

**CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF TRUSTEES SPECIAL & REGULAR MEETINGS**

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, April 17, 2007 at 1:00 p.m. in the New Committee-of-the-Whole Room, 3<sup>rd</sup> Floor, City Council Chambers, at City Hall, with the following in attendance:

*TRUSTEES &  
ALTERNATES* Daniel Hall – Chairperson, Douglas Bingaman, Peter Dobrzeniecki,  
Robert Erlenbeck, Ehren Gonzales, Janice Kehoe, Michelle Kirkwood,  
Amy Lindman, Donald Phillips, Robert Rosenberger, Georgia Steinhoff,  
Cass Wisniewski

*ABSENT* Peggy Cook, Sandra Kidd, Kerry Nelson, Scott Sutter

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

**1. CHAIRPERSON CALLS THE MEETING TO ORDER**

The Special Meeting scheduled for 9:00 a.m. was cancelled.

**2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD**

**3. SPECIAL HEARING FOR KAY TEREAU, DEBBIE CHERWINSKI, SANDRA STEARNS AND WILLIAM KELLY.**

**4. OTHER BOARD BUSINESS**

- Discussion of Scheduling Additional Hearing Dates

**5. ADJOURNMENT (Break for lunch – Regular Board Meeting at 1:00 p.m.)**

**6. CHAIRPERSON CALLS THE MEETING TO ORDER – 1:00 p.m.**

Chairman Hall called the Regular Board Meeting to order at 1:08 p.m. He stated that a Special Meeting had been scheduled to begin at 9:00 a.m. to continue the hearings concerning overpayments of pension benefits to retirees. However, the hearings were cancelled on Monday, April 16<sup>th</sup>, by request of the Attorney for the City, Ric Champnella, who stated that he was unavailable due to a commitment to be in court on another case. [Agenda Items #1-5 related to the special meeting.] Chairman Hall also noted that Attorney Gibbs, the Attorney for the plaintiffs, canceled the hearings scheduled on March 20, because he could not be in attendance.

Chairman Hall clarified the cancellation process for the hearings: 1) The Legal Department receives notification of cancellation and gives notification to the Secretary of the System, Peter Dobrzeniecki, and the Chair. 2) The Secretary will then direct his staff to notify all appropriate parties. Chairman Hall noted that notice of cancellation was received about 2:00 Monday afternoon and, unfortunately, not everyone was notified. Discussion followed. Chairman Hall asked the Trustees to give Julie Sadler (Secretary Dobrzeniecki's Assistant) their personal notification information: home phone, cell phone, office phone, e-mail address, etc. in order of priority for contact.

Chairman Hall led a discussion regarding setting future hearing dates. Peter Dobrzeniecki reported that, in reviewing the transcripts of the hearings, Attorney Gibbs has stated that some board members are "ineligible to vote," "should be disqualified from voting," or that "it is inappropriate for someone who hasn't observed the credibility and demeanor of each witness..." to vote. Applying his criteria, of the 16 Trustees and Alternates, 13 have already been eliminated by Mr. Gibbs. In order to vote on any issue, a quorum of five must be present. At this point, the only board members who can vote are Dan (Hall), Georgia (Steinhoff) and Michelle (Kirkwood). If the Board does vote, any vote against Mr. Gibbs' clients will be rejected on the grounds that members were ineligible to vote. Therefore, it is Peter's belief that continuing with the hearings is a waste of time for all involved. Peter asked the Board to consider referring the issue to Attorney Robbins to research the possibility of terminating the hearings or to advise the Board whether there is any purpose in continuing the hearings. Georgia Steinhoff noted that the term for the Retirees' trustee and alternate (herself and Donald Phillips) expires in July (2007) and neither of them are planning to run for re-election. Since it appears that the hearings will still be ongoing at that point, another voter would be eliminated, according to Attorney Gibbs' criteria.

Discussion followed. The costs to the Pension Fund are also a serious concern to the board members, as well as the expectation that the cases will be taken to court by whichever side loses at the Board hearing level. Attorney Gibbs has additional retiree clients in the same situation who have already requested hearings; those hearings would begin once the current hearings have

ended.

**A motion was made by Ehren Gonzales, and supported by Amy Lindman, to refer the issue to Legal Counsel regarding what steps are needed to either expedite or discontinue the hearings regarding pension calculation errors.**

Further discussion ensued. Chairman Hall stated that the attorneys should review, and Judge Farah should be informed regarding, Attorney Gibbs' criteria by which most of the board members (trustees and alternates) are ineligible to vote, thus making the hearings a useless endeavor. Before scheduling additional hearing dates, the Board needs the Judge's ruling. It was noted that the Retirement Ordinance does require hearings to be granted when requested; however, the Ordinance does not address any issues related to disqualifying trustees from voting at those hearings. In light of the Ordinance, would the plaintiffs, or their attorney, need to formally withdraw their requests for hearings? If the hearings are to proceed, scheduling and hearing procedures need to be reviewed and revised in order to speed up the process.

During a discussion of possibly setting a hearing date in May, it was noted that Chairman Hall, and some of the other Trustees, would be unavailable from May 16<sup>th</sup> to June 4<sup>th</sup>. Attorney Gibbs has already indicated that he is unavailable the week of May 14<sup>th</sup>.

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

**7. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD**

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

**8. APPROVAL OF THE MARCH 12, 2007 SPECIAL BOARD MEETING MINUTES**

**It was moved by Ehren Gonzales, and supported by Robert Erlenbeck, to approve the minutes of the March 12, 2007, Special Board Meeting, as presented.**

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

**9. APPROVAL OF THE MARCH 20, 2007 SPECIAL & REGULAR BOARD MEETING MINUTES**

**It was moved by Amy Lindman, and supported by Robert Erlenbeck, to approve the minutes of the March 20, 2007, Special & Regular Board Meetings, as presented.**

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

**10. OPTIONS PICKED BY DEFERRED RETIREMENTS** (*informational only*)

Cindy LaGarde/Hurley                      Option B \$345.54

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

- 11.1 Information Management Network, Colorado Public Employees Retirement Systems Forum, May 7-8, 2007, Denver, CO.
- 11.2 New York University, 13<sup>th</sup> Annual Mid-Sized Pension Management Conference, May 8-11, 2007, Boston, MA.

**A motion was made by Amy Lindman, and supported by Georgia Steinhoff, to receive and approve all information/documents listed under Agenda Items #11, #12, #13, and #14, and place all documents on file.**

Chairman Hall stated that Item #14.9 and #14.10 would be discussed separately, but could be included in the motion to receive.

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

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

- 12.1 Wentworth, Hauser & Violich, Letter to Retirement Board re: New San Francisco Office, April 9, 2007.
- 12.2 The Bank of New York, The Informer, Winter 2007.
- 12.3 Hartford Investment Management, Fixed Income Outlook, March 2007.
- 12.4 Keeley Asset Management Corp., Privacy Policy, March 26, 2007.
- 12.5 Bank of Ireland, Letter to Trachelle Young re: Payment of Invoice, February 16, 2007.
- 12.6 Gabriel, Roeder, Letter to Trustees re: 13<sup>th</sup> Check, March 20, 2007. (Enclosed)
- 12.7 Allegiant, Letter to FERS from J. Kirk VanDagens, re: Credit for Commission Expenses,

March 7, 2007.

**13. 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)*

- 13.1 Letter to Northern Trust from Daniel Hall re: April 1, 2007 Pension Transfer, February 20, 2007.
- 13.2 Letter to Northern Trust from Daniel Hall re: Wire for Fidelity Real Estate Growth Fund, April 3, 2007.
- 13.3 Trachelle Young, Letter to Samuel Dismond-Hurley Board of Managers re: FERS to MERS Transfer, February 28, 2007. (Enclosed)

**14. REPORTS RECEIVED** *(All documents have been placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets also)*

- 14.1 Fidelity Investments, Capital Contribution, April 2, 2007.
- 14.2 Wentworth, Hauser & Violich, Appraisal Summary as of February 28, 2007.
- 14.3 Magna Securities, Commission Recapture Report as of February 28, 2007.
- 14.4 Fidelity Real Estate Growth Fund, Investment Management Review, 4<sup>th</sup> Quarter 2006.
- 14.5 Alliance Bernstein, Research & Strategies, August 2006.
- 14.6 Peritus I Asset Management, Investment Management Presentation as of December 31, 2006.
- 14.7 Northern Trust Reports – February 2007 (Enclosed)
- 14.8 Retirement Fund Employee/Employer Contributions (Enclosed)
- 14.9 Hurley Employer/Employee Contributions July 2004 to Present (Enclosed)
- 14.10 2007-2008 Fiscal Year Proposed Budget (Enclosed)

Chairman Hall led a discussion of Item #14.9 regarding Hurley contributions to the pension

system. He reported that the Finance Committee met and reviewed Hurley's employer and employee contributions since July 2004, along with the proposed fiscal year 2008 budget. According to the City's records, approximately \$7.9 million in employer contributions is due to the System from Hurley; due to the potential transfer to MERS, however, a portion of those funds may be due to MERS instead. Hurley has been sending employee contributions to both FERS and MERS. Cass Wisniewski stated that he was unsure whether exempt employees' contributions were being sent to MERS or FERS, but stated that he would check. Discussion followed. As a result of the dispute regarding the effective dates for different groups to transfer to MERS, Chairman Hall noted that FERS has been retiring exempts even though Hurley believes the exempts should be transferred to MERS, effective on the same date as the union groups. It was also noted that there have been no ordinance changes to date regarding Hurley and MERS. Chairman Hall asked Legal to review the issue of Hurley's contributions.

Communication issues with MERS were discussed, including MERS' position on terminated, vested employees. Clarification is needed regarding the responsibility for retiring members who were terminated and vested prior to July 1, 2004. Suzi Bye also noted that MERS is not issuing refunds of employee contributions to terminated members until they receive confirmation from FERS that the employee has received their refund from the FERS system.

Robert Erlenbeck and Peter Dobrzeniecki reviewed the proposed fiscal year 2008 budget with the Board. Chairman Hall indicated that the Education & Travel budget should be raised. Discussion followed. Peter Dobrzeniecki stated that he would request of Council an increase to \$35,000 for the Education & Travel budget.

15. **STATISTICAL REPORT OF BENEFITS** (*informational only*)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Number Retired	3,032	3,027	3,019
Annualized Payroll	\$ 64,198,389	\$ 64,850,497	\$ 65,326,689

16. **APPROVAL OF THE MAY 1, 2007 PENSION PAYROLL TRANSFER**

Chairman Daniel Hall reported that a transfer of \$4,954,300 was needed for the payment of the May 1<sup>st</sup>, 2007 pension payroll, with funds to be taken from the Northern Trust Flint-Drawdown Account #26-19617. The balance in the Northern Trust drawdown account, as of April 13, 2007, was \$17,727,792.42.

**A motion to approve the transfer of \$4,954,300 for payment of the May 1<sup>st</sup>, 2007 pension**



**payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Robert Rosenberger, and supported by Ehren Gonzales.**

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

**17. FINANCE COMMITTEE**

Chairman Hall stated that a meeting would be scheduled in the near future. He asked Bob Rosenberger to resume his position as Committee Chair and call meetings as needed.

**18. PROFESSIONAL SERVICES COMMITTEE REPORT**

Committee Chair Georgia Steinhoff stated that the Committee did not meet due to scheduling conflicts. She has been in touch with GRS regarding the MinuteMaster for 2006. Chairman Hall asked Julie Sadler about bringing the MinuteMaster in-house. Ms. Sadler stated that she has compiled all relevant information manually from last year's minutes (as GRS has previously done) to be included in the MinuteMaster, which utilizes Microsoft Word software. A free-form database program was purchased for \$500 that allows minutes to be compiled, sorted and searched. This would provide an additional method of retrieving historical information that may not be included in the MinuteMaster. Ms. Sadler is currently working on the program's tutorial and will be compiling all minutes into the program that are still on the computer. Ms. Sadler stated that GRS' quote for compiling the 2006 MinuteMaster information was \$4100. Discussion followed. It was agreed that, if the new program accommodates scanned information, the previous minutes should be scanned in also. Chairman Hall asked Georgia Steinhoff to review the options; however, it would appear that bringing this project in-house would provide more timely service at a greatly reduced cost. Suzi Bye and Julie Sadler will work together and Suzi will report back to the Professional Services Committee.

Ms. Steinhoff reported that Dr. Roth has been unavailable to attend committee meetings but was willing to join a meeting by conference call. However, the Committee wants to meet with him in person regarding disability retirement issues. Chairman Hall stated that three retirement systems are providing information to him regarding their disability policies. Attorney Robbins added that she has been compiling information regarding disability policies from other municipal retirement systems and is preparing to make some recommendations. Chairman Hall asked that disability issues and recommendations be discussed at the next PSC meeting, which is scheduled for May 7<sup>th</sup>. He also asked Suzi Bye to contact Dr. Roth about attending that meeting in person.

Bob Erlenbeck reported that additional issues have surfaced regarding the Board's disability procedures. During the current budget process, fire prevention positions are being reinstated in the Fire Department. When the fire prevention division was eliminated, it caused two people to file for disability retirements, one duty and one non-duty, because they had transferred to fire prevention due to their inability to perform fire suppression duties. If their jobs are reinstated, should they be returned to duty and removed from disability retirement? Discussion followed. The Board does have the right under ordinance to have the disability retirees re-examined to

determine if they would be able to return to duty. Attorney Robbins stated that if the budget passes and the positions are officially reinstated, all applicable documents should be reviewed; i.e., contract terminology, ordinance language, settlement agreements, etc. to determine how this should be handled.

## 19. FERS TO MERS TRANSITION

Chairman Hall asked Attorney Lanta Robbins to review Kendall Williams' response to the letter to Hurley's Board requesting copies of information and correspondence between Hurley and MERS. Chairman Hall noted that two GRS valuations dated October 5 and October 13, 2006 were enclosed with the letter. Hurley noted in the letter that the October 5 valuation was incorrect and the October 13 valuation replaced it. However, Chairman Hall stated that the FERS Board is working from the February 2006 valuation that was requested by the Board.

The Board recessed for a break at 2:10 p.m. to allow time to read the letter.

The Chairman called the meeting back to order at 2:20 p.m.

Attorney Robbins reviewed the letter with the Board, noting that it was hand-delivered to the Law Office about 4:00 p.m. the previous day (Monday, April 16<sup>th</sup>). Attorney Williams attached only the two GRS October valuations in response to the request for copies of communications. He also stated that, before any other information would be provided, he would need more specifics on what the Board would require. Attorney Williams also made assumptions that the FERS system intends to request recalculation of the transfer amount of \$415,000,000 based on the October 13th GRS report. Several issues of concern are outlined in his letter under the heading "Pension Dispute Timeline." *In addition, he asked that Hurley's issues of concern be addressed: 1) Whether or not Ed Kurtz had the authority to enter into a contract binding the pension system. At a previous meeting, Hurley's attorneys were informed that the Board went to court on that issue and won, with the Attorney General saying that the State-appointed Emergency Financial Manager had no authority over the pension system or to bind the Board of Trustees. 2) The second issue is whether the City must ratify Hurley's collective bargaining agreements. This issue relates to City Charter and Ordinance language. 3) Whether the City is responsible for any shortfall in pension payments made by MERS. 4) The letter requested information on the status of the initial transfer amount.* Hurley does agree that they should bear the costs associated with the actuarial studies and the conversion of the assets into cash. Attorney Robbins stated that she needs an opportunity to do additional research and review all pertinent information with Attorney Young.

Discussion followed. The Board had requested copies of correspondence or agreements between Hurley and MERS and Legal was asked to resubmit that request to Hurley. Other issues that must be resolved include the status of exempts and retirees, whether CFO Coffield could sign agreements binding the hospital, and the status of the hospital's legal relationship with the City. Peter Dobrzeniecki stated that Hurley is not a separate legal entity. They are included in the City's financial reports as a fund of the City and all of their land deeds are on file in the City Clerk's office with the City listed as the owner. The hospital fund is making claims against the pension fund, but both funds are ultimately controlled by the City Council and Hurley has no standing to sue the pension fund or the City. Chairman Hall noted that, when Hurley files documents with the State of Michigan, they are listed as a City-owned hospital. A major issue is that only FERS has the legal right to reassign current retirees to another pension administrator. There are liability issues for the pension system, if Hurley cannot fulfill their pension obligations; however, Hurley is disputing that there are any liability issues. Chairman Hall asked Attorney Robbins to further research these issues and discuss them with Attorney Young.

**20. RETIREMENT ORDINANCE REVISION COMMITTEE**

Chairman Hall stated that Ordinance #3688, which changes the multiplier for Hurley exempts, was approved by City Council. Bob Erlenbeck stated that most ordinance changes take effect 30 days after the date they were approved by Council. Once this change takes effect, the Retirement Office will recalculate the affected pensions.

**21. INVESTMENT COMMITTEE REPORT**

Chairman Hall noted that an Investment Committee Meeting will be scheduled soon.

**22. GRAY & COMPANY**

Ivory Day distributed and reviewed an updated rebalancing schedule, showing the current market value of FERS' investments and asset allocations. As of April 12, the total value of the Fund was \$826.2 million. Mr. Day referenced the March 12<sup>th</sup> special meeting presentations made by Keeley, Allegiant and Globalt and noted that he has been working on an optimization process of FERS' asset allocation on an asset class basis, beginning with the large cap, all cap and small cap portfolios, since equities represent the largest single asset class of the portfolio and are expected to give the biggest return over the long term. He will continue that process using different parameters and will review his findings with the Investment Committee before presenting them to the Board. Chairman Hall noted that an Investment Committee Meeting will be scheduled prior to

the next board meeting.

**23. LEGAL COUNSEL UPDATES**

Attorney I'Lanta Robbins stated there was nothing new to report on the Claude Miller lawsuit. She reported that, per Attorney George Peck, the defendants in the Take Two Interactive lawsuit were filing motions for summary disposition to attempt to get the case dismissed. The deadline for those motions was yesterday. Assuming that they filed those briefs and motions, Attorney Peck and the other attorneys will be giving a response on behalf of the plaintiffs. It is expected that Attorney Peck will have more information at the next board meeting regarding the legal issues related to those filings.

Attorney Robbins gave an update on Sherrie Jackson, who filed for a non-duty disability retirement, which was denied and, after her December 5<sup>th</sup> hearing, the Board upheld the denial. Her attorney has now requested that the Court review the information presented at the hearing. He has filed a brief and Attorney Robbins filed a responsive brief last week. The Court has those briefs, along with her attorney's request for oral arguments by the attorneys before the judge, and she is waiting for word from the Court.

Attorney Robbins gave an update regarding the Bank of Ireland and their request for payment of \$42,000 for 2004 invoices they claim were due at the time FERS' agreement with them was terminated. On March 28, 2007, Attorney Trachelle Young sent a letter to the Bank of Ireland acknowledging their letter and expressing the Board's concern about the manner in which the assets were liquidated. She also requested any written correspondence regarding the instructions to the Bank of Ireland detailing how those funds were liquidated. No response has yet been received. Peter Dobrzeniecki believes approximately \$4,000,000 was lost due to their poor handling of the liquidation.

**24. DB/DC CONVERSION**

Bob Erlenbeck reported that the unions have approved the methodology for the purchase of interim lay-off time, which must precede the DB/DC conversion process. The unions have also agreed with the methodology for calculating the amount due to each employee, the interest rates, etc. It is expected that this will take place by the end of the year.

**25. OTHER BOARD BUSINESS**

Donald Phillips asked the Board to consider hiring their own money manager, which would save money manager costs. Discussion followed. Chairman Hall asked Ivory Day to research the issue and present his findings to the Investment Committee.



Chairman Hall stated that Northern Trust is offering passport training on Thursday, May 3<sup>rd</sup>, at City Hall in the Information Services training room. He asked board members to contact Suzi Bye as soon as possible if they wish to attend so that preparations can be made.

Chairman Hall also stated that any board member who wishes to attend MAPERS Spring Conference should contact Julie Sadler regarding their paperwork.

**26. ADJOURNED**

**There being no further business to discuss, it was moved by Amy Lindman, and supported by Peter Dobrzeniecki, to adjourn the meeting at 3:07 p.m.**

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary