

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 25, 2006 at 1:00 p.m. in the Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Ehren Gonzales, Janice Kehoe, Sandra Kidd, Robert Rosenberger, Georgia Steinhoff, Scott Sutter, Cass Wisniewski

ABSENT Douglas Bingaman, Peggy Cook, Peter Dobrzeniecki, Robert Erlenbeck, Amy Lindman, Kerry Nelson, Donald Phillips

ALSO PRESENT Suzi Bye, Retirement Supervisor
Ivory Day, Jr., Consultant, Gray & Company
I'Lanta Robbins, Assistant City Attorney/Attorney for the Retirement Board

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

There were no members of the public present who wished to address the Board.

3. APPROVAL OF THE JUNE 12, 2006 SPECIAL BOARD MEETING MINUTES

It was moved by Robert Rosenberger and supported by Ehren Gonzales, to approve the minutes of the June 12, 2006, Special Board Meeting.

The following correction was noted by Ehren Gonzales on page 9404, Item #1:

Original Entry: Chairman Daniel Hall called the meeting to order at 9:03 p.m.

Corrected Entry: Chairman Daniel Hall called the meeting to order at 9:03 a.m.

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

4. APPROVAL OF THE JUNE 12, 2006 CLOSED SESSION MINUTES

The Chairman distributed numbered copies of the minutes for review, noting that any discussion or corrections would require a vote to move into closed session.

It was moved by Ehren Gonzales, and supported by Robert Rosenberger, to approve the minutes of the June 12, 2006, Special Board Meeting – Closed Session.

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

The Chairman collected all copies of the minutes before moving on in the agenda.

5. APPLICATIONS FOR VOLUNTARY RETIREMENT

**Terry Brannon
HMC/Exempt**

Final Average Compensation:	\$ 88,009.40
Accumulated Contributions:	37,318.69
DRET:	49,627.53
Effective Date of Retirement	06/07/2006

Service: 25 Years, 10 Months

The retiree elected the Option Straight Life in the amount of \$ 4,241.56.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Terry Brannon 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 \$4,241.56, for as long as he lives.

**Barbara Taylor
City of Flint / Exempt**

Final Average Compensation:	\$ 42,033.12
Accumulated Contributions:	11,515.38
DRET:	.00
Effective Date of Retirement	07/01/2006

Service: 15 Years, 6 Months

The retiree elected the Option Straight Life in the amount of \$ 1,303.03.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Barbara Taylor 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 \$1,303.03, for as long as she lives.

It was moved by Georgia Steinhoff, and supported by Ehren Gonzales, to approve the Applications for Voluntary Retirement for Terry Brannon and Barbara Taylor.

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

6. APPLICATIONS FOR DEFERRED RETIREMENT

**Larry Ashlock – Reciprocal Retirement
Finance/1600**

Final Average Compensation:	\$ 33,755.18
Accumulated Contributions:	1,910.28
DRET:	3,029.09
Effective Date of Retirement	05/05/2006
Service: 3 Years, 10 Months	

The retiree will elect an Option prior to 08/01/2007.

Discussed by the Board and tabled by Chairman Daniel Hall with a referral to the Professional Services Committee for further discussion, additional information and explanation of reciprocal retirement agreements.

**7. OPTIONS PICKED BY DEFERRED & DISABILITY RETIREMENTS
(for information only)**

Lawrence Jaskiewicz/Hurley	Option A \$327.19
Alvern Lock/City	Option A \$3,949.74
Kelly Mitchell/City	Option B \$1,493.90

8. APPROVAL OF PENSIONS PREVIOUSLY APPROVED (for information only)

Todd Burch/City	Revised FAC \$49,427.23
Flex-time payout included in FAC	
Alvern Lock/City	Revised FAC \$81,841.10
Flex-time payout included in FAC	

9. UPCOMING CONFERENCES *(Placed on file in the Retirement Office)*

- 9.1 Financial Research Associates, High Performance Real Estate Investments, September 11-12, 2006, Las Vegas, NV.
- 9.2 Information Management Network, The Fifth Annual Green Mountain Summit, September 12-13, 2006, Burlington, VT.
- 9.3 Financial Research Associates, Investing in Hedge Fund Credit Strategies, September 13, 2006, New York, NY.
- 9.4 Opal Financial Group, 8th Annual Endowment & Foundation Forum, September 13-15, 2006, Boston, MA.
- 9.5 International Foundation, 52nd Annual Employee Benefits Conference, October 8-11, 2006, Las Vegas, NV.

A motion was made by Georgia Steinhoff, and supported by Robert Rosenberger, to add the stated Conferences to the list of authorized conferences.

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

10. COMMUNICATIONS RECEIVED *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' packets also)*

- 10.1 Northern Trust, Global Investment Strategy, July 2006.
- 10.2 Globalt Investments, Letter to Debbie Stephens re: Financial Markets, June 23, 2006.
- 10.3 Globalt Investments, Letter to Debbie Stephens re: Thank you letter for additional money, June 30, 2006.
- 10.4 Piedmont Investment Advisors, Piedmont Perspective, May 2006.
- 10.5 Northern Trust, Third-Party Mutual Fund Processing, June 30, 2006.
- 10.6 Watson Wyatt, Balance Under Pressure 2006 Survey Report, June 2006.
- 10.7 Alliance Bernstein, Oil's New Price/Demand Equation, June 2006.

- 10.8 Certificate of Primary Election for General City Retirement Board Election, July 11, 2006. (Enclosed)
- 10.9 Cooper, Shifman, Gabe, Quinn & Seymour, Letter to Retirement Board re: Denial of Sherrie Jackson’s Disability Retirement, June 16, 2006. (Enclosed)
- 10.10 Intercontinental Real Estate Corp., Letter to Daniel Hall re: Change in ownership, June 9, 2006. (Enclosed)
- 10.11 Intercontinental Real Estate Corp., Letter to Daniel Hall re: Change in ownership & responses to frequently asked questions, July 10, 2006. (Enclosed)
- 10.12 CB Richard Ellis Investors, Letter to Trachelle Young re: Capital Call No. 11, June 23, 2006.
- 10.13 Spender & Robb, Letter to Daniel Hall re: Claude Miller lawsuit, July 14, 2006. (Enclosed)

A motion was made by Robert Rosenberger, and supported by Ehren Gonzales, to receive the Communications and place them on file.

Chairman Daniel Hall referred #10.9 to the Professional Services Committee and #10.13 to the Attorney for discussion under Legal Counsel Updates, Item #21.

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

11. COMMUNICATIONS SENT *(All documents have been placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members’ agenda packets also.)*

- 11.1 Letter to Northern Trust re: Letter of Direction for July 1, 2006 Pension Payroll Transfer, June 27, 2006.
- 11.2 Letter to Northern Trust re Termination of SSgA – Self-Insurance Account, June 27, 2006.
- 11.3 Letter to State Street Global Advisors re Termination of Self-Insurance Account, June 27, 2006.

A motion was made by Georgia Steinhoff, and supported by Ehren Gonzales, to approve the Communications Sent and place them on file.

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

- 12. REPORTS RECEIVED** *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' packets also)*
- 12.1 Fidelity Investments, Capital Contribution, June 26, 2006.
 - 12.2 Fidelity Investments, Capital Contribution, July 11, 2006.
 - 12.3 Lynch, Jones & Ryan, Trading Summary as of May 31, 2006.
 - 12.4 Magna Securities, Commission Recapture Report as of May 31, 2006.
 - 12.5 Magna Securities, Annual Commission Recapture Report for 2003, 2004 & 2005.
 - 12.6 Fisher Investments, Performance Summary as of June 30, 2006, July 2006.
 - 12.7 Independence Investments, Independent Thought, May 31, 2006.
 - 12.8 State Street Global Advisors, Transaction Report as of May 15, 2006.
 - 12.9 Northern Trust Reports – May 2006. *(Enclosed)*
 - 12.10 Retirement Fund Employee/Employer Contributions. *(Enclosed)*

A motion was made by Robert Rosenberger, and supported by Ehren Gonzales, to receive the Reports and place them on file.

Chairman Hall noted that he is referring #12.3, information from Lynch, Jones & Ryan regarding commission recapture, to Ivory Day for review and recommendations to the Board at the next meeting. Chairman Hall also noted that #12.4 is a notification from Magna Securities (commission recapture) regarding a new client service provider for FERS. The two documents will be included in the Board's agenda packets for the next meeting. Discussion followed. Chairman Hall stated that he would like the commission recapture managers scheduled for reviews within the next few months. Chairman Hall noted that he is signing a name use authorization form for Fisher Investments, at their request, giving written permission to Fisher to place FERS on their standard list of representative clients. Chairman Hall reported that the self-insurance fund monies, formerly at State Street, are at Northern Trust, with a balance of \$732,022.09 as of July 18th. The decision is pending, based on Bob Erlenbeck's research into fiduciary insurance, whether those funds will be used to pay insurance premiums.

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

13. STATISTICAL REPORT OF BENEFITS *(for informational purposes only)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Number Retired	3,002	3,032	3,027
Annualized Payroll	\$ 62,627,143	\$ 64,198,389	\$ 64,578,695

14. APPROVAL OF THE AUGUST 1, 2006 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that a transfer of \$5,227,700.00 is needed for the payment of the August 1st, 2006 pension payroll, with funds to be taken from the Northern Trust Flint-Drawdown Account #26-19617. Chairman Hall asked Ivory Day for the monthly balance update on the Northern Trust drawdown account. Mr. Day stated that the balance, as of July 19, was \$40,998,716. Chairman Hall noted that the balance includes funds that have been set aside for funding an additional manager search in the future.

A motion to approve the transfer of \$5,227,700.00 for payment of the August 1st, 2006 pension payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Robert Rosenberger and supported by Georgia Steinhoff.

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

15. FERS TO MERS TRANSITION

Chairman Daniel Hall had requested an update from MERS at this meeting; however, there were no MERS representatives present. Cass Wisniewski stated that MERS is in the process of scheduling a meeting to address various issues involved in the transfer, including actuarial studies, legal ramifications, etc. The meeting will include both actuaries, attorneys for the three entities, Chairman Hall, Cass Wisniewski, Ann Wagner (MERS), Peter Dobrzenicki, and Robert Erlenbeck. Chairman Hall stated that Robert Rosenberger should attend the meeting in his capacity on the FERS Finance Committee.

Chairman Hall stated that FERS has been asking MERS, for three months, to provide wire instructions for the first transfer of \$15.7 million; however, the information has not been received. Chairman Hall asked Cass Wisniewski to request that MERS respond, in writing by the next board meeting, as to why they are unwilling to accept the initial transfer. Chairman Hall noted that the two actuaries working with FERS, Gabriel Roeder & Actuarial Services, are in agreement on the actuarial calculations. The status of MERS' separate actuarial study is unknown. Chairman Hall also asked about the status

of Hurley's contributions into FERS and MERS. Discussion followed. Chairman Hall noted that additional issues that must be addressed include the sharing of information between the Retirement Office, Hurley Human Resources and MERS.

16. GENERAL CITY ELECTION

Chairman Hall stated that the election is being held today.

17. INVESTMENT COMMITTEE REPORT

Chairman Hall stated that Northern Trust representatives were unable to attend the board meeting. An investment report was included in the agenda packets. No committee meeting has been held.

18. GRAY & COMPANY

Ivory Day, Jr. presented a rebalancing schedule as of July 19th. He noted that the transition items have been completed; i.e., the self-insurance account is now at Northern Trust and the drawdown accounts for the benefit payments and the transition to MERS have been established. The FERS to MERS transition account is an interest-bearing money market account; the original deposit of \$15,750,463 has grown by about \$66,000 since being placed in that account. Mr. Gray also noted that the new Investment Policy included a recommendation of 5% allocated to real estate investments. He is recommending a search for an additional real estate manager with an open-end fund. Also, he recommends a 2% allocation to private equity. Prior to making a manager selection for private equity investments, he will present a special educational session for the Board to ensure an understanding of that asset class and its options. The drawdown account for benefit payments has been set up to emulate the investment policy; i.e., 50% in stocks and 50% in bonds. Discussion followed.

Chairman Hall reported that representatives from the Dow Jones indexes made a presentation at NCPERS and will be making a presentation at the MAPERS fall conference. They have offered to come to Flint at no charge to do a 20-30 minute educational presentation on indexes and benchmarks. He asked Mr. Day to work with them to set up an educational seminar. Discussion followed.

19. FINANCE COMMITTEE

Chairman Daniel Hall stated that no meeting has been held. He reported that the MAPERS Fall Conference travel has been approved. He noted that this year's budget for travel and training is \$25,000 and it is unlikely that additional funds will be available this fiscal year. He also noted that hotels are now keeping the first night's deposit in the event of a cancellation and cautioned board members to be sure they will be able to attend before making reservations, as it might be difficult to be reimbursed in the event they cancel.

20. PROFESSIONAL SERVICES COMMITTEE REPORT

Committee Chair Georgia Steinhoff reported that the Committee met on July 10th. They discussed two requests for reconsideration of denials of disability retirements: One from Hurley Medical Center regarding Glynnis Rice and the other from Kathleen Robinson. After discussion, the Committee has taken the position that, if Ms. Rice believes she is eligible to re-apply for a disability retirement, she may do so if her condition has changed. However, they will not honor Hurley's request to have her re-examined. Kathleen Robinson applied for a disability retirement in January 2005 and was denied. It has been the Board's policy that, if a re-examination is requested, the applicant's condition must have significantly changed or there should be a certain period of time between applications.

The Committee is recommending to the Board that a definite policy be established regarding re-applications for previously denied disability retirements. This policy would require that there must be a significant change in the applicant's condition subsequent to the date they were denied, substantiated by a medical report, OR that re-application can be made no sooner than 18 months after a denial if there has been no change in the applicant's medical condition. This would prevent repeated re-applications. When additional information has been submitted that was not given to the doctor initially, that information has been sent to the doctor for review and reconsideration. In the two cases discussed, after additional information was submitted to Dr. Roth, he indicated his belief that Glynnis Rice's condition was treatable and that, if she continued on her medication, she would be able to perform her job. Dr. Roth also held the opinion that Kathleen Robinson was capable of doing her job. Discussion followed. Chairman Hall asked the Committee to present their recommendation in writing and, after review by Legal and Robert Erlenbeck, the recommendation could be approved/adopted by the Board.

Chairman Hall stated that Sherry Jackson has requested a hearing through her attorney and he referred the request to the Professional Services Committee for review, noting that her application for a disability retirement was denied less than six months ago. Attorney I'Lanta Robbins was asked to review the Ordinance regarding hearings for denied disability retirements.

21. LEGAL COUNSEL UPDATES

Chairman Hall referred the letter from Attorney Spender (#10.13), regarding the Claude Miller (26/27 pays) lawsuit, for discussion at this time. He noted that the issue is whether the Board should continue with Attorney Spender or authorize the City Attorney's office to file a substitution of counsel and represent the Board in that matter. Discussion followed.

Attorney Robbins distributed copies of the Judge's recent order in the Claude Miller case. She noted that the plaintiffs have appealed to the State Court of Appeals. They have until August 1 to file their briefs and then the Board's counsel will have 35 days to respond. If the plaintiffs do not win a reversal, they can appeal further to the Michigan Supreme Court. Attorney Robbins stated that the Attorney's office is prepared to argue the same issues that were argued before Judge Yuille. Since the Court Order states that the City Attorney is the attorney for the Board, they recommend that the Board allow the City Attorney's office to move forward with filing a substitution of counsel in this case as soon as possible.

A motion was made by Robert Rosenberger, and supported by Cass Wisniewski, to direct the attorney for the Flint Employees Retirement System to do any and all things necessary to file a substitution of attorney in the Claude Miller case and that the legal firm of Spender, Robb, P.C. be informed that counsel for the Flint Employees' Retirement System is actively taking the legal role in that matter.

Upon being put to a roll call vote, the Motion was approved by a vote of 5 to 2:

Roll Call:	Cass Wisniewski - yes	Janice Kehoe – yes
	Scott Sutter – yes	Robert Rosenberger – yes
	Georgia Steinhoff – no	Ehren Gonzales – yes
	Daniel Hall - no	

Chairman Hall noted that the hearings for the pension recalculations have been scheduled on August 8th at 9:00 a.m. at Hurley Medical Center in the Charles White Conference Center, Side A.

22. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Daniel Hall noted that the Committee has not met. The City Attorney is preparing ordinance language changes for the FERS to MERS transfer.

23. DB/DC CONVERSION

Committee Chair Robert Rosenberger stated that a meeting was held with representatives from the City, the FERS Board, AFSCME #1600 and #1799, ICMA, and Actuary Larry Langer. Larry Langer reviewed the calculation methodology for the transfer and the union representatives seemed to feel very comfortable with it. The previous calculations used some different assumptions. If the current calculations are upheld, the assumption for interest rates will be set at 7%. The unions asked for a month to review the numbers and then will meet with Robert Erlenbeck in Risk Management in preparation to move forward with the conversion. It is unknown how many employees will choose to convert; approximately 600 would be eligible. Discussion followed. One issue that has not been resolved is the funding percentage for the transfer; i.e., whether the individually transferred amounts would correlate with the funding level of FERS, since it is not 100% funded. Chairman Hall asked Mr. Rosenberger to discuss the issue with Larry Langer. The actuarial calculations will be presented to City Council and a funding level adjustment would need City Council approval.

24. OTHER BOARD BUSINESS

It was noted that the actuarial calculations regarding a possible 13th check will soon be needed. Chairman Hall stated that he would discuss the matter with Larry Langer.

25. ADJOURNED

There being no further business to discuss, it was moved by Georgia Steinhoff, and supported by Robert Rosenberger, to adjourn the meeting at 2:48 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary