

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES INTERNATIONAL MANAGER SEARCH MEETING

A meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, August 9, 2005, at 1:00 p.m. at Hurley Medical Center in the Charles White Conference Room, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Douglas Bingaman, Janice Kehoe, Sandra Kidd, Amy Lindman, Robert Rosenberger, Georgia Steinhoff, Edward Taylor, Cass Wisniewski

ABSENT Daniel Coffield, Peggy Cook, Peter Dobrzeniecki, Robert Erlenbeck, Mark Horrigan, Alvern Lock, Donald Phillips

ALSO PRESENT Gwelda Swilley-Burke, Consultant, Gray & Company
Habeb Ghattas, Attorney for the Retirement Board (arrived at 3:00 p.m.)

1. CHAIRMAN CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:02 p.m. He noted that the meeting was scheduled for the purpose of allowing the four selected international money managers an opportunity to make presentations to the Board for their consideration. He distributed a copy of an article from the MAPERS Summer 2005 Newsletter "*Pension Scope*" entitled "Three Questions to Ask Your International Equity Manager," for reference.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

No members of the public wished to address the Board.

3. INTERNATIONAL MANAGER SEARCH

Gwelda Swilley-Burke, of Gray & Company (Consultants), reviewed the international manager search objectives and gave an overview of the four money managers scheduled to make presentations to the Board, noting the differences between the core and value-oriented styles of the international managers. She reported that the FERS' international asset allocation was \$45,000,000 and recommended that the Board hire one or two managers.

The Boston Company Asset Management, LLC

John Truschel, Senior Product Specialist, and Dennis Sheehan, Client Service/Business Development, circulated copies of written presentation materials to the Board and reviewed their International Core Equity Management services, giving an overview of the firm, their investment process, style, philosophy, performance, statistics, fee schedule, client list, etc. A question and answer session with the Board followed.

LSV Asset Management

Peter Young, Director of Client Portfolio Services, circulated copies of written presentation materials to the Board and reviewed LSV's International Value Equity Management services, giving an overview of the firm, their investment process, style, philosophy, performance, statistics, fee schedule, client list, etc. A question and answer session with the Board followed.

The Board recessed for a break at 2:35 p.m.

The Board reconvened the meeting at 2:45 p.m.

Manning & Napier Advisors, Inc.

Robert Conrad, Vice President/Client Consultant, circulated copies of written presentation materials to the Board and reviewed their International Equity Management services, giving an overview of the firm, their investment process, style, philosophy, performance, statistics, fee schedule, client list, etc. A question and answer session with the Board followed.

Fisher Investments Institutional Group

Justin Arbuckle, Senior Vice President & Portfolio Specialist, and Leon Stamps, Vice President, circulated copies of written presentation materials to the Board and reviewed their Foreign Equity Management services, giving an overview of the firm, their investment process, style philosophy, performance, statistics, fee schedule, client list, etc. A question and answer session with the Board followed.

Following the presentations, Gwelda Swilley-Burke led a discussion regarding the four international managers, comparing and contrasting their investment styles. She noted that any of the four managers would be good choices for FERS, and recommended that two managers, one value-oriented and one core-oriented, be chosen.

A motion was made by Ed Taylor, supported by Amy Lindman, to hire two international investment firms: LSV Asset Management as a value-oriented manager and Fisher Investments as a core-oriented manager.

Discussion followed.

Upon being put to a roll call vote, the motion carried by a vote of five (5) yes votes to three (3) no votes.

Roll Call:	Georgia Steinhoff – no	Ed Taylor – yes
	Robert Rosenberger – no	Janice Kehoe - yes
	Douglas Bingaman – yes	Cass Wisniewski – no
	Amy Lindman – yes	Daniel Hall – yes

A motion was made by Ed Taylor, supported by Amy Lindman, to fund the two new international managers in the amount of \$22,500,000 each.

Discussion followed.

Upon being put to a roll call vote, the motion failed by a vote of five (5) no votes to three (3) yes votes.

Roll Call:	Douglas Bingaman – no	Cass Wisniewski – no
	Amy Lindman – yes	Georgia Steinhoff – no
	Ed Taylor – yes	Robert Rosenberger – no
	Janice Kehoe - no	Daniel Hall – yes

A motion was made by Robert Rosenberger, supported by Douglas Bingaman, to fund the two new international managers in the amount of \$25,000,000 for LSV Asset Management and \$20,000,000 for Fisher Investments.

Discussion followed.

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

Roll Call:	Douglas Bingaman – yes	Cass Wisniewski – yes
	Amy Lindman – yes	Georgia Steinhoff – yes
	Ed Taylor – yes	Robert Rosenberger – yes
	Janice Kehoe - yes	Daniel Hall – yes

A motion was made by Ed Taylor, supported by Robert Rosenberger, to invest the funds in separately managed accounts with the new international managers, LSV Asset Management and Fisher Investments.

Discussion followed as to additional custody costs or charges for separately managed vs. co-mingled accounts. It was agreed to table the motion until the August 23rd meeting in order to allow the consultant time to contact the two companies and Northern Trust, as custodian, regarding fee structure and costs.

4. OTHER BOARD BUSINESS

Chairman Hall reported that Attorney Ghattas will be meeting with the attorney for Hurley Medical Center, Bill Smith, and attorneys for the unions, regarding the MERS transfer, on Wednesday, August 10th. Discussion followed. It was noted that the Board voted to authorize Attorney Ghattas to move forward with a lawsuit against Hurley, for non-payment of contributions to FERS, if he believes it necessary after other avenues of discussion have been exhausted. Chairman Hall noted that he had obtained two of the new contracts for Hurley employee groups (Agreements between HMC and AFSCME Local #2056 & between HMC and the Registered Nurses & Registered Pharmacists), which he gave to Attorney Ghattas at the meeting for reference in the MERS matter and which are then to be forwarded on to the City's Retirement Office for reference. Chairman Hall asked that further discussion regarding the MERS transfer be tabled until the next Regular Board Meeting. At that time, Attorney Ghattas will give a report on the results of his meeting with the other attorneys. Concerns were expressed regarding issues related to employees leaving Hurley and withdrawing from FERS, the contributions being made to MERS, etc. Jan Kehoe reported that the HR employees at Hurley have been instructed that all new employees, except exempts and members of Local #1603, are to be signed up as members of MERS, per Jay Kitson.

Attorney Habeeb Ghattas stated that there were many complex issues arising from the MERS transfer. His understanding of the Board's resolution authorizing a lawsuit is that he has been given discretion to do what he feels is necessary, up to and including litigation, regarding Hurley's decision to begin making contributions to MERS in July, prior to the actual transfer of assets and liabilities. The scheduled meeting with the attorneys is very important prior to any decisions about litigation being made. He also noted that the Agreements regarding the transfer to MERS do not address several important issues, such as new employees, retirees, exempts, etc. To the extent that the Plan allows the transfer, the Board should do whatever is necessary to accommodate the transfer, consistent with its fiduciary responsibility.

Chairman Daniel Hall noted that an Investment Committee Meeting is scheduled for Friday, August 12, at 11:00 a.m. at Hurley Medical Center.

Chairman Hall stated that the Primary Election for Hurley Trustees, which was scheduled for August 12, has been cancelled since there are not enough candidates to require a primary election.

5. ADJOURNMENT

There being no further business to discuss, it was moved by Amy Lindman, and supported by Ed Taylor, to adjourn the meeting at 4:35 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary