

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 22, 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, Peter Dobrzeniecki, Robert Erlenbeck, Ehren Gonzales, Janice Kehoe, Sandra Kidd, Michelle Kirkwood, Donald Phillips, Robert Rosenberger, Scott Sutter

ABSENT Peggy Cook, Amy Lindman, Kerry Nelson, Georgia Steinhoff, Cass Wisniewski

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

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:05 p.m.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Pam Grieves, President, Local #2056 at Hurley Medical Center, asked when money will be transferred to MERS, noting that MERS has now provided the transfer directions.

Kathy House introduced herself as Chief Marketing Officer at MERS and stated that she was present so that she could be available for questions.

Chairman Daniel Hall introduced Michelle Kirkwood as the newly elected Alternate for Robert Rosenberger, who was re-elected as Trustee.

3. APPROVAL OF THE JUNE 20, 2006 REGULAR BOARD MEETING MINUTES

It was moved by Donald Phillips, and supported by Robert Erlenbeck, to approve the minutes of the June 20, 2006, Regular Board Meeting.

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

LITIGATION/LEGAL UPDATE

Chairman Hall asked Attorney George Peck to update the Board on the Take Two Interactive litigation. The lawsuit was filed in Detroit; however, FERS' 22,500 shares and loss of \$170,000-\$185,000 did not allow for Lead Plaintiff status. Therefore, the FERS lawsuit joined with a class action suit filed in the Southern District of New York. The aggregate total in the class action suit is 1.8 million shares. The New York Pension Fund and New York Police and Fire Pension Fund aggregated over \$3,000,000 in losses and shares. In a ruling last week, they were designated as the Lead Plaintiffs. There will still be no cost to the System. Mr. Peck will keep the Board updated on the status of the lawsuit as it progresses.

Attorney Peck also stated that he has discussed with Attorney Trachelle Young and Chairman Daniel Hall the Board's investment monitoring attorneys, Milberg Weiss. It is his understanding that they are recommending to the Board that the relationship with Milberg Weiss should be terminated. He is in agreement with that recommendation. Milberg Weiss has been experiencing serious legal problems involving grand jury subpoenas and potential criminal allegations. He has been reviewing monitoring firms that work at no cost to the client and will be making a recommendation to the Board.

Chairman Daniel Hall stated that he has discussed Milberg Weiss with Attorney Trachelle Young and they believe it is in the Board's best interest to send a letter terminating FERS' relationship with Milberg Weiss. He would also refer the issue of a new investment-monitoring attorney to the Professional Services Committee for a recommendation. Attorney Young noted that Northern Trust continues to perform monitoring functions as part of their due diligence.

A motion was made by Peter Dobrzeniecki, and supported by Ehren Gonzales, to terminate FERS' relationship with Milberg Weiss as investment monitoring attorneys.

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

4. APPLICATIONS FOR VOLUNTARY RETIREMENT

Margaret Eaton

68th District Court/1799

Final Average Compensation: \$ 44,596.89

Accumulated Contributions: 29,718.35

DRET: 4,510.82

Effective Date of Retirement 07/15/2006

Service: 22 Years, 9 Months

The retiree elected the Option Straight Life in the amount of \$ 2,029.16.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Margaret Eaton 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 \$2,029.16, for as long as she lives.

Robert Fierke

Utilities/1799

Final Average Compensation: \$ 52,005.21

Accumulated Contributions: 33,269.94

DRET: 5,233.02

Effective Date of Retirement 07/15/2006

Service: 25 Years, 0 Months

The retiree elected the Option B in the amount of \$ 2,364.23.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Robert Fierke 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 in the amount of \$2,364.23, for as long as he lives.

Herman Perry

HMC/1603

Final Average Compensation: \$ 49,141.61

Accumulated Contributions: 16,873.05

DRET: 29,651.48

Effective Date of Retirement 07/15/2006

Service: 19 Years, 7 Months

The retiree elected the Option A in the amount of \$ 1,731.56.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Herman Perry 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 \$1,731.56, for as long as he lives.

Ann Thibodeau-Ashford

HMC/Exempt

Final Average Compensation:	\$ 105,726.23
Accumulated Contributions:	19,676.52
DRET:	62,250.61
Effective Date of Retirement	07/01/2006

Service: 15 Years, 6 Months

The retiree elected the Option Straight Life in the amount of \$ 3,013.20.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Ann Thibodeau-Ashford 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 \$3,013.20, for as long as she lives.

It was moved by Donald Phillips, and supported by Robert Erlenbeck, to approve the Applications for Voluntary Retirement for the following persons (with monthly pensions as noted):

Margaret Eaton – Option Straight Life - \$2,029.16

Robert Fierke – Option B - \$2,364.23

Herman Perry – Option A - \$1,731.56

Ann Thibodeau-Ashford – Option Straight Life - \$3,013.20

Discussion followed. It was noted that “Accumulated Contributions” refers to after-tax contributions into the Retirement System by an employee. “DRET” refers to pre-tax contributions by an employee; pre-tax contributions have been implemented in all bargaining unit contracts. However, the City exempts have not been given the option of contributing pre-tax dollars into the pension system.

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

Robert Erlenbeck noted that the application process for voluntary retirements has changed.

All applications originate in the Retirement Office and are audited in Finance to ensure accuracy. Therefore, it is possible that pensions could be delayed because they couldn't be audited in time for the board meeting agenda. Although it didn't happen this time, it was close. He asked the Board whether they would prefer that the pensions be withheld from the agenda until they are audited or placed on the agenda and approved pending audit.

Discussion followed. Chairman Hall indicated his belief that, rather than delay approval due to a pending audit, the Board should be informed that the numbers are unaudited and the pensions could still be approved so that the pension checks are not delayed. The first check could be issued with a note that the calculations had not yet been audited. Mr. Erlenbeck stated that the staff would list all processed applications on the agenda and report to the Board if any were unaudited. Peter Dobrzeniecki agreed that, most of the time, the audit doesn't change the pension amount and it would be best not to hold up the pension payments. Also, if an audit required any significant corrections subsequent to

the Board’s approval, the corrected pension would be brought back to the Board at the next meeting for approval of the corrected amount.

Bob Erlenbeck introduced a new member of his staff, Farrah Edwards, noting his office is now fully staffed.

PENSION APPROVED LATER IN THE AGENDA (originally listed in error under “Options Picked by Deferred Retirements”):

Robert Jewell

HMC/Exempt

Final Average Compensation:	\$ 65,690.16
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	07/01/2006
Service: 20 Years, 11 Months	

The retiree elected the Option Straight Life in the amount of \$ 1,108.32.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Robert Jewell 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 \$1,108.32, for as long as he lives.

It was moved by Donald Phillips, and supported by Robert Erlenbeck, to approve the Application for Voluntary Retirement for the following person (with a monthly pension as noted):

Robert Jewell - Option Straight Life - \$1,108.32

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

5. APPLICATIONS FOR DEFERRED RETIREMENT

Larry Ashlock – Reciprocal Retirement

Finance/1600

Final Average Compensation:	\$ 33,755.18
Accumulated Contributions:	1,910.28
DRET:	3,029.09
Effective Date of Retirement	05/05/2006
Service: 3 Years, 10 Months	

The retiree will elect an Option prior to 08/01/2007.

Stacey Curnow

Police/1600

Final Average Compensation: \$ 32,228.80
Accumulated Contributions: 20,012.77
DRET: 2,589.22
Effective Date of Retirement 07/23/2006
Service: 17 Years, 10 Months
The retiree will elect an Option prior to 09/01/2019.

Debra Meder

Police/1600

Final Average Compensation: \$ 35,901.70
Accumulated Contributions: 17,721.08
DRET: 3,337.69
Effective Date of Retirement 07/15/2006
Service: 17 Years, 7 Months
The retiree will elect an Option prior to 05/01/2013.

It was moved by Donald Phillips, and supported by Ehren Gonzales, to approve the Applications for Deferred Retirement for Larry Ashlock, Linda Curnow, and Debra Meder.

A memo from Attorney Trachelle Young regarding reciprocal retirements was distributed and discussed. Chairman Hall noted that the Professional Services Committee reviewed the memo and, after discussion, recommended approval of the deferred/reciprocal retirement of Larry Ashlock.

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

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

Mark Folts/Hurley **Option B \$1,425.48**
Correction of Error – Due refund from overpayment of redeposit

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

7.1 Institutional Investor Events, The 4th Annual Integrated Wealth Management Forum, September 18-20, 2006, New York, NY.

7.2 Frank Russell Capital, 2006 Russell Central Regional Conference, September 21, 2006, Chicago, IL.

- 7.3 Lazard Asset Management, The Global Search for Alpha, September 27, 2006, Chicago, IL.
- 7.4 International Foundation, Scholar Series in Board Governance, October 7-8, 2006, Las Vegas, NV.
- 7.5 Strategic Research Institute, 2nd Annual Pension Funds in Crisis, October 18-19, 2006, Washington, D.C.
- 7.6 Financial Research Associates, Liability-Driven Investing, November 8-9, 2006, New York.
- 7.7 Institute for International Research, 15th Annual Public Fund Boards Forum, December 9-12, 2006, San Francisco, CA.

A motion was made by Donald Phillips, and supported by Ehren Gonzales, to add the stated Conferences to the list of authorized conferences.

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

8. COMMUNICATIONS RECEIVED *(All documents have been placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets)*

- 8.1 Northern Trust, Point of View, July 2006.
- 8.2 Lynch, Jones & Ryan, Letter to Retirement Board re: Change in reporting processes, June 30, 2006.
- 8.3 Munder Capital, Invitation to Dinner at MAPERS Conference, September 16-17, 2006.
- 8.4 Kirby McInerney & Squire, The Fiduciary Report, 3rd Quarter 2006.
- 8.5 Dodge & Cox, Compliance Certification as of June 30, 2006, August 7, 2006.
- 8.6 Asset Services Company, Capital Perspectives, 2nd Quarter 2006.
- 8.7 Lerach, Coughlin, Stoia, Corporate Governance, 3rd Quarter 2006.
- 8.8 Payden & Rygel, Point of View, July 2006.

A motion was made by Robert Rosenberger, and supported by Peter Dobrzeniecki, to receive the Communications and place them on file.

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

9. COMMUNICATIONS SENT *(All documents have been placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets.)*

- 9.1 Certification of the General Election held on July 25, 2006. *(Enclosed)*
- 9.2 Letter to Board of Trustees from Peter Dobrzeniecki re: Special Retirement Board Meeting, August 1, 2006.
- 9.3 FERS, Letter to Steven Spender re: Claude Miller lawsuit, August 2, 2006. *(Enclosed)*
- 9.4 Letter to Northern Trust from Daniel Hall re: August 1, 2006 Pension transfer, July 26, 2006.
- 9.5 Letter to Greg Gibbs from Daniel Hall re: Board Response to Motion to place burden of proof on City of Flint, August 2, 2006.
- 9.6 Letter to Greg Gibbs from Daniel Hall re: Board Response to June 16, 2006 Letter regarding disqualifications, August 2, 2006.
- 9.7 Letter to Greg Gibbs from Daniel Hall re: Response to Request for Continuance, August 14, 2006. *(Enclosed)*

A motion was made by Peter Dobrzeniecki, and supported by Donald Phillips, to approve the Communications Sent and place them on file.

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

10. REPORTS RECEIVED *(All documents have been placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets)*

- 10.1 State Street Global Advisors, Investment Quarterly, 3rd Quarter 2006.
- 10.2 Skyline Asset Management, Small Cap Value as of June 30, 2006.
- 10.3 Dodge & Cox, Investment Report as of June 30, 2006.
- 10.4 Fisher Investments, Investment Portfolio as of June 30, 2006.
- 10.5 Wentworth, Hauser & Violich, Appraisal Summary as of May 31, 2006.
- 10.6 Intercontinental Real Estate Corp., Portfolio Summary as of March 31, 2006.

- 10.7 ICON Advisors, Portfolio Update, July 2006.
- 10.8 Wellington Management, Portfolio Performance & Valuation as of June 30, 2006.
- 10.9 Hartford Investment Management, Fixed Income Outlook, July 2006.
- 10.10 Globalt Investments, Equity Strategies – Large Cap Growth, 2nd Quarter 2006.
- 10.11 Lynch, Jones & Ryan, Trading Summary as of June 30, 2006.
- 10.12 Northern Trust Reports – June 2006 (*Enclosed*)
- 10.13 Retirement Fund Employee/Employer Contributions (*Enclosed*)

A motion was made by Peter Dobrzeniecki, and supported by Robert Erlenbeck, to receive the Reports and place them on file.

Chairman Hall asked that the Retirement Fund Employee/Employer Contributions Report (#10.13) reflect contributions received, or due, from Hurley Medical Center. He also stated that a meeting is needed with Peter Dobrzeniecki, Robert Erlenbeck and Robert Rosenberger (Finance Committee Chair) to discuss Hurley contributions.

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

11. 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

12. APPROVAL OF THE SEPTEMBER 1, 2006 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that a transfer of \$4,715,300 is needed for the payment of the September 1st, 2006 pension payroll, with funds to be taken from the Northern Trust Flint-Drawdown Account #26-19617. The balance in the Northern Trust drawdown account is \$36,379,512.23 as of August 16.

A motion to approve the transfer of \$4,715,300 for payment of the September 1st, 2006 pension payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Donald Phillips, and supported by Ehren Gonzales.

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

13. FERS TO MERS TRANSITION

Chairman Daniel Hall noted that Cass Wisniewski is on vacation, making him unavailable to provide further information regarding the MERS transfer and Hurley management issues. Mr. Hall also noted that wiring instructions from MERS were recently provided. Chairman Hall stated that he received a letter via e-mail on August 7th from Kathy House at MERS. He distributed a copy of the letter to the Board and called for a break to allow time to review the information and reconvene for discussion.

Chairman Hall recessed the meeting at 1:31 p.m.

Chairman Hall reconvened the meeting at 1:40 p.m.

Chairman Daniel Hall opened the floor for discussion concerning the FERS to MERS transition. He noted that the actuarial data is still needed from MERS, along with the total amount MERS believes should be transferred. A meeting is needed between FERS, MERS and Hurley; however, there have been problems finding a date/time when all sides are available to meet. Liability issues continue to be a concern for all parties.

Discussion followed. It was noted that MERS appears to believe, erroneously, that Hurley exempts and retirees will be transferring. At this time, the only retirees that are to be transferred to MERS are those who retired under the contracts that included the MERS transfer. Exempts and exempt retirees are not to be transferred. There have been no signed documents including exempts or past retirees from any group. The Board requested a MERS representative in attendance at each Board Meeting, in light of the fact that many of the issues raised by MERS have been passed along as concerns to Hurley Administration and it appears that Hurley Administration has never responded to MERS. The biggest problem with this process has been identified as a lack of communication between MERS and Hurley, as there are so many issues and details that should have been clarified or resolved between MERS and Hurley Administration a long time ago. Other concerns include the fact that Hurley has stopped paying into the pension funds of both FERS and MERS. Peter Dobrzeniecki stated that the comment in the MERS letter, "MERS has attempted to meet with officials from the FERS Board and City officials on various occasions and been told that they're not available" is untrue. MERS has never contacted him directly, as the Secretary and Fund Administrator, to set up any meetings.

MERS representative Kathy House stated that MERS has not received anything in writing from FERS except Larry Langer's actuarial report done in February. Hurley has referred MERS to the FERS Board of Trustees as the decision-maker in the transition process. She stated that the purpose of the e-mailed letter to Chairman Hall was to get the process moving. Chairman Hall stated that with Hurley stopping their contributions to FERS, they might be in arrears as much as \$10,000,000.

Donald Phillips and Peter Dobrzeniecki stated their belief that the Hospital Administration and MERS should meet first to work out the details, since the Board only controls the assets. Once the details are resolved, and the Ordinance is amended by City Council, the Board can transfer the assets. However, it remains difficult to understand how the contracts could have been negotiated to allow for the transfer to MERS without any actuarial studies or knowledge of the amount of money and the many legal issues involved.

Kathy House stated that it is the assets that are in question. Hurley referred MERS to the Board, since the Board controls the assets. She noted that the actuarial valuation MERS requested has been completed and MERS wants to meet with FERS to review and compare the two valuations and decide how to resolve the differences. She said that MERS has been trying to set up a meeting with Hurley and FERS since the end of July. She also stated that the data used for the valuation MERS requested was 2005 data obtained from Hurley. The FERS valuation used 2004 data. However, the FERS and MERS actuaries at Gabriel Roeder have said that the two valuations are not far apart in terms of liabilities.

It was noted that the meeting dates given by MERS through Hurley conflicted with the vacation schedules of key persons at City Hall. All sides agree that a meeting is needed.

Attorney Trachelle Young agreed that a meeting is needed. MERS is making demands regarding the transfers that will significantly affect the pension fund. These issues should have been brought to the Board sooner because they impact the transfer amount. One significant issue of concern to the Board is that MERS is requiring all transfers to be done by first converting assets to cash. These conversions will entail large fees. It is important that all parties understand that FERS will not foot the bill for those costs. Cass Wisniewski has stated in previous meetings that Hurley will absorb those costs, but that statement is not in writing. The Board has a fiduciary obligation to protect the System's assets throughout this process. Hurley and MERS have many details to work out and they must do a better job of communicating. Although the MERS letter indicates that FERS is holding up the process, Attorney Young noted that FERS should have been brought in at the beginning of the process because of the many issues that must be addressed. MERS needs to understand that FERS is not the problem. MERS must communicate with Hurley and Hurley must communicate with FERS.

Chairman Daniel Hall stated that the Board agrees that there should be a meeting to address the issues. The meeting should include: Bob Erlenbeck, Peter Dobrzeniecki, Bob Rosenberger, Dan Hall, the Legal Office, Suzi Bye, Cass Wisniewski at Hurley, Attorney Bill Smith for the Hurley Board of Managers, and others from Hurley and MERS. In addition to the issues already mentioned, there are additional issues with the \$15,000,000 initial transfer, concerns regarding the total amount to be transferred, and other unanswered questions.

Board members expressed concerns that FERS should not be participating in any meetings with MERS that could be construed as negotiations. Instead, Hurley and MERS should negotiate and resolve problems and differences and then inform FERS of the dollar amount they agree should be transferred.

Chairman Daniel Hall allowed Barry Fagan to speak, as the spokesperson for the bargaining units at Hurley Medical Center. Mr. Fagan stated his belief that, if the Board holds the assets, they are obligated to know the exact dollar value for each FERS member.

Bob Erlenbeck pointed out that there are different actuarial assumptions that can be used in making that determination, as well as the need to resolve issues regarding the percentage the System is funded and, therefore, the percentage of each active employee and retiree's pension value that would be transferred to MERS. Peter Dobrzeniecki also noted that any amount owed to FERS by Hurley would need to be deducted from funds being transferred to MERS. Every month Hurley is not making contributions to FERS for the employees who are staying, Hurley makes their liability larger and that money has to be deducted from any monies being transferred to MERS.

Chairman Hall noted that MERS should be in attendance at the Board meetings and that Larry Langer is willing to be present when needed. Chairman Hall asked Kathy House if MERS was prepared to present their actuarial report to the Board at the next meeting, and she replied that they were. Chairman Hall then asked Ms. House, since she has stated that MERS could have their valuation information at the next Board Meeting on September 26, to provide copies of the valuation reports in advance to be included in the Board Members' packets. Chairman Hall also stated that it would be helpful if Hurley's Attorney, Bill Smith, would attend the Board Meeting as a representative of the Hurley Board of Managers.

A motion was made by Robert Erlenbeck, and supported by Ehren Gonzales, to make a formal referral and request to Hurley Medical Center Administration: 1) To provide to MERS copies of all communications sent to Gabriel, Roeder, Smith & Company, with copies to the FERS Board of Trustees, and 2) To provide to the FERS Board of Trustees copies of both of the Gabriel, Roeder, Smith & Company actuarial reports (for FERS and MERS). All documents should be provided to the Board by September 12th for discussion at the Board Meeting on September 26th.

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

Barry Fagan asked the Board whether the \$15.7 million initial transfer, which was not made because MERS had not provided wire transfer instructions, could now be made since the information has been provided by MERS.

Discussion followed.

A motion was made by Robert Rosenberger, and supported by Janice Kehoe, to authorize the transfer of \$15.7 million to MERS using the wire transfer instructions MERS recently provided.

Bob Erlenbeck made a formal inquiry to the Board's attorney as to whether or not the recent actions of Hurley and MERS should have changed the Board's position in regards to the initial transfer of \$15.7 million.

Attorney Trachelle Young advised the Board not to make any transfers at this time due to the number of issues that still need to be resolved. For example, it is unknown within \$10 million how much the total transfer will be. Although the \$15.7 million has been set aside, and the City Council has approved it, there are many outstanding issues, particularly in light of the MERS letter that seems to be accusing the Board of not exercising due diligence. She believes there is a need to ensure that all parties understand the status of the issues involved before any transfers are made. Therefore, she advised the Board not to transfer the money at this time, but noted that it is within the Board's discretion to do so.

Discussion followed. Kathy House stated that MERS would now accept the money, although they had refused to do so previously.

Upon being put to a roll call vote, the Motion to make the initial transfer of funds to MERS failed by a vote of 4 to 3 with one abstention:

Roll Call:	Scott Sutter – no	Ehren Gonzales – yes
	Robert Rosenberger – yes	Janice Kehoe – yes
	Peter Dobrzeniecki – no	Donald Phillips – no
	Robert Erlenbeck – no	Daniel Hall - abstained

Chairman Daniel Hall stated that he and the Board look forward to hearing from Hurley Medical Center and MERS regarding a meeting to resolve the issues.

14. GENERAL CITY ELECTION

Chairman Hall stated that the General City Election was held and congratulated Robert Rosenberger and Michelle Kirkwood, who were voted in as Trustee and Alternate, respectively.

15. INVESTMENT COMMITTEE REPORT

Chairman Hall stated that there has been no meeting of this ad hoc committee since the last Board Meeting. He noted that State Street Global Advisors (SSgA) has been formally terminated.

16. GRAY & COMPANY

Ivory Day stated that Dodge & Cox and ICON have been scheduled to make presentations at the October Regular Board Meeting.

Mr. Day distributed and reviewed a performance analysis of the new small cap value managers, Keeley and Allegiant, in comparison with other small cap managers. Allegiant's primary portfolio manager, John Micklitsch, is leaving the organization and Allegiant is closing the Fundamental Small Cap Value Strategy in which FERS invested. They want to move their clients from that strategy into their Structured Equity Small Cap Value Portfolio this week. This portfolio uses quantitative techniques, with the funding strategy in use since 1998. The portfolio management team moved to Allegiant from Harris Investments about a year ago. The performance analysis shows that performance returns are very similar with the two managers, comparing similar strategies. From the fundamental to the structured strategy within Allegiant, Mr. Day stated that he sees "no downside in terms of performance or 'fit' for FERS." He noted that the Board could choose to remain with Allegiant in the new strategy or transfer the funds to Keeley. Mr. Day recommended to the Board that they allow the transfer of assets from one strategy to the other within Allegiant and apply greater scrutiny over the next six months as a probationary period. Discussion followed. He also suggested that the new representatives from Allegiant be scheduled to make a presentation to the Board in the near future. Chairman Hall asked Mr. Day to schedule that presentation at a subsequent board meeting.

Mr. Day distributed and reviewed the Quarterly Performance Report for the quarter ended June 30. The Board discussed the two large cap equity managers that underperformed during the quarter, Globalt and Wellington. The international fixed income managers contributed most positively to the overall returns. Mr. Day stated that he will be watching the large cap managers more closely and will report further at a future meeting.

Chairman Hall asked Mr. Day to contact Capital BidCo regarding the date of their 2006 annual meeting.

17. FINANCE COMMITTEE

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

18. PROFESSIONAL SERVICES COMMITTEE REPORT

Chairman Hall asked Bob Erlenbeck to give the Professional Services Committee Report in the absence of Committee Chair Georgia Steinhoff.

Mr. Erlenbeck reported that the Committee discussed several issues, including the appeal of disability retirement denials. There are two general rules they have established for re-applying for disability retirements: 1) a significant period of time, deemed to be 18 months, must have elapsed since an applicant's last review and denial by the Board; or 2) a significant change must have occurred in the individual's medical condition. In one particular case that was denied more than 18 months ago, a letter was sent in response to the individual's inquiry indicating that they may start the process over again. At that point, it would be a new application, not an appeal. In another case, Hurley and their Workers' Compensation attorneys submitted additional information to the Board regarding a case that the Board denied, requesting reconsideration. The Committee discussed whether they should review additional information provided by Hurley and/or their compensation attorney that may affect the decision or whether the request should come from the individual (rather than a third party). The Committee decided the request must come from the individual, not from the employer or other third party. If the individual is incapacitated, then their personal representative or attorney should submit the request, but not their employer or the employer's workers' compensation attorney.

The Committee also discussed the Reciprocal Retirement Act. Chairman Hall noted that Julie Sadler is working with the software to replace the Minute Master. Bob Erlenbeck is working on the issue of liability insurance.

19. LEGAL COUNSEL UPDATES

Attorney I'Lanta Robbins noted that, at the last Board Meeting, the Board voted on a substitution of counsel in the Claude Miller case, from Steven Spender to Trachelle Young, which has been filed. The plaintiffs filed an appeal brief with the Court of Appeals last week and Attorney Young and staff are preparing the response.

Attorney Robbins reported that the pension calculation hearings have been adjourned again by request of Attorney Gibbs. His issue was whether or not the Board had any procedures in place for hearings to be conducted. At the Professional Services Committee meeting, Attorney Robbins was given a copy of an old document entitled “City of Flint Employees’ Retirement System Board of Trustees Meetings – Rules of Procedures.” Ms. Robbins distributed copies and asked the Board members to review it. She is trying to determine whether this document was ever adopted and, if so, when it was adopted. Chairman Hall stated that an updated document outlining the Board’s hearing procedures is needed and asked the Board to read the document and plan to discuss it at the next meeting.

20. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Hall stated that the Committee, chaired by Ehren Gonzales, has not yet met. The Law Office is working on FERS to MERS language for an Ordinance change.

21. DB/DC CONVERSION

Chairman Hall stated that there is nothing new to report since the Committee Chair, Robert Rosenberger, reported on the status last month.

22. OTHER BOARD BUSINESS

Donald Phillips stated he would like the Board to consider hiring an in-house investment manager because the savings realized would more than offset the wages and benefits.

Donald Phillips noted that there was a Court of Appeals decision involving the City of Detroit Retirement System in which they took the City of Detroit to court over hiring their own staff. The Circuit Court gave the Retirement System a favorable ruling. The City of Detroit appealed to the Court of Appeals, and the Court of Appeals upheld the Circuit Court Ruling. The City of Detroit then appealed to the Michigan Supreme Court, but later dropped that appeal. That means the Court of Appeals’ decision stands which gives retirement systems the right to hire their own staff and “anybody paid out of the retirement fund assets are employees of the Retirement System, not the City.”

Attorney I’Lanta Robbins stated that Trachelle Young’s office had received the ruling and Attorney Young had prepared a letter advising the Board on the interpretation of that ruling in light of the lawsuit involving Habeeb Ghattas and the City of Flint. The letter will be included in the next agenda packets.

Chairman Hall noted that Oppenheimer Capital held a one-day seminar last month at MAPERS regarding performance-based fees and he asked Ivory Day to contact Oppenheimer regarding their investments that have fees based on performance.

23. ADJOURNMENT

There being no further business to discuss, it was moved by Donald Phillips, and supported by Robert Rosenberger, to adjourn the meeting at 3:22 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary