

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, February 22, 2005, at 1:00 p.m. in the Committee-of-the-Whole Room, 3rd Floor, City Hall Council Chambers, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Daniel Coffield, Peggy Cook, Robert Erlenbeck, Janice Kehoe, Amy Lindman, Alvern Lock, Donald Phillips, Robert Rosenberger, Edward Taylor, Cass Wisniewski

ABSENT Peter Dobrzeniecki, James Goodin, Mark Horrigan, Sandra Kidd, Georgia Steinhoff

ALSO PRESENT Habeeb Ghattas, Attorney for the Retirement Board
Wanda Twitty, Retirement Supervisor
Laurence O. Gray, Gray & Company, Consultant

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:03 p.m. He noted that the order of some agenda items would be changed to accommodate a conference call with the consultant and other matters.

2. ELECTION OF VICE CHAIRPERSON

Chairman Daniel Hall asked Attorney Habeeb Ghattas for a report on his research regarding the legality of the election of an Alternate as an Officer of the Board. Mr. Ghattas stated that, although the Ordinance is unclear on this subject, there are specific sections of the Ordinance that arguably address the question. His recommendation is that an Alternate not be authorized to serve as the Chair or Vice Chair, which is consistent with the advice he has given the Board in the past, but not consistent with the Board's past practice.

Mr. Ghattas quoted relevant sections of the Ordinance:

Section §35-8 (a), which provides that “The general administration, management and responsibility for the proper operation of the retirement system, and for construing and making effective provisions of the retirement plan shall be vested in a Board of Trustees...”

Section §35-8 (b) provides, very specifically, that “The Board of Trustees shall consist of nine Trustees...”

Section §35-8 (c) (2), with regards to alternate members, provides that an “...alternate member shall serve in the absence of such regularly elected member.”

Section §35-9 (b) provides that “Each Trustee shall, within ten days after his appointment or election, take and subscribe to an oath to support the constitutions of the United States and the State of Michigan and to faithfully perform the duties of trustee to the best of his ability.” Attorney Ghattas noted this language does not make any distinction between Trustees and Alternates.

Section §35-12 states that “Five Trustees shall constitute a quorum at any meeting of the Board of Trustees.”

Section §35-13 (a) provides that “The Board of Trustees shall elect from its own number a Chairperson and a Vice Chairperson.”

Attorney Ghattas framed the question as being whether the Board’s construction of the phrase or reference to “own number” is nine trustees or whether it includes nine alternates. The general rule of statutory construction is that, to the extent the Ordinance is clear on its face, the Board has no responsibility to and, in fact should not attempt to, put meaning to the plain language of the Ordinance. To the extent, however, that the Ordinance is unclear or is otherwise ambiguous, the Board has a responsibility, consistent with the Ordinance, to construe and make effective provisions of the Plan. In that instance, the Board would be obligated to attempt to determine the legislative intent (in this case, the intent of the City Council) in drafting the Ordinance. The question then becomes, in light of the various provisions of the Retirement Plan, whether or not alternate members are, in fact, authorized to serve as officers of the Board. Again, with specific reference to the question, there is no specific prohibition.

Motion by Donald Phillips, supported by Peggy Cook, to elect Donald Phillips as Vice Chair of the Retirement Board of Trustees.

Discussion followed.

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

Roll Call:	Daniel Coffield – yes	Peggy Cook – yes
	Janice Kehoe – yes	Alvern Lock – yes
	Robert Rosenberger – yes	Donald Phillips - yes
	Daniel Hall – yes	

3. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Marc Dedenbach introduced himself as an attorney representing John Coles, who is requesting that the Board table business relating to Mr. Coles until the next meeting.

Chairman Daniel Hall responded that there was no item on the current agenda relating to Mr. Coles, but that it might be on the agenda for the March 22nd meeting.

Alice Gibson, Hurley Medical Center Retiree, asked the Board to reinstate the 13th check benefit.

Martine Chandler, Hurley Medical Center Retiree, asked the Board to reinstate the 13th check, noting that it has not been paid for the past three years and was designed to assist the retirees in the absence of a “cost of living” benefit.

Wilma Burkett, Hurley Medical Center Retiree, asked the Board to reinstate the 13th check benefit.

Mattie Taylor, Hurley Medical Center Retiree, told the Board that she believes the retirees are entitled to a 13th check and need it to survive, particularly since their pension checks include a large deduction for medical insurance.

Eric Mays, 125 East Russell, indicated that he was speaking as an advocate on behalf of the dozen or so Hurley retirees present at the meeting (and all of the other affected retirees), and asked the Board to address the issue of the 13th check as soon as possible. He asked what steps needed to be taken in order to reinstate that benefit.

Chairman Daniel Hall replied that Item #26 on the current Board Agenda, Retirement Ordinance Revision Committee, addresses issues related to changes needed in the Retirement Ordinance. However, the law requires that the Retirement Board can only review Ordinance language; they cannot make any changes or create any benefits. Only the City Council can make Ordinance changes that will grant benefits. The Board acts in a fiduciary capacity only, to ensure that monies are available to pay all retirement benefits granted in the Ordinance, and that those benefits are properly paid to the retirees.

The current Ordinance does not make any provisions for a 13th check. If the City Council reinstates a 13th check benefit, the Board’s responsibility would be to ensure that

the methodology was in place to pay that benefit according to the Ordinance requirements.

Donald Phillips noted that issues regarding the 13th Check need to be addressed: 1) Is the Ordinance that Ed Kurtz instituted before he left, eliminating the 13th check, valid? Does the Council have to vote to overturn it? Or does it “die” if the City Council does nothing? 2) By enacting that Ordinance, if it is valid, does it violate the State Constitution, Article 9, Section 24, which states that a benefit cannot be impaired or diminished? 3) What is the status of the request by Councilman Taylor, at the last Council Meeting, for the City Attorney to bring a 13th check ordinance to the City Council next month for review?

Chairman Daniel Hall asked Mr. Taylor to address the Council’s position on the 13th check.

Ed Taylor stated that, after the last Council meeting, he directed the secretary in the Council Office to find all Chapter 35, Retirement Ordinance, language that Emergency Financial Manager (EFM) Ed Kurtz had changed, and then send that information to the Retirement Board’s Attorney, Habeeb Ghattas, for his review. The Council has concerns with several of those Ordinance changes. The Council believed they had a certain amount of time to repeal the changes made by the EFM, but have since discovered that is not the case. The Council can only amend the Ordinances in accordance with normal procedures. There were 6-7 ordinance changes the Retirement Board had issues with; one was the 13th check that the EFM eliminated. Mr. Taylor has requested that recommendations for ordinance changes, including the methodology for the 13th check, from the Board’s Attorney be brought back to the City Council within three weeks.

Chairman Daniel Hall stated that he would ask Larry Langer, of Gabriel, Roeder, Smith & Company, Actuaries, to answer questions regarding the 13th check methodology. He also stated that he is directing the 13th Check Committee to reconvene. The Committee consists of Donald Phillips, Georgia Steinhoff, and Sandra Kidd. Chairman Hall appointed Ed Taylor to serve on the committee. The Committee needs to research the methodology issues and talk with Larry Langer within the next three weeks, then make recommendations regarding the wording of Ordinance changes addressing the 13th check.

Amy Lindman noted that, even with a 13th check benefit in place, payment would be contingent upon the performance of the stock market to ultimately determine whether there were sufficient funds to pay that benefit in a given year.

4. APPROVAL OF THE DECEMBER 21, 2004 REGULAR BOARD MEETING MINUTES

It was moved by Donald Phillips, and supported by Robert Rosenberger, to approve the minutes of the December 21, 2004, Regular Board Meeting.

The following correction was noted:

Page 9072, last sentence in paragraph regarding Colleen Belanger:

Original Entry: Georgia Steinhoff also stated that Janice Kehoe is checking with Hurley regarding Ms. Cotter's employment status.

Corrected Entry: Georgia Steinhoff also stated that Janice Kehoe is checking with Hurley regarding Ms. *Belanger's* employment status.

Upon being put to a vote, the motion to approve the minutes of the December 21, 2004, Regular Board Meeting, with corrections, carried unanimously.

5. APPROVAL OF THE JANUARY 25, 2005 REGULAR BOARD MEETING MINUTES

It was moved by Robert Rosenberger, and supported by Alvern Lock, to approve the minutes of the January 25, 2005, Regular Board Meeting.

The following corrections were noted:

Page 9081, Agenda Item #2, Election of New Chairperson:

Original Entry: Motion by Georgia Steinhoff, supported by Sandra Kidd, to appoint Daniel Hall as Chair of the Retirement Board of Trustees.

Corrected Entry: Motion by Georgia Steinhoff, supported by Sandra Kidd, to *elect* Daniel Hall as Chair of the Retirement Board of Trustees.

Page 9082:

Original Entry: Motion by Georgia Steinhoff, supported by Sandra Kidd, to appoint Donald Phillips as Vice Chair of the Retirement Board of Trustees for another term.

Corrected Entry: Motion by Georgia Steinhoff, supported by Sandra Kidd, to *elect* Donald Phillips as Vice Chair of the Retirement Board of Trustees for another term.

Upon being put to a vote, the motion to approve the minutes of the January 25, 2005,

Regular Board Meeting, with corrections, carried unanimously.

6. APPROVAL OF THE JANUARY 25, 2005 CLOSED SESSION MEETING MINUTES

Chairman Daniel Hall distributed copies of the closed session meeting minutes for review and approval, to be immediately returned to him to be destroyed. A master copy will be kept on file for a year and then may be destroyed. Discussion followed.

It was moved by Donald Phillips, and supported by Robert Rosenberger, to approve the minutes of the January 25, 2005, Closed Session Meeting.

Upon being put to a vote, the motion to approve the minutes of the January 25, 2005, Closed Session Meeting carried unanimously.

7. APPLICATIONS FOR VOLUNTARY RETIREMENT

Kenneth Collard
DPW/Appointee

Final Average Compensation:	\$ 55,614.34
Accumulated Contributions:	20,514.31
DRET:	.00
Effective Date of Retirement	01/24/2005
Service: 8 Years, 5 Months	

The retiree elected the Option B in the amount of \$782.89

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Kenneth Collard 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 \$782.89, for as long as he lives.

Robert Elizondo
Fire/352

Final Average Compensation:	\$ 83,012.99
Accumulated Contributions:	21,583.24
DRET:	44,450.81
Effective Date of Retirement	12/08/2004
Service: 23 Years, 9 Months	

The retiree elected the Option B w/pop-up in the amount of \$3,805.20

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Robert Elizondo be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option B w/pop-up, in the amount of \$3,805.20, for as long as he lives.

It was moved by Donald Phillips, and supported by Robert Rosenberger, to approve the Applications for Voluntary Retirement for Kenneth Collard and Robert Elizondo.

Discussion followed.

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

8. APPLICATIONS FOR DEFERRED RETIREMENT

Deborah Bayer
Police/Lts & Cpts

Final Average Compensation:	\$ 76,989.90
Accumulated Contributions:	45,545.80
DRET:	8,256.19
Effective Date of Retirement	01/16/2005
Service: 22 Years, 0 Months	
The retiree will elect an Option prior to 02/01/2006	

Jeffrey Bryson
DPW/Exempt

Final Average Compensation:	\$ 69,021.83
Accumulated Contributions:	18,696.67
DRET:	.00
Effective Date of Retirement	01/15/2005
Service: 14 Years, 9 Months	
The retiree will elect an Option prior to 04/01/2010	

It was moved by Donald Phillips, and supported by Alvern Lock, to approve the Applications for Deferred Retirement for Deborah Bayer and Jeffrey Bryson.

Discussion followed.

Robert Erlenbeck noted that there is a difference in the City's handling of the resignation of a vested employee who does not apply for deferred retirement and a vested employee who does. An individual who applies for a deferral is entitled to a payout of accrued sick and annual pay in the same manner as a retiree. If a vested employee does not make an election for deferred retirement at the time their employment with the City is ended, they are paid for their accrued annual only, just as a non-vested employee would be; they do not get an accrued sick leave payout. Also, if a vested employee applies for deferred retirement when leaving, their retirement health care benefits are locked in as they exist at the time the employee leaves. If the employee waits to apply for deferred retirement until their eligibility date for collection of retirement benefits, their health benefit would be based on the benefits in place at the time of their application.

Attorney Habeeb Ghattas noted that he is not in a position to comment on payment of the benefits referenced by Mr. Erlenbeck, since they are concerns of the City. However, to the extent that the Board has the obligation to approve applications for retirement, this appears to be a situation where compliance with the Ordinance is not consistent with the practice in place by the City. Either the Ordinance needs to be amended to conform with the practice or the practice should be conformed to the Ordinance. These issues need to be addressed.

Chairman Daniel Hall agreed that the issues involved with the deferred retirement language in the Ordinance vs. current practice should be addressed. He referred the matter to Attorney Habeeb Ghattas and the Professional Services Committee.

Upon being put to a vote, the motion to approve the applications for deferred retirement carried unanimously.

9. APPLICATION FOR DUTY & NON-DUTY DISABILITY RETIREMENT

Gail Cotter - Police/FPOA

Age: 44 Years

Service: 15 Years, 0 Months

The Addendum medical report and summary of Disability Determination dated January 26, 2005 from Dr. Victor Roth, Medical Director, does certify that Gail Cotter is not totally and permanently disabled.

12. APPROVAL OF PENSIONS PREVIOUSLY REPORTED

Debra Arnold/HMC	Revised for Additional DRET: \$44,870.16
Dorsey Cummings/COF	Revised for Additional DRET: \$1,280.81
Larry Daly/HMC	Revised for Additional DRET: \$46,270.17
Cathy Engel/COF	Revised for Additional DRET: \$22,828.16
Larry Hill/HMC	Revised for Additional DRET: \$20,943.12
Pamela Holbrook/HMC	Revised for Additional DRET: \$39,203.57
Susan Kale/HMC	Revised for Additional DRET: \$25,470.94
Sharon Lomelin/HMC	Revised for Additional DRET: \$38,301.11
Leroy Macklin/COF	Revised for Additional DRET: \$23,926.51
Carolyn Marshall/HMC	Revised for Additional DRET: \$24,684.80
Jeanette Park/HMC	Revised for Additional DRET: \$39,433.55
Michael Phillips/HMC	Revised for Additional DRET: \$33,204.44
Jeffrey Shurter/COF	Revised for Additional DRET: \$1,640.32
Susan Valdez/HMC	Revised for Additional DRET: \$43,622.37
Victoria McKinney	Revised FAC \$104,870.88

Due to Gainsharing

A motion was made by Daniel Coffield, supported by Donald Phillips, to approve the pensions previously reported.

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

At 1:50 p.m., a conference call was received, as scheduled, from Kenneth Brunke, of Callan Associates, regarding the transition from Callan Associates to Gray & Company as Consultants for the Board.

29. CONSULTANT UPDATES

- Gray & Co.
- Callan & Associates

During the conference call, Mr. Brunke reviewed, in detail, the report from Callan Associates for the period ended December 31, 2004. The Board's new consultant, Gray & Company, represented by Laurence Gray, was also present to facilitate the transition from Callan to Gray. The review included much discussion and a question and answer session with the Board.

In conclusion and summary, Mr. Brunke recommended that the Board authorize an asset allocation study, particularly with the MERS transfer looming. He also recommended a domestic and international equity structural analysis and noted that he believed that the Board should proceed with the funding of the new money managers that were approved within the past two years. In addition, he suggested that the Board become educated about hedge funds. Mr. Brunke expressed his appreciation for the relationship with FERS and wished the Board all the best in the future. He noted that Callan will cooperate fully with Gray & Company on the transition and stated that Susan Kern, the Callan Transition Coordinator based in their San Francisco office, will be working with Gray & Company to effect as smooth a transition as possible.

Chairman Daniel Hall noted that the final billings from Callan Associates need to be paid, since they have fulfilled all contractual requirements through December 2004.

Following the conference call, the Board discussed the transition with Mr. Gray. In response to a question regarding the database that FERS will be compared to in the reports from Gray & Company, Mr. Gray responded that Gray maintains a database of other public funds of similar size. He noted that the challenge in the industry is to make comparisons with other funds of like asset allocations; i.e., public funds, foundations, etc. Gray will need written authorization to contact all money managers to request that FERS data be sent to them in the future. A discussion of FERS investments followed and Mr. Gray stated that they will be preparing a preliminary asset allocation study for presentation at next month's regular board meeting.

13. UPCOMING CONFERENCES (Placed on file in the Retirement Office)
- 13.1 International Foundation, CAPPP Employee Pensions, February 28 – March 1, 2005, Orlando, FL
- 13.2 CALPERS, Institutional Investors Cleantech Conference, March 29-30, 2005, San Jose, CA.

A motion was made by Daniel Coffield, and supported by Edward Taylor, to add the stated conferences to the list of authorized conferences.

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

14. 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.)
- 14.1 CRA Fund Advisors, The Community Investor, Winter 2004/2005.

- 14.2 Wellington Management, Wellington Firm Update, 4th Quarter 2004.
- 14.3 Gray & Co., Thank you letter, January 24, 2005.
- 14.4 Asset Consulting Group, Inc., Thank you letter, January 10, 2005.
- 14.5 Northern Trust, Global Investments Strategy, February 2005.
- 14.6 Piper Jaffray, Trade Confirmation from Wentworth, Hauser, Violich, February 2, 2005.
- 14.7 NCPERS, The Monitor, January 2005.
- 14.8 NCPERS, Persist, Winter 2005.
- 14.9 Asset Services Company, Capital Perspectives, 4th Quarter 2004.
- 14.10 NCPERS, Newsletter on the Battle to Revamp Social Security, February 2005.
- 14.11 Mary Ford, Letter to Lisa DeDolph re: Collecting her pension at 55 instead of 60, January 13, 2005. (Enclosed)
- 14.12 Letter to Bob Erlenbeck from Colleen Belanger re: Disability Retirement, January 20, 2005. (Enclosed)
- 14.13 Letter to Retirement Board from Kimberly Davis re: Disability Retirement, February 4, 2005. (Enclosed)
- 14.14 Keller Thoma, Letter to Steven Spender & Habeeb Ghattas re: Miller vs City of Flint, February 2, 2005. (Enclosed)
- 14.15 Gray & Co., Letter to the Board of Trustees re: Presentation, December 20, 2004. (Enclosed)
- 14.16 Habeeb Ghattas, Letter to Barry Keller re: Colleen Belanger, February 2, 2005. (Enclosed)
- 14.17 Habeeb Ghattas, Letter to Frederic Champnella, February 4, 2005. (Enclosed)
- 14.18 Habeeb Ghattas, Letter to Richard Harris re: Velma Wright, February 4, 2005. (Enclosed)
- 14.19 Letter to Retirement Board from John Coles re: Deferred Retirement, February 16, 2005. (Enclosed)

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

Discussion followed regarding Item #14.11. Wanda Twitty noted that Mary Ford, a deferred retiree who had elected to receive benefits at age 60 (non-contributory, Hurley Medical Center), is now requesting that she begin receiving her benefits at age 55, in 2005, instead of at age 60, in 2010. Attorney Habeeb Ghattas noted that his advice to the Board has been that deferred retirees can change the age at which they will begin to receive their benefits, subject to eligibility, if the change is made before they begin receiving their benefits.

Upon being put to a vote, the motion to receive the communications on file carried unanimously.

The Board recessed for a break at 2:50 p.m.

Amy Lindman left the meeting at 2:50 p.m.

The Board returned from break at 3:00 p.m.

Discussion followed regarding Item #14.19, Letter from John Coles regarding his application for deferred retirement. Per Robert Erlenbeck, applications for deferred retirement are not on the agenda until separation papers are received from the department. This employee has signed up for, and changed, his retirement date numerous times. This time, he missed the deadline by a day or two past the 30-day time frame for withdrawing or changing his application. He has come before the Board to request that his deferred retirement be withdrawn. Mr. Erlenbeck noted that employees who missed the deadline to rescind or change a voluntary retirement have been forced to retire. However, a deferred retirement, as in this case, does not have the same requirement, per the Ordinance. Attorney Habeeb Ghattas noted his opinion that under the Ordinance, as it currently stands, applicants for deferred retirement have the right to change or withdraw their applications prior to the time they are eligible to begin receiving benefits. Per Chairman Daniel Hall, this issue should be on next month's agenda.

15. 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.)
 - 15.1 State Street Global Advisors, Activity Report, January 31, 2005.
 - 15.2 State Street Global Advisors, Appraisal Report, January 31, 2005.
 - 15.3 Magna Securities, Commission Recapture Report as of December 31, 2004.
 - 15.4 LSV Asset Management, 2004 Year-end Summary, December 31, 2004.
 - 15.5 Sit Investment Associates, Performance Review as of December 31, 2004.
 - 15.6 Lynch, Jones & Ryan, Trading Summary as of December 31, 2004.
 - 15.7 Skyline Asset Management, Performance as of December 31, 2004, January 26, 2005.
 - 15.8 Fidelity Investments, Monthly Investment Update, January 31, 2005.
 - 15.9 Fidelity Investments, Revised Monthly Investment Update for November 2004.
 - 15.10 State Street Global Advisors, Account Summary as of December 31, 2004.
 - 15.11 State Street Global Advisors, 4th Quarter Performance Report.
 - 15.12 State Street Global Advisors, Change to the Russell Small Cap Completeness Fund, January 28, 2005.
 - 15.13 Mesirow Financial, 2005 Outlook Commentary, February 8, 2005.
 - 15.14 Globalt Investments, Equity Strategies, 4th Quarter 2004.
 - 15.15 Wellington Management, Portfolio Performance as of December 31, 2004.
 - 15.16 Northern Trust Reports – December 2004 (Enclosed)
 - 15.17 Retirement Fund Employee/Employer Contributions (Enclosed)

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

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

16. STATISTICAL REPORT OF BENEFITS

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number Retired	3,001	3,002	3,019
Annualized Payroll	\$ 61,357,283	\$ 62,627,143	\$ 63,853,882
13 th Check	-0-	-0-	-0-
Charter 13 th Check	-0-	-0-	-0-

For informational purposes only.

17. APPROVAL OF THE MARCH 1, 2005 PENSION PAYROLL TRANSFER

It was noted that the current balance in the SSgA drawdown account is \$1,739,568.94.

Discussion followed. Daniel Coffield reviewed a section of the minutes of the Investment Committee pertaining to the Committee's recommendation to transfer funds in order to replenish the drawdown fund.

A motion to transfer \$15,000,000 from the Northern Trust Russell 1000 Growth Fund to the State Street Global Advisors S&P Provisional Account ("drawdown fund") to replenish this fund in order to cover future payments of the pension payroll, was made by Daniel Coffield, and supported by Edward Taylor.

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

A motion to approve the pension payroll transfer for March 2005 in the amount of \$3,570,094.62 from the State Street Global Advisors S&P Provisional Account ("drawdown fund") to Citizens Bank for payment of the March 1, 2005 pension payroll, was made by Daniel Coffield, and supported by Edward Taylor.

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

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

Tabled by Chairman Daniel Hall.

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

Tabled by Chairman Daniel Hall.

PRESENTATION BY ACTUARIAL SERVICES COMPANY

Representatives from the Actuarial Services Company, who are being considered by the Board to conduct a review of the Gabriel, Roeder, Smith & Company (GRS) actuarial data for the MERS transfer, made a presentation to the Board regarding their actuarial services. Chairman Daniel Hall noted that this company has worked for the City of Flint administration on retirement issues in the past. They have also worked on other projects involving GRS. Daniel Coffield briefed the representatives on the background of the MERS transfer and what is needed from them; i.e., a review of the assumptions, methodologies, mortality tables, and confirmation that all of the actuarial practices used by GRS are reasonable and within generally accepted actuarial standards. This would provide the Trustees with a greater comfort level regarding the accuracy of the amount to be transferred to MERS, which will be \$100 to \$150 million. He noted that Hurley will, to expedite review, pay for “reasonable” fees associated with this review. Chairman Hall requested an estimate of costs and time involved as soon as possible and stated that he would provide all information needed for this review (proposed Ordinance change language, GRS documents and data CD).

Attorney Habeeb Ghattas noted that the Ordinance language will provide the methodology and the Board will have the obligation to implement that methodology. Therefore, the Board should review and agree with the methodology before the Ordinance is adopted, since they have a responsibility to construe and make effective. If the Board is unable to implement the Ordinance amendment as approved by the City Council (due to collective bargaining agreement conflicts, for example), they would be forced to challenge it. In terms of the additional actuarial study, the Board is concerned that the transfer methodology is consistent with sound actuarial practices. The Board’s responsibility is to ensure that the dollars that are being transferred on behalf of some members are not transferred at the expense of other members.

Discussion followed.

20. 13th CHECK PROGRAM

Chairman Daniel Hall asked that the 13th Check Committee meet with Larry Langer, of Gabriel, Roeder, Smith & Company, and Councilman Edward Taylor, prior to the next regular board meeting. Members of the Committee include Donald Phillips, Georgia Steinhoff, Sandra Kidd, and Chairman Hall.

21. AUDIT COMMITTEE REPORT

Tabled by Chairman Daniel Hall.

22. PROFESSIONAL SERVICES COMMITTEE REPORT

Chairman Daniel Hall reviewed the Professional Services Committee report with the Board:

- Colleen Belanger Reevaluation – The attorneys have been corresponding.
- Review of Habeeb Ghattas' Contract – Nothing new to report.
- Review Test Fee Schedule from MWORKS – Bob Erlenbeck and Daniel Coffield reported that attempts to work with MWORKS and other companies on setting a test fee structure have been unsuccessful to date.

23. INVESTMENT COMMITTEE REPORT

Daniel Coffield presented the minutes and report from the Investment Committee Meeting on February 11. Mr. Coffield stated that the Committee reviewed the status of the pending awards to money managers and agreed to continue with the previously approved award amounts. The next step is to request City Council approval of the proposed money managers' fee structures for Banc One, Dodge & Cox, Lee Munder, and Piedmont, and documents are being prepared for that purpose. A letter is being sent to Wells Capital with notification of their award and requesting that they contact Chairman Hall and Attorney Ghattas regarding the finalization of the contract and fees. The consultant fees for Gray & Company will also be submitted to City Council for approval.

Motion to accept the Investment Committee's report made by Donald Phillips, supported by Daniel Coffield.

Discussion followed.

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

25. ELECTION RULES COMMITTEE

Chairman Hall stated that Donald Phillips is Chair of this Committee and the Committee needs to meet within the next 60 days in order to address election issues prior to the next election in July at Hurley Medical Center.

26. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Daniel Hall noted that this subject was discussed previously.

27. LEGAL COUNSEL UPDATES

- Retirement Ordinance Changes (MERS) - Attorney Habeeb Ghattas stated that Dan Coffield gave him a copy of the proposed ordinance changes for the MERS transfer, as written by attorneys for Hurley, the City and MERS. Mr. Ghattas noted that he is in the process of reviewing the language; however, there are tax qualification issues which may require a conference with Meg Hunter at Dykema Gossett.
- Claude Miller Update – Attorney Ghattas reported that there has been an exchange of correspondence with plaintiff’s attorneys, but that a meeting with Sandy Rodwan for actuarial cost calculations has not yet been scheduled.
- Velma Wright – Mr. Ghattas has corresponded with her attorney, Richard Harris; a copy was in the Board packets. Mr. Ghattas also discussed her situation with attorney George Washington, the labor attorney for the collective bargaining unit, and he has shared with both attorneys the relevant sections of the Retirement Ordinance.
- Colleen Belanger – Mr. Ghattas reported that he has been corresponding with her attorney, Barry Keller. A copy of that correspondence was also in the agenda packets.

Donald Phillips noted that he was served a subpoena by the City Attorney’s office to give a deposition in the Claude Miller lawsuit, which lasted about two and a half hours. He questioned who was paying Keller Thoma – the City or the Retirement System? Attorney Habeeb Ghattas noted that, in his opinion, it would be absolutely prohibited for Retirement System assets to be used to pay legal fees to Keller Thoma in this case, since assets of the Retirement System cannot be used to pay non-System obligations.

Chairman Daniel Hall stated that he will discuss this issue with Peter Dobrzeniecki, who had indicated previously that the System has not been paying fees for services not directly provided to the Board.

28. UPDATING COMPUTER PROGRAM FOR EQUATING OPTION

Robert Erlenbeck reported that Larry Langer has given an estimate that this project will cost between \$5,000 and \$7,000 and Mr. Langer noted that it cost approximately \$1000 for the research to give the estimate. Mr. Langer also told him that the project would probably be completed by February 20. The purpose of the project is to make the necessary modifications to the computer program used in calculating the retirement equating option with social security in order to incorporate the social security administration's new escalating pay scale based on age.

Motion to authorize Larry Langer at Gabriel Roeder Smith to move forward on the modifications for the equating option program in an amount not to exceed \$7,000, made by Robert Rosenberger, and supported by Donald Phillips.

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

29. CONSULTANT UPDATES

- Gray & Co.
 - Callan & Associates
- Previously discussed.

30. FERS BUDGET

Robert Erlenbeck stated that the proposed FY06 budget for FERS has been submitted to the Budget Department.

24. EDUCATION / TRAINING COMMITTEE

- Presentation by Milberg & Weiss, New York

Habeeb Ghattas stated that Milberg Weiss is a law firm which generally serves as lead counsel in major securities litigation, representing pension funds or others who claim to have suffered an investment loss due to securities fraud. The Board's practice has not been to act as a lead plaintiff, but to participate through claims being filed on its behalf by Northern Trust as Fund Custodian.

Representatives from the Milberg Weiss legal firm made a presentation to the Board of Trustees regarding their legal services pertaining to securities fraud. They offer monitoring services at no cost to the retirement system by entering into an agreement with the custodial bank to provide portfolio data to allow tracking of a system's holdings. In the case of a class action settlement, they work with the custodial bank to file the claims. They provide reports to the System regarding the legal activity. There is no cost to the System; the firm pays the custodian for any transfer costs, and the data is secure and confidential. They claim to be more proactive than custodial banks in tracking the litigation and aggressively pursuing settlement. Additionally, Milberg Weiss would hope to be selected as lead counsel in the event the System decided to pursue the litigation as a lead plaintiff. Also, their firm tries to uncover fraud before it has become well known and take a lead role in the litigation. A sample portfolio monitoring report was given to Trustees. The representatives noted that they are another source of information that approaches the market differently than investment managers. They are more "plugged in" to who is suing whom about what. They are a backup resource who will issue quarterly reports on cases settled, warn of claims deadlines, calculate losses, and assist the custodial banks with the claim forms. Milberg Weiss earns their income from a fee of 15-25% on securities litigation recovery should a System become a lead plaintiff. As a lead plaintiff, the additional time and expense allows full control over the litigation. However, to qualify as lead plaintiff, the system must be the biggest loser among the systems who seek the role of lead plaintiff. A question and answer session followed.

Alvern Lock left the meeting at 4:34 p.m.

Chairman Daniel Hall thanked the representatives from Milberg Weiss for their educational presentation on securities litigation.

Discussion followed.

Consultant Larry Gray noted that Milberg Weiss is one of the oldest and largest securities litigation firms in the country. He stated that most of Gray's clients are in such a program and some of their clients utilize Milberg Weiss. There may also be local firms that have the ability to perform those services. He believes it is a valuable service, with no cost to the system, and he strongly recommends that the Board take advantage of it. It is always a good idea to have careful monitoring and reporting. He called the service a "Trustee safety net."

Attorney Habeeb Ghattas noted that there are other service providers in Michigan; for example, former attorney general for the State of Michigan, Frank Kelly, has a firm that works in securities litigation. Attorney Ghattas pointed out that lead plaintiffs are generally funds with greater assets than under management by FERS.

Discussion followed. Chairman Hall noted that other local or in-state firms have

contacted him at MAPERS. He asked the Board to consider the issue and discuss it further at a future board meeting. Also, the Trustees should give him the names of firms they are aware of so that he can request information for consideration.

31. OTHER BOARD BUSINESS

None.

32. ADJOURNED

There being no further business to discuss, it was moved by Donald Phillips, and supported by Janice Kehoe, to adjourn the meeting at 4:50 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki
Secretary/Fund Administrator