

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
JUNE 22, 2011**

A regular meeting of the Board of Trustees was held on Wednesday, June 22, 2011 at the City Council Conference Room, Second Floor, City Hall, 47450 Woodward Avenue, Pontiac, Michigan 48342. The meeting was called to order at 1:34 p.m.

TRUSTEES PRESENT

Shirley Barnett

Koné Bowman

Charlie Harrison, Chairman

Leon Jukowski, Mayor

John Naglick, Secretary

Tuesday Redmond

Devin Scott (*arrived at 1:47 p.m.*)

Patrice Waterman

Debra Woods, Vice Chair

TRUSTEES ABSENT

Kevin Williams (*excused*)

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton

Matthew Henzi, Sullivan, Ward, Asher & Patton

Chris Kuhn, Gray & Company

Laurance Gray, Gray & Company

Ellen Zimmermann, Retirement Administrator

Jane Arndt, M-Administrative Assistant

Pam Britton, Retiree

Linda Watson, Retiree

Larry Marshall, Retiree (*arr. at 1:51 p.m.*)

Al Phillips, Local 2002 President

Arthur Brown, Member

Sam Scott, Legislative Aid

PUBLIC DISCUSSION

Retiree, Pam Britton stated that she attended the last meeting. At that meeting Trustee Waterman proposed a meeting with this Board and the Police & Fire Board to discuss staffing issues. Apparently, there was a lack of interest from the GERS Board to meet with the PFRS Board.

In her opinion it would be beneficial for both Boards to discuss the proposed privatization of the retirement staff. In order for the office to function properly she feels there needs to be continuity and a group of people that work well together.

She told the Board that the cities of Ann Arbor and Clinton Township and most systems in the State of Florida have their own private staffs. She urged and encouraged the trustees regardless of their feelings to meet and discuss this issue with the Police & Fire Board. She told them that it is better to be proactive versus reactive.

Chairman Harrison stated that he did not believe it was a lack of interest that kept the two boards from meeting. It was due to a meeting date conflict; they will be proactive.

Al Phillips, President of AFSCME Local 2002 said that his membership has similar concerns to those of Human Resources regarding their seniority adjustments and sick time included in their final average calculation toward their pension benefit. He feels that the collective bargaining agreement supersedes the Retirement Ordinance. He would like to see these issues worked out between Human Resources and the Retirement Office. He also had a question regarding whether all the people will become vested due to the money being withdrawn from the Retirement System.

Ms. Billings explained that no money has been withdrawn from the Retirement System. Money has been withdrawn from the VEBA to pay for retiree health care. The VEBA is a separate legal entity from this System. If a 420 Transfer was setup from the General Employees Retirement System to pay for retiree healthcare in accordance with Internal Revenue Code requirements then everyone would become vested. This Board has made no transfers.

Based on the new Emergency Manager Law the Emergency Manager has power over the CBA's and could make everyone vested if he chooses. However, there is a State statute that would also have to be complied with to make the transfer. This statute is somewhat muddy and would require an Attorney General opinion before any transfer is made. Another Michigan retirement system violated this law and had to put \$21 million back into their retirement system.

AGENDA CHANGES

Chairman Harrison told the Board that Trustee Redmond attended the Spring MAPERS Conference. She drove a City-owned vehicle to the conference. The Travel Policy indicates that the City should be reimbursed for the gasoline even though Trustee Redmond used her money to refill the gas tank. He asked that the Board approve the \$40.00 reimbursement for gasoline to Trustee Redmond.

RESOLUTION 11-060 By Bowman, Supported by Woods
Resolved, That the Board approve to reimburse Trustee Redmond \$40.00 for the purchase of gasoline for the City-owned vehicle to attend the Spring MAPERS Conference.

Yeas: 8 – Nays: 0

Trustee Scott arrived at 1:47 p.m.

APPROVAL OF CONSENT AGENDA

- A. Minutes of Regular Meeting: May 18, 2011 (Tabled)
- B. Communications
 - 1. Correspondence from Artio Global Re: Fact Sheet 04/11
 - 2. Correspondence from AMBS Re: Newsletter June 2011

3. Conferences: International Investing and Emerging Markets – IFEBP – July 25-27, 2011

C. Financial Reports

1. Financial Reports – May 2011
2. Securities Lending – April 2011
3. Capital Calls:
 - a. Mesirov Financial \$200,000
4. Accounts Payable
 - a. ADP \$2,827.59
 - b. Coffee Break 32.55
 - c. GE Capital (copier lease) 110.88
 - d. GFOA 112.00
 - e. Gray & Company 8,104.17
 - f. MES 1,385.00
 - g. Office Depot 244.30
 - h. Plante Moran 12,600.00
 - i. Rodwan Consulting 1,400.00
 - j. Slades Printing 67.20
 - k. Stevens Record Management 56.88
 - l. Sullivan, Ward, Asher & Patton 18,121.38
 - m. VISA 10,860.78

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

1. Remove from the Rolls:
 - a. Gary Bledsoe (deceased 05-20-11)
 - b. Dorothy Nelson (deceased 06-13-11)
 - c. Daniel Rath (05-26-11)
 - d. Claude Seay (05-19-11)
 - e. Leta Sheffield (06-12-11)
 - f. Darwin Spaysky (05-04-11)
 - g. Andrea Weaver (05-29-11): survivor benefit of \$699.67/mo to Lorne Weaver, Jr.
2. Application for Service Retirement:

a. Deloris Seay – Local 2002	13 years, 1 month	Age 61
b. Milton Porter – NOMC	15 years, 6 months	Age 55
c. Regina Lane – Non union court	11 years, 1 month	Age 60
3. Applications for Deferred Retirement:

a. William Allison – Local 2002	20 years, 7 months	Pension Starts 10-01-2019
b. Ralph Baugh – Local 2002	14 years, 5 months	Pension Starts 02-01-2028
c. Worthen Brown - SAEA	10 years, 7 months	Pension Starts 11-01-2033
d. Daniel Gomez – Local 2002	23 years, 2 months	Pension Starts 05-01-2021
4. Final Benefit Calculations:

a. Robert Richert	#2559	\$2,779.63
b. Milton Porter	#2360	526.77
5. Change of Retirement Effective Date:
 - c. Debra Woods

Trustee Woods indicated that she had two corrections to the minutes. On page two the resolution approving Chairman Harrison’s attendance at the Opal Public Funds Summit East was not

included. She also referred to a sentence on page twelve which read “Trustee Naglick and Vice Chair Woods suggested taking the issue to the Police & Fire Board so they could set a date.” She indicated that she did not make that comment and asked that her name be removed from the sentence.

Trustee Scott said that he did not feel his comments in the minutes were accurately recorded. He did not have time to write up his account of his statements from the last meeting to bring to this meeting.

Ms. Billings indicated that the minutes can be tabled until the next meeting.

Chairman Harrison asked if they can be approved indicating future changes will be made.

Ms. Zimmermann said that the minutes can be pulled from the consent agenda and tabled until the next meeting.

Trustee Redmond indicated that on page thirteen her statement that read “Trustee Redmond asked if this is a question of service credit jurisdiction” should have read “Trustee Redmond stated that the question of service credit jurisdiction fell under Personnel. She attended a meeting a few years ago when this issue was resolved.”

The changes to the May 18, 2011 meeting minutes will be made as indicated.

RESOLUTION 11-061 – By Bowman, Supported by Woods

Resolved, That the Board approve to pull the May 18, 2011 minutes from the consent agenda and approve the consent agenda for June 22, 2011 as amended.

Yeas: 9 – Nays: 0

Ms. Billings said that she spoke with Trustee Scott before the meeting. She would like to have a motion to amend the agenda to move New Business up on the agenda to discuss the Arthur Brown retirement issue since Larry Marshall is in attendance and this item is not on the agenda or included in the legal report.

RESOLUTION 11-062 – By Woods, Supported by Bowman

Resolved, That the Board approve to move New Business up on the Agenda to discuss the Arthur Brown retirement issue.

Yeas: 9 – Nays: 0

NEW BUSINESS

Ms. Billings provided an overview of the Arthur Brown retirement issue. Mr. Brown works for the City and has requested additional service credit. Under Michigan and Federal Law, the Retirement System must follow the terms of the Plan Document and the Retirement Ordinance. Changes can only be made by amending the Ordinance and the CBA. The trustees have a

fiduciary duty to insure that only benefits authorized by the Retirement System are paid to members and beneficiaries.

She explained that Mr. Brown was originally hired on September 2, 1994 and became a permanent employee on December 27, 1994. He was terminated on December 12, 1997. On July 9, 2001 he was rehired by the City and became a permanent employee on December 9, 2001.

As a result of being rehired and subsequently working a minimum of three years, under the terms of the Ordinance, he is entitled to the three years of service credit he earned from December 27, 1994 through December 12, 1997. He is still an active employee however he is being laid off on June 30, 2011. There is no provision in the Ordinance or the collective bargaining agreement that would allow for service during the years he was not working.

She would like to clarify the grievance decision with Mr. Phillips and Mr. Marshall. In 2007, Mr. Brown filed a grievance to get service credit for the three years he previously worked. She explained that the Ordinance is clear that after Mr. Brown came back to work and worked three years he was given his service credit for the previous three years he worked according to the Retirement Ordinance. In reading the decision his seniority date was revised to May 2, 1998. He was given three years and seven months of service credit. She asked Mr. Marshall if that time was supposed to be in addition to the three years of credit he earned between 1994 and 1997 or if it was in lieu of that time.

If the decision was to give him credit because it was thought that he lost credit for his first three years of employment due to the discharge, there is still a question regarding the additional seven months of service credit. Under the terms of the Ordinance, he is entitled to a total of 12 years 7 months of service credit (3 years 1 month from the first employment term and 9 years 7 months for the second employment term). The grievance decision, by changing his seniority date to 5/2/98, would give him a total of 13 years and 2 months, resulting in an additional 7 months of service credit. She looked at the CBA and the Retirement Ordinance and determined that this benefit was not negotiated and in order for this to be effective it would require a Memorandum of Understanding. However, she read the provision in the Local 2002 and SAEA contracts that gives the Human Resources Director additional authority which includes the final determination of a member's service years and applicable salary for purposes of determining final average compensation.

Ms. Billings said the HR Director could grant this additional 7 months by giving Mr. Grown credit for his temporary service. This would however, require a cost study because the actuary did not take temporary service into account when she prepared the annual valuation.

Chairman Harrison asked if the only thing missing is the cost study.

Ms. Billings said that the collective bargaining agreement provides that if a temporary employee who is made permanent with no interruption in service will receive seniority credit for time worked as a temporary employee. It was her opinion that the provision that allows the HR Director to interpret negotiated pension benefits would allow him to grant pension service credit

for time worked as a temporary employee. A cost study is needed for the seven months of temporary time and a letter from Trustee Scott clarifying that he is granting Mr. Brown credit for temporary time to settle this grievance. Temporary time would not have been included by the actuary in the valuation. They may also want Mr. Phillips to sign off on the agreement.

Trustee Scott said that he spoke with Ms. Billings and said that he respectfully disagrees with her legal opinion. According to the grievance Mr. Brown was awarded the time that he lost.

Ms. Zimmermann questioned if the grievance was giving seniority versus service credit.

Ms. Billings said that there was nothing in the collective bargaining agreement authorizing service credit for the time Mr. Brown did not work at the City.

Trustee Scott said that the CBA supersedes the Retirement Ordinance. During the settlement there is no question that Mr. Brown gets the additional three years of service credit.

Retiree Larry Marshall stated that he could clarify the service credit issue. He confirmed that the service credit was for twelve years and seven months.

Trustee Jukowski left at 2:00 p.m.

Ms. Billings stated that there was nothing in the grievance that accounted for the additional seven months of service credit.

Mr. Marshall said the answer was based on the grievance hearing. The opinion he wrote takes both sides into consideration. The CBA states that temporary employees with no break in service should be given service credit for their temporary time.

Mr. Brown's discharge was converted to a suspension which changed his seniority date which is a routine practice in Human Resources. He pointed out that the Retirement Ordinance and the CBA resolve disputes between the City and the Union. But the CBA supersedes the Retirement Ordinance.

He provided a brief overview of Mr. Brown's employment history. He explained that Mr. Brown was rehired by Department of Public Works Supervisor Leonard Briscoe which included a six month probationary period. He referred to a letter written by Mr. Briscoe describing his rehiring with conditions of Mr. Brown. He feels that his answer to this grievance was a just and correct answer. Under the CBA they have the authority to grant both the seniority and service credit.

Chairman Harrison asked if the issue could be clarified to determine where the misunderstanding is coming from between Human Resources and the Retirement Office.

Ms. Billings said that the additional benefit has to be negotiated and the CBA has to be amended if the department head intended to give him back his time. Mr. Marshall said that he did something he thought would be fair to both sides under the CBA.

Trustee Jukowski returned at 2:07 p.m.
Ms. Watson left at 2:07 p.m.

Mr. Marshall indicated that this is the same as the Rob Englund issue where he was not given any back pay but was given his retirement service credit. Mr. Brown can go to the Court and this grievance will be upheld giving him the additional service credit.

Trustee Naglick said that he has been involved in this issue and feels this has been a good discussion. He questioned whether technically a MOU is needed in order for Human Resources to grant service credit. He explained that Ms. Billings is also trying to determine the correct number of years being granted. He asked if, when these agreements are done, a process could be followed so this does not happen each time. He felt these issues can set a precedent.

Ms. Billings indicated that they are discussing how the issue can be resolved without requiring an MOU.

Chairman Harrison said that this issue could be resolved by sitting down with the Board's legal counsel. He does not like having to go through this at meetings.

Trustee Scott said that he totally agrees that that this issue should not have come before the Board. This is a similar situation as the Rob Englund issue where he was awarded service credit for the time he did not work. He told the Board that there is pending arbitration on this case. The Board needs to find a way to avoid having these issues brought before the Board.

Chairman Harrison said that the Retirement Office just received the information regarding this case yesterday. In order to keep this from happening, the information needs to be received long before an issue occurs.

Legally, they need to look at the letter of the law or the intent of the law and how it is being interpreted. Going forward he does not feel this should be a matter for the Board. He questioned whether the Board should go ahead and grant Mr. Brown the service credit. He questioned what the ramifications to the Board would be.

Ms. Billings stated that the trustees are fiduciaries over the Retirement System. They are personally liable for the decisions they make when paying out benefits from the System. There is no question that Mr. Marshall's opinion is that he was doing the best thing for the City when he went back and issued his opinion. However, the Retirement System is a separate legal entity and has to follow a separate set of laws and regulations.

Trustee Woods said that a MOU is not part of the grievance procedure. The Board does not have the authority to require an MOU. An MOU is not required between the City and the Union. The grievance decision is legal and binding.

Ms. Watson returned at 2:18 p.m.

Ms. Billings explained that the Retirement System requires something to substantiate that the CBA was amended. Anything that is bargained has to rise to a level of amending the CBA. The authority of the Human Resources Director is not sufficient because the collective bargaining agreement does not give the HR Director the authority to amend the agreement; it only gives him the authority to interpret what has already been negotiated.

Trustee Bowman said that it seems that we are waltzing on the head of a pin. If there is an agreement between the City and the Union why is it so difficult to get an MOU?

Trustee Woods stated that the answer is binding between the City and the Union.

Trustee Bowman stated that the Retirement System is not subject to the same agreements as the City and the Union.

Trustee Woods said that the MOU amends the entire contract.

Ms. Billings stated that she needs more time to look into the issue and whether a MOU is required in this situation.

Trustee Bowman inquired whether this was recently done for another member.

Trustee Scott said that he sent a request to Trustee Naglick asking him to direct the Retirement Office to make the member whole. This document was received sometime ago. He does not understand why they would want to expose the City to possible litigation. It is in the Board's best interest to do what is right. He does not feel that the Board has any further involvement.

Mr. Marshall said that as a member of the Retirement System he has a problem with the Board paying their attorney to interpret agreements which is the job of the unions and Human Resources. He wrote the language and understands what the intent of the language is regarding retirement. If there is a dispute, the resolution is in the CBA.

Ms. Zimmermann asked Mr. Marshall to please lower his voice.

Chairman Harrison stated that there are a number of documents that exist that cause conflicts between Human Resources and the Retirement Office. He does not look forward to these conflicts. The meeting needs to move on and going forward these issues need to be put on the agenda.

Trustee Scott stated that the issue needs to be clarified.

Ms. Billings asked how much service credit Mr. Brown is being given. She asked if he is being given the time from May 2, 1998 through June 30, 2011. If he is given the additional five months he worked as a temporary employee he will have thirteen years and two months of service credit.

Mr. Marshall said that Mr. Brown's seniority date was adjusted to May 2, 1998. He stated that seniority dates are frequently adjusted by the Retirement Office.

Ms. Billings said that she wants more time to look into the labor aspect and to make sure that Mr. Brown is given the correct benefit he was promised. She noted that Trustee Woods is concerned about opening up the contract. However, she needs to insure that the correct benefit is paid regarding the five months of temporary time without putting the Board in jeopardy.

Chairman Harrison asked the Board for direction on whether they want to go ahead without Ms. Billings looking into the issue or with Ms. Billings getting the issue resolved from the Board's standpoint so Mr. Brown is made whole. She still believes there is something missing.

Trustee Barnett made a motion that Ms. Billings be allowed to do her job and come back with the rules as they apply to the Board.

Trustee Naglick said that while he is in agreement with Trustee Scott, the Board needs something in writing that indicates it is okay from their side. He feels that the Board needs their attorney to sign off and specify what their rules are.

Trustee Redmond questioned whether Mr. Brown is looking for thirteen years and two months of service credit. She agrees with him that he should be getting his time. When someone takes your time it is like being stabbed in the heart.

Mr. Marshall replied his time from May 2, 1998 going forward without a break.

Mr. Marshall said that the Board has no authority to negotiate collective bargaining agreements.

Ms. Zimmermann asked if Mr. Brown also wants the additional three years of service credit giving him sixteen years and two months of service credit. Everyone needs to be in agreement on what amount of time was settled on between Human Resources and the Union. She also told the Board that when negotiations are completed, Human Resources does not forward the relevant paperwork to the Retirement Office.

Mr. Marshall left at 2:51 p.m.

Trustee Bowman stated that obviously a decision needs to be made before June 30, 2011. He asked if the Board would have an answer before then.

Because there was a question regarding the total years of service credit being granted to Mr. Brown, Ms. Billings requested that Trustee Scott send a letter indicating the number of intended years of service credit that was negotiated. This would insure that the Board is handling this issue the correct way.

Trustee Woods said that she would like to move forward.

Mr. Phillips confirmed that Mr. Brown would receive a deferred retirement. He is seeking his sixteen years and two months of service credit.

Ms. Zimmermann asked if this could be submitted in writing.

Ms. Billings indicated that a cost study would have to be done.

Trustee Scott said that they need to make the man whole.

Trustee Naglick said that he feels Trustee Scott is on solid ground giving service credit.

Chairman Harrison said that the Board needs the information to make it right.

Trustee Redmond said that Vida Twum is another employee with the same issue that started out as a temporary employee and became permanent after one year.

Ms. Zimmermann explained her role in the Retirement Office, stating that she relies on her staff to process the applications. However, they had not received copies of these agreements. Without relevant information the Retirement Office cannot do their jobs properly. She is more than happy to make sure the Board is following the directives from Human Resources but she is tired of having these issues come to the board before they have been discussed with her.

RESOLUTION 11-063 By Barnett, Supported by Naglick

Resolved, That the Board approve Arthur Brown's deferred retirement application using the service credit provided by a letter from Human Resources Director Devin Scott and approving to order a cost study to be paid by the City.

Yeas: 7 – Nays: 0

Mr. Scott, Mr. Phillips and Mr. Brown left at 3:06 p.m.

Chairman Harrison and Trustee Scott left at 3:06 p.m.

CONSULTANTS

Re: Gray & Company

Mr. Gray provided an overview of the Fund's market value as of June 17, 2011. The current market value is \$426.3 million versus \$446.2 million as of May 31, 2011. The market value as of December 31, 2010 was \$424.3 million and as of March 31, 2011 was \$440.9 million. The Fund was making decent strides until the last few weeks due to global macro economic issues in Greece and other countries.

Mr. Kuhn presented the asset allocation model. He explained that the asset allocation models rely on three key statistics for each asset class including the expected return, standard deviation and correlation coefficient.

They simplify the process by using the three major asset classes. They do not use additional asset classes because the markets' returns are not normally distributed, correlations are not stable, and the extra asset classes could add varying factors.

He referred to the capital market assumptions for cash, fixed income and equity. The forecasted expected return for cash is 2.65%, fixed income is 5.10%, and equity at 9.09% with expected standard deviations of 0.91%, 5.70%, and 16.50% respectively.

He explained the correlation table which represents the return relationship between the asset classes ranging between -1 to 1. The asset classes with strong related returns will have correlations close to 1; those close to 0 have no relationship, and those moving in opposite directions will be -1.

Ms. Billings left at 3:10 p.m.

He reviewed projected returns for three modeled portfolios. The most conservative mix is the 35% fixed income and 65% equity allocation. The model that most resembles the System is the 25% fixed income and 75% equity allocation. Going to an 80% equity and 20% fixed income allocation would not be appropriate.

Trustee Redmond left at 3:12 p.m.

He reviewed the simulated expected returns for the modeled portfolios over the three and five year periods and the probability of achieving 8% returns. These are forecasts, there are no crystal balls. Ten years ago no one would have forecasted 0% returns for equities. He stated that standard deviation goes down comparing the five-year investment period versus the three-year investment period.

The 25% fixed income and 75% equities model portfolio was the only one displaying negative returns. The standard deviation narrows moving from the conservative mix to the mix with more risk.

Ms. Billings returned at 3:17 p.m.

He described a more detailed chart of the portfolio models including a 35% fixed income and 65% equities and a 30% fixed income and 70% equities and the System's current asset allocation. The more conservative mix takes less risk and accounts for less headaches.

With the System's funding status, even if they are not hitting the actuarial target they are not in a position that they have to reach for returns. The most conservative mix at 35% fixed income and 65% equities had lower returns but a lower standard deviation.

Chairman Harrison asked if this is the time to take this into account and add some alpha in real estate.

Mr. Kuhn said that small allocations to real estate would not move the Fund. He would not do it.

Chairman Harrison said that Trustee Naglick has brought up the real estate issue before. He does not feel the risk is worth it.

Mr. Kuhn described the calendar returns from 1990 through 2010 for the portfolio models. The current asset allocation policy has done better overall but the more conservative models are also appropriate.

Vice Chair Woods left at 3:21 p.m.

He also described the historical returns for the rolling three and five year returns.

Chairman Harrison asked what Mr. Kuhn's suggestion is moving forward.

Mr. Kuhn said that if the Board accepts some illiquidity they can take on some more risk or they can keep the current policy. Or they can move back to a 30% fixed income 70% equity mix and remove real estate from the asset allocation.

Vice Chair Woods returned at 3:23 p.m.

Chairman Harrison said that the Board should select an asset allocation and stick to it.

Mr. Brown left at 3:24 p.m.

Mr. Gray said that they are looking for direction. This System is the envy of most pension plans in the United States. Systems like CALSTERS are stretching for returns because of their funding status. The Board can either stay where they are or play in the same sandbox with the funds that are looking for returns by taking more risk. He was under the notion that they should halt activities and leave things the same.

Chairman Harrison asked if the Board wants to keep the same asset allocation.

Mr. Kuhn asked if the Board would like to look at a 25% fixed income and 75% equities asset allocation taking out private equity and real estate or possibly a 30% fixed income and 70% equities allocation.

Mr. Gray said they should not keep the current allocation if they do not plan to fund real estate.

Chairman Harrison asked the trustees if they are ready to make a decision today. There is no reason to keep the current allocation if they are not funding real estate and have two large private equity firms.

Mr. Brown returned at 3:27 p.m.

Trustee Barnett asked if the decision would affect the private equity allocation.

Chairman Harrison said that it would not and they would remove the real estate allocation and continue to fund private equity at 5%. The Board can always come back and look at real estate.

Trustee Barnett asked about the private equity returns.

Mr. Gray said that they are not good to date because they are still in the J curve.

The Board determined that they would remove the real estate allocation and look for an additional private equity fund of funds manager to complete the allocation to private equity.

Mr. Gray asked if the Board was interested in taking the 5% from real estate and moving it into international equity.

Chairman Harrison said moving into international equity would geographically diversify the portfolio.

Mr. Kuhn confirmed that the Board is interested in looking for a global equity manager.

RESOLUTION 11-064 By Barnett, Supported by Naglick

Resolved, That the Board directs the consultant to remove real estate from the asset allocation and move the 5% allocation into international equities.

Yeas: 6 – Nays: 0

Mr. Kuhn stated that he would revise the Investment Policy Statement.

REPORTS

Re: Chairman

Chairman Harrison said that Vice Chair Woods has expressed that she is now ready to retire. She has been a colleague and a good friend. We appreciate her years of service on the Board. It is difficult to be an employee trustee as well as a union representative. We have to take our hats off to that. We appreciate having you with us and you will be truly missed. He invited her to come back and hang out.

Vice Chair Woods told the Board that it has been a pleasure serving on the Board and that made her decision to retire very difficult. She could still change her mind. She is going to move on with what the Lord has planned and hopefully there will be no work involved.

John Naglick has been the best supervisors she has had over her twenty-five year career. However, she needs her medical benefits.

She has enjoyed working with and knowing Larry Gray. He has been a promoter for this Board. She acknowledged and thanked Cynthia Billings, Matt Henzi and Chris Kuhn for helping to make this one of the greatest Boards.

She indicated that her first year on the Board was difficult but after awhile the light bulb came on. In the past she would have only looked at the amount on her deferred comp statement but the knowledge she has attained from being on the Board has helped with her personal finances. She plans to continue to attend meetings. She will be gone but will not forget everyone.

Chairman Harrison expressed that she should keep in touch.

He told the Board that he has been on the Board for sixteen years and now there is only one member with more seniority than he has which is Shirley Barnett. He questioned where everyone has gone. It is strange how the seniority on the Board has changed.

Re: Secretary – None

Re: Trustees/Committees - None

Vice Chair Woods left at 3:46 p.m.

Re: Administrator

Auditors

Ms. Zimmermann reported that she had a meeting with the auditors and they are scheduled to attend the July, 2011 meeting.

Vice Chair Woods returned at 3:47 p.m.

Old Retirement Office Computers

Ms. Zimmermann stated that the old computers cannot be updated and are obsolete because they cannot be upgraded. She asked the Board for their position on what to do with them. There is a She indicated that some of the staff are interested in them.

Trustee Naglick made a suggestion to have them hauled away.

Ms. Billings said that based on the Northern Trust Securities Lending litigation the computers should be retained in order to verify that there is not data pertaining to the litigation on the computers. She will verify with Ms. Almonrode how this should be handled.

Ms. Arndt indicated that the computers had been wiped clean by the City's Information Technology Department.

Ms. Billings stated that the data could possibly be restored.

Vice Chair Woods indicated that Trustee Redmond needs to leave and asked that any action items be moved up on the agenda.

Re: Legal

Longtop Financial Technologies Limited Litigation

Ms. Billings reported that Longtop Financial Technologies issued misleading statements and financials which led to their stock being artificially traded and the value of the company's shares fell 55.7%. The System lost in excess of \$90,000.00 during the class period.

As a result of these losses they recommend that this System along with the Police & Fire Retirement System pursue a Motion for Lead Plaintiff. Since this occurred between meetings and time was of the essence the Chairman signed the Retainer Agreement. She asked that the Board ratify the Chairman's signature on the Retainer Agreement.

RESOLUTION 11-065 By Woods, Supported by Bowman
Resolved, That the Board ratify Chairman Harrison's signature on the Longtop Financial Technologies Limited Litigation Retainer Agreement.

Yeas: 6 – Nays: 0

Nexos Private Equity Growth Fund

Mr. Henzi provided an update of the Nexos Private Equity Growth Fund. The Board had directed him to request audited financial documents. Upon not receiving the documents he filed a complaint with the SEC.

Since the last meeting he was contacted by the SEC who said that this is not a case for the SEC and that the System needs to file the complaint with the Department of Labor who governs these types of issues.

Since the complaint was filed Nexos has finally produced their audited financial statements for 2009 and 2010 along with the Statement of Account for 2010 and the 2010 Event Activity Report. This was likely due to the negative press they were receiving.

He took part in a conference call with Nexos along with Ms. Zimmermann and Ms. Billings. Nexos has agreed to attend the Manager Review meeting on August 23, 2011. They asked if the Board would withdraw the complaint and asked for a written response.

Chairman Harrison said that there are still a lot of questions that need to be answered. He felt that there is no rush to remove the action.

Mr. Henzi agreed that there are many unanswered questions. However, they have produced the audited financial documents based on the terms of the investment contract. He recommended withdrawing the complaint after the August meeting since the SEC is not going to take action.

He told the Board that they can withdraw the complaint now or wait until after the meeting in August. There could be more complaints or accounting irregularities.

Ms. Billings stated that the SEC has indicated it will not be taking any further action, that the Department of Labor should be notified if further action is required. Ms Billings said that if

further action is required, they contact the SEC because governmental systems are not governed by the Department of Labor. We may have to make an argument to the SEC.

Trustee Naglick said that most of the investment is sitting in cash. It looks like the only thing they have done is pay management fees to themselves.

Mr. Gray said that based on the financial documents the System should look into getting its money back.

Mr. Henzi said that Nexos has refused to give the money back at this time. Principal, Joseph Vadapalas has indicated that they are willing to work with the Board. The language in the Investment Agreement specifies that the Board is committed to this investment for ten years. However, they can look into whether the Limited Partnership Agreement was breached.

RESOLUTION 11-066 By Redmond, Supported by Woods
Resolved, That the Board agrees to withdraw the SEC complaint against Nexos Private Equity Growth Fund for their non-response to requests for audited financial documentation.

Yeas: 6 – Nays: 0

RESOLUTION 11-067 By Woods, Supported by Bowman
Resolved, That the Board move to closed session to discuss the pending Onyx litigation.

Roll Call:

Trustee Barnett – Yea	Trustee Naglick - Yea
Trustee Bowman – Yea	Trustee Redmond - Yea
Chairman Harrison – Yea	Vice Chair Woods - Yea

The Board moved to closed session at 4:02 p.m.

The Board returned from closed session at 4:08 p.m.

Ms. Billings asked that the Board approve the payment of invoices for the Onyx Capital litigation.

RESOLUTION 11-068 By Woods, Supported by Bowman
Resolved, That the Board approve the payment of invoice pertaining to the Onyx Capital litigation.

Yeas: 6 – Nays: 0

Stevenson Keppleman Legal Invoice

Ms. Billings reported that it is her opinion that the Board did not have any input or receive a copy of the opinion. If the Board feels there was a benefit to the Retirement System they can approve the payment.

RESOLUTION 11-069 By Woods, Supported by Barnett

Resolved, That the Board reject the legal invoice payment from Stevenson Keppleman for an opinion regarding the Retirement System's ability to reimburse members for their Medicare Part B premium.

Yeas: 5 – Nays: 0
Abs: 1 (Trustee Naglick)

Motion Failed

Re: Employee-Trustee Election

Ms. Zimmermann requested that the Board approve the election calendar for the employee-trustee election.

RESOLUTION 11-070 By Redmond, Supported by Barnett
Resolved, That the Board approve the Employee-Trustee Election Calendar.

Yeas: 6 – Nays: 0

Trustees Bowman and Redmond left at 4:12 p.m.

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.

Rehab Care Group, Inc.

Ms. Billings said that she enjoys working with Motley Rice. She reported that since the last meeting the parties are in the process of preparing the documents for court approval of the settlement.

Finisar Securities Litigation

Ms. Billings reported that there is nothing new to report and they will keep the Board updated in regard to this matter.

Ordinance Amendment Regarding Board Composition

Mr. Henzi reported that he spoke with the Emergency Manager's attorney Dennis Cowan and they have no problem with the amendment regarding Board composition. This issue is still pending. The amendment to the Retirement Ordinance would allow for City deferred vested members to serve as the Employee Trustee if there are no active members.

Procedures for Disputing Service Credit Determination

Mr. Henzi referred to Exhibit C that restates in writing the procedures needed in writing when members of SAEA and AFSCME Local 2002 want to obtain their service credit and FAC in writing from the Human Resources Director.

Ms. Billings said that this depends on whether a MOU is needed and if this rises to the level of collective bargaining.

Trustee Barnett asked if this would help to correct the arbitration agreement issue.

Trustee Woods said that Human Resources should pass on information to the required parties. Stampfler has the right to set the protocol. The contract does not state how it should be done.

Cruz versus Cruz Domestic Relations Order

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

MBIA Securities Litigation

Ms. Billings reported that this securities litigation was dismissed by the lower Court. The Second Circuit overrode that decision.

Bernstein Litowitz Portfolio Monitoring Report first Quarter 2011

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

Motley Rice Portfolio Monitoring Report First Quarter 2011

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

Motley Rice Memorandum Regarding Matrix XX Initiative versus Siracusano

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

FBAR Reporting

Ms. Billings reported that the Treasury's Financial Crimes Enforcement Network issued their final regulations addressing the reporting to the IRS of foreign financial investment accounts on March 28, 2011 and apply to FBAR's required to be filed by June 30, 2011. The final regulations provide a filing exemption for the accounts of governmental pensions plans which is good news.

Ambassador Capital Management Form ADV, Part 2A Brochure

Pursuant to the March 22, 2011 brochure, no disciplinary action has been reported.

Loomis Sayles Form ADV, Part 2A Brochure

Pursuant to the March 31, 2011 brochure, no disciplinary action has been reported.

Gray & Company Form ADV, Part 2A Brochure

Pursuant to the March 21, 2011 brochure, no disciplinary action has been reported.

Goode Investment Management SEC Form ADV, Part 2A Brochure

Pursuant to the March 31, 2011 brochure, no disciplinary action has been reported.

Oakbrook Investments SEC Form ADV, Part 2A Brochure

Pursuant to the December 31, 2010 brochure, no disciplinary action has been reported.

Kennedy Capital Management SEC Form ADV, Part 2A Brochure

Pursuant to the May 11, 2011 brochure, no disciplinary action has been reported.

Munder Capital Management SEC Form ADV, Part 2A Brochure

Pursuant to the March 30, 2011 brochure, no disciplinary action has been reported.

Re: Union Representatives

UNFINISHED BUSINESS

Re: Medicare B Payroll – Tabled

Re: Retirement Office Payroll - Tabled

Re: Citizen Trustee Appointment – Tabled

Re: Board Composition – Refer to Legal

SCHEDULING OF NEXT MEETING

Regular Meeting: July 27, 2011 @ 1:30 p.m. – City Council Conference Room, Second Level, City Hall

The meeting adjourned at 4:12 p.m.

I certify that the foregoing are the true and correct minutes of the meeting of the General Employees Retirement System held on June 22, 2011

As recorded by Jane Arndt