

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, December 21, 2004, 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, Daniel Coffield, James Goodin, Sandra Kidd, Amy Lindman, Alvern Lock, Donald Phillips, Robert Rosenberger, Georgia Steinhoff, Cass Wisniewski

ABSENT Peggy Cook, Peter Dobrzeniecki, Robert Erlenbeck, Mark Horrigan, Janice Kehoe, Edward Taylor

ALSO PRESENT Habeeb Ghattas, Attorney for the Retirement Board
Wanda Twitty, Retirement Supervisor

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

Shawn Borowicz, Fire Dept. employee (Local #352), asked the Board to allow him to withdraw his application for deferred retirement. At last month's board meeting he had requested that his application be tabled pending Civil Service litigation. He was given his job back on December 3rd and no longer wishes to retire.

Chairman Daniel Hall stated that his application is on the agenda under Item #6 and his request for withdrawal will be addressed by the Board at that time.

Velma Wright, RN at HMC, stated that she has not worked since 6/10/99, due to a work-related injury, and recently requested an estimate of her retirement benefits. She is in disagreement with the method used to compute her retirement, which was based on her Workers' Compensation earnings, rather than the best three of the last five years she performed her job. She also disagrees with the record of her contributions into the retirement system and believes there is at least \$16,000 not credited to her.

Chairman Daniel Hall stated that the Board will investigate her concerns and notify her

by letter of their findings.

3. APPROVAL OF THE NOVEMBER 9, 2004 MONEY MANAGER MEETING MINUTES

It was moved by Amy Lindman, and supported by Georgia Steinhoff, to approve the minutes of the November 9, 2004, Money Manager Meeting.

Discussion followed. Chairman Daniel Hall noted that Actuarial Service Company was contacted by letter regarding the performance of a second actuarial review of the calculations by Gabriel Roeder for the MERS transfer. To date, no information or quotation has been received from Actuarial Service Company.

Upon being put to a vote, the motion to approve the minutes of the November 9, 2004, meeting carried unanimously.

4. APPROVAL OF THE NOVEMBER 23, 2004 REGULAR BOARD MEETING MINUTES

It was moved by Amy Lindman, and supported by Georgia Steinhoff, to approve the minutes of the November 23, 2004, Regular Board Meeting.

The following corrections were noted:

Page 9034:

Original Entry: Alvern Locke left the meeting at 1:35 p.m.

Corrected Entry: Alvern *Lock* left the meeting at 1:35 p.m.

Page 9053, 4th paragraph, misspelling of Colleen Belanger's name:

Original Entry: Colleen Ballenger (disability applicant) – Bob Erlenbeck noted that a definitive answer regarding Ms. Ballenger's employment status at HMC is needed before further action can be taken. Janice Kehoe stated that she believes Ms. Ballenger is still listed as an active employee. She recommended that the question of Ms. Ballenger's employment status be referred to Mr. Kitson. Bob Erlenbeck will send an e-mail request to Mr. Kitson requesting Ms. Ballenger's current employment status. Mr. Erlenbeck also reported that a request has been received from Ms. Ballenger's attorney, after a notice of additional testing requested by Dr. Roth was received, indicating that Ms. Ballenger would submit to any allergy testing provided it was in a latex-free building. Mr. Erlenbeck will notify them, in writing, that a latex-free examination room will be made available

to her (as was done when she was examined by Dr. Roth).

Corrected Entry: Colleen *Belanger* (disability applicant) – Bob Erlenbeck noted that a definitive answer regarding Ms. *Belanger's* employment status at HMC is needed before further action can be taken. Janice Kehoe stated that she believes Ms. *Belanger* is still listed as an active employee. She recommended that the question of Ms. *Belanger's* employment status be referred to Mr. Kitson. Bob Erlenbeck will send an e-mail request to Mr. Kitson requesting Ms. *Belanger's* current employment status. Mr. Erlenbeck also reported that a request has been received from Ms. *Belanger's* attorney, after a notice of additional testing requested by Dr. Roth was received, indicating that Ms. *Belanger* would submit to any allergy testing provided it was in a latex-free building. Mr. Erlenbeck will notify them, in writing, that a latex-free examination room will be made available to her (as was done when she was examined by Dr. Roth).

Upon being put to a vote, the motion to approve the minutes of the November 23, 2004, meeting, *with corrections as noted*, carried unanimously.

5. APPLICATIONS FOR VOLUNTARY RETIREMENT

Lynnette Bourne
HMC/RN

Final Average Compensation:	\$ 94,252.27
Accumulated Contributions:	Non-cont.
DRET:	
Effective Date of Retirement	11/14/2004
Service: 21 Years, 5 Months	
The retiree elected the Option Straight Life in the amount of \$1,887.08	

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Lynnette Bourne 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 \$1,887.08, for as long as she lives.

Larry Daly
HMC/Exempt

Final Average Compensation:	\$ 110,156.80
Accumulated Contributions:	37,614.47
DRET:	43,119.36
Effective Date of Retirement	11/01/2004
Service: 27 Years, 4 Months	

The retiree elected the Option B in the amount of \$4,664.39

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Larry Daly 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 \$4,664.39, for as long as he lives.

Jim Franklin
HMC/1603

Final Average Compensation:	\$ 37,666.32
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	11/13/2004
Service: 22 Years, 7 Months	

The retiree elected the Option C in the amount of \$881.41

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Jim Franklin 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, in the amount of \$881.41, for as long as he lives.

Sharon Lomelin
HMC/RN

Final Average Compensation:	\$ 68,588.45
Accumulated Contributions:	35,962.68
DRET:	37,981.65
Effective Date of Retirement	10/28/2004
Service: 17 Years, 7 Months	

The retiree elected the Option A in the amount of \$2,131.61

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Sharon Lomelin 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 A, in the amount of \$2,131.61, for as long as she lives.

Margaret Nicolson
HMC/RN

Final Average Compensation:	\$ 57,328.75
Accumulated Contributions:	Non-Cont.
DRET:	
Effective Date of Retirement	10/30/2004
Service: 30 Years, 1 Months	

The retiree elected the Option C w/pop-up in the amount of \$ 1,486.79

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Margaret Nicolson 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 \$1,486.79, for as long as she lives.

Jeanette Park
HMC/RN

Final Average Compensation:	\$ 71,349.35
Accumulated Contributions:	31,293.55
DRET:	38,497.03
Effective Date of Retirement	11/18/2004
Service: 30 Years, 7 Months	

The retiree elected the Option C in the amount of \$ 3,552.39

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Jeanette Park 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, in the amount of \$3,552.39, for as long as she lives.

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the Applications for Voluntary Retirement for Lynnette Bourne, Larry Daly, Jim Franklin, Sharon Lomelin, Margaret Nicolson, and Jeanette Park.

Upon being put to a vote, the motion to approve the Applications for Voluntary Retirement carried unanimously.

Alvern Lock entered the meeting at 1:30 p.m.

6. APPLICATIONS FOR DEFERRED RETIREMENT

Shawn Borowicz
Fire/352

Final Average Compensation:	\$ 59,873.71
Accumulated Contributions:	16,131.98
DRET:	35,064.74
Effective Date of Retirement	09/19/2004
Service: 19 Years, 6 Months	
The retiree will elect an Option prior to 04/01/2008	

Discussion followed. Attorney Habeeb Ghattas noted that, as Mr. Borowicz's application was not in compliance with the Retirement Ordinance, he is able to withdraw his application for deferred retirement. No action is necessary by the Board. Chairman Daniel Hall noted that Mr. Borowicz, as of December 3, 2004, returned to being a working, active employee of the City's Fire Department. In further discussion, it was noted that a letter was sent to Mr. Borowicz from City Administration telling him that, since he had filed for deferred retirement over 30 days ago, he was not allowed to work for the City. Therefore, it was decided that a formal motion from the Retirement Board would be in Mr. Borowicz's best interest.

A motion to accept the request by Shawn Borowicz to withdraw his application for deferred retirement was made by Robert Rosenberger, and supported by Sandra Kidd.

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

Dimitra Burchett
HMC/RN

Final Average Compensation:	\$ 69,917.59
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	11/01/2004
Service: 14 Years, 8 Months	
The retiree will elect an Option prior to 02/01/2006	

Michael Fowler
HMC/1603

Final Average Compensation:	\$ 36,919.74
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	11/20/2004
Service: 11 Years, 1 Months	
The retiree will elect an Option prior to 01/01/2020	

Albert Little
HMC/1603

Final Average Compensation:	\$ 30,636.85
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	10/27/2004
Service: 10 Years, 6 Months	
The retiree will elect an Option prior to 02/01/2023	

Susan Stone
Police/1600

Final Average Compensation:	\$ 37,294.18
Accumulated Contributions:	14,179.85
DRET:	1,368.77
Effective Date of Retirement	11/19/2004
Service: 11 Years, 3 Months	
The retiree will elect an Option prior to 08/01/2013	

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the Applications for Deferred Retirement for Dimitra Burchett, Michael Fowler, Albert Little, and Susan Stone.

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

7. APPLICATION OF NON DUTY DISABILITY RETIREMENT

Chairman Daniel Hall stated that he wants the fees charged by Dr. Roth at M-Works, for his evaluations, listed on the agenda from now on.

Teresa Shaffer
HMC/RN

Age: 44 Years
Service: 11 Years, 6 Months

The medical report and summary of Disability Determination dated November 23, 2004 from Dr. Victor Roth, Medical Director, does certify that Teresa Schaffer is totally and permanently disabled.

Georgia Steinhoff noted that the Professional Services Committee does concur with Dr. Roth's recommendation that Teresa Shaffer is totally and permanently disabled.

Motion made by Georgia Steinhoff, and supported by Sandra Kidd, to approve the non-duty disability retirement for Teresa Shaffer.

Upon being put to a vote, the motion to approve the non-duty disability retirement for Teresa Shaffer carried unanimously.

8. APPLICATION FOR DUTY DISABILITY RETIREMENT

Stephen Tarkowski
Fire/352

Age: 50 Years
Service: 23 Years, 5 Months

Based on the results of the additional testing, the medical report and summary of Disability Determination dated November 30, 2004 from Dr. Victor Roth, Medical Director, does certify that Stephen Tarkowski is not totally and permanently disabled.

Georgia Steinhoff reported that the Professional Services Committee does concur with Dr. Roth's recommendation that Mr. Tarkowski is not totally and permanently disabled.

Motion made by Georgia Steinhoff, and supported by Robert Rosenberger, to concur with Dr. Roth's report that Stephen Tarkowski is not totally and permanently disabled.

Discussion followed. Habeeb Ghattas noted that, in order to appeal the denial of a disability retirement, the applicant must request a hearing before the Board of Trustees. If the Board did not change their decision as a result of the appeal hearing, any further appeal would need to be settled in Circuit Court.

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

9. APPROVAL FOR NON-DUTY DEATH BENEFIT

Jean Liwak (Beneficiary: Joseph Liwak – Husband)
HMC/1603

Final Average Compensation:	\$ 28,946.75
Accumulated Contributions:	Non-cont.
DRET:	
Effective Date of Retirement	09/25/2004
Service: 25 Years, 8 Months	

The beneficiary will receive a monthly benefit in the amount of \$945.29

Motion made by Georgia Steinhoff, and supported by Sandra Kidd, to approve the non-duty death benefit for Jean Liwak, payable to Joseph Liwak, her surviving spouse.

Upon being put to a vote, the motion to approve the non-duty death benefit for Jean Liwak carried unanimously.

10. OPTIONS PICKED BY DUTY DISABILITY & DEFERRED RETIREMENTS

Leroy Macklin/Police Dept	Option B w/pop-up \$1,707.46
Gary Swadling/HMC	Option B \$745.47
Theresa Thompson/HMC	Option Straight Life \$1,544.69

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

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

- 11.1 CRA Fund Advisors, Building Communities, Building Portfolio Value, December 15, 2004, Conference Call.
- 11.2 Institute for International Research, The 23rd Annual REIP 2005, February 6-8, 2005, Tucson, AZ.
- 11.3 University of California, Mid-Sized Pension Management Conference, March 13-16, 2005, San Francisco, CA.

A motion was made by Robert Rosenberger, 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.

12. 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.)

- 12.1 Northern Trust, Strategy, November 2004, Newsletter.
- 12.2 NCPERS, The Monitor, November/December 2004.
- 12.3 David Babson & Co., The Babson Staff Letter, November 12, 2004.
- 12.4 David Babson & Co., The Babson Staff Letter, November 24, 2004.

- 12.5 AFSCME Local #1600, Letter to Daniel Hall re: October 19, 2004 minutes, November 18, 2004.
- 12.6 Northern Trust, Letter to Daniel Hall re: 3Com Securities Litigation, October 26, 2004. (Enclosed)
- 12.7 Memo to Tom Smela from Bob Erlenbeck re: Fire Actuary Study Request, December 6, 2004. (Enclosed)
- 12.8 Letter to David Halstead from Bob Erlenbeck re: Disability Retirement, November 16, 2004. (Enclosed)
- 12.9 Letter to Wanda Twitty from David Halstead re: Disability Retirement, November 23, 2004. (Enclosed)
- 12.10 Letter to Denise Lamson from Bob Erlenbeck re: Disability Retirement, December 7, 2004. (Enclosed)
- 12.11 Letter to State Street Global Advisors from Daniel Hall & Peter Dobrzeniecki re: State Street as trading advisor, October 19, 2004.
- 12.12 Letter to Daniel Hall from State Street re: Amendment for Participation in the MSCI EAFE Index Securities Lending Fund, November 1, 2004.
- 12.13 Letter to Bank of Ireland from FERS re: Termination of Services, November 19, 2004.
- 12.14 Letter to Northern Trust from FERS re: Transfer of Assets from Bank of Ireland to SSGA, November 22, 2004.
- 12.15 Letter to State Street from FERS re: Transfer of Assets from Bank of Ireland to SSGA, November 22, 2004.
- 12.16 Letter to State Street from FERS re: Amendment to the Investment Management Agreement for participation in the S&P 500 Provisional Index Funds, November 23, 2004.
- 12.17 Letter to State Street from FERS re: Wire transfer, November 24, 2004.
- 12.18 Letter to Bank of Ireland from FERS re: Wire instructions, November 29, 2004.
- 12.19 Letter to Northern Trust from FERS re: Wire transfer, November 29, 2004.
- 12.20 Letter to State Street from Peter Dobrzeniecki re: Investment Authorization,

December 3, 2004.

- 12.21 Letter to Northern Trust from FERS re: Letter of Direction, December 10, 2004.
- 12.22 Letter to Northern Trust from FERS re: Transfer from State Street S&P 500 Fund to ICON/Meridian S&P 500 Fund, December 10, 2004.
- 12.23 Letter to Northern Trust from Peter Dobrzeniecki re: Letter of Appreciation, December 10, 2004.
- 12.24 Letter to State Street from FERS re: Transfer from the S&P 500 Fund to ICON Advisors, December 10, 2004.
- 12.25 Letter to State Street from Peter Dobrzeniecki re: Letter of Appreciation, December 10, 2004.
- 12.26 Letter to FERS from Northern Trust re: Cross-Trading Programs, December 2004.
- 12.27 Letter to MWorks from Colleen Belanger re: Disability Evaluation, December 10, 2004. (Enclosed)
- 12.28 Expenditure Report of the Retirement Fund for the period of July – November 2004.
- 12.29 Transaction Report of the Retirement Fund for the period of July – November 2004.
- 12.30 Letter to FERS from the State of Michigan re: Contributions, February 26, 1999. (Enclosed)

A motion was made by Georgia Steinhoff, and supported by Alvern Lock, to receive the communications on file.

Discussion followed. It was noted that Communication #12.27, from Colleen Belanger, will be discussed later in the agenda during the Professional Services Committee report. Chairman Daniel Hall also stated that he will review #12.5 and #12.30 later in the agenda.

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

13. 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.)
 - 13.1 Merganser Capital Management, Investment Memorandum, 3rd Qtr. 2004.
 - 13.2 Lynch, Jones & Ryan, Trading Summary as of October 31, 2004.
 - 13.3 Magna Securities, Commission Recapture Report as of October 26, 2004.
 - 13.4 State Street Global Advisors, Activity Report, November 30, 2004.
 - 13.5 State Street Global Advisors, Appraisal Report, November 30, 2004.
 - 13.6 Bank of Ireland, Statement of Holdings as of November 30, 2004.
 - 13.7 Bank of Ireland, Proxy Voting Report as of September 30, 2004.
 - 13.8 Intercontinental Real Estate, IREIF III Report for Quarter ending September 30, 2004.
 - 13.9 Fidelity Investments, Capital Contributions, November 24, 2004. (Enclosed)
 - 13.10 Transaction Report for Legal Services from July 2004 to November 30, 2004. (Enclosed)
 - 13.11 Fidelity Investments, Capital Contributions, December 9, 2004. (Enclosed)
 - 13.12 Fidelity Investments, Monthly Investment Update, November 30, 2004.
 - 13.13 Northern Trust Report – October 2004. (Enclosed)
 - 13.14 Retirement Fund Employee/Employer Contributions. (Enclosed)

A motion was made by Georgia Steinhoff, and supported by Robert Rosenberger, to receive the reports on file.

Discussion followed. Chairman Daniel Hall stated that #13.10 will be discussed later in the Agenda, along with #12.30.

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

14. STATISTICAL REPORT OF BENEFITS

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Number Retired	2,964	3,001	3,014
Annualized Payroll	\$ 58,416,621	\$ 61,357,283	\$ 62,652,857
13 th Check	-0-	-0-	-0-
Charter 13 th Check	-0-	-0-	-0-

For informational purposes only.

15. APPROVAL OF THE JANUARY 1, 2005 PENSION PAYROLL TRANSFER

This agenda item will be addressed during the Investment Committee Report, per Chairman Daniel Hall.

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

There being no new information, Chairman Daniel Hall tabled this agenda item.

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

There being no new information, Chairman Daniel Hall tabled this agenda item.

18. 13th CHECK PROGRAM

There being no new information, Chairman Daniel Hall tabled this agenda item.

19. AUDIT COMMITTEE REPORT

- Update/Recommendations
- Plante & Moran Audit Proposal

There being no new information, Chairman Daniel Hall tabled this agenda item.

20. PROFESSIONAL SERVICES COMMITTEE REPORT

RFP, Consultant Report – Per Chairman Daniel Hall, this item will be addressed during the Investment Committee report.

Georgia Steinhoff presented the report of the Professional Services Committee, which met on December 13, 2004:

Kathleen Robinson reevaluation – Ms. Robinson was sent to Dr. Roth for a reevaluation and the Committee is waiting for the new report from Dr. Roth.

Gail Cotter reevaluation – The new information submitted by Ms. Cotter was given to Dr. Roth, who discussed it with Bob Erlenbeck. Dr. Roth will be sending a letter with the results of his review of the additional information.

Colleen Belanger reevaluation – Reference Communication #12.27 – Bob Erlenbeck is working with Dr. Roth regarding her reevaluation. Ms. Belanger must have additional bloodwork done to confirm her latex allergy; the most recent test for her latex allergy was performed in 1996. However, she is requesting a latex-free building before she will submit to further testing or evaluation, stating that otherwise she would be put at risk. The Committee is authorizing a letter to be sent to Ms. Belanger, by Bob Erlenbeck, outlining the criteria necessary for processing her disability retirement, giving her appointment time with Dr. Roth, etc. Attorney Habeeb Ghattas stated that an applicant for disability benefits must comply with the procedures established by the Board of Trustees. There are instances, however, where the Board could (and has) made accommodations. To avoid the setting of a precedent, however, the conditions under which the exception(s) to the rules was made should be documented. Mr. Ghattas stated that the conditions requested by Ms. Belanger appear to be unreasonable. Since the University of Michigan, through M-Works, is willing to provide to her a latex-free room, neither the Committee nor the Board is in a position to say that would subject her to untoward dangers. M-Works is in a better position to make that determination. Since this reasonable accommodation is being made, if she does not comply, it is Mr. Ghattas' belief that Ms. Belanger can be told that her application will not receive further consideration. If she does not comply by the next board meeting, the Board can take action at that time. Discussion followed. Georgia Steinhoff noted that Ms. Belanger's initial exam was conducted in a latex-free room at M-Works; however, Ms. Belanger has stated that she had a reaction after that visit. Bob Erlenbeck will be asked to talk to Dr. Roth and investigate the possibility of whether the test can be conducted elsewhere or if it must be conducted at M-Works. If the bloodwork can be done somewhere else, to Dr. Roth's satisfaction, that is not an unreasonable accommodation by the Board. Georgia Steinhoff also stated that Janice Kehoe is checking with Hurley regarding Ms. Cotter's employment status.

Review Test Fee Schedule from MWORKS – Bob Erlenbeck is contacting them.

Review of Habeeb Ghattas' Contract – The Committee began their discussions of Mr. Ghattas' contract and their mandate to determine the Board's expectations from its legal counsel. If the Board wishes to terminate Mr. Ghattas' contract, a 30-day notice is required.

21. INVESTMENT COMMITTEE REPORT

Consultant Search – Chairman Daniel Hall reported that the Committee-of-the-Whole met on December 17, at Hurley Medical Center, to hear presentations by the six finalists: Merrill Lynch, Gray & Company, New England Pension, Asset Consulting, Portfolio Analytics, Asset Strategies. The presentations were very educational, covering services that can be provided, services included in the proposals, and a question and answer session with each. After the presentations, there was a general discussion of the finalists and a group consensus that the Investment Committee should make a recommendation. The two firms that were considered to be the best choices were Gray & Company, from Atlanta, Georgia, and Asset Consulting, of St. Louis, Missouri. The final choice would depend upon the fees charged, the number of visits to FERS included, and references from other clients. After a request by Dan Coffield regarding clarification of services covered by their fee, Gray & Company sent a fax indicating that their fee of \$115,000 annually would provide their full range of consulting services, including all visits to the City required or requested. Asset Consulting has not yet responded. Chairman Hall recommended that further discussion of the Consultant Search be tabled until the January meeting, to allow time for a response from Asset Consulting, and an opportunity to contact references and review other information. Additionally, several informational articles about pension system consulting services will be included in the next agenda packets. Consultant Ken Brunke, of Callan Associates, has stated that he would assist in the transition also. Chairman Hall noted that the first task for a new consultant will be a review of the System's asset allocation. Also, it is expected that the first report from the new consultant would be for the quarter ended March 31, 2005. Discussion followed. A list of goals and expectations should be developed for the new consultant, as well.

Per Chairman Daniel Hall, further discussion under this agenda item will take place when Daniel Coffield joins the meeting.

22. EDUCATION/ TRAVEL/ TRAINING COMMITTEE
- Budget Transfer

Per Chairman Daniel Hall, there have been no meetings held by this committee. It was noted that Daniel Hall and Donald Phillips are going to the NCPERS Legislative Conference in Washington, D.C. They are working with Julie Sadler to develop the necessary paperwork. The current travel fund balance is about \$4,000.

23. ELECTION RULES COMMITTEE

Since there have been no meetings of this committee, Chairman Daniel Hall tabled this agenda item.

24. RETIREMENT ORDINANCE REVISION COMMITTEE

Since there have been no meetings of this committee, Chairman Daniel Hall tabled this agenda item.

25. LEGAL COUNSEL UPDATES

Retirement Ordinance Changes – Attorney Habeeb Ghattas has received no information regarding meetings or action taken to date with regard to the proposed MERS transfer.

Donald Uptegraff – Attorney Habeeb Ghattas noted that Mr. Uptegraff sent a letter to Chairman Daniel Hall on October 28, 2004, which was referred to him for his review. Mr. Uptegraff had made application for, and been granted, a deferred retirement by the Board of Trustees. Since that time, it appears that Mr. Uptegraff would like to return to work. However, there are issues with regard to the status of his deferred retirement. Mr. Uptegraff has asked that the Board set aside its decision approving his deferred retirement. Mr. Ghattas stated that he can request that the Board rescind his application for deferred retirement, and the Board is authorized to do so, as his application is not in compliance with the Ordinance. However, the Board has no control over the employment process, upon which Mr. Uptegraff is conditioning his request. Mr. Ghattas recommends that he be informed that this is the case. Discussion followed. Issues for consideration include paying back any previous payout of sick time and retiring under a different status the second time.

Teresa Beatenhead – Per Chairman Daniel Hall, this item can be removed from the agenda. Her surviving spouse is expected to apply for survivor benefits.

Outstanding Legal Issues – Attorney Habeeb Ghattas addressed the pending litigation involving the class action suit of Claude Miller et al, vs. the City of Flint and the Retirement System, as well as the individual Trustees. This lawsuit claims entitlement to 27 pays for certain members who have been certified as a class and allegedly were not given 27 pays when they retired. The attorney representing the class has made a settlement proposal that he would like the Retirement Board to consider. After reviewing the matter with Special Counsel Steven Spender, he recommended that this item be placed on the agenda for the January meeting, with Attorney Steven Spender being present at that time. The Board may wish to go into Executive Session for that presentation and discussion.

26. UPDATING COMPUTER PROGRAM FOR EQUATING OPTION

There being no new information, Chairman Daniel Hall tabled this agenda item.

27. APPROVAL OF THE 2005 RETIREMENT BOARD CALENDAR

Upon review of the proposed schedule of meeting dates, the Board decided to change the date of the January 2005 meeting from the 18th to the 25th. Chairman Hall asked that a note be added to the bottom of the listing stating that Money Manager Reviews will be announced at a later date.

Motion to adopt the 2005 Retirement Board Meeting Schedule, as amended, made by Georgia Steinhoff, supported by Sandra Kidd.

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

28. OTHER BOARD BUSINESS

Chairman Daniel Hall asked the Professional Services Committee to review e-mail correspondence concerning Velma Wright.

Chairman Daniel Hall noted that he received a Client Satisfaction Survey from Gabriel, Roeder, Smith & Company, which he referred to the Professional Services Committee.

Chairman Daniel Hall referenced Communication #12.30, Letter to FERS from the State of Michigan regarding Contributions and Recommendations, dated February 26, 1999, and Report #13.10, Transaction Report for Legal Services from July 2004 to November 30, 2004. Chairman Hall stated that he has never signed for, nor authorized, any payments to Keller Thoma, Dick Figura, or Plunkett & Cooney. He expressed major

concerns regarding any payments from Retirement System funds to these firms, since they have not provided any services to the Retirement Board. He referenced the letter from the State of Michigan, Page 2, Question #3, which asks: “Is there any indication that the failure to place the Retirement Fund amount into a separate bank/investment account has resulted in improper use by the City of Flint of the Retirement Fund assets?”

Discussion followed. It was noted that it is unclear whether the payments for the firms mentioned were actually taken from System funds. Also, Chairman Hall will request that someone from Finance or Budget attend a Board Meeting to present and explain the expenditures that are paid from the System. Chairman Daniel Hall also noted that Don Phillips and Sandra Kidd have sent a letter to the Mayor, and City Administrator Peggy Cook, requesting additional financial information.

Motion made by Georgia Steinhoff, supported by Sandra Kidd, to request that a representative from Accounting be present at the next Board Meeting to present and explain expenditures from the Retirement System.

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

Further Discussion of the financial activity reports followed.

Daniel Coffield entered the meeting at 2:34 p.m.

In response to a question, Attorney Habeeb Ghattas noted that a letter dated November 18, 2004, from Sam Muma, AFSCME #1600, to Chairman Daniel Hall, was expressing the Union’s position regarding several recent retirement calculations, including Steven Anderson. However, in Mr. Ghattas’ opinion, the concerns raised in the letter are labor relations issues and the letter is for the Board’s information only.

22. INVESTMENT COMMITTEE REPORT (continued)

Committee Chair Daniel Coffield reported that he had spoken with Mr. Gray, of Gray & Company, since the consultant presentations on Friday. Mr. Gray agreed to lock in a 4th and 5th year at the guaranteed rate of \$115,000 per year. He proposed four trips a year, but agreed to 12. Mr. Coffield noted that the Committee of the Whole recommends two finalists - Gray & Company and Asset Consulting Group. He and Daniel Hall were asked to follow up on issues of fees, meeting attendance, and references. Discussion followed.

Motion by Daniel Coffield, and supported by Sandra Kidd, that the FERS Board of Trustees engage Gray & Company as its Investment Consultant, subject to finalization of contract terms and completion of due diligence references.

Discussion followed. Concerns were expressed about certain Trustees, who were absent from the meeting on Friday, casting votes for a consultant. Attorney Habeeb Ghattas noted that the Retirement Ordinance does not have any procedure to allow for an abstention. He also pointed out that, legally, any Trustee in attendance at this meeting, regardless of attendance or absence at Friday's meeting, may exercise their right to vote.

Upon being put to a vote, the motion failed with a vote of 4 yes and 2 no votes, with 1 abstention:

Roll Call:	James Goodin – no	Daniel Coffield – yes
	Georgia Steinhoff – yes	Amy Lindman – no
	Robert Rosenberger – abstention	Sandra Kidd – yes
	Daniel Hall – yes	

Motion by Amy Lindman, and supported by Sandra Kidd, that the FERS Board of Trustees engage Asset Consulting Group as its Investment Consultant, subject to finalization of contract terms and completion of due diligence references.

Upon being put to a vote, the motion failed with a vote of 3 yes and 4 no votes:

Roll Call:	James Goodin – yes	Daniel Coffield – no
	Georgia Steinhoff – no	Amy Lindman – yes
	Robert Rosenberger – yes	Sandra Kidd – no
	Daniel Hall – no	

Chairman Daniel Hall noted that the Consultant Search will be on the agenda for the Regular Board Meeting in January. Reference checks will be made on the two finalists prior to that meeting.

Attorney Habeeb Ghattas noted that he has a basic consultant agreement document that he has used previously. He will contact the firm the Board approves and ask them what provisions they want in the agreement, and make the appropriate modifications. The process should be relatively brief.

Discussion followed. During a discussion of the December 17th meeting, Attorney Habeeb Ghattas stated that minutes must be taken at all open meetings, in compliance with the Open Meetings Act, and that minutes for the December 17th meeting should be processed in accordance with standard Board procedures.

A motion to approve the pension payroll transfer for January 2005, in the amount of \$4,000,000, from the State Street Global Advisors S&P 500 Fund to Citizens Bank, for payment of the January 1, 2005 pension payroll, was made by Daniel Coffield, and supported by Georgia Steinhoff.

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

Committee Chairman Daniel Coffield noted that the Protecting Our Pensions Committee at Hurley met on December 20 to discuss the MERS transfer. Also, meetings are being held by Hurley Medical Center's legal counsel Stephen Lowney (Foster, Swift, Collins & Smith), Mike Moquin (Attorney for MERS), and Trachelle Young (City Attorney), to prepare the wording of the change to the Retirement Ordinance to allow the transfer to MERS. Chairman Hall stated that the Retirement Board's legal counsel, Habeeb Ghattas, should have been asked to attend these meetings also.

Chairman Daniel Hall asked Attorney Habeeb Ghattas to report on the status of the contracts with new money managers. He also noted that Executive Summaries will be needed when the information is sent to the City Council for approval of fees.

Mr. Ghattas reported that the contracts with Piedmont and Lee Munder are essentially completed, except for their requirement (also a requirement by Bank One) of a document indicating the Board's authorized signatures for directing Retirement System transactions. A policy was adopted by the Board on April 24, 2001, providing that any two of four authorized Trustees (Chair, Vice Chair, Secretary, Executive Director) could sign letters of direction on matters approved by the Board of Trustees regarding System assets and the operation of the Retirement System. Peter Dobrzeniecki, as Secretary of the System, has indicated his concern that one of the authorized signatories is currently an Alternate (the Vice Chair). If the Secretary does not wish to sign and certify the Board's current policy, the requested letter could be signed by the Chairman instead. Discussion followed.

In response to a question regarding the Retirement Ordinance language on this issue, Attorney Habeeb Ghattas stated that the Retirement Ordinance is ambiguous. Although it clearly states that the Board Members are the trustees of the assets of the System, there is also a specific reference regarding transfers of funds, which requires the Secretary to sign in accordance with an ongoing or standing resolution of the Board of Trustees. The Ordinance also states that the City Treasurer is the Custodian of the Funds. Mr. Ghattas' advice is that, as Trustees of the Assets, the Board can set its own policy. He added that this issue should be resolved once a court decision is rendered determining whether State law pre-empts the Retirement Ordinance.

Motion made by Georgia Steinhoff, supported by Robert Rosenberger, that Attorney Habeeb Ghattas prepare a letter outlining the Board's current policy of authorized representatives who can sign on behalf of the Retirement System (currently Chair, Vice Chair, Secretary), with any two of the three signatures required for action to be taken, upon direction by the Board. The letter would be signed/certified by Chairman Daniel Hall.

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

Dodge & Cox - Attorney Habeeb Ghattas stated that the Board had indicated a concern about the fixed income investment funds becoming a part of a comingled account, rather than being set up as a separate account. There are two commitments to Dodge & Cox: The equity contract was approved several months ago, with the only issue remaining being the fixing of the fees by City Council. For fixed income investments, Dodge & Cox has a minimum account size of \$75,000,000 for a separate account. Based on their relationship with FERS, they agreed to lower the minimum to \$60,000,000; however, the Board has committed only \$40,000,000. The recommendation of the Investment Committee is to proceed with the allocation to Dodge & Cox and invest the funds in their comingled account. He must first review any limitations there might be in their trust document. Dan Coffield reported that Ken Brunke recommends the comingled account, stating that it is within one or two basis points of a separate account and may even be better because of economies of scale. Dan Coffield also stated that he would write the Executive Summary for the Dodge & Cox equity contract to be sent to City Council with a request for approval of the fees. Updated performance numbers should be reevaluated for Dodge & Cox also. Daniel Coffield will contact Ken Brunke for that information.

Wells Capital - Habeeb Ghattas reported that they requested a letter from the Board confirming that they have been hired to invest system assets. Daniel Coffield stated that he will write that letter. The same concerns apply to the fixed income investment with Wells Capital as to Dodge & Cox. Mr. Ghattas needs to review whatever limitations might be in their trust document, investment restrictions, etc.

Bank One - Habeeb Ghattas stated that he has been in contact with the attorneys at Bank One. He was notified today by Clarence Lewis that their contract is on its way via overnight delivery. He reviewed the contract issues with the Board, noting that there are concerns regarding the fee structure. Also, a contractual procedure regarding steps to be taken, in the event that one of the instruments were to lose investment grade, states that an entity affiliated with Bank One would handle the subsequent transaction. Ken Brunke has recommended that, if such an event occurs, the Board should be notified immediately (within 24 hours) and the Board, after a review with its consultant, would direct Bank One regarding subsequent handling.

Chairman Daniel Hall then summarized the issues: 1) Wells Capital needs a letter indicating the Board has allocated \$40,000,000 to their fixed income comingled account. 2) Executive Summaries are needed for contracts going to City Council for approval of fees. 3) A performance update is needed from Callan on all potential managers in the fixed income arena. This updated information is needed prior to any further correspondence. 4) The Dodge & Cox Equity Contract is waiting for an Executive Summary to be attached before going to the City Council for fee approval. Chairman Hall set a goal of having this paperwork done by the January meeting. Daniel Coffield

stated that he would write up the first Executive Summary to be used as a template for the future. The new consultant will likely be handling these correspondence issues. A discussion of tasks to be delegated to the consultant followed. Chairman Daniel Hall will be contacting the two finalists regarding the services they provide to their clients.

Attorney Habeeb Ghattas reminded the Board that the City Council's only responsibility regarding the contracts is the approval of fees. A focus on the fee structure, and why the Board believes it is reasonable, is all that should be required in any executive summary for the benefit of City Council. Discussion followed.

29. ADJOURNED

There being no further business to discuss, it was moved by Georgia Steinhoff, and supported by Daniel Coffield, to adjourn the meeting at 3:45 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki
Secretary/Fund Administrator