

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
OCTOBER 25, 2012**

A regular meeting of the Board of Trustees was held on Wednesday, October 25, 2012 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:39 p.m.

TRUSTEES PRESENT

Koné Bowman, Vice Chair
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Leon Jukowski, Mayor
Phyllis Long
Walter Moore
John Naglick, Secretary

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Chris Kuhn, Gray & Company
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M- Administrative Assist

TRUSTEES ABSENT

Shirley Barnett (*excused*)
Tuesday Redmond (*excused*)
Sheryl Stubblefield (*excused*)
Patrice Waterman (*absent*)
Kevin Williams (*excused*)

AGENDA CHANGES

Chairman Harrison recommended to the Board that the Trustee Election agenda item under Unfinished Business be moved to the top on the agenda.

RESOLUTION 12-084 By Giddings, Supported by Bowman
Resolved, That the Board approves to move the Trustee Election agenda item under Unfinished Business to the top of the agenda.

Yeas: 6 – Nays: 0

Ms. Zimmermann reported that the election for the Member Trustees was held on October 23, 2012. There was a total of 583 votes with Jan Gaffney receiving 161 votes and was elected to a term expiring March 31, 2016. Walter Moore received 106 votes and was elected to a term expiring March 3, 2015. There were 8 spoiled ballots.

She requested that the Board certify the election results.

RESOLUTION 12-085 By Bowman, Supported by Naglick
Resolved, That the Board certify the Member Trustee(s) election results.

Yeas: 6 – Nays: 0

Trustee Jukowski left at 1:42 p.m.

PUBLIC DISCUSSION/UNION REPRESENTATIVES

APPROVAL OF CONSENT AGENDA

A. Minutes of Regular Meeting: September 26, 2012

B. Communications

1. Correspondence from Ambassador Capital Re: Newsletters
2. Correspondence from AMBS Re: October 2012 Newsletter
3. Correspondence from First Eagle Re: September Client Statement
4. Correspondence from Gray & Company Re: Manager of Managers Performance Summaries
5. Correspondence from Loomis Sayles Re: Organizational Changes
6. Correspondence from Northpointe Capital Re: Performance Report September 2012
7. Correspondence from Oakbrook Re: Q3 2012 Report
8. Correspondence from GERS to J. Storum Re: Election Certification
9. Conference Information:
 - a. Invesco Private Capital – Annual Partners Mailing – Nov. 14, 2012
 - b. Alternative Investments Forum – Crain’s Detroit Business – November 15, 2012

C. Financial Reports

1. Financial Reports – September 2012
2. Capital Calls: None
3. Accounts Payable – October 2012
4. Monthly Share Expenses Wire \$15,973.87

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

1. Remove from the Rolls:
 - a. Morris Cucksey (deceased 09-03-12); surv benefit of \$2,780.87/mo to Rosa Lee Cucksey
 - c. Larry Peters (deceased 10-03-12)
 - g. Claudia Negrete (decease 09-29-12): surv benefit of \$2,857.14/mo to Victor Negrete
2. Application for Service Retirement:

a. Eugene Burke – Teamsters 214	2 years, 7 months	Age 74 (off dfd) ppt
b. Pauline McGinnis – Non Union	4 years, 6 months	Age 60 (off dfd)
c. Diana L. Miles – Teamsters 214	13 years, 2 months	
d. Debra L. Stepleton – NOMC	7 years, 7 months	Age 60 (off dfd)
3. Final Benefit Calculations:

a. Larry Kosofsky	#2479	\$1,154.68 (Overpayment)
b. William Hupka	#2522	\$1,146.15 (Overpayment)
c. Karen Perry	#2574	\$1,470.06
d. Barry Smades	#2579	\$2,398.01

e. Rose Rivera	#2583	\$1,955.41
f. Debra Lavallis	#2586	\$2,482.14
g. Deloris Seay	#2629	\$ 380.49
h. Regina Lane	#2631	\$ 344.57
i. Walter Norris	#2633	\$ 618.11
j. Susan Clower	#2649	\$ 632.74
k. Bruce D. Allen	#2689	\$ 955.55
4. Overpayment Notice		
a. Richard Brace		

Trustee Long indicated that she was not in attendance at the September 26, 2012 and could not have supported Resolution 12-074.

Ms. Zimmermann told the Board that the minutes will be updated to reflect the change indicated by Trustee Long.

RESOLUTION 12-086 By Gaffney, Supported by Long
Resolved, That the Board approve the consent agenda for October 24, 2012 as amended.

Yeas: 7 – Nays: 0

Chairman Harrison congratulated Trustee Gaffney and Trustee Moore on being elected to the Board.

CONSULTANTS

Re: Gray & Company

Mr. Kuhn distributed and reviewed the Fund's flash report as of September 30, 2012 and the market values as of October 22, 2012.

It has been a relatively good quarter. The second quarter was down but there was a rally during the summer. The overall performance is behind the policy index coming up a little short. Most portfolios under performed a bit.

He reviewed the managers' performance.

Large cap growth manager Sawgrass was slightly behind the benchmark at 5.55% versus 6.11% quarter-to-date.

Mid cap manager Munder Capital's performance was 4.59% versus 5.34% for the quarter.

Small cap manager Loomis Sayles trailed for the quarter at 5.07% versus 5.66%.

International equity manager Artio fell behind the benchmark again this quarter 4.70% versus 6.92%. They have whittled down the search for a new manager to thirteen names and hope to

get down to six or seven names soon that will be the best match with First Eagle. He asked if the trustees have a name to add.

He indicated that First Eagle performs well when the market has issues. Their performance for the month was 2.45% versus the benchmark at 3.15% and 5.05% versus 6.83% for the quarter. They have a significant weighting to gold in their portfolio.

Myra Allen arrived at 1:48 p.m.

Ms. Allen swore in Trustee Walter Moore.

Ms. Allen left at 1:51 p.m.

Mr. Kuhn asked if the trustees have any questions.

Fixed income had a decent quarter. With the potential for rising interest rates the managers are well positioned with underweights to treasuries and over weights to mortgages and corporates.

Core fixed income manager Munder Capital had performance of 0.28% versus the benchmark at 0.14% for the month and 2.25% versus 1.58% for the quarter.

Intermediate fixed income manager Ambassador Capital's performance was 0.33% versus 0.24% for the month and 1.67% versus 1.40% for the quarter.

High yield manager Peritus Asset Management had returns of 2.33% versus 1.45% for the current month and 4.61% versus 1.67% for the quarter.

Once they get the performance numbers for private equity the total Plan value should go up a little higher. The quarterly performance was 4.5% but should be at least 4.6% with private equity performance.

Total Fund value as of September 30, 2012 was 424.1 million versus \$425.3 million as of October 22, 2012.

The portfolio is overweight to fixed income because the private equity managers have not called any additional capital.

Mr. Kuhn said that they have been looking to broaden the scope of the Michigan-centric managers. They are looking at managers that could broaden the scope of the portfolio out of the large cap space. They would need to review the value allocation to offset Sawgrass, but are looking at a more all-cap strategy.

REPORTS

Re: Chairman

Chairman Harrison said that he has been involved in looking at avenues to assist with the healthcare costs for retirees including hospital retirees. It was determined to wait until after the election.

Re: Secretary – None

Re: Trustees/Committees - None

Re: Administrator

Tax Identification Number

Ms. Zimmermann reported that when the two Boards decided to hire their own staff payroll had to be setup and the tax identification number (TIN) needed to be used. They chose the Police & Fire Retirement System TIN at the time.

Ms. Munson is in the process of working with ADP to change over to the General Employees' Retirement System tax identification number.

Third Party Administrator (TPA)

Ms. Zimmermann reported that at last month's meeting the Police & Fire Board indicated that they would be moving to BeneSys by January 1, 2013.

Trustee Naglick stated that the Police & Fire Retirement System will be moving to a third party administrator. He and Trustee Britton met with BeneSys to get ready for the move.

Trustee Giddings questioned whether the Police & Fire System would continue to share expenses through the end of the year.

Trustee Naglick confirmed that the staff would continue to work for the Police & Fire System through the end of the year.

Chairman Harrison questioned if the staff has to work for the Police & Fire System beyond the end of the year if it takes away from their normal workload is this System within its purview to charge the Police & Fire System. Ms. Billings said that the System could put together an agreement with the Police & Fire System.

Chairman Harrison said that the agreement could include any extra work with the transition that does not fall within the staff's normal workload.

Ms. Billings said that there would have to be an understanding of what needs to be done. Currently, the expenses are based on a 70%/30% split which was based on the number of assets. However, the workload could become more of a 50%/50% split.

Ms. Zimmermann stated that she cannot answer any specific questions because no one has spoken with her regarding the details of the transition.

Trustee Naglick stated that the Police & Fire Board has not authorized the contract with BeneSys yet. The current staff will continue the benefit payments to the retirees until the payroll records are transitioned to BeneSys.

Chairman Harrison stated that if the staff will need to spend more time on the transition they should be compensated. Ms. Zimmermann and her staff will know what needs to be done.

Trustee Naglick felt that the GERS Board should help the Police & Fire Retirement System on their way.

Trustee Bowman stated that the Board's attorney should have a scope of service to determine the compensation if the staff goes over and beyond their normal workload.

Trustees Giddings indicated that the compensation should go to the staff.

Chairman Harrison agreed.

Ms. Zimmermann told the Board that in the past twelve to eighteen months essentially everyone who was an active employee has been retired. There was a backlog going back to 2005 for finals that needed to be completed that has nearly been caught up. This will cause a lot of adjustments to be made for the November cost of living adjustment payments. Payroll is also early in November and December. This is all part of the normal operation that needs to get done and now in addition, there is a major transition.

Trustee Long stated that without proper business mapping and planning, implementation in the best circumstances is never that easy. It will be a rough transition especially with only three people and during the busiest time of year.

Trustee Naglick indicated that everyone is doing more with less in order to pull ahead. We should be professional and help the Police & Fire System out the door.

Trustee Long asked if the Police & Fire Board would be willing to extend the transition until later in 2013.

Trustee Naglick stated that Police & Fire is a separate Board and they are not negotiating.

Trustee Moore reminded Trustee Naglick that today he is sitting on the GERS Board. He asked if the Chairmen have met regarding this issue.

Chairman Harrison said that this is a done deal and that the Police & Fire Retirement System is moving to a third party administrator. The date their Board has chosen will add a lot of work and heartache for the staff. Ms. Zimmermann will let this Board know if it is extreme.

Trustee Giddings stated that the Board needs to protect their interests given the way the Police & Fire Board has tried to shove this change down our throats.

Trustee Naglick indicated that the GERS Personnel Committee has fully vetted the issue and is going to stay with the current staff.

Trustee Moore confirmed that the current staff is staying with the General System.

Chairman Harrison asked if a vote is needed on the employer identification number issue.

Ms. Zimmermann stated that a vote is not needed and that she was just making sure that the Board was aware of the issue. She had Ms. Munson make the changes because at the last Police & Fire Board meeting the Board indicated they were moving forward with going to a TPA effective October 1, 2012.

Trustee Naglick stated that all Systems have an employer identification number. The Retirement staff use to be on the City payroll and the System would reimburse the City. There is no reason why the staff cannot use the Police & Fire EIN through the end of the year.

Trustee Giddings asked if there could be any FICA issues.

Ms. Zimmermann stated that it will not be an issue. At the last Police & Fire meeting they indicated that a contract would be in place by October 1, 2012.

Trustee Naglick told the Board that the Police & Fire's legal counsel Matt Henzi is bringing the contracts to their meeting tomorrow.

Re: Legal

Balowski versus Pontiac

Ms. Billings indicated that the Balowski issues were previously on the litigation report. At the last meeting she reported that the Judge granted the retirement system's motion to dismiss. She explained that Mr. Balowski's attorney has subsequently contacted the System requesting that Mr. Balowski receive a vested benefit, however he was not vested. He has nine years and two months of service credit.

Mr. Balowski had two leave of absences as an employee where he was receiving short-term disability insurance. He would like to receive credit for that time off. In order for Mr. Balowski to receive service credit he would have had to receive compensation from the City. He is not entitled to a pension benefit.

Ms. Zimmermann told the Board that she sent the information to Mr. Balowski but the mail was returned indicating a bad address. It will be re-sent.

Lile EDRO

Ms. Billings reported that the Ms. Zimmermann and Trustee Long received subpoenas for their depositions in July, 2012 because neither responded to EDRO paperwork allegedly sent in December, 2011.

Chairman Harrison left at 2:24 p.m.

In July, 2012 the member retired and designated her son as her beneficiary. Because the EDRO was received after the member retired she rejected it. She contacted the attorney indicating that the DRO can be amended dividing the member's benefit with the alternative payee while she is alive

The party's legal counsel left a message saying that they will contest and are looking into the legal issues.

Robbins Geller Portfolio Monitoring Report Second Quarter 2012

Ms. Billings told the Board that this report shows the cases that were filed with losses during the claim period. This is for the trustees' information.

Motley Rice Portfolio Monitoring Report Third Quarter 2012

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

GASB New Pension Standards: Setting the Record Straight

Ms. Billings indicated that these new standards do not affect the funding of this Pension System.

Wachovia Derivative Settlement Claim

Trustee Giddings asked if there was an update regarding the Wachovia Derivative issue.

Trustee Naglick stated that he thinks this is a City investment. A group of Attorneys General filed a lawsuit and the City was notified that they have a settlement from shares they owned in Mellon Bank. The City filed to preserve its claim to a settlement.

Ms. Billings stated that she spoke with the Deputy Attorney General of Michigan regarding the issue. Wachovia's record keeping is murky. With this type of investment it is more likely that it was a City investment. However, it could not hurt having the System also file a settlement claim.

RESOLUTION 12-087 By Long, Supported by Bowman

Resolved, That the Board approve to move to closed session to discuss pending litigation.

Roll Call:

Trustee Bowman – yea

Trustee Long - yea

Trustee Gaffney – yea

Trustee Moore - yea

Trustee Giddings - yea

Trustee Naglick - yea

Chairman Harrison – yea

The Board moved to closed session at 2:31 p.m.

Ms. Arndt & Mr. Kuhn left at 2:31 p.m.
The Board returned from closed session at 2:53 p.m.
Ms. Arndt returned at 2:53 p.m.

RESOLUTION 12-088 By Naglick, Supported by Bowman
Resolved, That the Board approve the closed session minutes for September 26, 2012.

Yeas: 7 – Nays: 0

RESOLUTION 12-089 By Bowman, Supported by Naglick
Resolved, That the Board authorize the Chairman to sign the retainer and certification in the Ancestry.com securities litigation.

Yeas: 7 – Nays: 0

UNFINISHED BUSINESS

Re: Partial Plan Termination

Ms. Zimmermann reported that the members included in the partial plan termination were identified and they received their retirement estimate with a letter. These members were also included in the voting list for the election.

Re: Rent/Overhead

Ms. Zimmermann reported that the rent payment to the City has been processed. She indicated that she and Trustees Bowman and Giddings are on the committee to find a place for the staff to move.

Re: Larry Balowski – Refer to Legal

Re: Trustee Elections – Moved up on Agenda

Re: Owusu-Agyei (Twum)/Brown Service Credit Issue – Pending

Re: Disability Income Verification – Pending

Re: WRERA Amendment

Ms. Zimmermann reported that she took the Retirement Ordinance amendment to City Council for approval. However, Councilperson Randy Carter voted no and the motion to amend the Ordinance did not pass.

Trustee Moore stated that he would like to sit down with Ms. Zimmermann and be brought up to speed on current Retirement System issues.

Re: Emergency Manager Request for Fund for Retiree Healthcare - Pending

Chairman Harrison stated that he met with the Emergency Manager regarding the amount being charged to retirees for their healthcare. They are looking into whether the retirees can get some relief with regard to that. The discussions are preliminary. He brought this to the Board's attention at last month's meeting.

Trustee Naglick said that the City Council has a separate committee. He is on the City Council's Finance Subcommittee.

NEW BUSINESS

Trustee Long asked if a cost feasibility study was done with regard to the Retirement Office moving.

Chairman Harrison said that the Emergency Manager wants the Retirement Office to get out.

Trustee Moore asked if the System received anything in writing from the Emergency Manager.

Ms. Zimmermann stated that Trustee Naglick indicated that the Emergency Manager wants to be paid but that they also have a need for the space.

Trustee Naglick said that the Retirement Office employees separated but they are still using the City's email system and computers. It would be better for the Trust to insulate its assets from the City.

Trustee Long indicated that Wade Trim and Sarcom are using City assets and they are not City employees. The Board is talking about a lot of costs for the System to incur in order to move the Retirement Office.

Trustee Moore stated that he would hate to see the Board do things without something in writing from the City. He questioned whether anything had been submitted in writing or whether the City has taken action,

Chairman Harrison stated that the System received an eviction notice from the City.

Ms. Zimmermann thanked Trustee Long for going above and beyond getting records and taking the time to certify the election.

Re: PFRS/PFVEBA Transition to TPA – See Administrator's Report

SCHEDULING OF NEXT MEETING

Regular Meeting: November 28, 2012 @ 1:30 p.m. – City Council Conference Room

ADJOURNMENT

RESOLUTION 12-090 By Gaffney, Supported by Naglick
Resolved, That the meeting be adjourned at 3:07 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 24, 2012

Secretary, John Naglick
As recorded by Jane Arndt