

**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, August 23, 2005, at 1:00 p.m. at City Hall, City Council Committee-of-the-Whole Room, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Peter Dobrzeniecki, Robert Erlenbeck, Janice Kehoe, Alvern Lock, Donald Phillips, Robert Rosenberger, Edward Taylor

ABSENT Douglas Bingaman, Daniel Coffield, Peggy Cook, Mark Horrigan, Sandra Kidd, Amy Lindman, Georgia Steinhoff, Cass Wisniewski

ALSO PRESENT Ivory Day, Jr., Senior Consultant, Gray & Company  
Gwelda Swilley-Burke, Consultant, Gray & Company  
Habeb Ghattas, Attorney for the Retirement Board  
Larry Langer, Actuary, Gabriel, Roeder, Smith & Co.  
Wanda Twitty, Retirement Supervisor  
Trachelle Young, City Attorney  
I'Lanta Robbins, Assistant City Attorney

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

Chairman Daniel Hall called the meeting to order at 1:15 p.m.

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

Barry Fagan, Bargaining Chair for the Registered Nurses & Pharmacists of Hurley Medical Center, distributed a letter to the Trustees dated 8/22/05 from the Unions' attorney, O'Connor & Associates, P.C. He stated that the letter was written on behalf of the unions who voted to transfer to MERS regarding the transfer of their retirement funds. He also requested the addresses of the absent Trustees, in order to send a copy of the letter to them. Chairman Hall stated that Mr. Fagan's request for the absent Trustees' addresses must be made in writing; however, Chairman Hall requested that the Secretary of the System mail copies of the letter to those Trustees not in attendance. Attorney Ghattas stated that he had not seen the letter being distributed.

Joyce Lanckton, Retiree, stated that her retirement estimate did not match the actual amount she received and asked to change her option, because she believes the Retirement Office made an error in her calculations by basing them on the wrong beneficiary.

Charlotte Novak, Chairperson, Registered Nurses & Registered Pharmacists Union, asked if Attorney Ghattas would report on the meeting and discussions between him and the other attorneys regarding the MERS transfer.

Pam Grieve, President, Hurley Local #2056, stated that she believes that the members still in FERS, who will be transferring to MERS, should proceed with their retirement if they wish to do so at this time.

Chairman Daniel Hall asked that Items #13 & #14, related to MERS, be discussed next on the Agenda. He noted that the following persons were asked to be present for the purpose of discussing the issues surrounding the transfer to MERS: 1) Larry Langer, Actuary, Gabriel, Roeder, Smith & Company, 2) City Attorney Trachelle Young, with Assistant City Attorney I'Lanta Robbins, 3) Retirement System Attorney Habeeb Ghattas, and 4) Special Tax Counsel Meg Hunter, via conference call, if needed.

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

Attorney Ghattas stated that the following individuals attended a meeting at Hurley Medical Center on August 10<sup>th</sup> to discuss the various issues involved in the MERS transfer: Attorney Habeeb Ghattas (for the Retirement Board), Attorney Doyle O'Connor (representing Hurley's unions), City Attorney Trachelle Young, the City's Risk Management & Benefits Administrator Bob Erlenbeck, Attorney Kendall Williams (representing Hurley Medical Center), and Attorney Meg Hunter (Board of Trustees Special Tax Counsel) via conference call. Attorney Ghattas stated that the meeting was scheduled at the direction of the Board of Trustees, after the Board became aware that Hurley Medical Center was planning to make employer contributions to MERS, beginning July 1<sup>st</sup>, for the represented member groups who voted to transfer to MERS. The Board authorized him to investigate the many questions and concerns that have arisen during this process, and to proceed with any action he deemed necessary, including litigation, to protect the interests of the System. As a result of the discussions held at the meeting, he is prepared to make certain recommendations, with the participation of Special Tax Counsel Meg Hunter and the Actuary, Larry Langer.

Peter Dobrzeniecki stated that he is concerned about the lack of City Council approval of the MERS transfer. Also, he believes that Hurley does not have valid collective bargaining agreements because the City Charter states that all collective bargaining agreements, including those from Hurley Hospital, must be approved by the City Council.

Attorney Ghattas stated that the question then becomes whether or not the City Council has the obligation to approve collective bargaining agreements negotiated by Hurley Medical Center and its employee groups. Although he is unaware of the City's past practice, there is case authority in the State of Michigan, under PERA, that provides very specifically that when a collective bargaining unit negotiates a benefit affecting wages, hours or conditions of employment in the public sector, which includes retirement, that benefit will supercede any conflicting provision in an ordinance or charter.

City Attorney Trachelle Young stated that, until she attended the meeting, she was unaware that the collective bargaining agreements had been settled and signed by Hurley and the various union groups. She noted that copies of the contracts were distributed at the meeting. Ms. Young indicated that the referenced provision of the City Charter is 4-304-D, which states "The City Council must approve any collective bargaining contract before it becomes effective." Since the hospital is still owned by the City, this is a concern that needs to be addressed before proceeding with any transfer.

In light of the need to address this issue before any further discussion can be held, Chairman Daniel Hall asked that the Trustees consider a motion to table discussion of MERS issues until a special meeting can be called to further address these specific concerns. Chairman Hall requested that a copy of the City Charter be provided to the Trustees at that meeting.

**A motion was made by Donald Phillips, and supported by Alvern Lock, to table Items #13 & #14 until a special meeting can be called.**

Discussion followed. Peter Dobrzeniecki noted that moving hundreds of millions of dollars out of the Retirement System to a separate fund should require approval by the Retirement Board of Trustees and the City Council; Hurley Medical Center and its unions should not be able to decide such a transaction independently. Bob Erlenbeck pointed out that the Union's attorney made the assertion at the meeting that the actuaries have calculated the amount of the transfer, as well as the methodology, alleging that an amount to be transferred had been agreed upon. However, there has been no dollar figure under discussion, only issues related to the methodology of calculating the amount.

Attorney Habeeb Ghattas stated that Gabriel, Roeder, Smith & Company made recommendations regarding methodology, and the Actuaries from Actuarial Services Company reviewed and concurred with those recommendations, with specific reservations. The Board has not formally acted on those methodologies.

Chairman Daniel Hall told Special Tax Counsel Meg Hunter, when she called into the meeting, that the Board did not have any questions for her at this time. He then asked Larry Langer to address the Board.

Larry Langer stated that his actuarial firm had developed a methodology for calculating

the amount that would need to be transferred to MERS, as a percentage of the assets, when a transfer date is set. However, the most recent actuarial report lists the System's assets as of December 31, 2003. The asset data must be calculated as of the date of transfer before developing a precise dollar amount to be transferred. The actuaries from the Actuarial Services Company have agreed that the methodology is reasonable.

Attorney Habbab Ghattas outlined some of the concerns referenced in the letter from Actuarial Services Company. One concern referenced questions that have been raised regarding the accuracy of the retirement service credit records at Hurley. Another concern pertained to employer contribution rates, which must be approved by the Board of Trustees. Also, the Hurley Board of Managers originally indicated that they intended to allow Hurley retirees and exempts to transfer into MERS. However, since the collective bargaining process was completed without any Ordinance amendments, retirees and exempts have not been given the option to transfer to MERS at this point. Mr. Esuchanko has raised concerns about the effects on the System of a transfer of only active employees, with all past liability staying in the System, in terms of a possible increase needed in employer contributions to maintain necessary funding levels. The underlying issue then becomes, since Hurley has negotiated this benefit, should the Board of Trustees approve a methodology that could obligate the City of Flint, as the Plan Sponsor, to be ultimately responsible for any increases in contributions to the System to maintain its funding status, in order to accommodate the collective bargaining process negotiated through Hurley?

Larry Langer noted that the valuations separate the System into four "employers" - General, Police, Fire, and Hurley Medical Center.

Attorney Ghattas quoted the May 20, 2005 letter from Actuarial Services Company addressed to Daniel Hall, Chairman of the Flint Employees Retirement System:

"The use of this method will result in no effect on the funded ratio of FERS due to the transfer; however, if active member liabilities and assets are transferred out of FERS without proportionate transfers of inactive liabilities; i.e., retirees and deferreds, there will be an increase in the actuarially determined city contribution rate as a percent of payroll if a less than proportionate share of inactive liabilities are transferred."

Attorney Ghattas reminded the Board that, when adopting a methodology for this transfer, the Board must make certain that the Plan Sponsors, both Hurley Medical Center and the City of Flint, continue to meet their funding obligations.

Peter Dobrzeniecki noted that the Actuaries have always maintained separate actuarial data on the four separate groups in the Retirement System: Police, Fire, General, and Hurley. However, the Retirement Fund is an aggregate fund and has always been audited as a whole. If assets are going to be withdrawn, he recommended to the Board that there be an audit of the assets connected with each of the four groups individually.

Chairman Daniel Hall stated that it is critical that any transfer of assets from the System does not leave the System with a disproportionate amount of liability. He then called for a vote on the motion to table Items #13 & #14 until a special meeting can be called.

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

<b>Roll Call:</b>	<b>Janice Kehoe – yes</b>	<b>Peter Dobrzeniecki - yes</b>
	<b>Bob Erlenbeck – yes</b>	<b>Robert Rosenberger – yes</b>
	<b>Donald Phillips – yes</b>	<b>Daniel Hall – yes</b>

Chairman Hall noted that there is a Regular Board Meeting scheduled for September 20<sup>th</sup> and MAPERS is scheduled for September 25<sup>th</sup>-27<sup>th</sup>. He set the Special Board Meeting date for Tuesday, September 13<sup>th</sup> at 1:00 p.m. at City Hall.

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

Tabled by resolution of the Board of Trustees.

**3. APPROVAL OF THE JULY 19, 2005 REGULAR BOARD MEETING MINUTES**

Robert Erlenbeck stated that information reported to the Board at the July 19<sup>th</sup> meeting, reference page 9216, item #6, was in error:

Original Entry:	Joyce Lanckton/HMC	Option C w/pop-up \$772.15
Corrected Entry:	Joyce Lanckton/HMC	Option B \$627.88

**It was moved by Donald Phillips, and supported by Robert Erlenbeck, to approve the minutes of the July 19, 2005, Regular Board Meeting, as corrected.**

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

**4. APPROVAL OF THE AUGUST 9, 2005 MONEY MANAGER MEETING MINUTES**

**It was moved by Donald Phillips, and supported by Robert Rosenberger, to approve the minutes of the August 9, 2005, Money Manager Meeting.**

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

**5. APPLICATIONS FOR VOLUNTARY RETIREMENT**

**Karen Curtiss**

**HMC/Exempt**

Final Average Compensation:	\$ 83,359.21
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	07/01/2005
Service: 26 Years, 3 Months	

The retiree elected the Option Straight Life in the amount of \$3,099.92.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Karen Curtiss 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 \$3,099.92, for as long as she lives.

**Maria Kannai**

**HMC/1603**

Final Average Compensation:	\$ 33,607.81
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	07/08/2005
Service: 30 Years, 2 Months	

The retiree elected the Option Straight Life in the amount of \$1,407.33.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Maria Kannai 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 \$1,407.33, for as long as she lives.

**Donna McAllister**

**HMC/Exempt**

Final Average Compensation:	\$ 73,268.85
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	06/23/2005
Service: 14 Years, 10 Months	

The retiree elected the Option Straight Life in the amount of \$1,539.66.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Donna McAllister 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 \$1,539.66, for as long as she lives.

**Carol Navidonski**

**HMC/RN**

Final Average Compensation:	\$ 62,255.20
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	07/15/2005
Service: 36 Years, 4 Months	

The retiree elected the Option C in the amount of \$2,803.88.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Carol Navidonski be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C, in the amount of \$2,803.88, for as long as she lives.

**Barbara Watt**

**HMC/1603**

Final Average Compensation:	\$ 32,476.95
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	07/08/2005
Service: 22 Years, 7 Months	

The retiree elected the Option Straight Life in the amount of \$1,039.03.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Barbara Watt 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 \$1,039.03, for as long as she lives.

**Elizabeth Welch**

**HMC/NMO**

Final Average Compensation:	\$ 88,660.32
Accumulated Contributions:	41,081.12
DRET:	51,084.29
Effective Date of Retirement	07/07/2005
Service: 25 Years, 6 Months	

The retiree elected the Option Straight Life in the amount of \$4,248.31.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Elizabeth Welch 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 \$4,248.31, for as long as she lives.

**It was moved by Donald Phillips, and supported by Robert Rosenberger, to approve the Applications for Voluntary Retirement for Karen Curtiss, Maria Kannai, Donna McAllister, Carol Navidonski, Barbara Watt, and Elizabeth Welch.**

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

**6. APPLICATIONS FOR DEFERRED RETIREMENT**

**Debra Liebler-Rogers**

**HMC/Exempt**

Final Average Compensation:	\$ 80,679.21
Accumulated Contributions:	Non-cont
DRET:	.00
Effective Date of Retirement	07/08/2005
Service: 15 Years, 11 Months	

The retiree will elect an Option prior to 04/01/2020.

**Marsha Thomas**

**HMC/RN**

Final Average Compensation:	\$ 66,669.16
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	06/25/2005
Service: 20 Years, 6 Months	

The retiree will elect an Option prior to 10/01/2019.



**Maria Neff**

**City/1799**

Final Average Compensation:	\$ 51,453.86
Accumulated Contributions:	25,007.37
DRET:	2,921.57
Effective Date of Retirement	07/06/2005
Service: 17 Years, 4 Months	

The retiree will elect an Option prior to 12/01/2022.

**It was moved by Robert Rosenberger, and supported by Donald Phillips, to approve the Applications for Deferred Retirement for Donna Liebler-Rogers, Marsha Thomas, and Maria Neff.**

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

**7. OPTIONS PICKED BY DEFERRED & DISABILITY RETIREMENTS**

Freda Woods/HMC	Option Straight Life \$ 941.08
Anne McAuliffe/HMC	Option B w/pop-up \$2,018.35
Sheryl Merriam/City Of Flint	Option Straight Life \$2,148.65

Approved at the July 19, 2005 Retirement Board Meeting

For information only.

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

- 8.1 Northern Trust, Institutional Client Conference, September 7-9, 2005, Chicago, IL.
- 8.2 Institute for International Research, GAIM USA Fund of Funds, September 19-21, 2005, New York, NY.
- 8.3 Investment Training & Consulting Institute, Auditor Training - Fall Seminar Series, September 19-30, 2005, Orlando, FL.
- 8.4 Institute for International Research, The 13<sup>th</sup> Annual Guns & Hoses 2005, September 25-28, 2005, Las Vegas, NV.
- 8.5 International Foundation, Certificate of Achievement in Public Plan Policy, September

27-28, 2005, Chicago, IL.

- 8.6 Pensions & Investments, Defined Contribution Conference, October 9-11, 2005, San Francisco, CA.
- 8.7 IPPFA, 2<sup>nd</sup> Midwest Public Pension Fund Conference, October 11-14, 2005, Lake Geneva, WI.

**A motion was made by Donald Phillips, 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.**

- 9. **COMMUNICATIONS RECEIVED** (All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets also.)
  - 9.1 Northern Trust, Invitation to Detroit Tigers vs Boston Red Sox, August 16, 2005, Detroit, MI.
  - 9.2 Gray & Co., Memo to Trustees re: Corrected Pages from 1<sup>st</sup> Quarter Report, July 21, 2005.
  - 9.3 Gabriel, Roeder, Smith & Co., News Scan & Research Memo, July 20, 2005.
  - 9.4 Babson Capital, The Babson Staff Letter, July 8, 2005.
  - 9.5 Babson Capital, The Babson Staff Letter, July 22, 2005.
  - 9.6 BNY Securities, Memo to Clients re: BNY Brokerage Update, June 22, 2005.
  - 9.7 MAPERS, Pension Scope, Summer 2005.
  - 9.8 CRA Fund Advisors, The Community Investor, Summer 2005.
  - 9.9 Mesirow Financial, Invitation to a Wine Tasting & Dinner Party, September 24, 2005.
  - 9.10 NCPERS, Persist, Summer 2005.
  - 9.11 Asset Service Company, Capital Perspectives, 2<sup>nd</sup> Quarter 2005.
  - 9.12 Chase Investment Counsel, Portfolio Performance as of June 30, 2005, August 1, 2005.
  - 9.13 NCPERS, The President's Annual Report, May 2005.

- 9.14 Payden & Rygel, Quarterly Review, July 2005.
- 9.15 Hurley Medical Center, Letter to Peter Dobrzeniecki from Daniel Coffield re: Contributions to MERS effective 7-1-05, July 15, 2005. (Enclosed)
- 9.16 City of Flint, Letter to Northern Trust from Trachelle Young re: Peter Dobrzeniecki, July 22, 2005. (Enclosed)

**A motion was made by Donald Phillips, and supported by Robert Erlenbeck, to receive the communications and place them on file.**

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

- 10. REPORTS RECEIVED** (All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets also.)
  - 10.1 LSV Asset Management, Account Performance as of June 30, 2005.
  - 10.2 Lynch, Jones & Ryan, Trading Summary as of June 30, 2005.
  - 10.3 Magna Securities, Commission Recapture Report as of June 30, 2005.
  - 10.4 Wentworth, Hauser & Violich, Quarterly Appraisal Report as of June 30, 2005.
  - 10.5 State Street Global Advisors, Account Summary as of June 30, 2005.
  - 10.6 State Street Global Advisors, Investment Quarterly, 3<sup>rd</sup> Quarter 2005.
  - 10.7 Iridian Asset Management, Quarterly Investment Update, 2<sup>nd</sup> Quarter 2005.
  - 10.8 Skyline Asset Management, A Perspective on Small Cap Value, July 29, 2005.
  - 10.9 Wellington Management, Quarterly Investment Report as of June 30, 2005.
  - 10.10 GLOBALT Investments, Performance & Investment Summaries as of June 30, 2005.
  - 10.11 GLOBALT Investments, Large Cap High Growth Strategy, 2<sup>nd</sup> Quarter 2005.
  - 10.12 ICON Advisors, Quarterly Statement as of June 30, 2005.
  - 10.13 Fidelity Investments, Monthly Investment Update as of June 30, 2005.

- 10.14 Fidelity Investments, Monthly Investment Update as of July 31, 2005.
- 10.15 Fidelity Investments, Capital Contribution, July 14, 2005.
- 10.16 Northern Trust Reports – June 2005 (Enclosed)
- 10.17 Retirement Fund Employee/Employer Contributions (Enclosed)

**A motion was made by Robert Erlenbeck, and supported by Janice Kehoe, to receive the reports and place them on file.**

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

**11. STATISTICAL REPORT OF BENEFITS**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number Retired	3,001	3,002	3,025
Annualized Payroll	\$ 61,357,283	\$ 62,627,143	\$ 64,511,479

For informational purposes only.

**12. APPROVAL OF THE SEPTEMBER 1, 2005 PENSION PAYROLL TRANSFER**

Chairman Daniel Hall reported that a transfer of \$5,126,400 was needed from the Northern Trust S & P 500 provisional account for the payment of the September 1<sup>st</sup>, 2005 pension payroll.

**A motion to approve a transfer for payment of the September 1, 2005 pension payroll, in the amount of \$5,126,400, from the Northern Trust S & P 500 provisional account to Citizens Bank, was made by Donald Phillips, and supported by Janice Kehoe.**

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

**15. RECEIVING OF THE 59<sup>TH</sup> ANNUAL ACTUARIAL VALUATION**

Chairman Daniel Hall stated that Larry Langer is present to answer any questions from Trustees regarding the Valuation Report for the year ended December 31, 2003. Chairman Hall also noted that the Trustees had questions regarding revenues and expenses listed on that report and he has asked Finance Director Peter Dobrzeniecki and his staff to review and respond to those questions.

Larry Langer stated that the draft report has not been changed since being presented at the March Board Meeting. He is waiting for the results of a review of revenue and expense numbers by the Finance Director and for the exact amount in the “Self-Insurance Fund” as of 12/31/03. He has received all other information, including much of the information needed for the fiscal year 2004 and 2005 reports. The June 30, 2004 Valuation is almost completed; however, the 59th valuation must first be finalized.

**16. ADOPTION OF THE P.A. 728 CERTIFICATION (AS CONTAINED IN THE 59<sup>TH</sup> ANNUAL ACTUARIAL VALUATION)**

It was discussed whether the 59<sup>th</sup> Valuation, since it will not be used to calculate rates, needed to be certified. Attorney Habeeb Ghattas stated that, even though there are no final employer contribution numbers, other information contained within the report provides the Board with a basis for certification, and he recommended that the Board certify it.

**It was moved by Donald Phillips, and supported by Alvern Lock, that the Board of Trustees of the City of Flint Employees Retirement System certifies that the System provides for payment of the required employer contributions, as described in Section 20(M) of Michigan Public Act No. 728, and referenced on page A-1 of the 59<sup>th</sup> Annual Actuarial Valuation for the Year Ended December 31, 2003.**

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

**17. ADOPTION OF EMPLOYER CONTRIBUTION RATES – CITY OF FLINT**

Larry Langer stated that the final contribution rates for Fiscal Year 2006 will be determined by the June 30, 2004 Valuation. However, in the draft report of the 59<sup>th</sup> Annual Actuarial Valuation for calendar year ended December 31, 2003, estimates were provided for fiscal year 2006 contributions that should very closely match the contribution rates that will be determined by the 60<sup>th</sup> Valuation for the fiscal year ended June 30, 2004 (see page A-8).

Chairman Daniel Hall noted that this Resolution was presented at the July Board Meeting and tabled until the August meeting to allow Larry Langer to be present to respond to any questions. Discussion followed. It was noted that administrative expenses are under review.

**A motion was made by Donald Phillips, and supported by Alvern Lock, to adopt the estimated contribution rates for fiscal year 2006 (in accordance with Section 35-37 of the Flint City Code) for the City of Flint, for General, Police, and Fire, as computed by Gabriel, Roeder, Smith & Company, and set forth on page A-8 of the Report of the Fifty-Ninth Annual Actuarial Valuation as of December 31, 2003.**

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

**18. STATUS OF EMPLOYER CONTRIBUTION RATES – HURLEY MEDICAL CENTER**

Tabled by Chairman Daniel Hall.

**19. AUDIT COMMITTEE REPORT**

Chairman Hall stated that the Committee is recommending an audit of the System, particularly in light of the many issues concerning MERS. He will be contacting Beth Bialy at Plante & Moran regarding the cost and to schedule a time for her to meet with the Committee. The current Committee Members are Daniel Hall, Peter Dobrzeniecki, Cass Wisniewski, and Sandra Kidd.

**20. 13<sup>th</sup> CHECK PROGRAM**

Donald Phillips stated that the 13<sup>th</sup> Check Committee has met twice and they have questions for Larry Langer before they finalize their recommendations to the Board. If a 13<sup>th</sup> check is to be paid this year, based on assets for 2004, it should be paid in September. At the Committee's request, the Board authorized Larry Langer to be present via conference call at the next 13<sup>th</sup> Check Committee meeting.

Chairman Daniel Hall reported that the City Council approved an ordinance change, #3662 on 7-11-05, which was effective immediately, regarding the 13<sup>th</sup> check. He will provide copies to the Trustees in the next agenda packets.

## **21. INVESTMENT COMMITTEE REPORT**

Chairman Daniel Hall reported that the Committee met on August 12<sup>th</sup>. Present at the meeting were Daniel Hall, Amy Lindman and Daniel Coffield (Peter Dobrzeniecki was absent). The Committee discussed the funding of the drawdown account for the remainder of 2005 and decided the funds should be withdrawn from the S&P 500 provisional account at Northern Trust. The Committee decided to meet with the Consultant on a quarterly basis to review the money managers' performance in detail prior to the quarterly report being issued to the Board. They will also ask Gray & Company to review the System's assets in anticipation of making recommendations regarding the transfer to FERS. The Committee discussed the \$40,000,000 originally intended for fixed income investment at Wells Capital and a possible search for another fixed income manager. The Consultant recommended that the \$40,000,000 remain in the index fund to allow time to evaluate manager performance in the fixed income arena. The Consultant was asked to work with the recently selected international managers and report back regarding fee structure, custody issues, etc.

## **23. PROFESSIONAL SERVICES COMMITTEE REPORT**

Chairman Daniel Hall stated that the Committee is waiting for a reply from M-Works regarding the Colleen Belanger reevaluation.

Chairman Hall reported that the Committee discussed Joyce Lanckton's request for an option change, based on her belief that her pension was estimated incorrectly. They are recommending to the Board that there be no change in her pension. *Article 35-26(a) of the Retirement Ordinance states, in relevant part, that prior to the effective date of retirement, but not thereafter, a member may elect to receive his pension as a straight-life pension payable through his life, or he may elect to receive the actuarial equivalent of his straight-life pension at a reduced pension payable through his life and nominate a beneficiary in accordance with the provisions of Option A, B or C as set forth.* There cannot be an option change once a person has chosen and elected to receive their pension.

At the request of Chairman Daniel Hall, Attorney Habeeb Ghattas addressed Ms. Lanckton's request, stating that the responsibility of the Board of Trustees is to implement the provisions of the Retirement Plan. The Retirement Plan, as referenced by the Chairman, in Section 35-26(a) provides that changes can only be made prior to the effective date of the member's retirement, but not thereafter. It is a contractual obligation that the Board cannot change or modify. She requested a change and the Board referred the request to its Professional Services Committee. The Committee reviewed the matter with Retirement Office staff, and their recommendation to the Board is that the request to change her option, based upon the language of Section 35-26, be denied. The Board, therefore, has denied the request. If Ms. Lanckton believes that there was an error made or that there is additional information that the Board needs to consider, she has the right

to request a formal hearing before the Board of Trustees. She also has the right to be represented by an attorney. The request for a formal hearing must be made in writing, addressed to Robert Erlenbeck, Risk & Benefits Administrator, or Chairman Daniel Hall. The Board will then set a date and time for the hearing.

Chairman Daniel Hall reported that the Committee is reviewing the status of the Board's arrangements with Attorney Ghattas. He has requested information from several other Michigan public retirement systems regarding their arrangements with legal counsel.

Chairman Hall reported that Milberg Weiss requested historical information from Northern Trust that would involve fees for research and reproduction. Since the understanding was that this relationship would not cost the System any money, no costs have been approved by the Board. He will discuss this further with the parties involved.

The Board recessed for a break at 2:35 p.m.

Chairman Daniel Hall called the meeting back to order at 2:45 p.m.

Chairman Hall reported that he received a letter from Joseph Esuchanko, of Actuarial Services Company, stating that they were available for further consulting services regarding the MERS/FERS issue at a rate of \$180/hour. He also asked for specific authorization to talk with Larry Langer and representatives of Gabriel, Roeder, Smith & Company, as needed. Chairman Hall stated that he believes their services may still be needed. Attorney Ghattas reported that he and Meg Hunter have spoken with Mr. Esuchanko and Ms. Hunter raised a number of questions and concerns, from her review of the matter of the proposed FERS/MERS transfer, that may require further assistance from them. Attorney Ghattas recommended that the Board authorize Mr. Esuchanko's attendance at board meetings, as necessary, in person or by conference call. He also stated that he would, at the Board's direction, send a letter informing Mr. Esuchanko that the Board wants him to continue in the capacity of the Board's special actuary, advising on FERS/MERS issues when requested, reviewing methodologies and calculations made by GRS, and consulting with GRS as needed.

**A motion was made by Donald Phillips, and supported by Robert Rosenberger, to authorize the Chair to utilize the services of Actuarial Services Company, at the discretion of the Chair and the System's Attorney, at a cost of \$180/hour up to \$5000, with the Board's prior approval required before exceeding that amount.**

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



## 22. GRAY & COMPANY

Ivory Day, Jr., Gray & Company consultant, stated that the presentations for the international search were made to the Board of Trustees on August 9<sup>th</sup> and the Board selected two international managers, LSV Asset Management and Fisher Investments. Gray's staff is working with the two companies and Northern Trust, as custodian, regarding fee structures and custody questions. The small cap value search presentations are scheduled on August 30<sup>th</sup> at 1:00 p.m. at Hurley with three managers: Allegiant (formerly National City Bank), Keeley, and Lee Munder. They are recommending the hiring of a small cap value manager to complement Wellington, the existing small cap core manager.

Mr. Day reviewed the revised Investment Policy with the Trustees. He noted that the main purpose of an Investment Policy is to provide constraints and guidelines to help the Trustees achieve the System's investment and performance goals over the long term, while taking an appropriate amount of risk. They recommend that the Trustees adopt the investment policy as an ongoing, working document that can be modified as needed to reflect changes in markets, trends, etc. Attorney Ghattas stated that he has reviewed the Investment Policy and it appears in order.

Discussion followed. The Trustees decided to change the word "commingled" throughout the policy to the word "pooled" and add a date at the bottom of each page so that individual pages can be modified and replaced without requiring the entire document to be re-issued.

**A motion was made by Donald Phillips, and supported by Robert Rosenberger, to adopt the Investment Policy for the City of Flint Employees' Retirement System, as presented by Gray & Company, with the exception of changing the word "commingled" to the word "pooled" wherever it appears in the document, and adding a date on each page.**

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

A discussion followed regarding alternative investments, venture capital, asset allocation targets, etc. Mr. Day stated that they would be making recommendations in the future for manager searches to fill the slots that are still available in the Fund, based on the asset allocation approved by the Trustees. A future search will include venture capital. The Trustees discussed Capital BidCo and asked the Consultant to contact Capital BidCo regarding the status of that fund.

Ivory Day then presented, and the Board discussed, the Quarterly Performance Report for the Quarter Ended June 30, 2005. The Market Value of the Fund, as of June 30, 2005 (2<sup>nd</sup> Quarter), is \$776,621,216. The Market Value of the Fund, as of March 31, 2005 (1<sup>st</sup> Quarter), was \$774,997,829.

**24. FINANCE COMMITTEE**

Tabled by Chairman Daniel Hall.

**25. HURLEY MEDICAL CENTER ELECTION**

Chairman Daniel Hall reported that there were three candidates for the positions of two Trustees and two Alternates from Hurley Medical Center (Janice Kehoe, Sandra Kidd, Daniel Hall); therefore, there was no need for the primary election that was scheduled for August 12<sup>th</sup>. The regular election will be held on Friday, August 26<sup>th</sup>, from 7:00 a.m. to 4:30 p.m. in the West Lobby of Hurley Medical Center. The Board discussed the remaining vacancy and Chairman Hall indicated that he would speak to the Hurley CEO with regard to the appointment of a Hurley alternate.

**26. FOIA REQUESTS**

Attorney Habeeb Ghattas stated that the proper procedure for FOIA requests to the Retirement System is to refer them to Peter Dobrzeniecki, as Secretary of the System. Under the Freedom of Information Act, any FOIA requests must be sent to the Chief Administrative Officer or his/her designee. If there is a legal concern, the Secretary can send the request to the Board's legal counsel.

**27. RETIREMENT ORDINANCE REVISION COMMITTEE**

Tabled by Chairman Daniel Hall.

**28. LEGAL COUNSEL UPDATES**

Attorney Habeeb Ghattas reported that he reviewed and responded to the proposed Retirement Ordinance changes pertaining to MERS that he received from Ed Taylor. Cross Motions for Summary Disposition have been filed by both parties in the Claude Miller case and no decisions have been issued by the Judge. There has been no further contact from the Union attorney, or her personal attorney, regarding Velma Wright. Attorney Ghattas also noted that he has contacted Fidelity Management regarding his concerns about a change in their investment policy, requesting additional information, and he is waiting for their response. He will contact them again, soon, if no response is forthcoming.

**29. OTHER BOARD BUSINESS**

Peter Dobrzeniecki stated that he has the final invoice for \$42,000 from the Bank of Ireland and asked the Board to consider whether the invoice should be paid in light of the problems with the liquidation of the Bank of Ireland assets. Discussion followed. The Board asked that the invoice be held until after the Bank of Ireland contacts him again and then present it to the Board for further review.

**30. ADJOURNED**

**There being no further business to discuss, it was moved by Edward Taylor, and supported by Donald Phillips, to adjourn the meeting at 3:55 p.m.**

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary