

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
AUGUST 24, 2011**

A regular meeting of the Board of Trustees was held on Wednesday, August 24, 2011 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:41 p.m.

TRUSTEES PRESENT

Shirley Barnett

Charlie Harrison, Chairman

Leon Jukowski, Mayor

John Naglick, Secretary

Tuesday Redmond

Devin Scott (*arrived at 2:24 p.m.*)

Patrice Waterman

OTHERS PRESENT

Beth Bialy, Plante & Moran

Cynthia Billings, Sullivan Ward Asher & Patton

Chris Kuhn, Gray & Company

Ellen Zimmermann, Retirement Administrator

Jane Arndt, M-Administrative Assistant

Helen Waters, Retiree

Ruth Wilson, Retiree

Minnie Mahone, Retiree

Leonard Briscoe, Retiree

Linda Watson, Retiree

Mattie Lasseigne, Retiree

Patricia Kelly, Retiree

Evelyn Jones, Retiree

David Jackson, Fmr City Employee

Larry Marshall, Retiree (*arr. at 2:07 p.m.*)

Sam Scott, Legislative Aid

Marguerite Greer, Retiree

Dorothy Washington, Retiree

Daythal Morris, Retiree

Pat McNeill, Retiree

Janet Turner, Retiree

Peggy Hardiman, Retiree

Jessie Bell, Retiree

Elizabeth Holland, Retiree

Zenovia, Keels, Retiree

PUBLIC DISCUSSION

In response to concerns being expressed by retirees, Ms. Billings explained that there is nothing going on at the meeting that would impact the retirement benefits. The City currently pays the staff and the Retirement System reimburses the City for the employees' salaries. Under the law the Retirement Board has the authority to hire its own staff. The trustees are concerned about a possible interruption in the payment of retirees' benefits if the City runs out of money and the Retirement System staff does not getting paid.

The Trustees want to make sure that there is a plan in place as suggested in the Retirement System's audit so there is no disruption in retirement benefits. They are looking at the issue

now. Legally there is no problem other than an amendment to the Retirement Ordinance to insure that the employees can continue their City-related retirement benefits.

The trustees have a fiduciary duty to insure that the System is properly administered. She cautioned the trustees that the retirees could be financially impaired if their pension benefit is delayed. This is about ensuring continuity.

Retiree, Peggy Hardiman said that Trustee Barnett is from the hospital. The hospital retirees have not had a representative on the Board for sometime.

Ms. Billings said that currently the Ordinance provides that the hospital representative be a deferred member, however, there are very few hospital members still in deferred status and as a result, the Board has been unable to find someone willing to serve who is also eligible to serve. In the past, any changes to the Ordinance regarding Board composition would have to be collectively bargained. However, under recent legislation, it appears that the Emergency Manager has the authority to make such a change. As a result, the Board has requested the Emergency Manager to amend the Retirement Ordinance to allow the hospital representative on the Board to be a deferred or a retired hospital member.

Retiree, Marguerite Greer asked if the Emergency Manager has authority over the Retirement System.

Ms. Billings explained that the Retirement System is a separate legal entity. The Emergency Manager Law was drafted so he can take over a retirement system that is funded less than 80%.

Ms. Hardiman questioned whether Trustee Barnett is the Hospital Retiree Trustee.

Chairman Harrison indicated that Trustee Barnett is elected by the entire retiree group.

Retiree, Mattie Lasseigne said that she had posed a question to Attorney Matt Henzi regarding what would happen if the City merged with another community. He told her that the Fund would privatize.

Ms. Zimmermann said that the Board would have to pay for a huge research project to determine what would happen and she did not feel she could authorize that without board approval.

Ms. Billings said that the Emergency Manager Law was not passed for that purpose. She indicated that she looked over Ms. Lasseigne's questions and spoke with Ms. Zimmermann and Mr. Henzi.

Ms. Lasseigne asked what would happen to the makeup of the Board if the System is privatized.

Trustee Jukowski said that they would have to define privatization from the context of the pension fund. The funding of contributions could be an issue. He felt that what the attorney meant was that they would operate separate from the City and he is not sure what that would mean.

Ms. Lasseigne asked if the Board makeup would be the same.

Chairman Harrison said that this legislation could cause problems. Currently, this does not exist. The question is who would be in control of the assets. They would not want to merge with another system. No one wants to miss their benefits.

Ms. Billings said that she does not know the answer on what would happen if the City merged with another community. It would take a lot of time and research to make a determination.

Trustee Naglick said that he is a trustee and the Acting Finance Director. The State has said that no Michigan municipality has ever declared bankruptcy and they have no intention of letting that happen. The Retirement System is a separate organization and separately funded. The only issue the State has looked at is retiree healthcare with funding provided through the General VEBA. If you look at the City budget, retiree healthcare is the largest obligation. He said that the Emergency Manager is not talking about merging or bankruptcy. He referred a document presented by the Emergency Manager the previous week.

Ms. Zimmermann distributed the Emergency Manager's Deficit Elimination Plan which states that the City will be out of their deficit by 2013. The State's intent is that the Emergency Manager has to come up with a plan. He told the Board that if they look at the model displaying the cash coming into the City, it is projected to run out of money by November 2011. The State has also issued some mandates. In order to insure continuity for the retirees the Board should hire the staff. Many retirement systems do this.

Ms. Billings told Ms. Lasseigne that Mr. Henzi meant no disrespect. There may have been a miscommunication because her question came after a long discussion at a meeting regarding the staff.

Larry Marshall arrived at 2:07 p.m.

Ms. Lasseigne confirmed that the Retirement System currently pays for the staff and their benefits.

Trustee Naglick left at 2:08 p.m.

Former employee David Jackson asked if there were any developments regarding the memorandum given to the Emergency Manager, Michael Stampfler, about vesting those employees that were laid off who were close to having their ten years needed for vesting.

Ms. Billings stated that Trustee Scott reported at the last meeting that his office is working on the issue and Human Resources would be responsible for following through on this. A letter was sent to Human Resources to get the information needed to determine if there could be a partial plan termination. She explained that if there was a reduction of 20% of the members, the IRS may consider that a partial plan termination which would require full vesting of all members.

She used the Police & Fire Retirement System as an example based on the transition of the Police Department to the County. She stated that there were few people in that System with less than ten years but they will all be vested if the transition to the County constitutes a partial plan termination.

Trustee Redmond asked how this relates to the City employees.

Ms. Billings said that they are in the initial stages of investigating whether this will apply.

Trustee Barnett indicated that when the hospital privatized all the members were immediately vested.

Retiree, Linda Watson asked how many General employees are left.

Trustee Redmond said that most of those employees who left should be vested. However, there were a number that did not have ten years.

Ms. Billings stated that the information was requested to go back three years.

Trustee Redmond told the Board that the employees who are still working need clarity on how much service credit they have so there are no problems. She also requested that the service credit be calculated for those employees who were laid off.

Ms. Billings indicated that she has requested the lay off list.

Chairman Harrison said that the Board needs to determine the long-term effects and they are looking at a lot of what-ifs. They are trying to come up with some way to vest these members. They will get the information from Human Resources. They are treading new water daily and will work with legal. He asked the members to be patient.

Ms. Watson asked that her questions be recorded in today's minutes. She also apologized for her statement at the last meeting regarding the special meeting posting. They were posted as indicated. She suggested using a larger boldface font in order to differentiate special meetings from regularly scheduled meetings. She also questioned why the minutes for the last two meetings had not been posted on the website.

Ms. Arndt explained that the IT person responsible for posting the minutes has been on vacation.

Chairman Harrison said that the minutes will be posted on August 29, 2011 or, Ms. Watson can get a copy from the Retirement Office.

Ms. Greer told the Board that they need to make sure that the Emergency Manager cannot touch the Retirement Fund.

Ms. Billings and Trustee Jukowski stated that no one can touch the Retirement Fund based on the current legislation.

Trustee Waterman said that if they could take the money it would have already been done.

Trustee Scott arrived at 2:24 p.m.

Chairman Harrison indicated that there were retirement funds that were susceptible under the new legislation.

Retiree, Leonard Briscoe asked if the Board receives monthly investment reports on the funding level. He also asked what happens if the System goes under that level.

Chairman Harrison stated that the assets fluctuate daily. The Board has an annual audit performed.

Trustee Naglick returned at 2:30 p.m.

Trustee Redmond left at 2:30 p.m.

Mr. Gray stated that Ms. Zimmermann can access the Fund's total value daily.

Beth Bialy stated that the actuarial valuation is done once per year but it is one year behind.

Mr. Briscoe questioned what employees the Board is going to hire.

Chairman Harrison said that under Public Act 314 the employees work for the Board. The State regulation supersedes the City Ordinance. Because there is a good chance that the City could run out of money the Board is trying to be proactive and hire the employees to insure that the retirees receive their pension benefit and the System continues to be administered.

Mr. Briscoe questioned the size of the staff. He confirmed that the Retirement System is a separate legal entity. He stated that the Board should have hired the staff a long time ago.

Trustee Jukowski said that they have been trying to accomplish just that but some of the trustees on the Board have issues with that and they could not get the resolution passed.

Ms. Billings said that the City of Detroit's board hired their own staff. She explained that they had to file a lawsuit in order to accomplish that goal. This Board did not want to file a lawsuit and go against the City Administration. With the City running out of money, they would like to do this as smoothly as possible.

Trustee Naglick left at 2:40 p.m.

Trustee Scott questioned that Public Act 314 supersedes the City Ordinance. He does not feel that the information is accurate.

Ms. Billings stated that Public Act 314 states that the Retirement System can hire their own staff; it does not state that they must hire their own staff.

Trustee Naglick returned at 2:42 p.m.

Retiree, Larry Marshall asked if the Board plans to act on this issue today. Once again they are indicating a need for a contingency plan in order to pay the employees. He asked how the employees can be paid directly. He questioned who will set the number of employees, their wages and benefits. These employees are fortunate to work in the Retirement System and have been able to benefit and prosper from it. The Board could buy their own building. Everything is fine with the City. He questioned whether the Board could just make sure that the staff's checks are cut by the Retirement System.

Chairman Harrison said that is not the only issue. Currently, the Retirement System is under the authority of the Finance Department. The Administrator has two bosses, the Board and the Finance Director. He used the example of the Administrator trying to serve two masters and both having the authority to dismiss her if she does not follow their directive.

Trustee Waterman said that the other issue is that the retirement benefits cannot stop and need to be processed.

Mr. Marshall said that the Administrator should not have two bosses. However, this is a masquerade so these employees can do whatever they want. There should be a simple solution.

Trustee Waterman said that she wants all the information on the table before making a decision.

Ms. Lasseigne said that there needs to be a plan in place to hire the staff and automatically transition them to the Retirement if the City stops paying them.

Ms. Billings indicated that the Police & Fire Retirement System Board is looking to hire the staff. However, there is the issue of whether the staff will work for both Boards or the staff will have to split. It would be easier if both Boards were in agreement.

Ms. Zimmermann indicated that it takes approximately six weeks to setup a payroll in ADP.

Trustee Waterman said that they need all the specifics on the table. This issue is not going to go away. As a retiree, she does not want to see anything happen to her check.

AGENDA CHANGES

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting: July 27, 2011
- B. Minutes of Special Meeting: July 28, 2011
- C. Communications
 - 1. Correspondence from Gray & Company Re: U.S. Debt Downgrade
 - 2. Correspondence from AMBS Re: Newsletter August 2011

3. Correspondence from Artio Global Re: Fact Sheet 06/11
4. Correspondence from Systematic Financial Re: IPS Compliance Statement
5. Correspondence from Sawgrass Asset Management Re: June Newsletter/Debt Downgrade
6. Correspondence from Munder Capital Re: U.S. Downgrade

D. Financial Reports

1. Financial Reports – July 2011
2. Securities Lending – June 2011
3. Capital Calls:
 - a. Invesco \$40,175
4. Accounts Payable
 - a. ADP \$2,881.87
 - b. Ambassador Capital 24,300.60
 - c. Artio Global 87,487.22
 - d. Steven Fishman 1,800.00
 - e. GE Capital (copier) 116.42
 - f. Gray & Company 136,035.87
 - g. Gabriel, Roeder, Smith & Co. 2,240.00
 - h. Kennedy Capital 69,110.00
 - i. Loomis Sayles 45,545.32
 - j. MES Solutions 125.00
 - k. Munder Capital 84,704.00
 - l. Office Depot 269.41
 - m. Peritus Asset Management 101,805.47
 - n. Pitney Bowes 459.30
 - o. Plante Moran 1,440.00
 - p. Rodwan Consulting 1,700.00
 - q. The Sargent Group 25,030.30
 - r. Sawgrass Asset Management 51,859.00
 - s. Slade's Printing 67.20
 - t. Stevens Record Management 109.72
 - u. Sullivan, Ward, Asher & Patton 11,635.90
 - v. Systematic Financial 63,317.37
 - w. USPS – postage 2,207.60
 - x. Visa 366.46
 - y. Due to/Due from Q2 (985.92)

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

1. Remove from the Rolls:
 - a. Emma Benoit (deceased 08/03/11)
2. Application for Service Retirement:
 - a. Walter Norris – Non-union 4 years, 0 months Age 66 (reciprocal)
 - b. Dane Snowden – Local 2002 16 years, 9 months Age 60
3. Applications for Deferred Retirement:
 - a. Daniel Doty – Teamsters 214 20 years, 10 months Pension Starts 7/1/2015
4. Final Benefit Calculations:
5. Change of Retirement Effective Date:
 - a. Ellen Zimmermann

Ms. Billings stated that in the July 27, 2011 minutes it indicated Trustee Woods instead of Trustee Williams under Trustees Present. The minutes will be edited to reflect this change.

RESOLUTION 11-081 – By Barnett, Supported by Waterman

Resolved, That the Board approve the consent agenda for August 24, 2011 as amended.

Yeas: 6 – Nays: 0

CONSULTANTS

Re: Plante & Moran – 2010 Audit Presentation

Ms. Bialy stated that the Independent Auditor's Report is the only part of the report prepared by Plante & Moran. The rest of the report is prepared by the Retirement System.

They have issued an unqualified opinion which is the best opinion that can be given. The financial statements have been fairly stated in all material respects and are in compliance with the accounting standards.

The System's asset allocation polices are expected to deliver sufficient investment income over the long run and hit the investment rate of return of 7.5%. For the year ended December 31, 2010 the total System gained 14.61% versus 24% for the prior year.

The Statement of Plan Net Assets is the Fund's balance sheet. Cash and investments at market value held as collateral for securities lending is \$78.2 million is reflected as a gross up on the balance sheet. It is also recorded under liabilities. The investments at fair value are primarily publicly traded assets with some private equity that are listed by type at \$419.0 million with total assets of \$499.0 million. Total liabilities were \$79.1 million resulting in total net assets of \$419.8 million.

The Statement of Changes in Plan Net Assets is the Fund's income statement that lists the activity showing how the Fund's net assets were determined. Net securities lending income was \$133,370.00. Overall net investment income was down from last year at \$54.6 million. Total deductions (which include benefit payments of \$20.6 million, up 3% from \$19.9 million) were \$21.3 million. The net increase in net assets was \$33.6 million. Total net assets held in trust for pension benefits as of December 31, 2010 are \$419.8 million.

She reviewed the Notes to the Financial Statement. Even though the Plan is over funded, the plan sponsor's financial condition has created uncertainty as to whether they can make future contributions. The City did not make their contributions to the two VEBA's or the Police & Fire Retirement System totaling \$2.7 million as of December 2010.

She noted that the financial statements of the System are included in the City's financial statements.

She reviewed the methods used to measure the fair value of the investments. Investments that are publicly traded are valued at the last reported sales price or at the current exchange rate. Private equity investments cannot be measured because they do not have an established market value. The Nexos investment is valued at \$2.1 million. However, it was the only item on the list for which they could not confirm its value so it was passed to the journal entry list.

As of December 31, 2009 which is the date of the most recent actuarial valuation the membership consisted of 1,302 retirees and 269 active members. There was a question whether the new numbers will be reflected in 2010. She noted that the number will be the same in the 2010 and 2011 and that it will take time for it to be reflected in the actuarial valuation.

She explained that the credit risk is the quality rating of the of the System's investment in commercial bonds.

She described the reserves as the amounts needed for a future retirement benefits and for current retiree benefits as determined by the actuary. As of December 31, 2010 the System's reserves have been fully funded with \$2.1 million reserved for employee contributions and \$197.3 million reserved for retired employees. There will be some impact to the reserves due to the layoffs.

She reviewed the Schedule of Analysis of Funding Progress. This chart is always one year behind because the audit is prepared before the actuarial valuation is available. As of December 31, 2009 the actuarial value of assets was \$405.1 million with an actuarial accrued liability of \$255.7 million leaving an overfunding of \$149.4 million with results in a funded ratio of 158.5%. She explained that the actuary using a smoothing method to determine the actuarial value of assets, so you will not see a significant impact on the funded ratio. The actuarial accrued liability is the amount needed to pay out current and future retirement benefits.

She stated that the Fund would have to drop quite a bit before contributions will be needed.

Mr. Kuhn left at 3:06 p.m.

The Letter to Management is a required communication. She explained that the Communications Required Under SAS 114 describe the current audit requirements and their responsibilities under GASB. It is primarily boilerplate language. It describes the test basis for the audit.

Accounting estimates are an integral part of the financial statements. She noted that alternative investments are hard to value and can directly affect the financial statements.

They did attach a schedule regarding an uncorrected potential misstatement of the financial statement.

Mr. Kuhn returned at 3:09 p.m.

They did not encounter any difficulties in performing the audit and did not have any disagreements with management. .

She reminded the Board that alternative investments need to be fully reviewed. She indicated that the System has seen significant write-offs of their alternative investments over the past couple of years. It is their suggestion that the System thoroughly review and perform formal on-going due diligence with these investment opportunities.

The Governor's Economic Vitality Incentive program replaces the State's former statutory Revenue Sharing program. Municipalities will see their State revenue cut by one-third and will have to compete with other communities based on best practices in the following areas including transparency (by providing more access to the municipality's financial information); service sharing with other units of government, and reducing employee pension and healthcare benefits. Each community must submit a plan by January 1, 2012.

The major provision will impact pension and VEBA plans along with employee compensation. New hires for retirement plans will be placed in retirement plans that cap annual employer contributions to 10% of base salary if the employee is eligible for social security and 16.2% if the employee is not eligible for social security.

For defined benefit plans there will be a maximum multiplier of 1.5% if the employee is eligible for social security or, a maximum of 2.25% if there is no retiree health care. If the employee is not eligible for social security the maximum multiplier is 2.25% or, a maximum of 3% if there is no retiree healthcare.

Also for defined benefit plans the final average calculation (FAC) will be computed using a minimum of three years' compensation but cannot include more than 240 hours of paid leave and cannot include overtime.

Chairman Harrison questioned whether this only relates to state revenue sharing.

Ms. Bialy said that constitutionally they cannot change the benefits. However the State can take away the revenue sharing. They are implementing this to help balance parts of the State budget. A municipality can chose to be part of the program to gain additional funds or chose not to take part.

Chairman Harrison said that he will be happy when the City is back to the regular form of government.

Trustee Naglick said that the City will get a lot of revenue sharing. However, their constitutionally shared revenue decreased based on the census.

Ms. Bialy informed the Board that Public Act 54 of 2011 signed by the Governor on June 7, 2011 prohibits retroactive pay on an expired contract and calls for employees to pay any increased healthcare costs until the contract is in effect.

She also referred to the section regarding the plan sponsor's financial condition and the potential impact on the Systems. Because of the uncertainty regarding the City's financial condition and

the current receivership, they recommend that the Boards should formalize a continuity plan in the event that the City declares bankruptcy. As fiduciaries the Boards have the responsibility to ensure the administration of the Plan assets and benefit payments.

Mr. Briscoe asked about the General VEBA and confirmed that it was established to reimburse the City for retiree healthcare.

Ms. Bialy stated that the money in the VEBA has been used to reimburse the City for retiree healthcare. It is not a requirement that the City has to fund the VEBA however, they have to make contributions.

Ms. Billings stated that she and Ms. Zimmermann went over the claims to make sure they were correct.

Trustee Naglick asked who signs the Management Representative Letter.

Ms. Bialy stated that Ms. Zimmermann and Ms. Munson, as the accountant, sign the letter.

Trustee Naglick said that he feels securities lending requires a lot of work and questioned whether it is worth the effort.

Mr. Gray said that he does not feel it is worth the work to maintain.

Chairman Harrison confirmed that the auditor is recommending that the Board hire their staff.

Ms. Bialy said that she is happy to hear that the Board is looking into hiring the staff. It is not that easy to flip the switch and have the staff go from being employees of the city to employees of the System. There are a lot of things that need to happen first. It is better to have them moved over before there is an issue.

Trustee Waterman said that the Board needs to get the information on what is needed to make the transition.

RESOLUTION 11-082 By Naglick, Supported by Waterman
Resolved, That the Board approves to receive and file the Audit Report as of December 31, 2010 as presented.

Yeas: 6 – Nays: 0

Ms. Bialy left at 3:27 p.m.

Re: Gray & Company

Investment Policy Statement

Mr. Kuhn reviewed a draft of the Investment Policy Statement revised on August 23, 2011.

He explained that the Placement Agents Policy was adopted several years ago and is being incorporated into the IPS.

The Target Asset Mix is being updated and real estate is being removed. A global equity allocation will replace the real estate allocation.

The real estate guidelines section has been removed and replaced with the global equity guidelines. Because this is an actual strategy, it may need to be amended.

The Manager Performance Standards have been updated to include global equity and eliminate real estate.

Mr. Kuhn questioned whether the language regarding hostile takeover should be eliminated because the System could be liable.

Ms. Billings said that she would research to see if the language can be eliminated per Public Act 314.

Chairman Harrison asked if the amended IPS could be adopted with the understanding that it may need to be amended later depending upon Ms. Billings research regarding the hostile takeover language.

It was determined that they would strike the language regarding hostile takeover.

Trustee Scott and Mr. Marshall left at 3:37 p.m.

RESOLUTION 11-083 By Waterman, Supported by Naglick
Resolved, That the Board approve the Investment Policy Statement as amended.

Yeas: 6 – Nays: 0

Trustee Scott returned at 3:39 p.m.

Due to the length of the meeting Ms. Billings asked that the items in the legal report that needs Board approval be moved up on the agenda.

Re: Legal

Emdeon

Ms. Billings asked that the Chairman's signature be ratified on the Emdeon Retainer Agreement.

RESOLUTION 11-084 By Jukowski, Supported by Waterman
Resolved, That the Board ratify the Chairman's signature on the Emdeon Retainer Agreement.

Yeas: 6 – Nays: 0

RehabCare

Ms. Billings asked that the Chairman's signature be ratified on the Affidavit of Charlie J. Harrison III in the support of motion for final approval of the proposed settlement for RehabCare.

RESOLUTION 11-085 By Jukowski, Supported by Waterman
Resolved, That the Board ratify the Chairman's signature on the RehabCare Settlement Agreement.

Yeas: 6 – Nays: 0

Larry Marshall returned at 3:44 p.m.

Nexos Private Equity Growth Fund

Mr. Kuhn explained that the Nexos investment was in a supermarket chain in Texas which they recently sold. They are currently holding \$11 million in cash. Their original target for the fund was \$100 million however they were only able to raise \$14 million in capital. This is a small amount of capital in private equity which makes it difficult to implement a strategy. Gray & Company is recommending that the Board request a liquidation of the Nexos Private Equity Growth Fund and return the capital based on the recent sale of the fund's sole asset and the firm's limited capital base.

RESOLUTION 11-086 By Barnett, Supported by Naglick
Resolved, That the Board request the liquidation of the Nexos Private Equity Growth Fund and the return of their invested capital through legal counsel.

Yeas: 6 – Nays: 0

REPORTS

Re: Chairman - None

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Election Canvasser

Ms. Zimmermann requested that the Board determine which trustee will act as the canvasser for the General Election to be held on August 30, 2011.

Trustee Barnett volunteered to act as the canvasser.

Trustee Scott left at 3:49 p.m.

Re: Gray & Company (Resumed)

Global Equity Search

Mr. Gray said that they have completed the global equity manager search. The allocation to global/international equity will be 15% for a total \$57 million with \$25 million allocated to global equity.

Mr. Kuhn reviewed the firms' profiles and strategies.

First Eagle Investment Management has \$60.4 billion in assets under management. They are located in New York City and part of Arnhold & S. Bleichroeder Holdings, Inc.

Ms. Watson left at 3:53 p.m.

Dundee Wealth – Goodman & Company, Investment Counsel Ltd. has \$50.9 billion in assets under management. They are located in Toronto, Canada and owned by Scotiabank.

Johnston Asset Management Corporation has \$2.3 billion in assets under management. They are located in Stamford, Connecticut and are employee owned.

Thomas White International, Ltd. has \$1.6 billion in assets under management. They are located in Chicago, Illinois and are employee owned.

Wentworth, Hauser and Violich has \$16.8 billion in assets under management. They are located in San Francisco, California and are owned by Laird Norton Investment Management, Inc.

He reviewed their management fee information.

Chairman Harrison asked if they are looking at the style or value versus growth. He asked if Artio is a growth manager.

Mr. Gray said that either will work. They are looking for the best fit with Artio which is a core manager and to narrow down the qualitative results with Artio.

Mr. Kuhn stated that First Eagle Global Value Equity is an all cap investor that has a great process. They are a conservator manager and will hold gold and precious metals to control inflation. Their portfolio typically holds 110 to 150 securities.

Goodman Global Value Opportunities is a bottom up stock picker that looks for companies that are a bit out of favor. They look to identify companies with catalysts including hidden assets or successful restructuring. They have a concentrated portfolio with twenty-five to forty securities.

Trustee Scott returned at 4:01 p.m.

Johnston Global Equity is an old fashioned stock picker looking for high quality companies with earnings growth that can supply optimal returns in a low risk environment. They also have a concentrated portfolio with twenty-five to thirty-five securities.

Thomas White Global Equity's portfolio typically holds 100 to 150 securities. They look for conservative balance sheets and companies that are not recognized by the rest of the world. They are a patient long-term investor.

WHV Global Equity is different from the other managers. They look at the world in themes looking for the most attractive companies in these global sectors. Currently, they are investing in materials and energy stocks like cement companies and nickel mining based on what is happening in China, Indonesia and Vietnam. They bank on the world growing a new middle class. They feel that materials and energy are needed to advance the world, which is why they forecast that oil will be a major sector out to 2025. This allocation to energy could make this a more volatile portfolio.

Mr. Gray said that WHV is a lot smaller than some of the managers but have consistently been number one or in the top three managers in the country in this asset class.

Chairman Harrison confirmed that the Board should be looking for a compliment to Artio. Artio has a more defensive posture so are they looking for a manager that takes more risk.

The performance comparisons were reviewed based on trailing returns, standard deviation and risk adjusted statistics.

Mr. Gray said that they are not looking to take on extra risk. They are looking for the best partner for Artio.

Chairman Harrison asked about percentile rankings.

Mr. Kuhn said that Johnston and WHV have a short track record but have done a very good job.

Mr. Gray said that they have moved away from the graph that trustees tend to rely on to narrow down their choices because it was end-point sensitive.

Chairman Harrison asked if the Board should narrow their choice down to three managers.

Mr. Gray said that they look for best of breed managers that are woman or minority owned.

Ms. Zimmermann said that she would like to see the end point sensitivity graph with all the managers plotted. It is difficult to compare with a separate graph for each manager.

Mr. Kuhn said that you can look at the returns and standard deviations for each manager.

Ms. Zimmermann said it would be helpful if the end point sensitivity graph offered a five on five comparison.

Trustee Naglick said that he likes First Eagle.

Trustee Barnett said that she likes Goodman.

Mr. Kuhn suggested WHV has a growth oriented manager.

It was determined that a special meeting would be held in September to hear presentations from global equity managers First Eagle, Goodman and WHV.

Ms. Zimmermann was directed to contact the Board trustees to determine the time and which date to hold the meeting September 22, 2011 or September 23, 2011.

Re: Reports (Resumed)

UBS Resolution for Peritus

Ms. Zimmermann reported that Peritus has requested that she fill out a form for UBS.

Mr. Gray said that this involves UBS trading activity and they simply need to confirm their understanding.

Mr. Kuhn said that he spoke with Peritus yesterday and this is not a big deal.

July, 2011 Medicare Reimbursement

Ms. Zimmermann reported that the July Medicare Reimbursements were sent out and totaled \$215,220.00.

FOIA Request

Ms. Zimmermann reported that she received a FOIA request from a financial publication asking for copies of the minutes and manager strategies. She has forwarded the request to legal.

Staff Hiring Questions

Ms. Zimmermann reported that the questions she received regarding the hiring of staff were included in the reports section of the agenda packet.

Re: Legal (Resumed)

Northern Trust Securities Lending Litigation – Tabled

Pontiac vs. Onyx; SEC vs. Onyx - Tabled

Finisar Securities Litigation

Ms. Billings reported that the Motion for Lead Plaintiff is pending. They will keep the Board updated in regard to this matter.

Lockheed Martin Corporation Litigation

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Ms. Billings reported that the Motion for Lead Plaintiff is pending. They will keep the Board updated in regard to this matter.

Longtop Financial Technologies Limited Litigation

Ms. Billings reported that the Motion for Lead Plaintiff is pending. They will keep the Board updated in regard to this matter.

The Schweitzer – Mauduit International Securities Litigation

Ms. Billings reported that this matter is still pending. The Court has not issued its decision on behalf of the Retirement System opposing the Defendants' Motion to Dismiss.

Sybase Litigation (RGRD)

Ms. Billings reported that the Court has granted preliminary approval of the settlement. The final approval hearing is currently scheduled for September 9, 2011.

Questions Posed by Linda Watson

Ms. Billings provided a copy of the questions posed by Ms. Watson and her response to same.

Questions Posed by Mattie Lasseigne

Ms. Billings provided a copy of the questions posed by Ms. Lasseigne and her response to same.

Correspondence to Dennis Cowan Regarding Board Composition

Ms. Billings referred to updated correspondence she sent to Dennis Cowan the Emergency Manager's legal counsel regarding Board composition. Her correspondence addressed the Employee Trustee position allowing for an active member, and/or a deferred vested member or a retiree from the System to be nominated and elected by the membership of the System.

It also addressed the Deferred Hospital position allowing either a deferred hospital vested member or a hospital retiree to be nominated or elected to that position by deferred or retired hospital members of the System.

Correspondence Regarding Determination/Interpretation of Benefits

Ms. Billings reported that this is for the trustees' information and was forwarded to them via email by Ms. Zimmermann.

Robbins Geller *Corporate Governance Bulletin*

Ms. Billings reported that this is for the trustees' information.

Portfolio Monitoring Reports

- Motley Rice Portfolio Monitoring Report, Second Quarter 2011
- Bernstein Litowitz Portfolio Monitoring Report, Second Quarter 2011
- Robbins Geller, First Quarter 2011

Ms. Billings reported that this is for the trustees' information.

Fiduciary Liability Insurance

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Ms. Billings reported that she is following up with the insurance agent regarding the deletion of recourse endorsement which states that it is only effective if the premium was paid by the trustee. Under ERISA, the trustee would pay the \$25.00 endorsement fee. Because this is a government plan, the trustees are not required to personally purchase this endorsement. Many of the public sector plans she works with are insured through Chubb and none of them have required the trustees to pay this premium.

The recourse endorsement does not need to be in there. She has attached the email she sent to Steve Fladger, the agent.

Partial Termination – Refer to Public Discussion

Kaplan Fox

Ms. Billings referred to the Kaplan Fox Monitoring Agreement contained in the legal report. Kaplan Fox is a securities litigation firm. She explained that the Court likes to see public funds use a variety of securities litigation firms to monitor their portfolios for fraudulent actions.

Sawgrass Asset Management LLC – SEC ADV Part 2A

Ms. Billings reported that this is for the trustees' information. There were no legal or disciplinary events reported for this manager.

Public Act 4 Update

Ms. Billings referred to articles in the Detroit Free Press and the Detroit News regarding Governor Snyder asking the Michigan Supreme Court to give their opinion on whether the Emergency Manager Law is constitutional.

Re: Union Representatives

UNFINISHED BUSINESS

Re: Retirement Office Staffing – Refer to Public Discussion

Re: Citizen Trustee Appointment – Still Pending

Re: Board Composition – Refer to Legal

Re: Employee-Trustee Election – Refer to Public Discussion

Ms. Zimmermann indicated that the nominating petition process was extended one week for DPW&U only, which changed the election date to August 30, 2011. The revised election dates are included in the memo.

NEW BUSINESS

Re: UBS Resolution for Peritus – Refer to Reports

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Re: Election Canvasser – Refer to Reports

SCHEDULING OF NEXT MEETING

Regular Meeting: September 28, 2011 @ 1:30 p.m. – City Council Conference Room

ADJOURNMENT

The meeting adjourned at 4:27 p.m.

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on August 24, 2011

Secretary, John Naglick
As recorded by Jane Arndt