

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES REGULAR MEETING

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, July 20, 2004 in the New Committee-of-the-Whole Room, City Hall Council Chambers, third floor, with the following in attendance.

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Peggy Cook, Daniel Coffield, Peter Dobrzeniecki, Robert Erlenbeck, Sandra Kidd, Amy Lindman, Alvern Lock, Robert Rosenberger, Georgia Steinhoff, Cass Wisniewski

ABSENT James Goodin, Mark Horrigan, Janice Kehoe, Donald Phillips, Edward Taylor

ALSO PRESENT Habeeb Ghattas, Attorney for the Retirement Board
Wanda Twitty, Retirement Supervisor
Larry Langer, Gabriel, Roeder, Smith & Company

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:05 p.m.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Mattie Taylor, a Hurley retiree, expressed her concerns about the lack of a 13th check for 2002, 2003 & 2004. She worked 29 years at HMC, including 11 years in the #1603 Union. She retired in December of 1990, when she spent \$3.25/month for health insurance. Currently, she is paying \$344 per month for health insurance from her pension check. Every #1603 member is paying \$300 to \$400 per month for health insurance from their pension checks. She noted that the 13th check was implemented in place of cost of living raises for the lower pension levels, such as Local #1603 that represents housekeeping, dietary, clerical, nursing assistants, etc. She asked the Retirement Board to evaluate the 13th check issue.

Chairman Daniel Hall noted that the 13th check is administered according to the Retirement Ordinance by the Retirement Board; however, it is the responsibility of the City Council to make changes to the Ordinance and concerns should be expressed to Council members. Johnnie Coleman, Council President, has stated that the City Council will be addressing concerns regarding the Retirement Ordinance. The Retirement Board plans to work with the City Council on making needed changes to the Ordinance.

Chairman Daniel Hall introduced and welcomed Peggy Cook as the new City Administrator (formerly 4th Ward Councilperson) and member of the Retirement Board.

Peggy Cook stated that, regarding the 13th check, the Administration and City Council are reviewing the Retirement Ordinance and will be meeting for discussions soon. She noted that the first concern on their joint agenda is the 13th check issue.

Charlotte Novak, President of the Registered Nurses' Union at Hurley, asked about the status of the transfer to MERS, noting that their Union voted for this transfer, there is a negotiated and signed agreement, and members are waiting to retire until after the transfer is made. They are asking that the transfer be done as soon as possible.

Chairman Daniel Hall noted that Mr. Larry Langer, the Actuary with Gabriel, Roeder, Smith & Company, is present at today's board meeting to address issues and concerns regarding the pending transfer to MERS.

Jill Lake, a nurse at Hurley for 36 years, stated that she is waiting to retire until their pension is transferred from FERS to MERS.

Alison Gipson, Hurley Retiree, noted that she wants to stay in FERS and does not want her pension transferred to MERS.

Chairman Daniel Hall noted that there is a difference between retirees and active members for the transition from FERS to MERS.

Pamela Grieve, President of Local #2056 at Hurley, noted that their members voted to move from FERS to MERS and there are several employees waiting to retire until after the transfer. They want the transfer to be made as soon as possible.

Tracey Charchan, President of the Nurse Managers & Case Managers Union at Hurley, stated that they also voted to transfer from FERS to MERS and are requesting that the transfer proceed as soon as possible. There are two current members, with many years of service, who are waiting to retire.

Bernice Calvin, President of Local #825 at Hurley, stated that their members also voted

to move to MERS and they are concerned about the status of the transfer.

Chairman Daniel Hall expressed his appreciation to the speakers for bringing their comments and concerns to the Board of Trustees.

Chairman Daniel Hall asked whether the Board wished to have Larry Langer's presentation next on the agenda.

Motion made by Georgia Steinhoff, and supported by Daniel Coffield, to move Larry Langer, the FERS Actuary from Gabriel, Roeder, Smith & Company (GRS), forward in the Agenda (Item #s 14 & 15, then #12 & #13).

Upon being put to a vote, the motion carried unanimously.

14. RESOLUTION AUTHORIZING THE TRANSFER OF ALL DATA FOR CERTAIN ACTIVE MEMBERS AND RETIREES OF HURLEY MEDICAL CENTER

Larry Langer, Actuary for Gabriel, Roeder, Smith & Company (GRS), stated that the employee information needed to make the calculations for the transfer of the active employee groups from FERS to MERS was received in mid-May. As part of the valuation, GRS compiled a list of questions to confirm that all information received was the correct information needed for their purposes. The list was sent via e-mail to the City on June 4; it was discovered last week that the list was never received at the City. Bob Erlenbeck and staff are now working on it. Bob Erlenbeck noted that there were approximately 20 pages of questions from GRS that the City is researching. Larry Langer noted that the questions and issues were routine and did not represent anything unusual. Once the answers are received, the liability information, as of December 31, 2003, should be calculated within three weeks. The other issue is the calculation of the amount of assets to be transferred, most likely as of July 1, 2004.

Daniel Coffield, as Chair of the Investment Committee, reported that he asked Mr. Langer to provide an estimate of the transfer amount based on the completed data from the December 2002 calculations. Mr. Langer indicated that approximately \$120,000,000 would be required, which is less than the original estimate of \$200,000,000 (which included retirees who are not currently eligible to transfer). Mr. Coffield noted that the bargaining unit members are waiting to retire until after the transfer to MERS because, under the Ordinance and the collective bargaining agreements, a retiree loses Union representation. Under the current City ordinance, no retirees are eligible to transfer to MERS, only active employees represented by the respective bargaining units that voted for the transfer. Although the Hurley Board voted unanimously that Hurley retirees should be given the choice of FERS or MERS, a vote of the Hurley Board does not

change the Retirement Ordinance. City Council will be asked to modify the ordinance to allow the choice for retirees. Currently, only active employees who retire after the transfer to MERS can draw a MERS paycheck for life. If they retire before the transfer to MERS, they will draw a FERS paycheck indefinitely or until the City Council changes the Ordinance.

Dan Coffield stated that, out of 1450 active members transferring, over 1300 have completed all of their paperwork for MERS; i.e., beneficiary information, etc.

Daniel Coffield stated that Hurley is paying for the actuarial calculations by GRS and the review by Rodwan & Nichols, who has performed other evaluations for systems prior to their transfer to MERS. Once all numbers are final and verified, the Board can vote on the transfer, with input from the Investment Committee on the assets to be transferred. He noted that a special Investment Committee Meeting will be called as soon as the calculations are completed. As a \$770,000,000 fund, the approximately \$120,000,000 needed for transfer is more than 15% of the Fund. The Board will need to give notice to the Money Managers regarding the asset transfers as quickly as possible.

Chairman Daniel Hall stated that, once all necessary information is available, he will notify the Trustees and call a Special Board Meeting to expedite the transfer. He expressed his concerns for those employees who wish to retire and are waiting for the transfer to be made. He noted that extending their employment dates could be a disadvantage to them, due to final average compensation issues, etc.

Habeeb Ghattas reported that he is in contact with Attorney Meg Hunter, of Dykema Gossett, as Special Tax Counsel (Hurley has agreed to pay the fees for her services also). He sent Ms. Hunter a letter outlining his concerns regarding the potential transfer, including the effect, if any, that this resolution would have on retirees. The issues should be reviewed by the City Council, as the Legislative Body and creator of the Plan. If there are plan amendments needed for the transfer for the exempt employees, he has recommended to the Board of Trustees that the Ordinance be amended to accommodate them. Chairman Daniel Hall has indicated that a joint committee is being established with the City Council to address the Ordinance issues. It is Mr. Ghattas' opinion that represented members have a right to transfer as negotiated under the authority of the Public Employee Relations Act (PERA), subject to Board approval of an appropriate transfer methodology. It is his recommendation that the transfer methodology be referenced in the Ordinance.

15. RESOLUTION AUTHORIZING THE TRANSFER OF RELATED ASSETS AND LIABILITIES FOR CERTAIN ACTIVE MEMBERS AND RETIREES OF HURLEY MEDICAL CENTER

Motion by Daniel Coffield, supported by Robert Rosenberger, to table this agenda item pending receipt of the necessary actuarial information.

Upon being put to a vote, the motion carried unanimously.

Chairman Daniel Hall noted that some of the retirees have objected to the transfer.

Peter Dobrzeniecki stated that when the City Council addresses the issue of allowing retirees to transfer to MERS, they will need the actuarial calculations for that group in order to make their decision. Daniel Coffield noted that the Hurley Board of Managers voted to offer the choice to the retirees and will ask the City Council to approve an Ordinance change to that effect.

13. 58TH ANNUAL ACTUARIAL VALUATION

The System's Actuary, Larry Langer, reviewed the 58th Annual Actuarial Valuation for December 31, 2002, with the Board of Trustees, noting that the report was reissued as a second draft on May 14, 2004. This draft incorporates into the calculations the new contribution rate alternatives discussed and selected at the February and March 2004 Board Meetings. It is still a "draft," because the numbers are being presented in a report format to the Board for their review and questions, pending the final report. He noted that Habeeb Ghattas has previously reviewed the report. Habeeb Ghattas noted that the Board has not yet acted upon this Valuation Report.

Larry Langer stated that the following corrections were noted by Habeeb Ghattas and will be reflected in the final report: 1) On the bottom of page A-1, "Public Act 728 Certifica-tion," the formal title is "Michigan Public Act #314 of 1965, as amended by Public Act #728 of 2002." 2) On page B-5, "Derivation of Funding Value of Retirement System Assets," Item E-2, "Amount for Immediate Recognition (7.0%)" – the percentage should be shown as 7-3/4%. The amount of \$68,490,932 is based on 7-3/4%; however, the percentage was inaccurately printed. 3) On the lower half of page C-3, a chart shows the changes in average payroll and a column heading of '2001' is listed twice; the label for the first column should read '2002.'

Daniel Coffield noted that, referencing page A-4, the HMC Board-approved Budget for FY2005 does contain the required 8.39% for pension funding.

A motion to receive the 58th Annual Actuarial Valuation Report as of December 31, 2002, with corrections as noted, as presented by Larry Langer of Gabriel, Roeder, Smith & Company, was made by Daniel Coffield, and supported by Robert Rosenberger.

Upon being put to a vote, the motion carried unanimously.

Chairman Daniel Hall stated that correct protocol requires each division (Hurley, City, Police, Fire) to present a resolution to the Board of Trustees adopting the rates for their division. After the resolutions are reviewed by Legal and approved by the Board, they will be forwarded to City Council. It was noted that the 1999 actuarial valuation was the last valuation adopted in this manner, due to State/EFM control.

Habeeb Ghattas noted that, as this is the first valuation report to reference the P.A. 728 certification, it might be in order to have a separate resolution adopting the certification as well (reference Page A-1). Michigan Public Act #728 became effective on 12/30/02, amending the PERS Investment Act by amending Section 20h and adding Section 20m, setting new standards for state and local government retirement systems as follows: A System's summary annual report must state whether the System has received the required employer contribution for the year covered by the report. One purpose of the Audit is to satisfy the Board that the employer contribution rate, as approved by the Board of Trustees, was made by the Employer. Annual required Employer contributions must be actuarially determined and consist of the current service cost (normal cost payment) plus an amortization payment for the unfunded actuarial accrued liability. The Actuary has represented to the Board of Trustees, and the Board has reviewed the procedures in place and can certify to the public, consistent with their fiduciary responsibilities, that the formulas used met the certification requirements.

A motion was made to authorize GRS to perform an actuarial valuation for the 12 months ended 12/31/03 and for the 6 months ended 6/30/04, by Amy Lindman, supported by Georgia Steinhoff. In addition, future actuarial valuations, beginning with the fiscal year ending 6/30/05, will be calculated on a fiscal year basis.

Discussion followed. It was noted that the Board has adopted the rates from the actuarial valuation for the 12 months ended 12/31/02 for use in the fiscal year 2005 budget.

Upon being put to a vote, the motion carried unanimously.

12. GABRIEL ROEDER, SMITH & COMPANY – LARRY LANGER

Larry Langer was asked to respond to a question regarding Agenda Item #8.11, Gabriel, Roeder, Smith & Co., *Act 728 Supplemental Actuarial Analysis of AFSCME Locals 1799 & 1600 Contract Offers*, dated June 1, 2004, which was included in the agenda packets. Mr. Langer responded that GRS was asked to review the recently adopted contracts between the City and AFSCME #1600 and #1799 for possible impact on the Retirement System. The contracts being virtually identical, his letter isolates the elements he believes have a “direct impact” on the Retirement System. For example, member benefit changes and the transfer of some members out of the System have a “direct” impact on the System. The “indirect” impact on costs, being harder to measure, was not discussed in this correspondence; however, there are items in these contracts with regard to wages, annual leave time, etc., which will have an indirect impact. The direct impact items are: 1) the elimination of the 13th check; 2) implementation of the defined contribution plan; 3) a one-time window to purchase interim or lay-off time at no cost to the City; 4) final average pay clarification. None of these areas can easily be costed in order to calculate the specific impact to the System.

- 1) The 13th check was to be paid out of excess investment earnings that actuaries do not plan for. Therefore, there is no specific cost that can be assigned to the 13th check based on normal actuarial techniques because the valuation report does not change. However, if 13th checks are not issued, more money remains in the Pension Fund as a result and future required contributions will generally be lower.
- 2) It is difficult to measure the impact of implementation of a defined contribution plan. There are two areas to take into consideration regarding the potential for employees transferring into the defined contribution plan: First, for transfers from a Defined Benefit to a Defined Contribution Plan, both liabilities and assets are transferred. It is important that additional unfunded liability is not created when the transfer is made, which means that the System needs to transfer assets that are very close to the liability being transferred. It is believed that, if structured correctly, this should not cause a major impact on the Plan’s unfunded liability. Secondly, the percentage of payroll required to make the contribution rate (for participants who stay in the Plan) could increase even though the dollar amount would stay the same. Currently, the contribution for the Defined Contribution Plan is 11% and the long-term cost of the Defined Benefit Plan is 12½ %, or a 1½ % savings of payroll. However, the 12½ % currently in the valuation report fluctuates, based on changes made to assumptions over time, and as costs and adjustments are made. On a short-term basis, this appears to be a savings in contributions by the City; over the long term, it is unclear whether those savings will continue to be realized.
- 3) The one-time window to purchase interim or lay-off time at no cost to the City needs

more insight from a legal standpoint. From an actuarial standpoint, it means there will not be extra, unfunded actuarially accrued liability afterwards. However, these calculations must be gender neutral and cannot take into account differences in life expectancy and other related factors. Additionally, the salary rate applied is to be the rate in effect the day before the employee became permanent. If the salary rate refers to the current pay, there is probably no cost to the System. However, it is possible to apply factors in such a way that additional unfunded liability would be added to the Plan. If the salary rate applied is the rate in effect the day before the employee became permanent, the Plan does become unfunded. He is assuming the factors are applied to the *current pay* and then there is probably no cost to the System. This may need additional review.

Discussion followed.

Bob Erlenbeck asked Larry Langer if, from an actuarial interpretation, “no cost to the City” means utilizing what is currently known as the generic rate formula, with factor tables, and current salaries? There are three formulas in use: 1) prior governmental, 2) military, 3) generic (utilizing the GRS factor tables, which include current salaries). Depending upon which union contract is used, if it is in the Ordinance, “prior governmental” would require the use of the table with the current rates, which is technically the generic formula.

Peter Dobrzeniecki noted that most pension funds only allow for a “13th check” when the fund is considered fully funded actuarially. Declaring a “surplus” in a System that is worth far less than it used to be, due to market downturns, etc., seems to be a major flaw in the FERS Plan. If a 13th check is to be allowed, by Ordinance, shouldn’t the language be more restrictive, in order to avoid compromising the Fund? Larry Langer noted that the purpose of the 13th check is to allow retirees to maintain some standard of living into retirement, since the Plan has no COLA (which impacts the plan more directly). However, the 13th check does ultimately impact the Plan and 13th check payouts should take into consideration the funding of the System.

Habeeb Ghattas noted that the Board had established a 13th Check Committee some time ago, which met with representatives of GRS in order to address these concerns and make recommendations to the City Council regarding amendment of the Ordinance section relating to the 13th check. He is unclear as to the status of that Committee and their recommendations. Also, regarding the issue of whether or not the language for the purchase of time is a legal or actuarial determination, the language says “at no cost to the employer” and it is his opinion that the Actuary needs to evaluate the possible impact on the System. Since the Plan Sponsor/Employer has the ultimate funding obligation, there may be an effect on the Employer. Legally, “no cost to the employer” really means “no cost to the System.” If there is a cost to the System, legally, there may be a potential cost

to the Employer. Also, as Georgia Steinhoff commented, the legislative policy behind the amendments to P.A. 314 regarding P.A. 728 require an actuarial valuation in advance to determine the impact on the System. Had this been done in advance of the contracts being implemented, the costs would have been apparent and the Board would not be looking to remedy a question after the fact.

Chairman Daniel Hall expressed his appreciation to Larry Langer for his presentation and Mr. Langer left the meeting at 2:30 p.m.

2:31 p.m. – Chairman Daniel Hall called for a ten minute recess.

2:44 p.m. - Chairman Daniel Hall called the meeting back to order.

Peggy Cook left the meeting at 2:44 p.m.

3. APPROVAL OF THE JUNE 22, 2004 REGULAR BOARD MEETING MINUTES

It was moved by Georgia Steinhoff, and supported by Sandra Kidd, to approve the minutes of the June 22, 2004, Regular Board Meeting, with corrections.

The following corrections were noted by Attorney Habeeb Ghattas:

Page 8934, Agenda Item #22, Legal Counsel Updates, 7th and 8th sentences:

Original Entry: That decision relates only to the representative members. In terms of the non-representative members, those issues still remain before Judge Yuille.

Corrected Entry: That decision relates only to the *represented* members. In terms of the *non-represented* members, those issues still remain before Judge Yuille.

Upon being put to a vote, the motion carried unanimously.

4. APPLICATIONS FOR VOLUNTARY RETIREMENT

Steven Anderson
DPW/1600

Final Average Compensation:	\$ 35,929.60
Accumulated Contributions:	32,393.40
DRET:	25.38
Effective Date of Retirement	12/27/2003
Service: 32 Years, 10 Months	

The retiree elected the Option A in the amount of \$2,333.70

Robert Erlenbeck requested that the application for voluntary retirement for Steven Anderson be tabled, until the necessary information is obtained, in order for Mr. Anderson to make a determination on his retirement. Mr. Langer has indicated that he has all information needed in order to complete this review. It is anticipated that the actuarial information will be available, and a decision made, by the next Board Meeting.

Shelley Bowers
HMC/Exempt

Final Average Compensation:	\$ 66,086.75
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	06/11/2004
Service: 20 Years, 11 Months	

The retiree elected the Option C w/pop-up in the amount of \$1,145.46

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Shelley Bowers be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C w/pop-up, in the amount of \$1,145.46, for as long as she lives.

Scott Bowman
Fire/352

Final Average Compensation:	\$ 55,910.22
Accumulated Contributions:	23,343.42
DRET:	33,189.43
Effective Date of Retirement	06/18/2004
Service: 23 Years, 11 Months	

The retiree elected the Option C w/pop-up in the amount of \$2,702.37

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Scott Bowman be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C w/pop-up, in the amount of \$2,702.37, for as long as he lives.

Muriel Couch
HMC/Exempt

Final Average Compensation:	\$ 45,929.63
Accumulated Contributions:	Non-Cont.
DRET:	.00
Effective Date of Retirement	06/25/2004
Service: 36 Years, 6 Months	

The retiree elected the Option Straight Life in the amount of \$1,509.52

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Muriel Couch be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option Straight Life, in the amount of \$1,509.52, for as long as she lives.

John Doty
City/1600

Final Average Compensation:	\$ 37,219.85
Accumulated Contributions:	35,749.93
DRET:	658.19
Effective Date of Retirement	06/19/2004
Service: 32 Years, 1 Months	

The retiree elected the Option B in the amount of \$1,997.80

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for John Doty be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option B, in the amount of \$1,997.80, for as long as he lives.

Natividad Horton
HMC/MTO

Final Average Compensation:	\$ 77,578.12
Accumulated Contributions:	Non Cont.
DRET:	
Effective Date of Retirement	06/24/2004
Service: 34 Years, 10 Months	

The retiree elected the Option Straight Life in the amount of \$3,701.12

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Natividad Horton be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option Straight Life, in the amount of \$3,701.12, for as long as she lives.

Joseph Peck
Fire/352

Final Average Compensation:	\$ 72,227.18
Accumulated Contributions:	21,039.18
DRET:	38,377.92
Effective Date of Retirement	06/18/2004
Service: 23 Years, 0 Months	

The retiree elected the Option C w/pop-up in the amount of \$ 3,274.95

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Joseph Peck be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C w/pop-up, in the amount of \$3,274.95, for as long as he lives.

Ronda Simpson
DPW/Exempt

Final Average Compensation:	\$ 63,207.82
Accumulated Contributions:	31,473.36
DRET:	.00
Effective Date of Retirement	06/12/2004
Service: 18 Years, 10 Months	

The retiree elected the Option B in the amount of \$ 1,997.80

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Ronda Simpson be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option B, in the amount of \$1,997.80, for as long as she lives.

Mark Whaley
Fire/352

Final Average Compensation:	\$ 56,993.90
Accumulated Contributions:	21,142.00
DRET:	33,504.43
Effective Date of Retirement	06/18/2004
Service: 23 Years, 0 Months	

The retiree elected the Option B w/pop-up in the amount of \$ 2,391.25

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Mark Whaley be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option B w/pop-up, in the amount of \$2,391.25, for as long as he lives.

It was moved by Daniel Coffield, and supported by Amy Lindman, to approve the Applications for Voluntary Retirement for Shelley Bowers, Scott Bowman, Muriel Couch, John Doty, Natividad Horton, Joseph Peck, Ronda Simpson, and Mark Whaley.

Upon being put to a vote, the motion to approve the Applications for Voluntary Retirement, with the exception of Steven Anderson, carried unanimously.

5. OPTIONS PICKED BY DUTY-DISABILITY AND DEFERRED RETIREMENTS

Diane Jacobson/HMC	Option C w/pop-up - \$722.22
Cathy Engle/Police Disability Retirement	Option A - \$1,956.93
Paul Marx/Police Disability Retirement	Option B w/pop-up - \$1,826.85

For informational purposes only.

6. APPLICATIONS FOR DUTY DISABILITY RETIREMENT

Stephen Tarkowski

Fire/352

Age: 50 Years

Service: 23 Years, 5 Months

The medical report and summary of Disability Determination dated April 29, 2004 from Dr. Victor Roth, Medical Director, does certify that Stephen Tarkowski is not totally and permanently disabled. Georgia Steinhoff, as Chair of the Professional Services Committee, requested that the request for duty disability retirement from Stephen Tarkowski be tabled pending further testing, as recommended by Dr. Roth, and further review by the Committee.

7. UPCOMING CONFERENCES (All items placed on file in the Retirement Office.)

7.1 International Foundation, 50th Annual Employee Benefits Conference, September 19-22, 2004. New Orleans, LA.

7.2 Institute for International Research, Fund of Funds, September 20-22, 2004. New York, NY.

7.3 International Foundation, Essentials of Public Sector Benefits Administration, September 27-30, 2004. Brookfield, WI.

7.4 UNC Kenan-Flagler Business School, 12th Annual Mid-Sized Pension Management Conference, October 3-6, 2004, Chicago, IL.

7.5 Thomson Venture Economics, Buyouts Symposium West 2004, October 19-20, 2004. San Francisco, CA.

Chairman Daniel Hall added -

7.6 MAPERS Fall Conference 2004, Amway Grand Hotel, October 10-12, 2004. Grand Rapids, MI.

It was moved by Amy Lindman, and supported by Georgia Steinhoff, to add the stated conferences to the list of authorized conferences.

Upon being put to a vote, the motion carried unanimously.

8. COMMUNICATIONS RECEIVED (All items were placed on file in the Retirement Office; if noted, a copy was given to Board Members in their agenda packets also.)
- 8.1 Lerach, Coughlin, Stoia & Robbins, Corporate Governance Bulletin, 3rd Quarter 2004.
- 8.2 David Babson & Co., The Babson Staff Letter, June 25, 2004.
- 8.3 Bank of Ireland, ADV Form Part 11, July 8, 2004.
- 8.4 Lazard Asset Management, Invitation to Reception on September 18, 2004 during the International Foundation Conference, July 15, 2004.
- 8.5 Bank of New York, Enhanced Reporting Capabilities for Plan Sponsors, April 12, 2004.
- 8.6 Northern Trust, EquiLend Holdings LLC, July 15, 2004.
- 8.7 Chatham Partners, Portfolio Performance, June 22, 2004.
- 8.8 Memo to Jay Kitson from Ruth Ann Webb re: Retirement Contributions, May 25, 2004.
- 8.9 Memo to Bob Erlenbeck from Karen Folks re: Winstar Comm. Securities Litigation Bankruptcy, June 29, 2004.
- 8.10 ICON Advisors, Inc., Amendment to Investment Management Agreement, June 25, 2004. (Included in Agenda Packets)
- 8.11 Gabriel, Roeder, Smith & Co., Act 728 Supplemental Actuarial Analysis of AFSCME Locals #1799 & #1600 Contract Offers, June 1, 2004. (Included in Agenda Packets)
- 8.12 Letter to Johnnie Coleman from Daniel Hall re: Joint Committee, June 16, 2004. (Included in Agenda Packets)
- 8.13 Memo to Robert Erlenbeck from Deirdre Pitts re: Danny Boring, July 14, 2004. (Included in Agenda Packets)
- 8.14 Memo to Robert Erlenbeck from Paul Marx re: Future Employment Restrictions, June 18, 2004. (Included in Agenda Packets)
- 8.15 Gabriel, Roeder, Smith & Co., Letter to Board of Trustees re: Progress Report on Projects, July 9, 2004. (Included in Agenda Packets)

It was moved by Amy Lindman, and supported by Georgia Steinhoff, to receive the communications on file.

Bob Erlenbeck asked for discussion on Document #s 8.9, 8.13, & 8.14. He noted that #8.9 is a forwarded memo from the Legal Department regarding a securities litigation bankruptcy. The Board asked that this document be forwarded to Northern Trust, as Fund Custodian, for further review and handling. Regarding #8.13, a written communication from Personnel Director Deirdre Pitts, and #8.14, a memo from Paul Marx, he would like to have these documents reviewed by the Professional Services Committee. The Board referred the two documents to that Committee for review.

Chairman Daniel Hall distributed five additional communications and asked that they be placed on file also:

Secured Capital LLC, Letter to Peter Dobrzeniecki re: GMAC Real Estate Income Securities Fund, May 21, 2004.

Fidelity Investments, Letter to Daniel Hall re: Lee Sandwen resigning, July 13, 2004.

Donaldson & Co., Letter to Daniel Hall re: Commission Recapture Program, July 7, 2004.

Mesirow Financial, Letter to Daniel Hall re: Mesirow Investment Newsletter, July 1, 2004.

RCM, Review of Investment Performance as of June 30, 2004.

Upon being put to a vote, the motion to receive the communications on file, including the new communications presented by Chairman Daniel Hall, carried unanimously.

9. REPORTS RECEIVED (All items were placed on file in the Retirement Office; if noted, a copy was given to Board Members in their agenda packets also.)
 - 9.1 State Street Global Advisors, Account Summary as of May 31, 2004.
 - 9.2 Lynch, Jones & Ryan, Trading Summary as of May 31, 2004.
 - 9.3 Magna Securities, Commission Recapture Report as of May 31, 2004.
 - 9.4 Fidelity Investments, Monthly Investment Update as of June 30, 2004.

- 9.5 Fidelity Investments, Capital Contribution Acknowledgment, June 29, 2004.
(Included in Agenda Packets)
- 9.6 LSV Asset Management, International Value Equity as of May 31, 2004.
- 9.7 Bank of Ireland, Audited Financials for the year ended December 31, 2003.
- 9.8 Northern Trust, Reports – May 2004. (Included in Agenda Packets)
- 9.9 Retirement Fund Employee/Employer Contributions (Included in Agenda Packets)

It was moved by Robert Rosenberger, and supported by Amy Lindman, to receive the reports on file.

Upon being put to a vote, the motion carried unanimously.

10. STATISTICAL REPORT OF BENEFITS

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Number Retired	2,964	3,001	2,984
Annualized Payroll	\$ 58,416,621	\$ 61,357,283	\$ 62,357,693
13 th Check	-0-	-0-	-0-
Charter 13 th Check	-0-	-0-	-0-

No action is necessary by the Board – for information only.

11. APPROVAL OF THE AUGUST 1, 2004 PENSION PAYROLL TRANSFER

A motion to approve the pension payroll transfer for August 2004 in the amount of \$4,883,343.76 from State Street Global Advisors to Citizens Bank for payment of the August 1, 2004 pension payroll, was made by Robert Rosenberger, and supported by Amy Lindman.

Discussion followed. Daniel Coffield noted that Chairman Daniel Hall attended a shareholders' meeting in Lansing with Capital Bidco. FERS was given a check for \$1,033,058, which could reduce the amount needed to be transferred from State Street to meet the August 1, 2004 pension payroll. Chairman Daniel Hall noted that he will be working with the Investment Committee regarding Capital Bidco and that there is to be an additional distribution check in January 2005.

An amendment to the motion was proposed by Daniel Coffield to approve the pension payroll transfer for August 2004 in the amount of \$3,850,285.76 from State Street Global Advisors to Citizens Bank, using the check from Capital Bidco of \$1,033,058 for the balance required, for payment of the August 1, 2004 pension payroll. The amended motion was supported by Robert Rosenberger and Amy Lindman.

Upon being put to a vote, the amended motion carried unanimously.

16. AUDIT COMMITTEE REPORT
- Update/Recommendations

Chairman Daniel Hall stated that no Audit Committee Meeting has been held since the last Board Meeting; however, he has been in contact with Beth Bialy, from Plante & Moran, and an Audit Committee meeting has been scheduled for Friday, July 30, with Beth Bialy.

17. DB/DC COMMITTEE REPORT

Chairman Robert Rosenberger stated that there has been no meeting of this Committee since the last Board Meeting.

18. PROFESSIONAL SERVICES COMMITTEE REPORT

- Holly Duncan Reevaluation
- Kathleen Robinson Reevaluation
- Disability Report
- RFP, Consultant Report
- Equating Option
- Test Fee Schedule - MWORKS
- Teresa Beatenhead

Georgia Steinhoff, Committee Chair, reported that the Professional Services Committee (Georgia, Daniel Hall, Amy Lindman) met on July 1 with Bob Erlenbeck and Habeeb Ghattas regarding the disability applications from Kathleen Robinson and Stephen Tarkowski, which are on hold pending additional testing. The Committee wanted to discuss the process and procedures for additional testing. Also discussed was the process of obtaining applicants' medical records. The Committee met again on July 13. Dr. Roth has stated that he is unwilling to certify total and permanent disability until he has exhausted all of the tests available. The Committee is concerned about the potential costs of additional testing. M-Works has indicated that a fee schedule is unavailable, because every case is unique. Dr. Roth recommended that the testing be done at the University of Michigan Hospital in Ann Arbor, since the results could be expedited to him and he has access to the doctors there. Discussion followed. The Committee authorized Bob Erlenbeck and Dan Coffield to investigate options in an effort to keep costs down for additional testing. Costs should be known before Board approval is given for further testing. Bob Erlenbeck noted that the workers' compensation carrier has a contract with the PPOM, who in turn contracts with certain facilities for the best rates.

Motion made by Georgia Steinhoff to authorize the Risk Benefits Office to determine if the University of Michigan Hospital is a PPOM provider and, if so, enter into a contract with PPOM to provide discounts on additional testing needed for disability retirement applications, supported by Amy Lindman.

Upon being put to a vote, the motion carried unanimously.

Georgia Steinhoff reported that it is now the policy of the Retirement Office to have a medical release form signed by applicants when they file for disability retirement. Bob Erlenbeck will then forward the form to their physicians, requesting that medical reports be sent directly to Dr. Roth, to avoid any tampering with the medical information. Also, the information must be sent to Dr. Roth at least two weeks prior to the exam to allow him the opportunity to review the information.

Georgia Steinhoff also reported regarding: 1) Holly Duncan's request for reevaluation - no additional information has been received from her in response to Bob Erlenbeck's letter. 2) Kathleen Robinson's reevaluation - additional testing is needed. 3) No Disability Report from the Committee this month. 4) Consultant RFP – nothing to report. 5) The Social Security Equating Option is at the City Council level for Legislative Review. The Council has expressed concerns about potential costs to the City.

Robert Erlenbeck informed the Board that Teresa Beatenhead, a Hurley employee, inquired in August 2002 about a disability retirement and requested an estimate. She did not apply for a disability retirement and was terminated in September 2002. In December 2002 she passed away. She was married and, on her estimate, had listed her husband as her beneficiary. She had never completed the process for an application for disability retirement and she didn't die while she was an employee, because she had already been terminated. She had 20 years & 11 months of seniority. The question: is the originally listed beneficiary entitled to any death benefit pension since she was not an employee or a retiree when she died? Her husband is inquiring if there are any benefits owing or due to the beneficiary.

A motion was made to refer the issue of Teresa Beatenhead, deceased HMC former employee, regarding a possible death benefit pension, to Attorney Habeeb Ghattas, the Board's legal counsel, by Georgia Steinhoff, supported by Bob Erlenbeck.

Upon being put to a vote, the motion carried unanimously.

Chairman Daniel Hall noted that Hurley and Local #1603 are drawing up a settlement agreement regarding Ruth Ann Webb, to correct her credited employment time. A copy will be forwarded to the Retirement Office.

The letter from Deirdre Pitts regarding Danny Boring was discussed. Mr. Boring cannot perform his job as a heavy equipment repair mechanic in the Central Garage and there is no other position available due to contractual restrictions. His disability retirement was denied because Dr. Roth had found Mr. Boring able to work with certain restrictions; based on that finding, he was referred back to the Personnel Office. The Personnel Office has stated that there is no position for him because of his restrictions.

Bob Erlenbeck noted that the Americans with Disabilities Act (ADA) requires the City to determine if there is a job available that Mr. Boring can perform with his restrictions, evaluating whether a "reasonable accommodation" can be made. However, Mr. Boring cannot perform his job, as a heavy equipment repair mechanic, with the doctor's restrictions. Contractually, the Unions will not allow anyone to be arbitrarily placed into a position unless the position is posted and all eligible individuals are given a chance to apply. Although there are no restrictions on Mr. Boring applying for a position, his restrictions are very severe and it is unlikely he could perform any job with the City. Also, the Board must take into consideration the union contract competitive posting requirements.

A motion was made by Georgia Steinhoff, seconded by Amy Lindman, to approve Mr. Boring's request for a disability retirement.

Upon being put to a vote, the motion carried unanimously.

Bob Erlenbeck reported that Paul Marx, who applied and was approved for a duty disability retirement, is requesting written information regarding any future restrictions on his employment.

Georgia Steinhoff noted that there is nothing in writing addressing this issue. In the past, disability retirees have been told they could not get a job in the same field from which they were granted the disability retirement; i.e., Police, Fire, etc.

Bob Erlenbeck noted that the provisions of the Retirement Ordinance and the Union Contract prevail. FERS has the right to evaluate disability retirees every year (at FERS request or the retiree's request) and a retiree can be removed from disability retirement if they are reexamined and found able to return to their former job duties.

Discussion followed.

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to authorize Robert Erlenbeck to draft a letter to Paul Marx outlining the disability retirement language in the Police Officers' contract and the City Ordinance, noting that disability is determined based on the employee's inability to perform the essential job functions of their job description. The employee should not be able to perform any other job if the same essential job functions are part of that job description's essential job functions. A similar letter is to be sent to future disability retirees, as applicable, and a copy should be given to the Board in their agenda packets.

Upon being put to a vote, the motion carried unanimously.

19. INVESTMENT COMMITTEE REPORT

- Recommendations – Report
- Manager Review
- MERS Update

Daniel Coffield, Chair of the Investment Committee, reported the following: A check was received from Capital Bidco for \$1,033,058. There will be a joint meeting with the Professional Services Committee soon regarding the consultant search. There was a change in personnel at Fidelity; however, the change involved the relationship manager, not the money management personnel. The Investment Committee authorized and

directed that small dollar amount deposits will be put into the cash or drawdown fund. (There is still some money trickling in from a few sources.) The Board fired RCM Dresdner 2-3 meetings ago, but they have not yet been notified. The Board approved a transfer of the funds in the Dresdner account to another index fund in that asset class and the notification letter needs to be sent to Dresdner as soon as possible.

In addition, after the June 30 asset report is received, in early August, the Investment Committee will meet to: 1) concentrate funds for the transfer to MERS, 2) rebalance the asset classes, 3) evaluate awards that are still on hold pending the MERS transfer. The Committee will bring their recommendations back to the Board for approval.

Habeeb Ghattas spoke regarding the issue of approval of money manager fees. The Board has the opportunity to hire managers; however, if the Ordinance is to be followed, this subject needs to be addressed in the Joint Ordinance Committee with the City Council. Chairman Daniel Hall asked Ken Brunke to prepare a letter for the Council to explain the fee structure. Ken Brunke sent a letter, along with a packet of “educational” information to use for reference in meeting with the Council to discuss fees. He also noted that indexing has cut the fees substantially.

Chairman Daniel Hall stated that the August 10 Money Manager Review Meeting has been cancelled. The Investment Committee hopes to bring all five money managers (excluding real estate managers) before the Board for a Money Manager Review Meeting on November 9. The next Regular Board Meeting is scheduled for August 24.

20. EDUCATION/ TRAVEL/ TRAINING COMMITTEE

Tabled by Chairman Daniel Hall.

21. RETIREMENT ORDINANCE REVISION COMMITTEE

Tabled by Chairman Daniel Hall.

22. LEGAL COUNSEL UPDATES

- Board v Kurtz
- Wallace Jones Update
- 26 v 27 Court of Appeals
- Retirement Ordinance Changes

Habeeb Ghattas stated there was nothing further to report regarding Board v Kurtz.

Mr. Ghattas updated the Board on the Wallace Jones case: A Receiver was appointed by a Circuit Court judge and an ex parte order was entered restricting payment by the Retirement System of Mr. Jones' pension benefit. FERS was ordered to send Mr. Jones' pension benefits to the Receiver. Maintaining the integrity of the process, he argued on behalf of the Board of Trustees that there is no authority to issue Fund or Trust assets to a Receiver. The Board's obligation, absent specific legal authority, is to make payments directly to the Retiree. There were four disputed checks being held by FERS. The matter was resolved with the understanding that the share of Mr. Jones' pension benefit that was going to his former spouse, under the Pension Benefit Protection Act, was to have been issued to Mr. Jones, but mailed to the Receiver. Habeeb received a telephone call from an attorney in the Receiver's office in June asking about the status of those four checks. After following up with City staff, he discovered that the checks were inadvertently sent directly to Mr. Jones, who received and cashed them. Since then, the Receiver has filed two separate motions that are scheduled to be heard on Monday: A motion to enforce the order and compel the payment of the disbursement to the Receiver, and a Motion for an Order to Show Cause why Wallace Jones & the Board of Trustees for the City of Flint Employees' Retirement System should not be held in contempt for violation of the Court's order. In the course of his review, his recommendation to the Board is that it comply with the Court's order: The Board authorize a new check to be issued in the exact amount of the four checks, made payable to Wallace Jones, and the check given to Habeeb to send to the Receiver. In terms of recovering the money being paid twice on Mr. Jones' behalf, he recommends that it be considered as an error in the records, since FERS did not comply with the Court Order and forward the payment to the Receiver. The Board, under the authority of the Retirement Ordinance, would then recoup the amount of the overpayment by way of an actuarial adjustment. If the Board authorizes the payment to the Receiver, there shouldn't be a need for the hearing on Monday. Mr. Ghattas stated that the amount in question is \$14,425, less taxes, for a net amount paid to Mr. Jones of \$13,835.76 for the four payments held back and then sent to him in error. The Order provided that the checks be issued to Mr. Jones, but mailed to the Receiver, and the Receiver and Mr. Jones would come to an understanding as to the division of the funds. Mr. Jones short-circuited the System by receiving and cashing the checks; however, it was FERS' mistake for sending them to him. A letter was sent to Mr. Jones on June 16th requesting return of the checks or repayment of the funds, but there has been no response to date.

Discussion followed. It was asked whether the amount owed to Mrs. Jones could be calculated and only that amount paid to the Receiver. Mr. Ghattas stated that there is no authority to withhold a portion of the original amount due in order to correct an error; per the Ordinance (35-42) "...the Board of Trustees shall correct such error and as far as practicable shall adjust the payment in such manner that the actuarial equivalent of the benefit to which the member, retirant or beneficiary was correctly entitled shall be paid." In order to avoid being found in Contempt of Court, he recommends that the System cut a new check for the full amount and send it to Mr. Findling, the Receiver. It was also noted that the System will incur a fee from the actuary for the actuarial calculations to recoup the loss to the System.

A motion was made by Amy Lindman, supported by Georgia Steinhoff, authorizing a new check to be issued as soon as possible to replace the four payments that were issued to Mr. Jones and the new check should be sent to Mr. Findling, the Receiver, in compliance with the Court's order.

Upon being put to a vote, the motion carried unanimously.

Mr. Ghattas noted that a copy of the Court of Appeals decision regarding the 26-27 pay issue was included in the agenda packets, along with a summary he prepared. He will answer questions at the next Board Meeting, after Board Members have had time to review the information. There have been no further developments.

Chairman Daniel Hall reported that there were Retirement Ordinance Changes put into effect in June by the Emergency Financial Manager. A copy of these changes was included in the agenda packets. He is working with the City Council to set up a Joint Committee to review these changes and make necessary revisions to the Retirement Ordinance. Bob Erlenbeck noted that some of these changes were made in response to Board requests. Chairman Daniel Hall noted that he and Don Phillips will be members of the Joint Committee; therefore, any concerns that Board Members have, after reviewing the changes, should be expressed to one of them so they can raise those issues at the Joint Committee Meetings with Council.

23. APPROVAL OF ELECTION COMMISSION

A motion to approve the Election Commission of Robert Clark, Raul Garcia and Thomas Agle, to count and certify the votes for the General Election for the Police/Fire Representative, was made by Georgia Steinhoff, and supported by Amy Lindman.

Upon being put to a vote, the motion carried unanimously.

24. ELECTION RULES

This item was tabled pending a review by the Professional Services Committee.

25. OTHER BOARD BUSINESS

Alvern Lock stated that he and other employees thought the election held on Tuesday, July 13, 2004, was a primary election and not a general election. This would have affected the voting. He questioned the process of not holding a primary election when there are only two candidates. Mr. Lock was asked to put his protest in writing for referral to Legal Counsel.

A motion was made to refer the primary election issue to Legal Counsel by Daniel Coffield, supported by Georgia Steinhoff.

Upon being put to a vote, the motion carried unanimously.

Chairman Daniel Hall stated that, for the remainder of 2004, in order to assist the new administration, all Regular Board Meetings will be held at City Hall in the Committee of the Whole Room. He asked the Retirement Office to post the dates with the location change. The Regular Board Meetings for the rest of the calendar year are scheduled for: August 24, September 21, October 19, November 23, December 21.

There will be a money manager review meeting also, tentatively set for November 9.

26. ADJOURNED

A motion was made by Amy Lindman, and supported by Robert Rosenberger, to adjourn the meeting at 4:10 p.m.

Upon being put to a vote, the motion carried unanimously.

Respectfully submitted,

Peter Dobrzeniecki
Secretary