

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES SMALL CAP MANAGER SEARCH MEETING

A meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, August 30, 2005, at 1:00 p.m. at Hurley Medical Center in the 1B Conference Room, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Douglas Bingaman, Robert Erlenbeck, Janice Kehoe, Sandra Kidd, Amy Lindman, Alvern Lock, Georgia Steinhoff, Edward Taylor, Cass Wisniewski

ABSENT Daniel Coffield, Peggy Cook, Peter Dobrzeniecki, Mark Horrigan, Donald Phillips, Robert Rosenberger

ALSO PRESENT Gwelda Swilley-Burke, Consultant, Gray & Company
Ivory Day, Jr., Consultant, Gray & Company
Habeeb Ghattas, Attorney for the Retirement Board (arrived at 2:20 p.m.)

1. CHAIRMAN CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:03 p.m. He noted that the meeting was scheduled for the purpose of allowing three selected small cap money managers an opportunity to make presentations to the Board for their consideration.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

No members of the public wished to address the Board.

3. SMALL CAP MANAGER SEARCH

Ivory Day, Jr., of Gray & Company (Consultants), reviewed the small cap value investment strategy and gave an overview of the three money managers scheduled to make presentations to the Board, noting the differences between the core and value-oriented styles of small cap managers. He is recommending hiring a small cap *value* manager to complement the current small cap *core* manager, Wellington, and splitting the small cap investment of \$122 million currently invested with Wellington with the new manager. Wellington's fee structure is 66 basis points.

Allegiant Asset Management Company

Ayesha Bobbitt, Vice President, Consultant Relations
John Micklitsch, Senior Portfolio Manager
Chris Henderson, CFA, Director, Public Funds

The representatives from Allegiant Asset Management circulated copies of written presentation materials to the Board and reviewed their Small Cap Value Strategy, giving an overview of their firm, their investment process, style, philosophy, performance, portfolio, statistics, fee schedule, client list, etc. They offered a fee structure of 66 basis points. A question and answer session with the Board followed.

Keeley Asset Management Corp.

John L. Keeley, Jr., CFA, President & Portfolio Manager
Mark Zahorik, CFA, VP-Portfolio Manager & Research
Brian Leonard, Investment Analyst

The representatives from Keeley Asset Management circulated copies of written presentation materials to the Board and reviewed their Small Cap Value Strategy, giving an overview of their firm, their investment process, style, philosophy, performance, portfolio, statistics, fee schedule, client list, etc. They offered a fee structure of 60 basis points. A question and answer session with the Board followed.

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

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

Lee Munder Investments Ltd.

Donald R. Triveline, Public Funds Marketing & Business Development
R. Todd Vingers, CFA, Portfolio Manager, Small Cap Value Team

The representatives from Lee Munder Investments circulated copies of written presentation materials to the Board and reviewed their Small Cap Value Strategy, giving an overview of their firm, their investment process, style, philosophy, performance, portfolio, statistics, fee schedule, client list, etc. They offered a fee structure of 80-100 basis points. A question and answer session with the Board followed.

Following the presentations, Ivory Day, Jr. circulated copies of a written presentation entitled “Investment Manager Search Quantitative Analysis” contrasting and comparing the three small cap value companies. Discussion followed. Gray’s asset allocation study for FERS was also discussed.

A motion was made by Ed Taylor, and supported by Al Lock and Bob Erlenbeck, to hire Allegiant and Keeley, with an investment of \$30 million each, for a total investment of \$60 million, subject to negotiation by Gray & Company of a maximum fee structure of 60 basis points for each manager.

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

4. OTHER BOARD BUSINESS

None.

5. ADJOURNMENT

There being no further business to discuss, it was moved by Ed Taylor, and supported by Amy Lindman, to adjourn the meeting at 4:14 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary