

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, April 25, 2006, at 1:00 p.m. in the Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Douglas Bingaman, Peggy Cook, Peter Dobrzeniecki, Ehren Gonzales, Sandra Kidd, Amy Lindman, Robert Rosenberger, Georgia Steinhoff, Cass Wisniewski

ABSENT Robert Erlenbeck, Janice Kehoe, Kerry Nelson, Donald Phillips

ALSO PRESENT Harland Abraham, Northern Trust
Suzi Bye, Retirement Supervisor
Ivory Day, Jr., Consultant, Gray & Company
Larry Langer, Actuary, Gabriel, Roeder, Smith & Company
I'Lanta Robbins, Assistant City Attorney/Attorney for the Retirement Board

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:07 p.m. Chairman Hall noted that the Regular Board Meeting was originally scheduled for April 18th, but was postponed until the 25th to allow all agenda packet information to be prepared and sent to the Board, and the Board to have time to review it prior to the meeting.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Barry Fagan, Bargaining Chair for Hurley's Registered Nurses & Registered Pharmacists Union, asked whether the City Council had approved the entire transfer of funds to MERS or only the first incremental transfer. Chairman Hall replied that they have approved only the initial transfer of \$15,750,462.73 at this time.

3. APPLICATIONS FOR VOLUNTARY RETIREMENT

Joanne Carrigan

City/Sergeants

Final Average Compensation:	\$ 63,196.18
Accumulated Contributions:	56,206.56
DRET:	.00
Effective Date of Retirement	03/18/2006

Service: 23 Years, 2 Months

The retiree elected the Option Straight Life in the amount of \$ 3,172.10.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Joanne Carrigan 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 \$3,172.10, for as long as she lives.

Jeffrey Johnson

HMC/Exempt

Final Average Compensation:	\$ 99,688.94
Accumulated Contributions:	57,682.08
DRET:	33,812.95
Effective Date of Retirement	03/18/2006

Service: 25 Years, 2 Months

The retiree elected the Option C w/pop-up in the amount of \$ 4,338.75.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Jeffrey Johnson 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 \$4,338.75, for as long as he lives.

Joyce Metcalf

HMC/1603

Final Average Compensation:	\$ 39,925.68
Accumulated Contributions:	15,081.53
DRET:	23,209.93
Effective Date of Retirement	03/03/2006

Service: 21 Years, 6 Months

The retiree elected the Option C w/pop-up in the amount of \$ 1,552.02.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Joyce Metcalf 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 \$1,552.02, for as long as she lives.

**Harold Payer
City/Sergeants**

Final Average Compensation:	\$ 86,938.82
Accumulated Contributions:	61,554.71
DRET:	10,111.59
Effective Date of Retirement	03/25/2006
Service: 26 Years, 0 Months	

The retiree elected the Option B w/pop-up in the amount of \$ 4,172.66.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Harold Payer be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option B w/pop-up in the amount of \$4,172.66, for as long as he lives.

It was moved by Georgia Steinhoff and supported by Sandra Kidd, to approve the Applications for Voluntary Retirement for Joanne Carrigan, Jeffrey Johnson, Joyce Metcalf, and Harold Payer.

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

4. OPTIONS PICKED BY NON DUTY & DUTY DISABILITY RETIREMENTS

Maurene Beckman/HMC	Option B \$869.93
Susan Tarkowski/City	Option Straight Life \$ 2,878.82

For information only – no action is necessary.

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

- 5.1 Frank Russell Capital, Inc., 2006 Russell Investment Group Seminar, May 19, 2006, Chicago, IL.
- 5.2 Strategic Research Institute, Asset Allocation & Risk Management Strategies, May 18-

19, 2006, Boston, MA.

- 5.3 Information Management Network, Illinois Public Employees' Retirement Systems' Forum, June 5-6, 2006, Chicago, IL.
- 5.4 Financial Research Associates, LLC, Alpha-Bets 2006, June 11-13, 2006, Monterey, CA.
- 5.5 Lorman Education Services, What You Need to Know about Public Records and Open Meetings in Michigan, June 15, 2006, East Lansing, MI.
- 5.6 The Conference Board, Employee Benefits Conference, June 29-30, 2006, Chicago, IL.
- 5.7 International Foundation, Certificate of Achievement in Public Plan Policy, July 11-14, 2006, Chicago, IL.
- 5.8 International Foundation, Advanced Investments Management, September 25-28, 2006.

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

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

6. 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.)*

- 6.1 Wellington Management, Inc., Invitation to the International Game Fish Association's Fishing Hall of Fame & Museum at NCPERS Conference, May 1, 2006.
- 6.2 Lerach Coughlin Stoia, Corporate Governance, 2nd Quarter 2006.
- 6.3 Independence Investments, Independent Thought, 1st Quarter 2006.
- 6.4 NCPERS, Persist, Winter 2006.
- 6.5 Fidelity Investments, New Account Executive, April 6, 2006. (Enclosed)
- 6.6 Habeeb Ghattas, Letter to Daniel Hall re: Claude Miller, March 22, 2006. (Enclosed)
- 6.7 Gabriel, Roeder Smith & Co., Letter to Retirement Board re: Minute Master, March 29, 2006. (Enclosed)

- 6.8 Leonard Kruse, Letter to Suzi Bye re: Steve Howe Redeposit of Contributions, April 5, 2006. (Enclosed)
- 6.9 E-mail to Peter Dobrzeniecki from Cass Wisniewski re: Hurley Contributions, March 9, 2006. (Enclosed)

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to receive the communications and place them on file.

Discussion followed regarding #6.6 (to be discussed further under Legal Updates), #6.7 and #6.8.

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

7. 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.)*

- 7.1 Fidelity Investments, Monthly Investment Update as of March 31, 2006.
- 7.2 Fidelity Investments, Capital Contribution, March 22, 2006.
- 7.3 Lynch, Jones & Ryan, Trading Summary as of January 31, 2006.
- 7.4 Lynch, Jones & Ryan, Trading Summary as of February 28, 2006.
- 7.5 Lynch, Jones & Ryan, Statement of Financial Condition as of December 31, 2005.
- 7.6 CB Richard Ellis, Consolidated Financial Statements as of December 31, 2005.
- 7.7 Northern Trust Reports – February 2006 (Enclosed)
- 7.8 Retirement Fund Employee/Employer Contributions (Enclosed)

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

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

8. STATISTICAL REPORT OF BENEFITS (for informational purposes only)

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

9. APPROVAL OF THE MAY 1, 2006 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that a transfer of \$4,955,400.00 was needed for the payment of the May 1st, 2006 pension payroll, with funds to be taken from the NTGI Collective Russell 1000 Growth Fund (large cap) at Northern Trust.

A motion to approve a transfer for payment of the May 1st, 2006 pension payroll, in the amount of \$4,955,400.00 from the Northern Trust Russell 1000 Growth Fund to Citizens Bank, was made by Georgia Steinhoff, and supported by Ehren Gonzales.

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

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

Tabled by Chairman Daniel Hall (data is currently with the actuaries).

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

Chairman Daniel Hall stated that a letter was sent to Cass Wisniewski at Hurley from Mr. Jeb Burns, CFO at MERS. The letter stated that it is the policy of the MERS Investment Department to accept only cash transfers.

A discussion followed regarding the timing of the first transfer to MERS of approximately \$15.7 million. Ivory Day stated that he has created a rebalancing schedule, which shows that the funds will be transferred from multiple managers in order to maintain the approved asset allocation. Harland Abraham stated that, once he is directed to execute the transfers, the cash could be raised within 3-4 business days. The funds would be placed into the transition account and then wired to MERS. Chairman Hall asked Cass Wisniewski to contact MERS for the wire instructions and relay them to Peter Dobrzeniecki, as Secretary of the System. Mr. Abraham noted that Northern Trust is not charging fees for the transition accounts.

A motion was made by Georgia Steinhoff, and supported by Ehren Gonzales, to approve the liquidation of \$15,750,462 and make the first transfer from FERS to MERS in that amount.

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

Chairman Daniel Hall recessed the meeting at 1:32 p.m.

Chairman Hall called the meeting back to order at 1:43 p.m.

12. FERS TO MERS TRANSITION

Previously discussed (see above).

13. DISCUSSION OF LETTER FROM LARRY LANGER EXTENDING THE CONTRIBUTION LAG REGARDING 59th and 60TH ANNUAL ACTUARIAL VALUATION AND CONSIDERATION OF 7 ¾% AND 8% ALTERNATIVES

Larry Langer, Actuary with Gabriel, Roeder, Smith & Company, reviewed with the Board his letter dated April 14, 2006, which updated the March 15, 2006 letter, regarding options for changes in assumptions for calculating the contribution rates to the Fund from the City and Hurley Medical Center. These changes would lower the contributions to the Fund and provide financial relief to the City and Hurley, without violating generally accepted actuarial and accounting principles. Discussion followed.

A Motion was made by Peter Dobrzeniecki, and supported by Ehren Gonzales, that the Board adopt an alternative funding policy (Alternative #2 on page 6 of the letter dated April 14, 2006 from Larry Langer at Gabriel, Roeder, Smith & Company) which changes the assumptions used in the actuarial calculations for contributions to the Retirement System from a 7-3/4% rate of return to an 8% rate of return and changes the "lag" between the date of a valuation and the implementation of the rates calculated within that valuation to a 24-month lag from the previous 12- to 18-month lag. This alternative policy is to be in effect for Fiscal Years 2006, 2007 and 2008, with the policy to be reevaluated at the end of that time period.

Further discussion followed.

Upon being put to a roll call vote, the Motion was approved by a vote of 5-4:

Roll Call:	Cass Wisniewski – yes	Peggy Cook - yes
	Peter Dobrzeniecki – yes	Sandra Kidd - no
	Amy Lindman – no	Robert Rosenberger – no
	Georgia Steinhoff – no	Ehren Gonzales – yes
	Daniel Hall - yes	

Ehren Gonzales left the Board Meeting at 2:33 p.m.

14. AUDIT COMMITTEE REPORT

Chairman Daniel Hall reported that no meeting of the Audit Committee has been held since the last Board Meeting.

15. INVESTMENT COMMITTEE REPORT

Chairman Daniel Hall stated that no Investment Committee meeting has been held since the last Board Meeting. He reported that he signed an Amendment to the FERS Investment Management Agreement with ICON Advisers that reduces their fees from 75 basis points to 65 basis points.

16. PROFESSIONAL SERVICES COMMITTEE REPORT

Committee Chair Georgia Steinhoff stated that the Committee did not hold a meeting because no new disability applications or M-Works reports had been received. However, a report has now been received from Dr. Roth at M-Works certifying that Todd Burch is totally and permanently disabled from the Police Department.

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to concur with Dr. Roth's report that Todd Burch is totally and permanently disabled and should be granted a disability retirement.

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

Chairman Daniel Hall stated that he will work with the Attorney to draft a letter to Attorney Habeeb Ghattas indicating that, at this time, Mr. Ghattas will not be kept on retainer by the Board and there will be no further payments made to him once payment is made on his bill for the month of February in the amount of \$1026.

17. FINANCE COMMITTEE

Chairman Daniel Hall stated that the Finance Committee has not met since the last Board Meeting.

18. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Daniel Hall stated that this Committee has not met since the last Board Meeting.

19. GRAY & COMPANY

Ivory Day, Jr. reviewed with the Board a proposed rebalancing schedule, which reflects transfers to MERS and the funding of the new money managers (international and small cap), while maintaining the approved asset allocation. Discussion followed.

A motion was made by Peter Dobrzeniecki, and supported by Peggy Cook, to authorize moving forward with the rebalancing of the Fund as presented in the rebalancing schedule, in the most cost efficient manner possible, which will allow for the transfers to fund MERS and the new money managers, while maintaining the previously approved asset allocation.

Discussion followed.

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

Ivory Day, Jr. presented an updated performance report (through December 2005) for the new small cap value managers, Allegiant and Keeley. He stated that the two managers continue to have a long-term superior risk-adjusted performance and complement each other, as well as Wellington. He also stated that there has been no new litigation and no management changes of substance with either of these two money managers. Therefore, Gray is recommending that the funding of these two managers proceed. Chairman Daniel Hall asked for a comparison of Munder's performance with Allegiant and Keeley.

20. LEGAL COUNSEL UPDATES

Attorney I'Lanta Robbins stated that there was nothing to report at this time. Chairman Hall asked her to investigate the status of the Claude Miller class action lawsuit (26/27 pays issues) and report back at the next meeting.

21. DB/DC CONVERSION

Chairman Hall stated that there was no new information to report. Peter Dobrzeniecki said that the unions asked to meet with the actuary, Larry Langer, regarding this issue when he is in town meeting with the Board. He has recommended that the Unions direct their request to discuss the DB/DC conversion with Mr. Langer to the Board of Trustees.

22. OTHER BOARD BUSINESS

None.

23. ADJOURNED

There being no further business to discuss, it was moved by Robert Rosenberger, and supported by Georgia Steinhoff and Amy Lindman, to adjourn the meeting at 3:11 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary