

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES REGULAR MEETING

A meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, January 20, 2004 in the Charles White Conference Room at Hurley Medical Center, with the following in attendance.

TRUSTEES &
ALTERNATES Daniel Hall – Chairperson, Daniel Coffield, Lisa DeDolph,
Janice Kehoe, Sandra Kidd, Amy Lindman, Alvern Lock,
Georgia Steinhoff, Edward Taylor, Cass Wisniewski

ABSENT Darnell Earley, Peter Dobrzeniecki, Robert Erlenbeck, James Goodin,
Mark Horrigan, Donald Phillips, Robert Rosenberger

ALSO PRESENT Habeeb Ghattas, Attorney for the Retirement Board
Kenneth Brunke, Callan Associates
Charles L. Curry, Director of Fixed Income, Piedmont
Isaac H. Green, President/CEO, Piedmont
Donald Mullins, Director of Marketing, Piedmont
Anita Specale, Managing Director, Wells Capital Management
Sandra M. Willen, CFA, Managing Director, Wells Capital Management
Clarence Lewis, Investment Manager, Bank One
Rodney B. Hare, Institutional Sales, Bank One
Thomas S. Dugan, Vice President, Dodge & Cox

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairperson Daniel Hall called the meeting to order at 9:35 a.m. The morning session is a Committee of the Whole for the purpose of listening to presentations for the fixed income investment search.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

There were no members of the public wishing to address the Board at this time.

3. FIXED INCOME SEARCH REVIEW

Ken Brunke, from Callan Associates, gave an overview of the four finalists for the Fixed Income Search, prior to their presentations to the Board.

Three representatives from Piedmont - Charles L. Curry, Director of Fixed Income, Isaac H. Green, President/CEO, and Donald Mullins, Director of Marketing – made a presentation to the Board regarding their fixed income investment proposal.

Janice Kehoe left the meeting at 10:20 a.m.

Alvern Lock entered the meeting at 10:30 a.m.

Cass Wisniewski entered the meeting at 10:40 a.m.

Representatives from Wells Capital Management - Anita Specale and Sandra McWillen, Managing Directors – made a presentation to the Board regarding fixed income investments with Wells.

Representatives from Bank One - Clarence Lewis, Investment Manager, and Rodney B. Hare, Institutional Sales – made a presentation to the Board regarding fixed income investments with Bank One.

Thomas S. Dugan, Vice President of Dodge & Cox, made a presentation to the Board regarding fixed income investments with Dodge & Cox.

4. BOARD RECESS UNTIL REGULAR BOARD MEETING

The Board recessed for lunch at 12:45 p.m.

5. CHAIRPERSON RECONVENED THE REGULAR BOARD MEETING

The Chairman reconvened the meeting at 1:16 p.m., with the following in attendance:

TRUSTEES & ALTERNATES	Daniel Hall – Chairperson, Daniel Coffield, Peter Dobrzeniecki, Darnell Earley, Robert Erlenbeck, Janice Kehoe, Sandra Kidd, Amy Lindman, Alvern Lock, Donald Phillips, Georgia Steinhoff, Edward Taylor, Cass Wisniewski
ABSENT	James Goodin, Lisa DeDolph, Mark Horrigan, Robert Rosenberger

ALSO PRESENT Habeeb Ghattas, Attorney for the Retirement Board
 Jeffrey Welch, Attorney for the Retirement Board
 Kenneth Brunke, Callan Associates

6. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Former Police Officer Philip Snyder and his attorney, Norb Leonard, introduced themselves to the Board and inquired about the status of Mr. Snyder's appeal of the Board's denial of his request for a medical disability retirement. Mr. Leonard noted that Mr. Snyder had been a Police Officer since 1991. In Mr. Leonard's opinion, Mr. Snyder is presently totally and permanently disabled, having had two major back surgeries. As a Police officer, the Police contract does not allow him to work with any restrictions; therefore, under the contract language he is entitled to a disability retirement because he is totally and permanently incapacitated from fulfilling all of the duties of the job description of any position he formerly held. Mr. Snyder was examined by Dr. Roth in September 2003 and Dr. Roth concluded that Mr. Snyder should not be approved for disability retirement from the City, since he could work with some restrictions. Dr. Roth was evidently unaware of the language of the Police contract, which does not allow any restrictions in order to remain employed as a police officer. Is this case being reconsidered and is there any other information needed to verify and assess Mr. Snyder's disability status; i.e., medical information, job requirements, etc.?

Daniel Hall noted that the Board had referred this matter back to the Professional Services Committee for further review. This Committee met on January 9, with Mr. Snyder's case on the agenda. The Committee will be giving their recommendations to the Board on this issue later in the meeting.

7. APPROVAL OF THE DECEMBER 16, 2003 REGULAR BOARD MINUTES

It was moved by Amy Lindman, and supported by Sandra Kidd, to approve the minutes of the December 16, 2003, Regular Board Meeting.

The following corrections were noted:

Page 8757, 2nd paragraph, 3rd sentence:

Original Entry: Additionally, P.A. #728 requires that the Board of Trustees be informed of the full costs of the proposed benefits, after actuarial costing, and be given the right of approval or disapproval.

Corrected Entry: Additionally, P.A. #728 requires that the Board of Trustees be informed of the full costs of the proposed benefits, after actuarial costing.

Page 8757, 3rd paragraph, 2nd sentence:

Original Entry: Mr. Ghattas noted that he sent a letter to Mr. Kurtz in September advising City Administration of this requirement and the Board's concerns that P.A. #728 was not being followed; however, no response has been forthcoming.

Corrected Entry: Mr. Ghattas noted that *a letter was prepared and sent* to Mr. Kurtz in September advising City Administration of this requirement and the Board's concerns that P.A. #728 was not being followed; however, no response has been forthcoming.

Page 8761, 1st paragraph, 1st sentence:

Original Entry: Dan Coffield noted the Community Foundation of Great Flint is also involved in a consultant search and the Committee can use their RFP as a model.

Corrected Entry: Dan Coffield noted the Community Foundation of *Greater* Flint is also involved in a consultant search and the Committee can use their RFP as a model.

Page 8763, 8th paragraph:

Original Entry: Habeeb Ghattas noted that the notification letter to Northern Trust gives them the authority to honor the demands of the investment managers so that, once a capital call is made (subject to the limits set aside for each manager), they can notify the Retirement System and the Board of Trustees in writing.

Corrected Entry: Habeeb Ghattas noted that the *letter of instruction* to Northern Trust gives them the authority to honor the demands of the investment managers so that, once a capital call is made (subject to the limits set aside for each manager), *with notification to the Retirement System and the Board of Trustees in writing, Northern Trust will be authorized to transfer the necessary funds.*

Page 8764, Section 20, Social Security Equating Option:

Original Entry: Georgia Steinhoff noted that the Professional Services Committee has contacted the cities of Pontiac and Ann Arbor for information on this subject, but no information has been received as yet. Habeeb Ghattas is also researching this subject and expects to have information for the Board at the next meeting.

Corrected Entry: Georgia Steinhoff noted that the Professional Services Committee has contacted the cities of Pontiac and Ann Arbor for information on this subject, but no information has been received as yet.

Page 8768, Section 23, Other Board Business, 1st paragraph, 5th sentence:

Original Entry: Once Judge Yuille issues his order in the pending lawsuit, the Board can better correlate P.A. #771 and P.A. #72.

Corrected Entry: Once Judge Yuille issues his order in the pending lawsuit, the Board can better *evaluate the effect of* P.A. #771 on P.A. #72. *Mr. Ghattas recommended that, if any actions are taken by the Emergency Financial Manager in conflict with the Board's position, a special meeting of the Board should immediately be called.*

Page 8768, Section 23, Other Board Business, 3rd paragraph, 2nd sentence:

Original Entry: He has been in discussions with the attorneys involved and has taken the position that further payments to the retiree should be restricted until this matter is resolved.

Corrected Entry: He has been in discussions with the attorneys involved. *A temporary restraining order has been issued restricting payment to the retiree until this matter is resolved.*

Upon being put to a vote, the motion to approve the minutes, as amended, carried by a vote of 8 to 1 (Darnell Earley opposed).

8. APPLICATIONS FOR VOLUNTARY RETIREMENT

Carolyn Adamson-Robinson
HMC/1603

Final Average Compensation:	\$ 27,280.37
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	12/19/2003
Service: 11 Years, 7 Months	

The retiree elected the Option B w/pop-up in the amount of \$252.97

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Carolyn Adamson-Robinson 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 \$252.97 for as long as she lives.

Steven Anderson
DPW/1600

Final Average Compensation:	\$ 35,929.60
Accumulated Contributions:	32,393.40
DRET:	25.38
Effective Date of Retirement	12/27/2003
Service: 32 Years, 10 Months	

The retiree elected the Option A in the amount of \$2,333.70

Tabled

Daisy Horton
HMC/1603

Final Average Compensation:	\$ 34,833.83
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	12/26/2003
Service: 24 Years, 7 Months	

The retiree elected the Option A in the amount of \$1,109.34

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Daisy Horton 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 \$1,109.34 for as long as she lives.

Saundra Johnston
HMC/1603

Final Average Compensation:	\$ 31,723.54
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	12/26/2003
Service: 24 Years, 11 Months	

The retiree elected the Option Straight Life in the amount of \$1,119.80

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Saundra Johnston 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 \$1,119.80 for as long as she lives.

Cheryll Kuzava
HMC/825

Final Average Compensation:	\$ 39,448.61
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	12/12/2003
Service: 24 Years, 9 Months	

The retiree elected the Option Straight Life in the amount of \$1,383.17

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Cheryll Kuzava 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 \$1,383.17 for as long as she lives.

Jack Perkins

DPW/1600

Final Average Compensation:	\$ 45,440.30
Accumulated Contributions:	43,053.49
DRET:	28.39
Effective Date of Retirement	12/27/2003
Service: 25 Years, 0 Months	
The retiree elected the Option B w/pop-up in the amount of \$2,134.61	

Tabled.

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the Applications for Voluntary Retirement for Carolyn Adamson-Robinson, Daisy Horton, Saundra Johnston and Cheryll Kuzava.

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

The Applications for Voluntary Retirement for Steven Anderson and Jack Perkins were tabled pending the outcome of a review of the calculations used for the purchase of lay-off and interim time under the new #1600 and #1799 contracts.

9. APPLICATIONS FOR DEFERRED RETIREMENT

Ellen Barrett
HMC/1603

Final Average Compensation:	\$ 23,712.96
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	12/17/2003
Service: 22 Years, 8 Months	
The retiree will elect an Option prior to 11/01/2012	

Michael Bemis
HMC/RN

Final Average Compensation:	\$ 57,329.04
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	11/29/2003
Service: 10 Years, 11 Months	
The retiree will elect an Option prior to 08/01/2015	

Anne McAuliffe
HMC/1603

Final Average Compensation:	\$ 51,200.75
Accumulated Contributions:	31,641.09
DRET:	27,363.86
Effective Date of Retirement	12/26/2003
Service: 23 Years, 3 Months	
The retiree will elect an Option prior to 10/01/2005	

Gerald Miller
HMC/RN

Final Average Compensation:	\$ 55,775.98
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	12/26/2003
Service: 12 Years, 4 Months	
The retiree will elect an Option prior to 01/01/2024	

It was moved by Amy Lindman, and supported by Georgia Steinhoff, to approve the Applications for Deferred Retirement for Ellen Barrett, Michael Bemis, Anne McAuliffe and Gerald Miller.

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

10. OPTIONS PICKED BY DEFERRED RETIREMENTS

with Mr. Johnson specifically provided that the collective bargaining agreement is silent on the matter. What is this settlement agreement providing for? Is it the settlement of a grievance over an issue in the collective bargaining agreement to which the Board is bound? Or merely a settlement between the parties? Mr. Stratton suggests that, to the extent that it is a resolution of a grievance, there is nothing further for the Board to do; however, Habeeb disagrees with that conclusion. Based upon PERA, the Labor Relations Department and the City of Flint cannot substitute their judgement for that of the Board of Trustees in matters outside of the scope of the collective bargaining agreement. His recommendation is that this not be approved, pending further review.

It was moved by Amy Lindman, and supported by Georgia Steinhoff, to approve the changes to pensions previously reported for Tony Golden and Sharon Zuehlke.

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

The issue concerning Daugherty Johnson was tabled pending further review.

12. UPCOMING CONFERENCES

- 12.1 MAPERS, Public Plan Investment Policies, Actuarial Issues and Fiduciary Responsibility, February 3, 2004, East Lansing, MI. (On file in Retirement)
- 12.2 Information Management Network, 8th Annual Colt Gras 2004 Conference, February 18-20, 2004, New Orleans, LA. (On file in Retirement)
- 12.3 NCPERS, Legislative Conference, February 9-11, 2004, Washington, DC. (On file in Retirement)
- 12.4 Institute for International Research, 6th Annual Controlling Workers' Compensation & Disability Payments, March 22-23, 2004, San Francisco, CA. (On file in Retirement)
- 12.5 International Foundation, Benefit Communication and Technology Institute, March 28-31, 2004, Lake Viena Vista, FL. (On file in Retirement)
- 12.6 Callan Associates, Callan Defined Contribution Investments Institute Second Annual Conference, April 26-28, 2004, San Francisco, CA. (On file in Retirement)
- 12.7 NCPERS, 2004 Annual Conference & Exhibition, May 2-6, 2004, Anaheim, CA. (On file in Retirement)

It was moved by Amy Lindman, and supported by Ed Taylor, to add the stated

conferences to the list of authorized conferences.

Upon being put to a vote, the motion to add the stated conferences to the list of authorized conferences carried unanimously.

13. COMMUNICATIONS RECEIVED

- 13.1 NCPERS, The Monitor, December 2003/January 2004. (On file in Retirement)
- 13.2 Peter Sullivan, Letter to Lisa DeDolph re: New firm name RCM effective January 1, 2004, January 5, 2004. (On file in Retirement)
- 13.3 State Street Global Advisors, Market Effect Expenses, December 23, 2003. (On file in Retirement)
- 13.4 Northern Trust, Global Securities Lending Report, December 8, 2003. (On file in Retirement)
- 13.5 Ray Froehlich of Northern Trust, Letter to Lisa DeDolph re: STP (Straight-through processing), December 19, 2003. (On file in Retirement)
- 13.6 Frank Russell Securities, Performance Measurement during a transition, December 19, 2003. (On file in Retirement)
- 13.7 Plante & Moran, 2004 Payroll Tax Update, December 2003. (On file in Retirement)
- 13.8 Bank of New York Co., Press Release, October 1, 2003, (On file in Retirement)
- 13.9 MAPERS, Pension Scope, Winter 2003, (On file in Retirement)
- 13.10 Callan Associates, Letter to Lisa DeDolph re: BNY Brokerage is Preferred Broker, December 9, 2003. (On file in Retirement)
- 13.11 Callan Associates, Private Market Trends, Fall 2003. (On file in Retirement)
- 13.12 Gabriel Roeder Smith & Co., News Scan & Research Memo, December 11, 2003. (On file in Retirement)
- 13.13 Bank of Ireland Asset Management, Donation made to Rainbow Babies & Children's Hospital, December 2003. (On file in Retirement)

- 13.14 Boston Partners, Quarterly Review, 3rd Qtr. 2003. (On file in Retirement)
- 13.15 International Foundation, Employee Benefits Journal, December 2003. (On file in Retirement)
- 13.16 International Foundation, Employee Benefits Digest, December 2003. (On file in Retirement)
- 13.17 Piedmont Investment Advisors, Investment Performance Descriptions, November 24, 2003. (On file in Retirement)
- 13.18 Bob Rosenberger, Report from Due Diligence visit to CB Richard Ellis, December 2003. (Enclosed)
- 13.19 E-mail from Mary Mendler to Daniel Hall re: Consultant Search with Pensions & Investments, December 4, 2003. (Enclosed)
- 13.20 Timothy Simon, Letter to Lisa DeDolph re: Paul Marx appeal to the Retirement Board's decision to deny disability pension, December 11, 2003. (Enclosed)
- 13.21 City of Flint Employees' Retirement System, Letter to Ray Froehlich re: CB Richard Ellis transfer, December 18, 2003. (Enclosed)
- 13.22 City of Flint Employees' Retirement System, Letter to Ray Froehlich re: Fidelity Real Estate transfer, December 18, 2003. (Enclosed)
- 13.23 City of Flint Employees' Retirement System, Letter to Ray Froehlich re: Intercontinental Real Estate transfer, December 18, 2003. (Enclosed)
- 13.24 Habeeb Ghattas, Letter to Andrea Salvi re: Intercontinental Real Estate, December 18, 2003. (Enclosed)
- 13.25 Habeeb Ghattas, Letter to James Broderick re: Fidelity Real Estate, December 18, 2003. (Enclosed)
- 13.26 Habeeb Ghattas, Letter to Timothy Simon re: Jill Higgerson, December 19, 2003. (Enclosed)
- 13.27 Habeeb Ghattas, Letter to Thomas Smela & Daugherty Johnson, re: Daugherty Johnson's settlement agreement, December 22, 2003. (Enclosed)
- 13.28 Habeeb Ghattas, Letter to Larry Langer re: Public Act 728, January 12, 2004. (Enclosed)

- 13.29 Steve Stratton, Letter to Board of Trustees re: Daugherty Johnson, Jr., January 12, 2004. (Enclosed)
- 13.30 Habeeb Ghattas, Memo to Board of Trustees re: Tony Golden, January 13, 2004. (Enclosed)

It was moved by Amy Lindman, and supported by Georgia Steinhoff, to receive the communications on file.

Sandra Kidd noted that #13.13 mentions a donation on behalf of the Retirement Board by the Bank of Ireland and expressed her concern about the amount of the donation exceeding the maximum allowable value for gifts to the Board. Daniel Hall noted that he will review the issue and report back to the Board.

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

14. REPORTS RECEIVED

- 14.1 State Street Global Advisors, Transaction Activity Report as of December 8, 2003. (On file in Retirement)
- 14.2 State Street Global Advisors, Account Summary as of November 30, 2003. (On file in Retirement)
- 14.3 Magna Securities, Commission Recapture Report as of November 30, 2003. (On file in Retirement)
- 14.4 LSV Asset Management, Performance as of November 30, 2003. (On file in Retirement)
- 14.5 Bank of Ireland, Statement of Holding as of December 31, 2003. (On file in Retirement)
- 14.6 Dresdner RCM Global, Account Summary as of November 30, 2003. (On file in Retirement)
- 14.7 Northern Trust Reports – November 2003 (Enclosed)
- 14.8 Retirement Fund Employee/Employer Contributions (Enclosed)

It was moved by Amy Lindman, supported by Ed Taylor, to receive the reports on file.

Some questions were raised regarding #14.8, “Retirement Fund Employee/Employer Contributions.” Peter Dobrzeniecki noted that this is a new report the Finance Department will be giving to the Pension Board on a regular basis. This report ties together the City’s contributions and the reports from the money managers. Two items on this report were questioned: an adjustment for an overdraft and an \$80,000 credit. Peter Dobrzeniecki stated that he will provide further information to the Board at the next meeting to clarify these items.

Amy Lindman asked if the City was still making contributions into the Pension System. Peter Dobrzeniecki responded that the City is continuing to make the contributions as budgeted.

Dan Hall requested a monthly report showing all Pension System revenues and expenditures including money manager fees, etc. He would like to meet with Peter Dobrzeniecki to work out the particulars for this report.

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

15. STATISTICAL REPORT OF BENEFITS

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Number Retired	2,889	2,964	3,001
Annualized Payroll	\$ 54,816,669	\$ 58,416,621	\$ 61,357,283
13 th Check	\$ 3,756,982	-0-	
Charter 13 th Check	\$ 71,320	-0-	

No action is necessary by the Board on this item.

16. APPROVAL OF THE FEBRUARY 1, 2004 PENSION PAYROLL TRANSFER

It was moved by Dan Coffield, and supported by Georgia Steinhoff, to approve the transfer of \$5,000,000 from State Street Global Advisors to Citizens Bank to pay the February 1, 2004 pension payroll.

Upon being put to a vote, the motion to approve the transfer of funds to pay the February 1, 2004 pension payroll carried unanimously.

Dan Hall stated that a report with more accurate numbers, rather than estimates, needs to be provided to the Board prior to approving these transfers in the future. Bob Erlenbeck indicated that he will look into the account balances and report back at the next Board Meeting.

17. AUDIT COMMITTEE REPORT

No report - the Audit Committee has not met since the last Board Meeting.

18. DB/DC COMMITTEE REPORT

No report - the DB/DC Committee has not met since the last Board Meeting.

19. DUE DILIGENCE REPORT

No report - the Due Diligence Committee has not met since the last Board Meeting.

20. PROFESSIONAL SERVICES COMMITTEE REPORT

Georgia Steinhoff reported that the Committee met on January 9, 2004. The Committee discussed Philip Snyder's and Paul Marx's requests for reconsideration of their disability retirement applications. The recommendation of the Committee is that these two requests be referred back to Dr. Roth at M-Works for a reevaluation of their medical history, along with the specific language from the Police Officers' contract that stipulates how a police officer is determined to be disabled. This may incur additional costs to the System, which would require approval by the Board.

A motion was made by Georgia Steinhoff, seconded by Amy Lindman, to approve

sending Philip Snyder and Paul Marx for reevaluation by Dr. Roth of M-Works for reconsideration of their requests for disability retirements, and the payment of any fees incurred for these reevaluations.

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

Georgia Steinhoff also noted that there has been an ongoing dialogue between the attorney for Jill Higgerson and the Board regarding the denial of Ms. Higgerson's request for a disability retirement. Although Ms. Higgerson has been evaluated by Dr. Zada and an oncologist, the Committee is recommending that Ms. Higgerson be reexamined by Dr. Roth for a final evaluation regarding her request due to issues concerning the nature of her disability.

A motion was made by Georgia Steinhoff, seconded by Dan Coffield, to approve sending Jill Higgerson for reevaluation by Dr. Roth of M-Works for reconsideration of her request for a disability retirement, and the payment of any fees incurred for this reevaluation.

Habeeb Ghattas noted that one issue involving Jill Higgerson was the concept of "in City employment," since she is no longer in City employment; however, her condition may have arisen while she was in City employment. He stated that the sense of the Committee was to construe "in City employment" for purposes of the Retirement Ordinance as relating to when a member became disabled.

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

Georgia distributed a timeline regarding the RFP for a consultant and information regarding the ad to be placed in the *Pensions & Investments* newspaper. The cost of the ad is \$560, which is less than previously approved. A contact person is needed. Daniel Hall agreed to be the contact person. The ad will begin on January 26 and run for two weeks and will also be on the Internet for four weeks. The deadline for responses will be February 26. The Committee will meet again on February 9 and continue to work on this process.

The Committee has asked Habeeb Ghattas to research his files for language on the Equating Option for the Committee to address at their meeting on February 9.

Norb Leonard, Attorney for Officer Philip Snyder, told the Board that they want to assist in compiling Mr. Snyder's medical records for review by Dr. Roth and asked who they could work with on this issue.

Habeeb Ghattas noted that the Board will inquire of Dr. Roth at M-Works what records

he needs to see and then advise Mr. Snyder accordingly.

21. INVESTMENT COMMITTEE REPORT

Dan Coffield distributed the minutes of the Investment Committee Meeting held on January 9, 2004. He began with an update on the progress of fund transfers. The Real Estate and Meridian transfers are completed. The transfer to Dodge & Cox is waiting for a signed contract. Dan Hall noted that the contract was reviewed by legal counsel, he has signed it and Peter Dobrzeniecki or Don Phillips need to sign it, and then it can be sent to Dodge & Cox.

Dan Coffield noted that fixed income search presentations were given to the Committee of the Whole during the morning session. These presentations were made by Piedmont, Wells, Bank One, and Dodge & Cox. He also reminded the Board that the Board's policy is that any money managers who call board members regarding investments by the System are to be referred to Ken Brunke at Callan & Associates. The Investment Committee also discussed the new Public Act #771 and the Consultant Search. Dan noted that the Hurley Board did not discuss the possible transfer to MERS at their meeting in December. It is unknown if this will be discussed at their January Board Meeting.

Dan Hall stated that a letter of direction is needed for assets to be transferred by Northern Trust to Dodge & Cox for \$65,000,000. Habeeb Ghattas noted that the Board's approval of this transfer had been contingent upon two conditions: a due diligence visit to Dodge & Cox and the conclusion of contract negotiations. These two conditions have now been resolved.

It was moved by Dan Coffield, and supported by Amy Lindman, to authorize Northern Trust to transfer \$65,000,000 to Dodge & Cox, utilizing the transition manager, since the due diligence visit and contract negotiations have been satisfactorily completed.

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

Dan Hall noted that the transfer of index funds has not yet been done. There was a motion made at the last board meeting, and he will be sure the appropriate letter is sent. He also has a letter ready to be sent to Northern Trust authorizing them to give Dan Coffield access to the Passport System. This letter will be signed and mailed this week.

Dan Coffield led a discussion of the fixed income search process and the four presentations made at the morning session. The Investment Committee recommended

\$100,000,000 be transferred into fixed income investments. The discussion included a comparison of performance history, other clients, assets and fee structure of the four companies under consideration: Dodge & Cox, Wells, Bank One, Piedmont. It was noted that all four companies are currently outperforming Wentworth, Hauser & Violich.

Ken Brunke left the meeting at 2:35 p.m.

Motion made by Darnell Earley to refer the fixed income search back to the Investment Committee, for review at their meeting on February 9, to bring their recommendations to the Board at the February 10 Money Manager Review Meeting, supported by Georgia Steinhoff.

Discussion followed. The Board would like the Investment Committee to evaluate the fee structure of each manager and the minimum investment required.

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

Dan Coffield noted that the Investment Committee would welcome input from the Board.

22. TRAVEL POLICY

Daniel Hall noted that there are several travel requisitions and reports outstanding that Mr. Kurtz has not approved for payment. Most board members are unwilling to travel again unless they are sure of being reimbursed. He would like a report at the next meeting listing all unpaid travel. Also, due diligence visits will be needed to Wells & Piedmont. He asked Darnell Earley and Peter Dobrzeniecki to talk to Ed Kurtz about this issue.

Ed Taylor noted that there is an out-of-state conference he would like to attend in February – the 8th Annual Colt Gras 2004 Conference in New Orleans - which would be his one out-of-state trip for the year, per the policy. Since he is entitled to one out-of-state trip per year, no action was needed by the Board.

23. LIABILITY INSURANCE/POLICY

Dan Hall reported that this issue is being tabled due to some concerns with the application, after discussion with legal counsel. Specifically, Items #11, 13, 15 (benefit changes, contributions, and errors & omissions) are of concern without a complete audit of the Retirement System.

24. SOCIAL SECURITY EQUATING OPTION

This issue has been referred to the Professional Services Committee and should be removed from future agendas, per Dan Hall.

The Board recessed for a break at 3:00 p.m.

The Board reconvened the meeting at 3:10 p.m.

25. RESOLUTION TO ADOPT THE ACTION RECOMMENDED BY THE PENSION REFORM TASK FORCE

Georgia Steinhoff noted that at the last meeting the Board voted to request the opinion of another actuary, Rodwan & Nichols. However, they have declined to become involved.

Daniel Hall tabled the resolution because there are issues involved in the recommendations that the Board is not ready to act on. He noted it should be kept on the agenda for the next Regular Board Meeting in February.

26. WALLACE JONES – TEMPORARY RESTRAINING ORDER

Habeeb Ghattas reported that Wallace Jones, a retired firefighter, is going through a divorce and there is a dispute over his pension. In conversations with the attorneys involved, he indicated that, by law, the Board could recognize an order allowing for payment of pension funds to a former spouse. However, the order proposed by receiver approved by the Court provides for payment of the full pension benefit to the receiver pending further order of the court as to the percentage distribution to Mr. Jones and Mrs. Jones. Habeeb does not believe that this order is in compliance with the law; however, the receiver had filed an ex parte motion for a temporary restraining order, prohibiting the Retirement System from making payments to Mr. Jones, and the Court granted this order. Therefore, he recommended compliance with that order until it could be

challenged or dissolved. He filed a motion on the Board's behalf to that end. At this point, the Judge has ruled to continue the temporary restraining order at least until sometime in March. Although the Board's position is that directing 100% of Mr. Jones' pension benefit to a Receiver is not in compliance with the law, the Court did not agree with that argument. Habeeb noted that this is an issue of significant public policy and the Board may wish to appeal the decision. However, he is not inclined to recommend an appeal by the Board at this time, as the decision is not binding precedent.

27. OTHER BOARD BUSINESS

Daniel Hall stated that Habeeb Ghattas will prepare a written recommendation for the next meeting regarding the Daugherty Johnson issue.

Habeeb Ghattas reported that there has been no decision as yet from Judge Yuille regarding the lawsuit between the Board and the City. Sandra Kidd asked that "Legal Counsel Update" become an agenda item for future meetings.

Bob Erlenbeck reported that a problem was found regarding the calculations for employee purchase of time (interim and lay-off time) under the new #1600 and #1799 contracts. He will have further information to report at the next Board Meeting. This does not affect the contracts; it is an issue of following what was intended in the contracts.

Don Phillips requested that the Board v. Kurtz lawsuit be put on the agenda for the next Regular Board Meeting.

28. ADJOURNED

A motion was made by Amy Lindman, supported by Sandra Kidd, to adjourn at 3:23 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary