

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, April 20, 2004 in the Charles White Conference Room at Hurley Medical Center, with the following in attendance.

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

ABSENT Mark Horrigan, Alvern Lock

ALSO PRESENT Habeeb Ghattas, Attorney for the Retirement Board
Jeffrey Welch, Attorney for the Retirement Board

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

Charlotte Novak, 9593 Brooks Road, Lennon, representing the Registered Nurses and Pharmacists Union of Hurley Medical Center, stated that it is the Union's expectation that the Board will vote today to implement the wishes of the members of the Union to transfer their pensions to MERS (as part of the collective bargaining agreement).

Martin Johnson, 4605 Carlton, Flint, with Synergy Investment Group, stated that, as a local Institutional Investment Broker trading stocks and bonds domestically and internationally, they would like to be a broker for the pension system.

Pam Greeve, 10564 Locke Road, Birch Run, representing Local #2056 of Hurley Medical Center, also asked the Board to vote to allow their members to leave FERS and go to MERS, as they have requested.

Chairman Daniel Hall thanked the members of the public for their comments and expressions of concern. He then asked for a motion to move the agenda items related to Hurley Medical Center and MERS forward in the Agenda, if the Board so chooses.

It was moved by Ed Taylor, and supported by Amy Lindman, to move Item #14, Resolution Authorizing the Transfer of All Data for Certain Active Members and Retirees of Hurley Medical Center, & Item #15, Resolution Authorizing the Transfer of Related Assets and Liabilities for Certain Active Members and Retirees of Hurley Medical Center, forward in the Agenda so they can be considered by the Board at this time.

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

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

Dan Coffield reviewed with the Board copies of the documents distributed at the last meeting, including:

#1 - Memorandum of Understanding between Hurley Medical Center (HMC) and the Municipal Employees Retirement System of Michigan (MERS), signed by Julius Spears, CEO of HMC, and Anne Wagner, CEO of MERS, in February 2004, indicating intent to move forward in the negotiations of a contract to allow groups to transfer their pension to MERS, if negotiated by collective bargaining and approved by the HMC Board of Managers.

#2 – Notarized memorandum outlining the Resolutions approved by the HMC Board of Managers on February 25, 2004 ratifying the collective bargaining agreements, including the transfer to MERS, with seven (7) union groups at HMC: AFSCME #2056, #814, #825, & #1973, RN & RPh's of HMC, HMC Medical Technologists Organization, and the HMC Nurse Managers & Case Managers Organization. The Resolution also authorized the transfer of the pension benefits administration to MERS for the current HMC employees not represented by a bargaining unit, and the retirees from the seven union groups and the non-union group mentioned previously. The Resolution also approved the MERS Membership Agreement and the adoption of the MERS Defined Benefit Programs.

#3 – Letters of Understanding with the seven Union groups concerning MERS Participation, signed by officers of HMC and each Union group.

#4 – Membership Agreement between MERS and HMC, signed by Edward Kurtz, Emergency Financial Manager, Karen Folks, Chief Legal Officer, Peter Dobrzeniecki, Finance Director, and Inez Brown, City Clerk, on behalf of the City of Flint. The document will be sent for signature to Anne Wagner, CEO of MERS. (A signed copy was distributed at this meeting to replace the unsigned copy given to the Trustees at the board meeting on April 13.)

#5 – Joint Agreement Concerning the Transfer of All Data for Certain Active Members and Retirees of Hurley Medical Center and a Draft of the Joint Agreement Concerning the Transfer of Related Assets and Liabilities for Certain Active Members and Retirees of Hurley Medical Center. The parties are requesting that the transfer from FERS to MERS, for the affected personnel and retirees, be scheduled to take place as of June 30, 2004. The data transfer is needed as soon as possible, in order for the Actuary to calculate the dollar amount that must be transferred to MERS to cover the approximately 1400 active and 700 retirees affected.

Dan Coffield noted that there are two other groups at Hurley: AFSCME #1603, which voted to stay with FERS, and the Interns & Residents, who do not receive a pension benefit.

A motion was made by Dan Coffield, supported by Bob Rosenberger, to authorize the calculation, and transfer of data to MERS, by Gabriel, Roeder, Smith & Company for certain active members and retirees of Hurley Medical Center in preparation for a potential transfer of assets and liabilities to MERS.

Discussion followed by the Board.

Ed Taylor stated that he has some concerns regarding the transfer of data. He noted that the Fire Department filed a Freedom of Information Act request with MERS several months ago. The information requested included the MERS organizational structure, board membership, etc. MERS has not released any requested information to the Fire Department. Now MERS is requesting data to be transferred to them. However, this should be a two-way street; why can MERS be non-compliant of a Freedom of Information Act request, when this is public information? Under those circumstances, he will not vote to release information to MERS until they release the information requested by the Fire Department.

Dan Coffield stated that, as a part of the process, the POP+ (Protecting Our Pensions Plus) Committee made due diligence visits to the MERS organization, MERS met with the Hurley Board, and there have been multiple interactions and educational sessions. The POP+ Committee, which was a joint effort by Union and Management officials, found MERS to be very customer-oriented and willing to provide whatever information

is requested. He also noted that there are members of the POP+ Committee on the Board of Trustees and in the audience today.

Chairman Daniel Hall gave the floor to Mark Kovach, former President of the Firefighters' Union, and Charlotte Novak, Chair of the POP+ Committee, so they can further address the issue of information provided by MERS.

Mark Kovach noted that, in October 2003, after the first Hurley orientation meeting regarding MERS, which included Charlotte Novak and Linda Pittman, he requested information from MERS for the Firefighters' Union membership, including an in-depth study comparing the MERS plan and the FERS plan. Mr. Kovach was initially told that he could have a copy of the study, then he was told by MERS that he needed to give a reason for the request. He asked if a FOIA request would be satisfactory and, after being told that it would be, sent the FOIA request on October 27, 2003. On October 30, MERS requested an extension for their response, then subsequently sent a letter stating that, unless Hurley Medical Center adopted the MERS plan, MERS would not provide the information to him. Mr. Kovach asked why the Board would approve switching to a new retirement system without requesting and reviewing the comparison document?

Charlotte Novak stated that any information they requested from MERS was provided, as well as informational literature distributed to the membership at meetings, which included information about their Board, finances, investments, etc. Also, MERS has an Internet website that the Committee reviewed. In addition, the Unions performed due diligence by visiting the MERS headquarters, reviewing the investment portfolio and history, and researching membership on the MERS Board of Directors, including election methodology, in order to do everything possible to protect the Union's members and their pensions. They are unaware of any comparison study.

Darnell Earley noted that the POP+ Committee performed their due diligence and is convinced that the transfer to MERS is in the best interest of the unions and, based upon their vote to make the transfer, they have as much confidence as they could have after carefully examining the issue. He stated that he fails to see the correlation between these two issues: the vote to approve the request of the various groups desiring to transfer to MERS and the issue of requested information not provided to the Fire Department Union, which is not involved in a transfer.

Further discussion included the Board's concerns about a lack of information and having been bypassed by the process until recently. In addition, there are concerns about the potential for a conflict of interest situation with Gabriel, Roeder, Smith & Company, as the actuarial firm used by both FERS and MERS. Therefore, an independent actuarial study is desirable. Also, none of the documents distributed to the Board by Dan Coffield required approval by the Board, only Mr. Kurtz, as Emergency Financial Manager. The

Board's position is that Mr. Kurtz does not have the authority to approve such documents and there is a ruling pending in the Court on this issue.

Dan Coffield noted that, to quote the Board's attorney, it is the purpose of this Board to construe and make effective the provisions of the Retirement Plan, which is different than construing and making effective any decisions related to the collective bargaining process. It is the Board's job to implement those decisions and recognize that due diligence has been done by the appropriate parties. He also noted that the membership agreement is between Hurley Medical Center and MERS, not FERS and MERS.

Chairman Daniel Hall asked Habeeb Ghattas, as the Board's legal counsel, to give his opinion on the potential transfer to MERS and the related issues. Mr. Hall noted that the Board of Trustees needs to be kept as informed as possible on all issues that affect the Retirement System by all parties involved. He also noted that an audit of the Pension System by Plante & Moran is finally in process. And he believes that data should be shared with MERS only if the Board is privy to the MERS study, as all information should be filtered through the Board of Trustees.

Habeeb Ghattas, as Attorney for the Retirement System, began by stating that the funds that are being discussed are assets of the Retirement System, held in trust by the Board of Trustees; i.e., the Board of Trustees, under the Retirement Ordinance/Retirement Plan, are the Trustees of those assets. Therefore, any matters impacting those assets must be presented to, and approved by, the Board of Trustees. The Board's challenge, with this issue, is to protect the System in order to ensure that the benefits promised to their retirees, by Hurley Medical Center and the City of Flint, are fully paid. The Board is responsible to protect the assets of the System. The Board, consistent with that requirement, needs to be involved in any process that impacts the assets of the System. As the Board's legal counsel, he was not given a copy of these agreements until the Investment Committee Meeting on April 8th. He indicated some of his concerns and reservations at that Meeting and stated that he would be out of town the following week, but would do his best to review the documents prior to today's meeting. At that time, he was told that the only item that would be on the agenda for a vote today would be the resolution referred to as Agenda Item #14, *The Joint Agreement Concerning the Transfer of All Data for Certain Active Members and Retirees of HMC*. Therefore, he focused his energies on reviewing that document, and it is his recommendation, as the Board's legal counsel, that this Joint Agreement not be approved at this time. His reasons/concerns are as follows:

- 1) The resolution/joint agreement assumes that certain transfers are legally authorized, which may not be the case. The proposed agreement incorporates the HMC Board of Managers' resolution authorizing the transfer of membership rights and assets from FERS to MERS pertaining to exempt employees, retirees, and vested former members. He has serious reservations as to the legality of this proposed authorization. Questions that arise are whether or not this authorization is legally sufficient without a retirement ordinance change? As Dan Coffield has suggested, it is the Board's responsibility to construe and make effective Plan provisions; in fact, the statement was made under Section 35-8, "All administration, management and investment fiduciary functions are vested in the Board of Trustees of FERS." Since there is no ordinance amendment, he has questions as to whether or not the resolution of HMC is sufficient to allow the Board to act, whether to approve the transfer of information or any further action with regard to the proposal. The HMC Board of Managers does not have the authority to amend the Retirement Ordinance. The procedure in place is that a proposed amendment to the Plan may be made by HMC, then a request is made to the City Council for an amendment to the Ordinance (Plan Document). At that time, the proposed plan amendment would be reviewed by him, as the System's legal counsel, and the Board would be involved with the issue in advance of any action being taken. In this case, the HMC Board of Managers are attempting to amend the Plan, which they are *not* authorized to do.
- 2) The issue of the Emergency Financial Manager's authority has been in pending litigation for over a year. The Board of Trustees holds the position that the authority of the Emergency Financial Manager (EFM) does not extend to the Retirement System and its assets. This issue remains unresolved. Therefore, it would be premature for any action to be taken with regard to the perceived authority of the EFM while this action remains pending in Court. There is no question that, once the employee and employer contributions are mixed in with investment returns, they are no longer assets of the City of Flint, or of Hurley Medical Center, but they are Retirement System assets. The authority of the EFM relates to the financial concerns of the City, which does not extend to the assets of the Retirement System. Therefore, he is not prepared to recommend to the Board approval of this resolution, based on the perceived authority of the EFM.
- 3) An additional concern is that the proposed joint agreement appears to establish an asset transfer methodology. Information is needed from the Actuary. Prudence is the course of conduct. The Board needs to ask the appropriate professionals how this transfer would affect the Retirement System in the future. The resolution (joint agreement), under 3.C. references, "The sum of the Individual Proportion for all individuals included in the FERS Transfer Valuation shall be one (1.0)." This appears to be part of the transfer methodology, which requires an actuarial study.

When this issue came up previously, during discussion of the Defined Benefit/ Defined Contribution transfers, the City had no problem having an ordinance amendment, consistent with good practice, addressing the issues of transfer methodology. The Board was asked to act upon this amendment, because the Board implements the Ordinance and clearly has a responsibility to ensure that what is being proposed is consistent with its fiduciary responsibilities for the Plan participants and members. It is unclear whether this joint agreement and asset transfer methodology recognizes that responsibility of the Board of Trustees. Therefore, if the Board votes in support of this joint agreement, they are subjecting themselves to potential claims of liability in the event that the agreement is deemed not to have been legally authorized or the transfer of assets was approved without a full understanding of the cost to the System. The Board's responsibility is not to focus on any one group, but to take into account the total Plan and all of its participants. What effect would the proposed transfer have on the funded status of the Retirement System, which translates into an effect on the benefit promised by the City and HMC to the remaining people in the Plan in the future? The Board's responsibility is to administer the Plan so as to ensure that the benefits that are promised are, in fact, paid. The Board must avoid the danger of a raid on the pension assets. The Board must be satisfied that what is being done is consistent with their fiduciary responsibilities before they vote on this issue.

- 4) Additionally, regarding the proposed transfer of assets from FERS to MERS, he does not serve the Board as Special Tax Counsel. Clearly, to the extent that the Plan document, the Ordinance, requires that the Plan must be administered in accordance with the tax qualification provisions of the IRS, so as to maintain tax qualified status of the Fund, it would be prudent that the opinion of tax counsel be obtained to verify that the transfer does not violate the IRS Code in any way.

Mr. Ghattas then stated that, for these reasons, it is his recommendation that the Board should not support the motion as currently stated.

Dan Coffield noted that he appreciated the thoughtful and thorough comments from the Board's Attorney. He stated that the reason Resolutions #14 & #15 are separate resolutions, instead of one, is that there are multiple issues related to #15 regarding the transfer of funds. However, regarding tax status, since 60 of the 80 Michigan counties belong to MERS, it must be a tax-exempt organization in full compliance with the applicable tax laws. However, if tax counsel is needed, it would relate to the transfer of funds, not the transfer of information. The Resolution on the table, to the extent that legal counsel has indicated that it contains language that intimates how the transfer would happen, that language should be stricken and any transfer methodology should be stricken from #14. However, that doesn't mean #14 cannot be approved at this time, only that the resolution needs to be altered. The HMC Board only approved the collective

bargaining agreements, which supercede City Ordinance. As the transfer relates to exempt employees, an ordinance change is necessary and the Emergency Financial Manager has indicated that he would seek such an Ordinance change. Dan cautioned the Board that a lengthy review, beyond the need for reasonable caution, would be detrimental, especially in light of the fact that there is a window of opportunity for the transfer to happen at the fiscal year end. Also, he proposed that #15 be tabled for further investigation of the issues: transfer methodologies, actuarial valuations, effect on Hurley's underfunding status, impact on the System, etc. However, those issues relate only to #15 and should not preclude the approval of #14, the sharing of actuarial data. This could still happen since the actuarial study must be done before the Board can even know how much money would be transferred out of the System. He also stated that he is unaware of any comparison study performed by MERS regarding FERS. Mr. Coffield concluded that, since the Board must have the information regarding the assets and liabilities to be transferred out of the System before any other decision can be made, he is proposing that any language be stricken from Resolution #14 that the Board is uncomfortable with, and then a modified Resolution #14 be approved today to allow the actuarial valuation to move forward.

Motion to table the motion regarding Resolution #14 until all information gathering is completed, as recommended by Habeeb Ghattas, Legal Counsel to the Board, in order to address the concerns of the Board, was made by Amy Lindman, and supported by Ed Taylor.

Chairman Daniel Hall recommended that a special board meeting be held on May 11 to identify all issues, allow the gathering of necessary information, and assign a target date for reconsideration of the Resolution.

Discussion followed. It was noted that many questions regarding the potential effects of the MERS transfer cannot be answered until Resolution #14 is passed authorizing the Actuary to perform the necessary calculations.

Habeeb Ghattas noted that a major concern is the approval of a data exchange with GRS that presumes the approval of the transfer. The Board does not yet know the ramifications of the transfer, transfer methodologies, various steps needed in the process, etc.

Dan Coffield stated that the Actuary has information on every member of the System, on an individual basis, both active and retired, which will have to be segregated by Union and then added up. The costs for these calculations should be born by Hurley Medical Center. If the Board is not comfortable with GRS as the Actuary for both MERS and FERS, HMC will pay for an independent actuary to verify the calculations, at the Board's request.

Attorney Habeeb Ghattas addressed the conflict of interest issue with GRS actuaries representing both MERS and FERS. He noted that Larry Langer, the Actuary for FERS, told him that there is a "Chinese wall" within GRS so that there is no sharing or exchanging of information/data between actuaries for two different clients without approval from both of those clients. However, the conflict of interest issue relates to the fact that MERS may take a position that a particular transfer methodology should be used for the actuarial calculations and FERS, through its actuary, may take a different position. With one actuary representing both MERS and FERS, there is the potential for a conflict of interest situation. Both MERS and FERS have an interest, which explains the conflict and the need for the "Chinese wall." His position is that, when dealing with costing out a contract, benefit changes, etc., it is fine for the plan sponsor or the unions to use the System's actuary, because the System's actuary has all information necessary for the operation of the Retirement System. There is no inherent conflict, as long as the Board is aware of what is happening, because the goal is to do whatever is in the best interest of the Retirement System. In that case, the Actuary would be costing consistent with standards that the Board has adopted, in terms of the best interests of the System. This situation is different, with MERS on one side, apparently wanting a particular methodology, and FERS on the other, which may or may not want the same methodology.

Dan Coffield stated that MERS does not want a different methodology. This resolution is asking FERS to commission their actuary (Larry Langer and staff at GRS) to cost out each employee and retiree, and the assets and liabilities in FERS related to each, using FERS assumptions. MERS absorbs employers using different actuaries and this valuation would be a valuation of the FERS side, using FERS assumptions. If the Board is not comfortable with this, then once the calculation is done an independent actuary can be engaged to verify the numbers. However, the numbers cannot be checked until all calculations are completed by GRS.

Further discussion followed regarding the Board's concerns: the involvement of the current City Administration and Emergency Financial Manager (and the pending court ruling on the nature of his jurisdiction over the System), the protection of the System's assets and the impact on the groups' and individuals' pensions of those who stay with FERS, affordability of future contributions by the City and HMC with a reduced Fund, liability of Board Members should there be problems with MERS, additional information needed in order to make decisions, the need for a second actuary, steps needed going forward, impact on 13th check issues, etc. It was noted that the actuarial data is needed by the Board before many of these issues can be addressed.

Habeeb Ghattas, as the System's legal counsel, expressed his concerns regarding the meaning of "sharing of information" in this context. He stated that it would be wise to

hire an independent actuary as soon as possible to review the proposed documents and report back to the Board with their comments, concerns, and questions. Additionally, he asked for authorization to seek review from special tax counsel regarding any possible effect the transfer might have. Although MERS is a tax-qualified trust, and problems are unlikely, as a part of due diligence, he should be authorized to review any concerns with special tax counsel and to report his findings to the Board prior to any decisions being made.

Dan Coffield noted that the tax status of the transfer relates to the transfer of assets and not the calculating and sharing of information. He also noted that May 11 is three weeks away and that 2400 people have already received applications for MERS. He requested that the Board vote to share the information and get the process started.

Chairman Daniel Hall noted Mr. Coffield's concerns; however, with the many issues and obstacles discussed at this meeting, he does not want to rush the process and see it end up in court. Since there is strong opposition to this transfer, and many ramifications if it isn't done or is done improperly, a time for data gathering seems prudent.

Consequently, the motion was restated as follows:

A motion was made by Amy Lindman, and supported by Ed Taylor, to table the motion regarding Resolution #14 until a Special Board Meeting is held on May 11, at which time information will be presented from legal counsel, special tax counsel, a recommendation made regarding a special actuary, etc., in order to better address the concerns of the Board.

Upon being put to a vote, the motion to table Item #14 carried with a vote of 5-4:

Roll Call:	Dan Coffield – no	Janice Kehoe – yes
	Peter Dobrzeniecki – no	Darnell Earley – no
	Georgia Steinhoff – yes	Bob Rosenberger – no
	Amy Lindman – yes	Ed Taylor – yes
	Daniel Hall – yes	

Further discussion followed on the processes, procedures and information needed to move the issue forward:

- 1) Selection of an independent actuary;
- 2) Expenses to be paid by Hurley Medical Center (per Dan Coffield);
- 3) Authorization of GRS to perform the calculations for verification by an independent actuary (release of information to FERS instead of MERS?); this would include the number of people actually transferring to MERS, the dollar amount to be transferred, potential changes in contribution rates for the City and HMC, etc.;
- 4) The Board needs all pertinent data/information on MERS, including the study done by GRS regarding FERS and MERS.

It was noted that Hurley is trying to meet a deadline of transferring to MERS at the fiscal year end. Also, MERS will shortly begin contacting the affected employees and retirees regarding the transfer paperwork needed. It was also noted that some of the retirees have indicated they do not want to change to MERS and may file lawsuits to stop the process.

Chairman Daniel Hall stated that he does not like the position this issue has placed him in as the Chairman of the Board of Trustees. He noted that, before the membership agreement document was brought to the Board, with Ed Kurtz and other City signatories on it, he expressed his concerns about document content, wording, preparation and signatures to officials at HMC and recommended that it be shared with the Board's legal advisor first.

2:35 p.m. – Chairman Daniel Hall left the meeting and Donald Phillips, as Vice Chair, took over as Chair of the meeting.

Dan Coffield asked to respond to Mr. Hall's comments, noting that he was not the author of any of the documents. The day after they were e-mailed to him from the MERS attorney, they were voted on by the HMC Board. He stated that he has tried to keep the Board as informed as possible during this process.

2:40 p.m. - Vice Chair Don Phillips called for a five-minute recess.

2:45 p.m. - The Board resumed the meeting. Vice Chairman Donald Phillips called the meeting back to order and Chairman Daniel Hall resumed chairing the meeting.

3. APPROVAL OF THE MARCH 23, 2004 REGULAR BOARD MEETING MINUTES

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

Georgia Steinhoff noted that she would like to amend the minutes, on page 8838, #18 Professional Services Committee Report, 4th sentence:

Original Entry: In addition, the Committee has been in contact with Gary Findley, Executive Director of the Mississippi Retirement System, who loaned the Committee a \$1500 reference book for their use in working through this process.

Corrected Entry: In addition, the Committee has been in contact with Gary Findley, Executive Director of the *Missouri* Retirement System, who *gave* the Committee a \$1500 reference book for their use in working through this process.

Bob Erlenbeck noted a correction on page #8814: Lisa DeDolph's name should be removed from the Absent List on the minutes:

Original Entry: Absent Lisa DeDolph, Darnell Earley, Cass Wisniewski

Corrected Entry: Absent Darnell Earley, Cass Wisniewski

Habeeb Ghattas stated that the minutes should be amended on page 8843 (4th paragraph) to include Amy Lindman's question, along with Bob Erlenbeck's response:

Original Entry: Bob Erlenbeck noted that the other major issue they are working on is the recalculation for purchase of time, which is still in process. The error was that the employer's portion was not included in the calculations.

Corrected Entry: Bob Erlenbeck noted that the other major issue they are working on is the recalculation for purchase of time, which is still in process. *Amy Lindman asked Bob Erlenbeck what the mistake was that was made in calculating the cost of purchasing service credit. He replied that the mistake was that the employer's portion of the cost was not included in the calculations.*

Upon being put to a vote, the motion to approve the minutes, as amended, carried unanimously.

Georgia Steinhoff asked about Daugherty Johnson's credited service and whether he did make the redeposit, as required. Bob Erlenbeck replied that Mr. Johnson did make that payment to the City.

4. Skip (#4 was reserved for approval of minutes that were not completed in time for this Meeting Agenda)

5. APPLICATIONS FOR VOLUNTARY RETIREMENT

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	

Bob Erlenbeck requested that Mr. Anderson's request for approval of his retirement be tabled, as they are waiting for actuarial information prior to Mr. Anderson's final decision on whether or not he wishes to retire.

James Bickersteth
Fire/352

Final Average Compensation:	\$ 102,370.15
Accumulated Contributions:	22,712.26
DRET:	41,729.03
Effective Date of Retirement	03/06/2004
Service: 23 Years, 2 Months	
The retiree elected the Option C w/pop-up in the amount of \$4,348.24	

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for James Bickersteth be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C w/pop-up, in the amount of \$4,348.24, for as long as he lives.

Pauline Gutierrez
HMC/1603

Final Average Compensation:	\$ 40,737.75
Accumulated Contributions:	28,116.78
DRET:	12,199.82
Effective Date of Retirement	02/20/2004
Service: 25 Years, 0 Months	

The retiree elected the Option Straight Life in the amount of \$1,935.04

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Pauline Gutierrez 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 \$1,935.04, for as long as she lives.

Rosie Lang
HMC/1603

Final Average Compensation:	\$ 25,555.32
Accumulated Contributions:	Non-Cont.
DRET:	.00
Effective Date of Retirement	03/26/2004
Service: 24 Years, 4 Months	

The retiree elected the Option Straight Life in the amount of \$497.87

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Rosie Lang 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 \$497.87, for as long as she lives.

Rosemarie Menosky
HMC/1603

Final Average Compensation:	\$ 34,952.47
Accumulated Contributions:	23,644.38
DRET:	18,003.26
Effective Date of Retirement	02/20/2004
Service: 25 Years, 7 Months	

The retiree elected the Option A in the amount of \$1,659.12

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Rosemarie Menosky 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 \$1,659.12, for as long as she lives.

It was moved by Georgia Steinhoff, and supported by Ed Taylor, to approve the Applications for Voluntary Retirement for James Bickersteth, Pauline Gutierrez, Rosie Lang, and Rosemarie Menosky.

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

Georgia Steinhoff asked about an article in the *Flint Journal* regarding retirees not receiving their first retirement check on time due to calculations being late. Peter Dobrzeniecki and Bob Erlenbeck responded that there were three retirement applications that were too late for last month's agenda, but were approved by Daniel Hall for an advance paycheck – James Bickersteth, Pauline Gutierrez, and Rosemarie Menosky.

6. APPLICATIONS FOR DEFERRED RETIREMENTS

Ann Kuhl-Roy
HMC/Exempt

Final Average Compensation:	\$ 52,421.29
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	02/25/2004
Service: 14 Years, 2 Months	

The retiree will elect an Option prior to 12/01/2013

Sheryl McBrayer
HMC/2056

Final Average Compensation:	\$ 51,279.23
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	01/18/2004
Service: 16 Years, 8 Months	
The retiree will elect an Option prior to 03/01/2017	

Albert Wells
City/Exempt

Final Average Compensation:	\$ 38,222.31
Accumulated Contributions:	7,540.80
DRET:	.00
Effective Date of Retirement	03/12/2004
Service: 10 Years, 5 Months	
The retiree will elect an Option prior to 11/01/2019	

It was moved by Amy Lindman, and supported by Ed Taylor, to approve the Applications for Deferred Retirement for Ann Kuhl-Roy, Sheryl McBrayer, and Albert Wells.

Bob Erlenbeck noted that his office is now confirming the non-contributory status of retiree applications to ensure that the Board has that information prior to approval.

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

7. APPROVAL OF PENSIONS PREVIOUSLY REPORTED

Deborah Brower/HMC Revised FAC \$78,596.66

Retroactive pay received after retirement

Robert Gillis/HMC Revised FAC \$69,457.98

Retroactive pay received after retirement

Anne McAuliffe/HMC Revised FAC \$51,253.02

Retroactive pay received after retirement

Sheryl McBrayer/HMC Revised FAC \$51,400.36

Retroactive pay received after retirement

Brian Sepanak/Police Revised FAC \$79,699.12

To include Voluntary Days Off days in FAC per union contract

Janet Wood/HMC Revised FAC \$57,630.69

Retroactive pay received after retirement

Sharen Zuehlke/HMC Revised FAC \$40,768.63

Retroactive pay received after retirement

Sharon Duetsch/HMC Revised FAC \$55,897.33

Retroactive increase for exempt employees

Habeeb Ghattas noted that a statement of reason for revision is not sufficient for Board approval, because it is not referenced whether the compensation is authorized pursuant to a collective bargaining agreement; i.e., what is the basis for the additional compensation? If the compensation is to be included in FAC, which is what is being requested, the Board must be fully informed as to the type of compensation and the basis for inclusion in FAC. With the limited information provided, it is unclear whether the Board should be authorizing the requested change in FAC. Is HMC providing adequate information to the City?

Discussion followed. It was noted that the Board should be fully informed; for example, is the revision per plan provisions? Per collective bargaining agreement? Gainsharing? Sick payoff? Perfect attendance day? The Board must know if the additional compensation is authorized under the Plan for inclusion in their FAC. On future agendas, each individual request should be noted as follows: “_____ Compensation that should be included in FAC per _____”; i.e., two pieces of information should be listed for each individual – what the compensation was for and why it should be included in their Final Average Compensation.

Bob Erlenbeck and Dan Coffield will work together to ensure there is more information on the agenda in the future.

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to approve the revised pensions for Brian Sepanek and Sharon Deutsch and to table the other requests until additional information is provided to the Board.

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

8. OPTIONS PICKED BY DEFERRED RETIREES

Ruby Dixon/HMC	Option Straight Life/\$534.22
Michael Grandas/City	Option Straight Life/\$2,018.84
Marilyn Lewis-Baker/HMC	Option Straight Life/\$559.06

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

9. UPCOMING CONFERENCES

- 9.1 Institute for International Research, Second Annual US Private Equity & Venture Capital Summit, April 27-29, 2004, New York, NY. (On file in Retirement)
- 9.2 Callan Investments Institute, June 2004 Regional Breakfast Workshops, June 16, 2004, Chicago, IL. (On file in Retirement)
- 9.3 Harvard University, Managing the Difficult Business Conversation, June 28-29, 2004, Cambridge, MA. (On file in Retirement)
- 9.4 International Foundation, 2004-2005 Certificate of Achievement in Public Plan Policy, July 10-11, 2004, Washington, DC. (On file in Retirement)
- 9.5 International Foundation, Benefits Conference for Public Employees, July 12-14, 2004, Washington, DC. (On file in Retirement)
- 9.6 International Foundation, Annual Employee Benefits Conference, September 19-22, 2004, New Orleans, LA. (On file in Retirement)

- 9.7 International Foundation, Portfolio Concepts and Management, October 4-7, 2004, Philadelphia, PA. (On file in Retirement)

It was moved by Ed Taylor, and supported by Amy Lindman, to add the stated conferences to the list of authorized conferences.

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

10. COMMUNICATIONS RECEIVED

- 10.1 International Foundation, Employee Benefits Digest, April 2004. (On file in Retirement)
- 10.2 David Babson & Co., The Babson Staff Letter, March 12, 2004. (On file in Retirement)
- 10.3 David Babson & Co., The Babson Staff Letter, March 26, 2004. (On file in Retirement)
- 10.4 Callan Associates, Letter to Clients re: Article in Forbes Magazine, April 7, 2004. (On file in Retirement)
- 10.5 Callan Associates, Private Market Trends, Winter 2003-2004. (On file in Retirement)
- 10.6 PensionGold Retirement Solutions, Letter to Lisa DeDolph re: Information Technology, March 22, 2004. (On file in Retirement)
- 10.7 Payden & Rygel, Quarterly Review, April 2004. (On file in Retirement)
- 10.8 Piedmont Investment Advisors, Piedmont Perspective, March 10, 2004. (On file in Retirement)
- 10.9 International Foundation, 2004 Certificate Series Schedule, Spring 2004. (On file in Retirement)
- 10.10 ICON Advisers, Inc., Letter to Lisa DeDolph re: Investment Performance, March 15, 2004. (On file in Retirement)
- 10.11 MAPERS, Pac Golf Outing, July 29, 2004, Fox Hills Country Club, Plymouth, MI. (On file in Retirement)
- 10.12 Loomis Sayles & Co., Invitation to Dinner at Hilton Anaheim, May 3, 2004, Anaheim, CA. (On file in Retirement)

- 10.13 U.S. Trust, Invitation to Luncheon Forum, "Is there still a role for growth and value in traditional asset allocation", April 26, 2004, Chicago IL. (On file in Retirement)
- 10.14 Banc One Investments, Invitation to Cruise on the SS Hummer, May 24, 2004, Mt. Pleasant, MI. (On file in Retirement)
- 10.15 Standard Federal, Breakfast Invitation at MAPERS Conference, May 24, 2004, Mt. Pleasant, MI. (On file in Retirement)
- 10.16 Bank of Ireland Asset Management, Invitation for Food, Fun & Music at the Lakeside Lagoon, May 4, 2004, Anaheim, CA. (On file in Retirement)
- 10.17 Fidelity Investments, Letter to Dan Hall re: Capital Call, March 31, 2004. (Enclosed)

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

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

11. REPORTS RECEIVED

- 11.1 State Street Global Advisors, Appraisal Report as of March 31, 2004. (On file in Retirement)
- 11.2 Lynch, Jones & Ryan, Trading Summary as of February 29, 2004. (On file in Retirement)
- 11.3 Magna Securities, Commission Recapture Report as of February 24, 2004. (On file in Retirement)
- 11.4 Magna Securities, Revised Commission Recapture Report as of December 31, 2003. (On file in Retirement)
- 11.5 Magna Securities, Revised Commission Recapture Report as of January 31, 2004. (On file in Retirement)
- 11.6 Bank of Ireland, Statement of Holding as of March 31, 2004. (On file in Retirement)
- 10.7 Fortis Investment Services, Transactions made by Wentworth, Hauser & Violich, March 1, 2004. (On file in Retirement)

- 11.8 State Street Global Advisors, Account Summary as of February 29, 2004. (On file in Retirement)
- 11.9 CBRE Investors, Schedule K-1 for year ended 2003, April 7, 2004. (On file in Retirement)
- 11.10 CBRE Investors, Financial Statements as of December 31, 2003. (On file in Retirement)
- 11.11 Northern Trust Reports – February 2004 (Enclosed)
- 11.12 Retirement Fund Employee/Employer Contributions (Enclosed)

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

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

12. STATISTICAL REPORT OF BENEFITS

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Number Retired	2,964	3,001	2,979
Annualized Payroll	\$ 58,416,621	\$ 61,357,283	\$ 62,188,946
13 th Check	-0-	-0-	-0-
Charter 13 th Check	-0-	-0-	-0-

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

13. APPROVAL OF THE MAY 1, 2004 PENSION PAYROLL TRANSFER

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to transfer \$4,638,160 from State Street Global Advisors to Citizens Bank for payment of the May 1, 2004 pension payroll.

It was noted that there is a balance in the account of \$200,000 set aside for outstanding checks. Bob Erlenbeck reported that the additional buffer was lowered, per the Board's direction, from \$250,000 to \$50,000.

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

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

This item was handled previously in the agenda (tabled).

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

This item was handled previously in the agenda (tabled).

Chairman Daniel Hall again noted that a special board meeting will be scheduled on May 11 to discuss these issues and resolutions, if further information is available.

Dan Coffield stated that he would like the Trustees to authorize Gabriel, Roeder, Smith & Company to calculate the necessary information and provide it to the FERS Board, without providing it to MERS at this point. Then the Board could engage another independent actuary, at Hurley Medical Center's expense, to review the calculations and ensure they were done accurately. This information is needed before the cost of transferring the assets and liabilities, for all affected individuals who are going to be transferred to MERS, can be determined. The intent of Resolution #14 was to authorize the actuarial valuation, in order to provide the cost of transfer. Although the actuarial valuation is not a difficult job, it is also possible that some of the needed data is missing and must be obtained from the City and HMC. Authorizing GRS to begin the calculations would get the process moving forward and ensure that data needed from the City and HMC is provided as soon as possible to get the process moving. After the GRS actuarial valuation is completed, an independent actuary would perform internal controls testing, data sampling, verify calculations and methodology, etc.

Chairman Daniel Hall stated that a letter (with two signatures) would be needed to authorize Larry Langer at GRS to proceed with the actuarial calculations.

Discussion followed. Board Members noted that the actuarial reports also need to

address the effects on the contribution rates by the City and HMC after the transfer and the effect of the transfer on the remaining balance in the Fund. In addition, the actuaries will be asked to review the agreements and make recommendations for changes, if they feel there should be any. All actuarial work will be done at the expense of HMC. Also, MERS must be formally requested to provide to FERS all desired information, including the study done by GRS, as soon as possible.

Habeeb Ghattas reminded the Board that, under the PERA, the Board is obligated to implement a benefit that is being provided by the employer/plan sponsor under the collective bargaining agreement. However, the Board's primary responsibility is to protect the assets of the System. The proposed resolution deals not only with members represented by collective bargaining units, but also exempts and retirees. There are a number of legal questions regarding exempt employees and retirees. If the purpose of a tabling motion is to allow for an exchange of information by May 11, then the suggestion from Dan Coffield to authorize the actuarial valuation by GRS, with release of the information to FERS only, followed by a review by an independent actuary, is a good suggestion. This would eliminate the potential for a conflict of interest situation and get the information needed. Then, after the Board has consulted with the independent actuary, the information could be authorized for release to MERS. However, it is unknown how much can be accomplished by May 11. Habeeb also requested direction from the Board regarding consulting with special tax counsel regarding the tax issues involved. To protect the Board and the Retirement System, his recommendation is that the Board authorize special tax counsel to be retained, as they have done in other instances where there were tax-qualification questions. He noted that it would be practical to address the transfer of information question, select an independent actuary, list the actuarial concerns that need to be addressed, address legal issues with special tax counsel, and discuss those items at the meeting on May 11.

Dan Coffield expressed the following concerns: 1) there are many issues regarding the sharing of information that need to be addressed as soon as possible, many of which are not dependent on the other issues in order to be resolved and could be addressed concurrently; 2) there are many more issues related to the actual transfer, many of which must be resolved subsequently; 3) regarding tax counsel, since about 600 municipalities have joined MERS, rather than engage special tax counsel, couldn't Mike Moquin, the MERS attorney, or Hurley counsel be utilized? If they cannot, can special tax counsel be hired as soon as possible to resolve that issue?

Habeeb Ghattas noted that there are many issues involved in the transfer of information, in preparation for moving forward. In the event that Judge Yuille makes a decision on the authority of the Emergency Financial Manager, that decision could have an impact on the process also. He stated that he has substantive concerns as to whether or not the whole process should move forward. He also noted that the actuaries cannot review the

documents in question in terms of legal issues, but only actuarial issues.

A motion was made by Daniel Coffield, supported by Georgia Steinhoff: 1) that the Board authorize Gabriel, Roeder, Smith & Company to make the actuarial calculations called for in the "Joint Agreement Concerning the Transfer of All Data for Certain Active Members and Retirees of Hurley Medical Center" and that GRS release the information to the FERS Board of Trustees only, followed by Board authorization for the independent actuary Rodwan and Nichols (or, should they decline, another independent actuarial firm) to review/audit the information provided by GRS; 2) that, by May 11, any issues related to the "Joint Agreement Concerning the Transfer of Related Assets and Liabilities for Certain Active Members and Retirees of Hurley Medical Center" be brought forward so that the Board can identify all issues to be resolved before that Agreement can be adopted; 3) that all reasonable expenses will be paid by Hurley Medical Center.

Discussion followed. It was noted that Bob Erlenbeck and Peter Dobrzeniecki will contact the actuaries and provide the information to them to perform the calculations.

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

A motion was made by Amy Lindman, supported by Georgia Steinhoff: 1) to authorize Habbab Ghattas, as the Board's legal counsel, to consult with Mike Moquin at MERS regarding tax status issues with regards to the transfer of assets and liabilities from FERS to MERS. Mr. Ghattas is also authorized to hire a special tax counselor, if he feels it necessary, to review the tax status issues further; 2) to request from MERS all information discussed today, including the study done by GRS comparing FERS and MERS; 3) that these issues be reported on at the May 11th meeting.

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

16. **AUDIT COMMITTEE REPORT**
- Update/Recommendations

Dan Hall stated that Plante & Moran is currently performing the audit of FERS and he will give a progress report on the audit at the next board meeting. He noted that Beth Bialy, of Plante & Moran, is pleased with the audit progress and information sharing so far. The audit contract is for the 18 months ended June 2002. There is no contract beyond that 18 months. A motion is needed to authorize Habbab Ghattas to contact Beth Bialy at Plante & Moran for an additional contract for the 12 months ending June 2003.

Motion made by Ed Taylor, supported by Georgia Steinhoff, to authorize Habeeb Ghattas to work with Plante & Moran to contract for an additional 12 month audit, through June 30, 2003 (beyond the original 18 months of January 2001 through June 2002), for a fee not to exceed \$27,500 for the fiscal year 2003 audit.

Habeeb Ghattas noted that the Board did approve the change for the System to convert from a calendar year basis to the same fiscal year basis as the City of Flint, effective at the end of the 18-month audit (June 2002). Peter Dobrzeniecki noted GRS will also be changing their actuarial reports to a fiscal year basis, instead of a calendar year basis.

Upon being put to a vote, the motion to authorize entering into an additional 12-month contract with Plante & Moran for auditing services carried unanimously.

17. DB/DC COMMITTEE REPORT

Bob Rosenberger reported that there is a meeting scheduled for April 29th.

18. DUE DILIGENCE REPORT

Sandra Kidd reported that the Committee has not met since the last board meeting.

19. PROFESSIONAL SERVICES COMMITTEE REPORT

- Holly Duncan Reevaluation
- Disability Report
- RFP, Consultant Report
- Equating Option

Georgia Steinhoff reported that the Committee has met twice, in March and on April 19. The pending disability applications are:

- 1) Holly Duncan – The Committee received a letter from Holly Duncan (#19 in the agenda packet). She applied for a disability retirement in April 2003 and was examined by two doctors, who both found her not disabled. She is asking for reconsideration of her application. The Committee is recommending that her request be tabled until next month.

Georgia reported that the Committee will be meeting with Dr. Roth next Tuesday, April 27, in Ann Arbor. Since the Board apparently never formally adopted a policy on reexaminations, the Committee wants to research past Board actions and discuss the issue with Dr. Roth to see if some criteria can be developed.

After their meeting with Dr. Roth, the Committee will notify Ms. Duncan that, as soon as the process is finalized, she will be informed as to what the reevaluation process is.

- 2) Philip Snyder & Paul Marx - The Committee received the medical reports for Philip Snyder and Paul Marx, the two Police officers who were found not to be disabled by Dr. Roth, within certain limitations. The Committee sent both of them back to Dr. Roth, with a copy of the Police Officers' contract that stipulates that they are to be found disabled as police officers; i.e., if they can't do that particular job, then they are to be found totally and permanently disabled. Dr. Roth reexamined them and, concurring with the language of the police officers' contracts, found both individuals totally and permanently disabled and unable to perform their duties as police officers. The Committee recommends concurrence with Dr. Roth's report for both Philip Snyder and Paul Marx.

Chairman Daniel Hall referred Board Members to the Agenda Addendum regarding applications for disability retirements.

DUTY DISABILITY

Paul Marx
City/Police

Age: 38 Years
Service: 14 Years, 7 Months

The medical report and summary of Disability Determination dated March 18, 2004 from Dr. Victor Roth, Medical Director, does certify that Paul Marx is totally and permanently disabled.

In addition, a statement for professional services rendered in the amount of \$300.00 was submitted by M-Works.

Philip Snyder
City/Police

Age: 38 Years
Service: 12 Years, 1 Months

The medical report and summary of Disability Determination dated March 4, 2004 from Dr. Victor Roth, Medical Director, does certify that Philip Snyder is totally and permanently disabled.

In addition, a statement for professional services rendered in the amount of \$300.00 was submitted by M-Works.

A motion was made by Amy Lindman, supported by Georgia Steinhoff, to concur with Dr. Victor Roth's report, as Medical Director at M-Works, that Paul Marx and Philip Snyder are totally and permanently disabled and should receive duty disability retirement.

Upon being put to a vote, the motion to approve disability retirements for Paul Marx and Philip Snyder carried unanimously.

A motion was made by Amy Lindman, supported by Georgia Steinhoff, to pay the professional services fees to M-Works for \$300 each for exams by Dr. Roth of Paul Marx and Philip Snyder.

Upon being put to a vote, the motion to pay M-Works \$600 carried unanimously.

Georgia Steinhoff noted that the Agenda Addendum also included Jill Higgerson's request for a non-duty disability retirement.

APPROVAL FOR NON-DUTY DISABILITY RETIREMENT

Jill Higgerson
68th Dist Court/1600

Age: 42 Years
Service: 13 Years, 0 Months

The medical report and summary of Disability Determination dated March 4, 2004 from Dr. Victor Roth, Medical Director, does certify that Jill Higgerson is not totally and permanently disabled.

In addition, a statement for professional services rendered in the amount of \$550.00 was submitted by M-Works

Georgia Steinhoff asked that Jill Higgerson's request for approval of a non-duty disability retirement be tabled until next month's meeting. This case is under review and will be discussed with Dr. Roth at the meeting with the Committee. Don Phillips noted that, a number of years ago, the Board did adopt a policy on re-examinations for disability retirement applications.

Georgia Steinhoff reported that the Professional Services Committee discussed the RFP for a Consultant at their meeting on April 19. At that meeting, Habeeb Ghattas gave the Committee a final draft of the RFP. There are two components that are needed, and for which the assistance of the Investment Committee is required: 1) a listing of the System's assets, and 2) an up-to-date Investment Policy. Habeeb Ghattas will research previous discussions and bring the Policy up to date and then present it to the Investment Committee for approval. Hopefully, it will be in the Board packet for next month's meeting. If the Board approves the RFP, it would be sent out within a couple of weeks after the Board Meeting, with a two or three week deadline for responses. Once the responses are received and the deadline is past, the Professional Services Committee and the Investment Committee will work together to review the responses and then report their findings to the Board.

Daniel Hall noted that there are different styles of consultants and services available and the Committees will also need to make a recommendation regarding which style would best meet the System's needs.

Georgia Steinhoff noted that the Equating Option information will be given to City Council by Ed Taylor, with an explanation and a request that it be added to the City Council's Legislative Agenda. She noted that the information was drafted in 1994 and never adopted.

20. INVESTMENT COMMITTEE REPORT

- Recommendations – Report
- Manager Review
- MERS Update

Dan Coffield, Chair of the Investment Committee, noted that there were no issues to report to the Board at this time. He distributed to the Board an article from the April 19, 2004, issue of *Forbes* entitled “A Bribe By Any Other Name,” by Neil Weinberg. The focus of the article was the relationships between pension consulting firms, money managers, and pension systems. The largest pension consulting firm, Callan Associates, was mentioned as having some questionable relationships with money managers that it recommends to pension systems. He also distributed a copy of a rebuttal letter from Callan Associates to its clients dated April 7, 2004. In addition, the Board received a copy of several pages from a Callan performance report dated December 31, 2003. The Board discussed their concerns about Callan’s relationships with money managers and clients, as well as the performance of many of the money managers Callan has recommended over the past few years.

The Board also discussed the Consultant Search and reviewed some information provided by Dan Coffield regarding Traditional Consulting vs. Implemented Consulting, as presented to the Community Foundation by Russell, an implemented consultant. The Community Foundation has narrowed their search down to four finalists - two traditional consultants and two implemented consultants. He reported that implemented consultants become a co-fiduciary and perform manager selections, with a multi-manager strategy, doing the necessary rebalancing, having arrangements with the existing managers. Traditionally, FERS has a relationship with a custodian, a traditional consultant, and relationships with multiple money managers. In the implemented consulting model, there is one relationship – the relationship with the consultant. The Board, and its Committees, still set policy, asset allocation, active/passive strategies, etc. Russell could make a presentation to the Board or Committee(s), if desired. It was noted that, if a presentation is made to a joint committee meeting (Investment & Professional Services Committees), the meeting would have to be posted, pursuant to the Open Meetings Act.

21. EDUCATION POLICY

- MAPERS – Spring Dues were paid on 2-10-04
- NCPERS – Annual Dues were paid on 2-10-04

For information only – no action is necessary by the Board.

22. LEGAL COUNSEL UPDATES

- Wallace Jones
- Board v Kurtz

Habeeb Ghattas reported that the final hearing on the Wallace Jones case was held on April 13, with Jeffrey Welch in attendance. The matter was resolved with an order to Mr. Jones to pay approximately 50% of his pension benefit to his ex-wife in order to cover the amount accrued during the marriage. The System can comply with this order. The order has been forwarded to Bob Erlenbeck for implementation.

Habeeb Ghattas gave a report regarding the lawsuit pertaining to the Emergency Financial Manager's jurisdiction over the System. He discussed the status of the lawsuit with special counsel Stephen Spender yesterday. A Writ for Superintending Control has been prepared and will be filed in the Michigan Court of Appeals before the end of the week. The purpose of the complaint in the Court of Appeals is to direct Judge Yuille to make a decision on the Board's pending motion for preliminary injunction.

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

Chairman Daniel Hall noted that this resolution has been prepared and approved by the City Attorney and Habeeb Ghattas, as the Board's legal counsel. He and Peter Dobrzeniecki will be signing it today and placing it on file. This item will be removed from future agendas. A copy of the signed resolution will be in the May agenda packets.

24. OTHER BOARD BUSINESS

Sandra Kidd asked about the status of Board Members attending the MAPERS Spring Conference. Chairman Daniel Hall stated that there was no money remaining in the travel budget for anyone to attend the MAPERS Spring Conference this year.

Chairman Daniel Hall noted that a Special Board Meeting will be scheduled for Tuesday, May 11, 2004, to discuss the MERS issues.

25. ADJOURNED

A motion was made by Amy Lindman, and supported by Georgia Steinhoff, to adjourn the meeting at 4:18 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki
Secretary