursement of the Retirement Office payroll to the City in the amount of \$449,000.00.

Yeas: 9 – Nays: 0

Trustee Waterman left at 4:42 p.m.

NEW BUSINESS

Re: December Check Message

Ms. Zimmermann reported that Human Resources asked that a message be added to the December pension benefit checks. The message indicates that the window to Human Resources is now closed and members need to call and make an appointment for service.

RESOLUTION 10-089 By Williams, Supported by Bowman

Resolved, That the Board approve to add a message regarding the closing of the Human Resources window to the December pension benefit checks.

Yeas: 8 – Nays: 0

Re: Employee Trustee Election

Ms. Zimmermann reported that due to the recent layoff of Trustee Wright on November 26, 2010 an employee trustee election has to be held as soon as possible when a vacancy occurs. She also told the Board that in 2011 Trustee Scott's position will be up for re-election with nominations due in February. Trustee Williams' position is also up for reappointment.

Trustee Waterman returned at 4:49 p.m.

She requested that the Board approve the proposed election calendar. The notice for the vacant position will be posted on December 9, 2010 with election results posted on February 16, 2011.

The Board determined that due to the number of layoffs in the City that the number of signatures required on a nominating petition will be reduced from twenty-five to ten.

Trustee Williams asked if reducing the number of signatures to ten required on the nominating petition will be permanent.

Trustee Wright returned at 4:53 p.m.

Ms. Zimmermann said that she does not foresee any mass hirings for the City any time soon.

RESOLUTION 10-090 By Williams, Supported by Barnett
Resolved, That the Board approve the Employee Trustee Election Calendar and the reduction of required signatures on the nominating petitions to ten signatures.

Yeas: 9 – Nays 1 (Trustee Wright)

Re: Reimbursement to City for Retirement Payroll

Ms. Zimmermann indicated that the reimbursement for the Retirement payroll to the City was \$449,000.00. She understands that this Board is unsure about the Retirement paying their own payroll.

Chairman Harrison said that the Emergency Financial Manager has requested that the Retirement System pay their own payroll and cut out the middle man.

Ms. Zimmermann said that the union attorney misunderstood the issue.

Trustee Woods said that the EFM is violating the unions. This issue would have to be taken to the union. She also indicated that the Teamsters union won one of the Retirement Office positions a couple of years ago.

Ms. Zimmermann asked that in the future she be notified when these types of issues occur that affect her staff.

Trustee Naglick asked that this be kept as an open item on the agenda.

Re: Trustee Bowman Travel

Trustee Bowman indicated that he was inadvertently billed twice for his airfare to attend the IFEBP Conference in November, 2010. He told the Board that he reimbursed the Retirement System by check for the additional billing.

SCHEDULING OF NEXT MEETING

Regular Meeting: January 26, 2011 @ 1:30 p.m. – City Council Conference Room, Second Level, City Hall

General Employees Retirement System
Regular Meeting,
December 1, 2010

ADJOURNMENT

RESOLUTION 10-091 By **Barnett**, Supported by Waterman

Resolved, That the meeting be adjourned at 5:02 p.m.

Yeas: 10 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on December 1, 2010

As recorded by Jane Arndt