

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, May 16, 2006, at 1:00 p.m. in the Hurley Medical Center 1B Conference Room, with the following in attendance:

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

ABSENT Douglas Bingaman, Peggy Cook, Sandra Kidd, Kerry Nelson, Scott Sutter

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

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:08 p.m.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Charlotte Novak, Chairperson, Registered Nurses and Registered Pharmacists, asked the Board why the total amount of funds have not yet been transferred to MERS.

Carol Carpenter, Exempt Employee at Hurley Medical Center, asked about the status of allowing the exempt employees to transfer from FERS to MERS.

Mike Burnett, Hurley Medical Center Merit/Exempt Representative, asked about the status of exempt employees being allowed to transfer to MERS and asked for clarification regarding what actions are needed for that issue to be addressed.

Chairman Daniel Hall stated that issues related to the FERS to MERS transfer would be addressed further in the agenda.

3. APPROVAL OF THE MARCH 21, 2006 REGULAR BOARD MEETING MINUTES

It was moved by Ehren Gonzales, and supported by Robert Erlenbeck, to approve the minutes of the March 21, 2006, Regular Board Meeting.

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

4. APPROVAL OF THE APRIL 25, 2006 REGULAR BOARD MEETING MINUTES

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the minutes of the April 25, 2006, Regular Board Meeting.

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

5. APPLICATIONS FOR VOLUNTARY RETIREMENT

Leslie Wizauer

HMC/Exempt

Final Average Compensation: \$ 193,112.84

Accumulated Contributions: 53,648.28

DRET: 79,064.63

Effective Date of Retirement 03/28/2006

Service: 29 Years, 4 Months

The retiree elected the Option Straight Life in the amount of \$ 9,870.21.

It was moved by Robert Erlenbeck, and supported by Ehren Gonzales, to table the Application for Voluntary Retirement for Leslie Wizauer to allow time for additional information, some of which was received today, to be verified and audited.

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

6. APPLICATIONS FOR DEFERRED RETIREMENT

Gina Middleton

HMC/1603

Final Average Compensation: \$ 36,522.67

Accumulated Contributions: Non-Cont

DRET: .00

Effective Date of Retirement 04/01/2006

Service: 15 Years, 6 Months

The retiree will elect an Option prior to 11/01/2010.

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the Application for Deferred Retirement for Gina Middleton.

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

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

Raechelle Whitlock/HMC

Option A - \$313.73

8. APPLICATIONS FOR DUTY DISABILITY RETIREMENT

Todd Burch

City/FPOA

Age: 36 Years

Service: 12 Years, 1 Months

The medical report and summary of Disability Determination dated April 5, 2006 from Dr. Victor Roth, Medical Director, does certify that Todd Burch is totally and permanently disabled.

Approved at the April 25, 2006 Regular Board Meeting.

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

9.1 Oppenheimer & Co., Henderson – Own the World Seminar, May 13, 2006, Flint, MI.

9.2 Institutional Investor, 3rd Annual China Investment Forum, June 1-2, 2006, New York, NY.

9.3 Chicago GSB, Building & Implementing Growth Strategies, July 17-21, 2006, Chicago, IL.

9.4 Chicago GSB, Finance for Executives, August 21-25, 2006, Chicago, IL.

9.5 Institute for Int'l Research, 2006 Guns & Hoses, September 17-20, 2006, Las Vegas, NV.

A motion was made by Amy Lindman, and supported by Robert Rosenberger, to add the stated conferences to the list of authorized conferences.

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

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

- 10.1 Mesirow Financial, Invitation to Breakfast on Sunday, May 21, 2006 at Soaring Eagle Casino.
- 10.2 Watson Wyatt, 11th Annual National Business Group on Health Survey Report, May 2006.
- 10.3 Northern Trust, Global Investments Strategy, May 2006.
- 10.4 Northern Trust, Viewpoints, Spring 2006.
- 10.5 Babson Capital, The Babson Staff Letter, April 14, 2006.
- 10.6 Letter to Daniel Hall from Peggy Cook re: Appointment of Scott Sutter, May 1, 2006. *(Enclosed)*
- 10.7 City Council Resolution of Support for FERS Revised Contribution Rates for Fiscal Year 2006 and 2007, May 8, 2006. *(Enclosed)*
- 10.8 Allegiant Asset Management, Fully Executed Contract and Investment Policy Acceptance Form, May 2, 2006.
- 10.9 Keeley Asset Management, Fully Executed Contract and Investment Policy Acceptance Form, May 4, 2006.
- 10.10 Letter from MERS to Cass Wisniewski re: Cash transfers only, March 23, 2006. *(Enclosed)*
- 10.11 Fisher Investments, Fully Executed Contract and Investment Policy Acceptance Form, May 9, 2006.

A motion was made by Amy Lindman, and supported by Georgia Steinhoff, to receive the communications, with the exception of #10.6 separated for discussion only, and place them on file.

Chairman Daniel Hall stated that #10.6 is a letter to him as Chair from [City Administrator] Peggy Cook appointing Police Officer Scott Sutter as Trustee to fill the vacancy left by Alvern Lock, dated May 1, 2006 (enclosed in the agenda packets).

Chairman Daniel Hall noted that #10.10 is a letter from MERS to Cass Wisniewski, dated March 23, 2006, stating that MERS will only accept cash.

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

Chairman Hall called for discussion on #10.6.

Georgia Steinhoff stated that the letter appoints Scott Sutter as the Trustee representing Police and Fire. The Board, in 1996, adopted a policy that, as a past practice, the alternates should be moved up from the alternate position to the trustee position. Also, in Section §35-11 of the Code, it says that the Board of Trustees shall adopt its own rules or procedures and shall keep a record of its proceedings. When this problem arose before, because it wasn't clear in the Ordinance, the Board took action and, because of past practice, moved that the alternates do move up to the trustee position. When the elections are held, all are running for the Trustee position. The person with the highest votes gets the Trustee position and the person with the second highest votes becomes the Alternate. In keeping with past practice, she believes that Amy should be moved up to the Trustee position and that the letter is not in compliance with the Ordinance or with the policy established by the Board.

Donald Phillips stated that the Board's policy has been to move the Alternate to the Trustee position at least since 1986, when Trustee Dick Satterly resigned from the Board, the Alternate moved to the Trustee position, and Mr. Phillips was appointed as the Alternate. Georgia Steinhoff stated that she believes the minutes would reflect that has been the Board's policy since the 1960s.

Peter Dobrzenicki stated that there is nothing in the Ordinance that addresses an alternate moving into the Trustee position. It does specifically say that the City Administrator has the discretion of replacing Board Members and Alternates. City Administrators in the past may have acquiesced to the wishes to the Board, but that is not binding on the City Administrator. The Board cannot amend the pension ordinance with a policy. They can only ask the City Council to change it.

Georgia Steinhoff stated that, because it wasn't defined, the Board in 1996 adopted the policy because of the past practice that the Alternate should become the Trustee. The Board is allowed to adopt procedures if something is not clearly defined.

Attorney Trachelle Young replied that, in reading the notes from the April 30, 1996 meeting, it was moved and supported to postpone accepting the resolution of employing past practices of alternates ascending to Trustees and the motion was unanimously carried. In reading that, it would appear that the policy was not adopted.

Chairman Daniel Hall asked that the Attorney review the issue before Mr. Sutter attends a meeting in a voting position.

11. **COMMUNICATIONS SENT** *(All documents have been placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets also.)*
- 11.1 Letter to The Northern Trust Company re Transfer for April 1, 2006 Pension Payroll, March 24, 2006.
- 11.2 Letter and Form 8802, Application for United States Residency Certification, to Northern Trust, April 14, 2006.
- 11.3 Northern Trust Cross-Trading Agreement, signed April 25, 2006.
- 11.4 Second Amendment to Investment Management Agreement between FERS and Northern Trust Investments, April 25, 2006.
- 11.5 FERS Resolution regarding Revised Contribution Rates, April 25, 2006. (Enclosed)
- 11.6 Letter to The Northern Trust Company re Transfer for May 1, 2006 Pension Payroll, April 25, 2006. (Enclosed)
- 11.7 Direction Letter to The Northern Trust Company to open three new accounts: Cash Drawdown, FERS to MERS Transition, Fund Rebalancing Transition, April 25, 2006.
- 11.8 Termination Letter to Habeeb Ghattas, April 26, 2006. (Enclosed)
- 11.9 Letters to Four New Managers (Allegiant, Fisher, Keeley, LSV) with signed Contracts, Investment Policy, Signature Certification, Consultant Listing, Board of Trustees Listing (requesting Contract and Investment Manager Acceptance to be signed and returned), April 27, 2006.
- 11.10 Letters to 13 Current Money Managers with Investment Policy, Signature Certification, Consultant Listing, Board of Trustees Listing (requesting Investment Manager Acceptance to be signed and returned), May 8, 2006.
- 11.11 Direction Letter to The Northern Trust Company to open new accounts for four new money managers, May 9, 2006.
- 11.12 Transition Services Agreement with The Northern Trust Company, May 10, 2006.

- 11.13 Addendum B “Certificate” to the Public Fund Master Custody Agreement, with The Northern Trust Company, May 10, 2006.
- 11.14 Letter to The Northern Trust Company re Rebalancing Directions, May 10, 2006.
- 11.15 Letter to Dodge & Cox, re drawdown of \$17,800,000, May 10, 2006.
- 11.16 Letter to Wellington Management re drawdown of \$80,000,000, May 10, 2006.
- 11.17 Letter to Wentworth, Hauser & Violich re drawdown of \$60,000,000, May 10, 2006.
- 11.18 Letter to ICON Advisers re drawdown of \$9,000,000, May 10, 2006.
- 11.19 Letter to Piedmont Investment Advisors re drawdown of \$476,000, May 10, 2006.
- 11.20 Letter to State Street Global Advisors re termination of Strategic Balance Fund with full liquidation, May 10, 2006.
- 11.21 Letter to J.P. Morgan re drawdown of \$2,300,000, May 10, 2006.
- 11.22 Letter to Globalt, Inc. re additional funding of \$35,000,000, May 10, 2006.
- 11.23 Letter to LSV Asset Management for funding of \$25,000,000, May 10, 2006.
- 11.24 Letter to Keeley Asset Management Corp. for funding of \$30,000,000, May 10, 2006.
- 11.25 Letter to Fisher Investments for funding of \$20,000,000, May 10, 2006.
- 11.26 Letter to Allegiant Asset Management Company for funding of \$30,000,000, May 10, 2006.
- 11.27 Money Managers & Consultants Listing, May 10, 2006. (Enclosed)
- 11.28 Board of Trustees Listing, May 5, 2006. (Enclosed)
- 11.29 Updated Investment Policy, May 4, 2006. (Enclosed)

Chairman Hall noted that #11, *Communications Sent*, has been added to the Agenda to allow for a comprehensive listing of correspondence sent on behalf of the Retirement System, for the Board’s information. Previously, documents were listed under *Communications Received* or not listed at all. This listing will be expanded to include communications sent to retirees, retirement applicants, etc., to keep the Board fully informed.

Chairman Daniel Hall also noted that several of the communications listed relate to the recent rebalancing of the Fund and the funding of new managers.

A motion was made by Robert Rosenberger, and supported by Ehren Gonzales, to approve the communications sent and place them on file.

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

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

- 12.1 Fidelity Investments, Monthly Investment Update as of April 30, 2006.
- 12.2 Fidelity Investments, Capital Contribution, May 3, 2006.
- 12.3 Lynch, Jones & Ryan, Trading Summary as of March 31, 2006.
- 12.4 Magna Securities, Commission Recapture Report as of March 31, 2006.
- 12.5 State Street Global Advisors, Account Summary as of March 31, 2006.
- 12.6 State Street Global Advisors, Appraisal Report as of April 30, 2006.
- 12.7 Wellington Management, Portfolio Performance as of March 31, 2006.
- 12.8 Barclays Global Investors, Investment Insights, April 2006.
- 12.9 Globalt Investments, Equity Strategies, 1st Quarter 2006.
- 12.10 Northern Trust Reports – March 2006 (*Enclosed*)
- 12.11 Retirement Fund Employee/Employer Contributions (*Enclosed*)

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

Discussion followed regarding #12.11, Retirement Fund activity and, specifically, expenditures for travel and training. During the discussion, the Board agreed that the City Attorney, Assistant City Attorney and the Retirement Supervisor should be allowed to attend conferences for training purposes, with the funds coming from the Retirement budget.

The Mayor's denial of Amy Lindman's request to attend Guns & Hoses in Las Vegas was also discussed. Chairman Hall stated that he would investigate. He also asked the City Attorney for an opinion as to whether the Mayor has the right to approve or deny travel requests by the Board. It was noted that funds are available in the budget. Discussion followed.

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

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

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

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

Bob Erlenbeck stated that the Northern Trust Authentication Procedure needs to be updated. This procedure is used by Northern Trust to verify all transfers, including monthly pension payroll. Currently, Wanda Twitty, who was replaced by Suzi Bye, is still on the list.

A motion was made by Robert Erlenbeck, and supported by Georgia Steinhoff, to change the Authentication Procedure documents for Northern Trust to delete Wanda Twitty and add Suzi Bye.

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

Chairman Daniel Hall reported that a transfer of \$5,075,300.00 is needed for the payment of the June 1st, 2006 pension payroll, with funds to be taken from the Northern Trust Flint-Drawdown Account #26-19617. Chairman Hall asked Ivory Day for a monthly balance update on the Northern Trust drawdown account.

A motion to approve a transfer of \$5,075,300.00 for payment of the June 1st, 2006 pension payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Cass Wisniewski, and supported by Ehren Gonzales.

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

- 15. RESOLUTION AUTHORIZING THE TRANSFER OF ALL DATA FOR CERTAIN ACTIVE MEMBERS AND RETIREES OF HURLEY MEDICAL CENTER**
- 16. RESOLUTION AUTHORIZING THE TRANSFER OF RELATED ASSETS AND LIABILITIES FOR CERTAIN ACTIVE MEMBERS AND RETIREES OF HURLEY MEDICAL CENTER.**
- 17. FERS TO MERS TRANSITION**

Chairman Daniel Hall stated that Agenda Items #15, 16 and 17 regarding MERS would be discussed as a unit. Cass Wisniewski introduced Kathy House, Chief Marketing Office for MERS, who has been working with Hurley on the transition process.

Chairman Hall stated that an initial amount of \$15.7 million has been placed in a transition account at Northern Trust in preparation for transfer to MERS. The City Council has approved this transfer. In order to make the transfer, wire transfer information is needed from MERS. However, MERS has expressed concerns about the amount of the transfer and has not yet provided wire instructions. MERS and Hurley representatives want the major portion of the funds to be in the first transfer, rather than several incremental transfers, as originally planned by the FERS Board of Trustees. Once all actuarial calculations are completed, the balance of the funds would be transferred in the second/final increment. These transfers are only on behalf of the active members of the unions that voted to transfer to MERS.

Attorney Trachelle Young reported that she is prepared to present an Ordinance amendment to City Council to allow the transfers to MERS. Discussion followed.

Chairman Hall stated that the current agreements do not allow for the exempts to transfer to MERS. They will need to present their case to the City Council and ask for the Council's affirmation.

Chairman Hall also stated that Hurley Medical Center, not FERS, has agreed to pay the actuarial fees incurred for the transfer to MERS. The final valuation report, as approved by the MERS and FERS actuaries at GRS, will be submitted to the Board of Trustees.

Chairman Daniel Hall opened the floor for questions and discussion, including members of the public.

Charlotte Novak asked whether the City Council realizes that the collective bargaining agreements supercede the Ordinance and ordinance changes are not necessary? Also, how long before the City Council approves the transfer?

Chairman Hall stated that Attorney Trachelle Young has prepared an ordinance change. Although the City Council understands that it is not required, the City Attorney has a greater comfort level with an ordinance change. Ehren Gonzales stated that he will speak with City Council members individually and will try to move as quickly as possible to approve the ordinance changes.

Consultant Ivory Day noted that, once the decision is made to make the transfers and the dollar amount is known, it will take two to four weeks to transfer the funds because securities and stocks must be sold.

Mr. Burnett asked why exempts couldn't be included in the City Council ordinance change?

Discussion followed. The current request from Hurley is for specific union groups to transfer and the actuarial calculations have focused only on those groups. They must be transferred first, as they fall under PERA, and their contracts must be honored.

Charlotte Novak asked about the status of the retirees since July 1, 2004.

Chairman Daniel Hall noted that there were 42 employees who retired under FERS from the bargaining units that voted to go to MERS. It is unclear how many of them want to transfer to MERS. Bob Erlenbeck stated that the 42 would be the next group to be transferred, after the active employees represented in the contracts are transferred. Discussion followed. In addition to exempts, some previous retirees want the option to transfer to MERS.

Kathy House, the MERS representative, stated that MERS requires their own actuarial study, using wage and service data on all employees to be transferred, for all municipalities that join their system. This is done prior to accepting transfers of funds. Gabriel, Roeder, Smith & Company (GRS) is the actuarial firm used by both FERS and MERS; however, there is a separate staff team assigned to each entity. The actuaries at GRS cannot share data without authorization. Chairman Hall stated that the actuaries at GRS for FERS and MERS must be given authorization to share valuation data and information in order for them to come to an agreement regarding the calculations and the amount to be transferred to MERS. Discussion followed.

A draft of the "Joint Agreement Concerning the Transfer of all Data, and Related Assets and Liabilities for Certain Active Members of Hurley Medical Center" was reviewed and discussed. The Attorney's office will make the recommended revisions. Chairman Hall asked that Attorney Young review the Joint Agreement with the MERS attorney.

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to authorize Larry Langer at Gabriel, Roeder, Smith & Company, the actuary representing FERS, to exchange data with the actuaries at Gabriel, Roeder, Smith & Company representing MERS.

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

Chairman Daniel Hall asked Attorney Trachelle Young to draft a letter authorizing the exchange of data.

18. GENERAL CITY ELECTION DATES

Chairman Daniel Hall stated that the election schedule for the General City Representative Trustee and Alternate is as follows:

Petitions Available:	June 1, 2006
Nominating Petition Filing Deadline:	June 30, 2006
Primary Election (only if more than two):	July 11, 2006
General Election:	July 25, 2006

A motion to approve the election schedule for the General City Representative Trustee and Alternate was made by Georgia Steinhoff, and supported by Amy Lindman.

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

19. AUDIT COMMITTEE REPORT

No report - tabled by Chairman Daniel Hall. Chairman Hall noted that he would be combining the Audit and Finance Committees.

20. INVESTMENT COMMITTEE REPORT

Chairman Hall noted that the rebalancing of the Fund is currently underway. This rebalancing included depositing the initial transfer to MERS of approximately \$15.7 million into a transition account at Northern Trust.

Chairman Hall stated that it may be prudent to move the balance of \$731,454 (as of 4/30) in the "self-insurance fund" at SSgA to Northern Trust for better fees and a better investment return.

Bob Erlenbeck asked the Board if they were interested in purchasing a liability insurance policy, which would allow for more insurance coverage than the \$700,000+. The earnings on the "self-insurance fund" might be sufficient to pay the premium for a larger policy. Chairman Daniel Hall asked Bob Erlenbeck to bring further information to the Professional Services Committee for their review.

21. PROFESSIONAL SERVICES COMMITTEE REPORT

Committee Chair Georgia Steinhoff stated that no meeting has been held. Robert Erlenbeck reported that the Retirement Office, now that they have a full staff, has begun the audit of pension benefit calculations and five errors have been found to date:

- 1) Final Average Compensation (FAC) incorrect due to a \$100,000 settlement being included in FAC in error, resulting in an overpayment of \$147,120.84.
- 2) FAC incorrect due to the inclusion of a bonus, resulting in an overpayment of \$1,372.45.
- 3) FAC wrong due to Voluntary Days Off (VDO) being credited incorrectly, causing an overpayment of \$9,525.30.
- 4) FAC wrong due to VDOs being credited incorrectly; however, as a deferred retirement, no payments have been made and the error is easily corrected.
- 5) An individual was granted five free years of service without a purchase or settlement agreement or other backup information. Without the five free years, the employee did not have enough time to retire. The employee has been retired and drawing a pension since 1998, receiving \$207,933.91 to date.

Discussion followed. The Ordinance provides that any overpayments must be recovered actuarially. The individuals must first be notified and the information sent to the actuary for calculations. The individual who is collecting a pension in error must be notified and the checks stopped immediately. The other checks should be reduced to the corrected amounts.

Mr. Erlenbeck stated that the audit has focused first on early retirement incentives that may have been granted incorrectly. Also, in pensions involving the purchase of time, the purchase must be corroborated by a City Ordinance, Council Resolution, Settlement Agreement, Union Contract language, etc. In addition, to ensure that the FAC is accurate, all payroll information is verified. Retirement Supervisor Suzi Bye has been recalculating pensions, with Denise Bingaman, Retirement Payroll Technician in the Finance Office, conducting an independent audit. Once they have reached a joint agreement, the

appropriate action can be taken when errors are found. There is presently a list of pensions that are suspected, for various reasons, of having calculation errors. Once everyone on the list is audited, they will begin to randomly audit others. The City Attorney's office is reviewing these pension errors to determine how best to legally recover the funds. The information will then be sent to the Actuary.

Peter Dobrzeniecki noted that, during the review of retirees involved in the 26/27 pays lawsuits, several errors came to light. In addition, there was a payroll fraud situation in 1999 in which a Fire union contract settlement required a retroactive pay calculation for active employees and the pay clerk knowingly overpaid several employees, including herself. She later pled guilty to fraud and was convicted. The City is in the process of trying to recover the excess pay by billing those individuals and setting up repayment plans. Since some of those employees have retired, it is possible that funds will be repaid from their pension checks. The over-payments may have also inflated their FAC.

Bob Erlenbeck stated that he and Peter Dobrzeniecki now have an audit process established and there is no longer one individual who processes a pension calculation from start to finish with no one else being involved. The pension calculation begins in the Retirement Office and does not reach the Agenda until it has been thoroughly audited in the Finance Department. They are also working closely with the Legal Office to insure that contracts, ordinances, settlement agreements, etc. are interpreted correctly.

22. FINANCE COMMITTEE

No report - tabled by Chairman Daniel Hall. Chairman Hall noted that he would be combining the Audit and Finance Committees.

23. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Hall noted that an Ordinance change to allow the transfer to MERS is being presented to City Council soon.

24. GRAY & COMPANY

Chairman Hall stated that the new international and small cap managers are now being funded as part of the rebalancing of the Fund. Also, Globalt's large cap growth allocation was increased.

Ivory Day presented the first quarter performance report to the Board of Trustees. Mr. Day reported that the fund has done very well through the first quarter of this year, significantly outperforming the benchmark of 3.4% with a return of 4.7%. For the one-year period ending in March, the fund showed a return of 12.5% compared to the benchmark of 9.5%, which represents a difference of about \$24,000,000. Also, the Managers performed according to expectations for their investment categories.

Mr. Day stated that, as part of the rebalancing to the current asset allocation (including funding new managers), all managers with liquid assets; i.e., equity, fixed income managers, etc., were impacted by the transition, with some receiving more money and some losing part of their original allocation. The Fund now has greater manager diversification to take advantage of different areas of the market. Real estate funds are closed; i.e., not open to receiving new contributions. He recommends an increase in the real estate allocation; the Trustees may want to consider moving into an open-end real estate fund to supplement the current closed-end real estate funds. Also, Northern Trust has established drawdown and transfer accounts for the System. Discussion followed.

25. LEGAL COUNSEL UPDATES

Attorney I'Lanta Robbins stated that a court order will be forthcoming in the Claude Miller case.

Chairman Hall asked for monthly updates on the Take Two Interactive lawsuit.

Donald Phillips stated that the URGE 26/27 pay lawsuit mirrors the Claude Miller case. As of today, no order has been entered by the Court because the City's attorney has objected to the language that URGE's attorney submitted. The Court has ruled that the City: 1) must give the retirees one 27-week pay, and 2) the City cannot charge any interest. Once the order is entered, URGE has 21 days to file with the Court of Appeals. Discussion followed. Georgia Steinhoff asked whether a revised actuary sheet would be sent to each retiree explaining what the calculations were and how the overpayment would be paid back to the Fund.

26. DB/DC CONVERSION

No report.

27. OTHER BOARD BUSINESS

Chairman Daniel Hall asked for information at the next meeting regarding in-house alternatives to the Minute Master.

Chairman Daniel Hall gave a copy of Milberg Weiss' FERS First Quarter Portfolio Monitoring Report to the Trustees. He noted that there would be a letter from Milberg Weiss in the next packet regarding the launching of their on-line client access system. A secure Internet set will allow log-on and viewing of all funds invested, showing exactly how the fund is affected at any given time by new and settled securities fraud lawsuits.

Chairman Daniel Hall will contact Northern Trust regarding a training session in Flint for Trustees for their Passport Information System.

Chairman Hall stated that the NCPERS conference was the largest ever, with over 1200 attendees. He noted that it was an excellent conference, and one of the session topics was Contribution Volatility. He distributed copies of that presentation to the Trustees. One of the speakers was Brian Murphy, from Gabriel, Roeder, Smith & Company. Assumption rates were discussed during this session and an 8% assumed rate of return appeared to be common, along with lower and higher rates used by different systems. He noted that contribution volatility concerns are rampant throughout public funds. Other issues covered included benchmarks and benchmark changes, which may be on the agenda at the Fall MAPERS. Also, Donald Phillips was reelected to another one-year term on the Executive Board and Daniel Hall was reelected as Michigan Representative on the NCPERS National Committee.

28. ADJOURNED

There being no further business to discuss, it was moved by Georgia Steinhoff, and supported by Amy Lindman, to adjourn the meeting at 3:10 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary