

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES SPECIAL MEETING

A special meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, February 20, 2007 at 9:00 a.m. in the "New" 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, Robert Erlenbeck, Ehren Gonzales (10:25 a.m.), Janice Kehoe, Michelle Kirkwood, Amy Lindman, Donald Phillips, Georgia Steinhoff

ABSENT Peggy Cook, Peter Dobrzeniecki, Sandra Kidd, Kerry Nelson, Robert Rosenberger, Scott Sutter, Cass Wisniewski

ALSO PRESENT Denise Bingaman, Retirement Staff
Suzi Bye, Retirement Supervisor
I'Lanta Robbins, Assistant City Attorney/Attorney for the Board
Frederic Champnella, Attorney for the City of Flint
Gregory Gibbs, Attorney for Plaintiffs
Jeanmarie Miller, Attorney for Plaintiffs
Deborah Cherwinski, Plaintiff
William O. Kelly, Plaintiff
Sandra Stearns, Plaintiff
Kay Tereau, Plaintiff
Zo Turner, Ripka, Boroski & Associates
Thomas J. Schwartzenberger, Witness
Jack Minore, Witness

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 9:05 a.m. and noted that the purpose of the special meeting was to continue the hearings concerning overpayments of pension benefits to retirees.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

There were no members of the public who wished to address the Board.

3. SPECIAL HEARINGS FOR KAY TEREAU, DEBBIE CHERWINSKI, SANDRA STEARNS AND WILLIAM KELLY

Chairman Hall stated that, when the previous hearing was adjourned, the case of William Kelly III was in process.

Attorney Frederic Champnella asked to introduce exhibits and present a Witness in the City's case regarding Mr. Kelly. Attorney Gregory Gibbs objected to the use of the exhibits and the taking of testimony from that Witness. Attorney Champnella reviewed information in the notebook to substantiate his position and his reasons for the exhibits and testimony.

Chairman Hall stated that he was accepting all evidence and allowed Attorney Champnella to proceed.

Attorney Champnella then called and questioned Thomas J. Schwartzberger and introduced Exhibit #022007-A, Thomas J. Schwartzberger's resume. Attorney Gibbs cross-examined Mr. Schwartzberger regarding Exhibit #022007-A. Attorney Gibbs again objected to the testimony of the Witness being allowed.

Attorney Champnella then further questioned Mr. Schwartzberger, introducing Exhibit #022007-B, "a series of economic schedules, showing potential back wage loss and future economic loss," created by the Witness when he was a consultant for the City in the lawsuit in which Mr. Kelly was a plaintiff. Attorney Champnella asked the Witness to review the Exhibit for the Board of Trustees. Attorney Gibbs cross-examined Mr. Schwartzberger concerning his testimony regarding Exhibit #022077-B. Attorney Champnella further questioned Mr. Schwartzberger and Attorney Gibbs further cross-examined Mr. Schwartzberger. Chairman Hall opened the floor to Trustees to question Mr. Schwartzberger. When there were no further questions, the Witness was excused.

Attorney Gibbs asked for a recess in order to confer with Lisa DeDolph, prior to calling her as a witness.

The Board recessed for a break at 9:53 a.m.

Chairman Hall called the meeting back to order at 10:20 a.m.

Chairman Hall asked Attorney Gibbs to proceed. Attorney Gibbs stated that Kay Tereau left the hearing due to a family emergency and noted that this would preclude him from calling Lisa DeDolph as a witness on this date. He then stated that his associate, Attorney Jeanmarie Miller, would be proceeding with respect to the cases involving Ms. Stearns and Ms. Cherwinski.

Attorney Miller then began the presentation of Ms. Stearns' case, beginning with an opening statement. Attorney Miller proceeded to call Ms. Sandra Stearns as a Witness. Ms. Stearns was sworn in by Chairman Hall and examined by Attorney Miller. Ms. Stearns was then cross-examined by Attorney Champnella. Chairman Hall opened the floor to the Trustees to question Ms. Stearns and then Ms. Stearns was excused.

Attorney Miller stated that former City Councilman Jack Minore would be called as a witness when he arrives at approximately 11:00 a.m. and asked the Chair if Ms. Stearns' case could be kept open while she proceeded to begin the presentation of Ms. Deborah Cherwinski's case. Chairman Hall concurred. Attorney Miller began the presentation of Ms. Cherwinski's case and called her as a witness. Ms. Cherwinski was sworn in by Chairman Hall and examined by Attorney Miller. Ms. Cherwinski was then cross-examined by Attorney Champnella. Ms. Cherwinski was further examined by Attorney Miller and further cross-examined by Attorney Champnella. Chairman Hall opened the floor to the Trustees to question Ms. Cherwinski and then Ms. Cherwinski was excused.

During the questioning of Ms. Cherwinski, concerns were raised regarding the City's recordkeeping for Voluntary Days Off (VDOs). Chairman Hall asked that witnesses be called for the next hearing date to respond to the Board's questions and concerns regarding recordkeeping and pay stub information as it relates to VDO days.

Attorney Miller called Councilman Jack Minore as a witness, stating that his testimony would relate to both Ms. Stearns' and Ms. Tereau's cases. Mr. Jack Minore was sworn in by Chairman Hall.

Attorney Miller asked whether the minutes would reflect that Councilman/Trustee Gonzales arrived mid-meeting. Chairman Hall stated that they would. Attorney Gibbs stated that he would object to any Trustee voting that had not been present during the entire process to hear all testimony presented. Chairman Hall acknowledged his objection.

Jack Minore was examined by Attorney Miller.

The Board recessed for a break at 11:20 a.m.

Chairman Hall called the meeting back to order at 11:27 a.m.

Attorney Miller continued her examination of Mr. Minore and then Mr. Minore was cross-examined by Attorney Champnella. Chairman Hall opened the floor to the Trustees to question Mr. Minore. Mr. Minore was further examined by Attorney Miller and further cross-examined by Attorney Champnella. Mr. Minore was again questioned by Trustees and then he was excused by Chairman Hall.

Chairman Hall requested Finance staff to be in attendance at the next hearing to discuss the following: 1) Tab C-1 in the black book, pages 3 and 4; 2) Department records kept for VDO days; 3) Information available on pay stubs. Discussion followed. Chairman Hall also asked that Ramesh Vankineni, of the City's IS Department, be present at the next hearing to explain the program used to maintain VDO information.

Attorney Miller asked that any additional documents that would be presented at the next hearing be sent to her office at least a week prior to the hearing date. Chairman Hall instructed that any further information should be provided in advance to all attorneys and to the Board of Trustees.

Attorney Miller also asked that a roll call of Trustees be conducted at the beginning of each hearing. Chairman Hall stated that he would do so in the future and also noted that, whether or not roll call was conducted, an attendance sheet is always maintained for each hearing.

Chairman Hall stated that the next hearing would be on Tuesday, March 20, at 9:00 a.m.

Attorney Champnella asked whether a transcript of the hearing proceedings would be available for the Board's use. Attorney Robbins stated that she was receiving transcripts of each hearing. Attorney Champnella then stated that, in spite of Attorney Gibbs' objection to permitting Trustees to vote who have not attended all hearings, the Trustees should be able to read the transcripts and then vote. He also noted that each Trustee has an Alternate that may be in attendance. Attorney Gibbs stated his belief that it would be "inappropriate for someone who hasn't observed the credibility and the demeanor of each witness to rule on these issues..." Chairman Hall acknowledged both attorneys' concerns.

4. OTHER BOARD BUSINESS

There was no other business presented to the Board.

5. ADJOURNMENT (Break for lunch – Regular Board Meeting at 1:00 p.m.)

Chairman Hall called for an adjournment of the hearings at 11:42 a.m. until Tuesday, March 20, 2007, at 9:00 a.m.

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, February 20, 2007 at 1:00 p.m. in the "New" 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, Ehren Gonzales, Janice Kehoe, Sandra Kidd, Michelle Kirkwood, Amy Lindman, Donald Phillips, Georgia Steinhoff, Cass Wisniewski

ABSENT Peggy Cook, Peter Dobrzeniecki, Robert Erlenbeck, Kerry Nelson, Robert Rosenberger, Scott Sutter

ALSO PRESENT Suzi Bye, Retirement Supervisor
Trachelle Young, Chief Legal Officer/Attorney for Retirement Board
L'anta Robbins, Assistant City Attorney/Attorney for Retirement Board
Ivory Day, Jr., Gray & Company
Harland Abraham, Northern Trust Company
David Hoffman, Gabriel, Roeder, Smith & Company

6. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Hall called the Regular Board Meeting to order at 1:07 p.m.

7. ELECTION OF RETIREMENT BOARD OFFICERS

Chairman Hall stated that the first order of business was the election of Retirement Board officers. He then stated that the position of Chairman was on the floor.

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to nominate Daniel Hall as Chairman of the Board of Trustees for a two-year term.

Mr. Hall accepted the nomination and asked if there were further nominations for the office of Chair. Not hearing any, he stated that the nominations for chair were closed.

There being no further nominations, Daniel Hall was unanimously re-elected as Chairman of the Board.

The Chair asked if there were any other nominations on the floor.

A motion was made by Amy Lindman, and supported by Ehren Gonzales, to nominate Donald Phillips as Vice Chair of the Board of Trustees.

A motion was made by Ehren Gonzales, and supported by Amy Lindman, to close the nominations for Vice Chair.

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

Chairman Hall then stated that Donald Phillips was unanimously re-elected as Vice Chair.

It was noted that the election of officers is for a two-year term.

8. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

There were no members of the public who wished to address the Board.

9. APPROVAL OF THE DECEMBER 19, 2006 SPECIAL & REGULAR BOARD MEETING MINUTES

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the minutes of the December 19, 2006, Special and Regular Board Meetings, as presented.

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

10. APPROVAL OF THE JANUARY 23, 2007 SPECIAL & REGULAR BOARD MEETING MINUTES

It was moved by Amy Lindman, and supported by Ehren Gonzales, to approve the minutes of the January 23, 2007, Special and Regular Board Meetings, as presented.

Janice Kehoe noted that she had concerns about the retirement of Charley McClendon, a recent Hurley retiree whose application was approved on January 23rd. In 1989, there was a choice given to Hurley exempt contributory employees to contribute a higher percentage and get a higher multiplier or stay in what Hurley Medical Center referred to as the “old” contributory plan, with a lower multiplier. Charley McClendon chose not to switch. Suzi Bye has checked numerous records, but she cannot find at the City any records of the “old” contributory plan; therefore, Charley McClendon’s retirement was

calculated at the higher multiplier. This means that he did not contribute at the same rate as the other exempt employees who received the higher multiplier. Larry Daley, who has already retired, may also be part of this group, along with at least three employees still working at Hurley. Ms. Kehoe stated that she would research this issue and bring further information to the next meeting. Chairman Hall asked that the information be given to him, or Georgia Steinhoff, for discussion at the next Professional Services Committee meeting on March 12, at 9:00 a.m. Suzi Bye noted that the retirees were calculated on the only multiplier that is addressed in the Ordinance. That multiplier has been used for all contributory exempts for many years, since the dual plan is no longer on record.

Upon being put to a vote, the motion to approve the minutes of the January 23, 2007, Special and Regular Board Meetings, as presented, carried unanimously.

11. APPLICATIONS FOR VOLUNTARY RETIREMENT

Robert Blaska Utilities/1799

Final Average Compensation:	\$ 92,909.99
Accumulated Contributions:	43,587.95
DRET:	8,622.47
Effective Date of Retirement	12/15/2006
Service: 25 Years, 0 Months	

The retiree elected the Option B w/pop-up in the amount of \$4,161.25.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Robert Blaska 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 \$4,161.25, for as long as he lives.

Sharon Patrick Finance/1600

Final Average Compensation:	\$ 39,801.95
Accumulated Contributions:	28,723.03
DRET:	4,496.24
Effective Date of Retirement	01/03/2007
Service: 27 Years, 7 Months	

The retiree elected the Option Straight Life in the amount of \$ 2,226.42.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Sharon Patrick 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 \$2,226.42, for as long as she lives.

It was moved by Georgia Steinhoff, and supported by Ehren Gonzales, to approve the Applications for Voluntary Retirement for the following persons (with monthly pensions as noted):

Robert Blaska – Option B w/pop-up – \$4,161.25
Sharon Patrick - Option Straight Life - \$2,226.42

and to approve the applications for deferred retirement for Mikasa Brown and Daniel Coffield.

Chairman Hall noted that none of the retirees this time are Hurley employees and stated that there have been concerns about obtaining the necessary financial information from Hurley for proper calculation of retirement benefits.

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

12. APPLICATIONS FOR DEFERRED RETIREMENT

Mikasa Brown

Human Resources/Exempt

Final Average Compensation:	\$ 26,783.03
Accumulated Contributions:	6,585.85
DRET:	1,140.77
Effective Date of Retirement	11/18/2006

Service: 10 Years, 1 Months

The retiree will elect an Option prior to 9/01/2026.

Daniel Coffield

HMC/Exempt

Final Average Compensation:	\$ 211,666.67
Accumulated Contributions:	51,908.19
DRET:	154,698.30
Effective Date of Retirement	09/27/2006

Service: 24 Years, 9 Months

The retiree elected the Option A in the amount of \$9,812.24.

13. OPTIONS PICKED BY DEFERRED RETIREMENTS & EDRO'S *(for information only)*

Carol Berk/Hurley	Option Straight Life \$349.57
Michael Jansen/Exempt	Option C w/pop-up \$1,339.51
Rebecca Nagy(Coffield)/EDRO	EDRO Amount \$5,300.00

14. APPROVAL OF PENSIONS PREVIOUSLY REPORTED *(for information only)*

Robert Fierke/City	Revised Contributions \$65,432.00
Jack Perkins/City	Revised Contributions \$57,549.78

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

- 15.1 Financial Research Associates, Alpha-Bets, February 12-13, 2007, Manhattan, NYC.
- 15.2 Pyramis Global Advisors, 2007 Research Roundtable Series: Today's Pension Investing Playbook, February 13, 2007, Chicago, IL.
- 15.3 International Foundation, 2007 Benefits Conference for Public Employees, March 5-6, 2007, San Diego, CA.
- 15.4 Wellington Management, Compliance & Risk Management Forum, March 15, 2007, Boston, MA.
- 15.5 International Foundation, Investments Institute, April 23-25, 2007, White Sulphur Springs, WV.
- 15.6 NYU Stern, 13th Annual Mid-Sized Pension Management Conference: Full Steam Ahead, New Strategies in Retirement Plan Management, May 8-11, 2007, Boston, MA.
- 15.7 The Wharton School, Portfolio Concepts and Management, May 21-24, 2007, Philadelphia, PA.
- 15.8 Harvard Law School, Program for Advanced Trustee Studies, July 26-27, 2007, Cambridge, MA.

A motion was made by Amy Lindman, and supported by Ehren Gonzales, to receive and approve all information/documents listed under Agenda Items #13, #14, #15, #16, #17, & #18, and place all documents on file.

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

16. 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 also)*

- 16.1 Dodge & Cox, Voting Summary Report for 2006, January 2007.
- 16.2 Hartford Investment Management, Management Changes, January 24, 2007.
- 16.3 Barclays Global Investors, Currents - Quarterly Investment News, January 2007.
- 16.4 Gabriel Roeder Smith & Co., Letter to Suzi Bye re: Re-write of Benefit Computation Program, February 1, 2007. *(Enclosed)*

17. 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 also.)*

- 17.1 Letter to Northern Trust from Daniel Hall re: February 1, 2007 Pension transfer, January 23, 2007.

18. 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 also)*

- 18.1 Fidelity Investments, Monthly Investment Update as of January 31, 2007.
- 18.2 Globalt Investments, Equity Strategies – Large Cap High Growth Equity Strategy, 4th Quarter 2006.
- 18.3 Santa Barbara Asset Management, Stable Growth Annualized Performance as of 9/30/06.
- 18.4 Wellington Management, Investment Review as of December 31, 2006.
- 18.5 Magna Securities, Commission Recapture Report as of December 31, 2006.
- 18.6 DePrince, Race & Zollo, Inc., Investment Performance as of December 31, 2006.
- 18.7 Globeflex Capital, Investment Performance as of December 31, 2006.
- 18.8 Globalt Investments, Performance & Investment Summaries as of December 31, 2006.
- 18.9 Wentworth, Hauser & Violich, Appraisal Summary as of December 31, 2006.

18.10 Keeley Asset Management, Performance Summary as of December 31, 2006.

18.11 Fisher Investments, Investment Portfolio as of December 31, 2006.

18.12 Northern Trust Reports – December 2006. (*Enclosed*)

18.13 Retirement Fund Employee/Employer Contributions. (*Enclosed*)

19. STATISTICAL REPORT OF BENEFITS (*for information only*)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Number Retired	3,032	3,027	3,019
Annualized Payroll	\$ 64,198,389	\$ 64,850,497	\$ 65,326,689

20. APPROVAL OF THE MARCH 1, 2007 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that a transfer of \$5,134,900 was needed for the payment of the March 1st, 2007 pension payroll, with funds to be taken from the Northern Trust Flint-Drawdown Account #26-19617. The balance in the Northern Trust drawdown account, as of February 13, 2007, was \$10,169,633.36.

A motion to approve the transfer of \$5,134,900 for payment of the March 1st, 2007 pension payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Cass Wisniewski, and supported by Ehren Gonzales.

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

Chairman Hall noted that the consultant is reviewing funding for the drawdown account. Also, there is no longer a pension payment coming from the General Fund for David Brewster, as he recently became eligible to retire from the System.

21. FINANCE COMMITTEE

Chairman Hall noted that he will be reviewing the make-up of the various committees and asked Michelle Kirkwood, as Robert Rosenberger's alternate, to take his place on the Finance Committee.

22. PROFESSIONAL SERVICES COMMITTEE REPORT

Georgia Steinhoff, Committee Chair, reported that the Professional Services Committee met on February 12th and discussed EDROs and disability applications. Specifically, they discussed the applicants for disability pensions who were found “not totally and permanently disabled” by Dr. Roth, who referred them back to their employer to determine if there was a position available for them with certain restrictions. If the employers will not accept them with restrictions, what recourse is available? Attorney I’Lanta Robbins is researching this issue. The Committee is concerned that, if there is no position available, an applicant should be granted a disability retirement. The Committee discussed further the disability application of Kimberly Davis, who was found “not totally and permanently disabled” by Dr. Roth and the Board. However, Dr. Roth stated that she was able to work with certain restrictions. A letter was sent to Hurley Medical Center and they responded that they did not have a position available with those restrictions. Therefore, the Committee is recommending that Ms. Davis be granted a disability retirement. Discussion followed.

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to approve the application for a non-duty disability retirement for Kimberly Davis.

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

Georgia Steinhoff referred to Communication #16.4, a letter from Gabriel Roeder Smith in response to a letter from Suzi Bye regarding rewriting the current DOS-based benefit calculator to a Windows platform. The fee was quoted as \$25,000 to \$30,000.

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to retain Gabriel Roeder Smith to rewrite/upgrade the current DOS-based benefit calculator to a Windows platform, for a price not to exceed \$30,000, as quoted.

A discussion followed, which included input from David Hoffman of Gabriel Roeder Smith & Co. and Ivory Day of Gray & Company. Chairman Hall tabled the item for further discussion at the Professional Services Committee meeting. Mr. Hoffman will provide further information to Suzi Bye prior to that meeting.

Georgia Steinhoff noted that the Flint Journal has reported recent errors found in pension calculations; however, the details have not been given to the Committee. Suzi Bye stated that she would be providing that information at the next meeting.

23. FERS TO MERS TRANSITION

Chairman Daniel Hall referred the Trustees to Agenda Item #23, copies of the two actuarial transfer valuations dated February 16, 2006 and October 13, 2006, for the potential FERS to MERS transfer. Chairman Hall asked David Hoffman, from Gabriel, Roeder, Smith & Company, to review the two reports with the Board, noting the differences and answering their questions. Mr. Hoffman noted that the key differences were as follows:

The February report, which was created for FERS, showed the transfer of only the active members of the seven union groups that voted to transfer to MERS, which totaled 1025 active employees (see pages B-6 and B-7). It did not include any terminated or vested members, retired members or exempts in the transfer. The report indicated that, of the total Hurley liability of \$224,822,189 for actives, \$63,001,851 in assets should be transferred to MERS for those employees.

The October report, which was created for MERS and Hurley (ref. pages 4 and 5), shows a total of 1409 active members transferring to MERS. This report is based on transferring all active employees at Hurley, including exempts, excepting only the members of Local #1603. The report is also based on transferring 120 terminated vested members from FERS to MERS, leaving 128 Exempt and Local #1603 terminated vested members in FERS. Further, 570 retirees would be transferred, leaving 717 Exempts and Local #1603 members remaining in FERS. This would result in 2099 individuals being transferred to MERS, with a total transfer amount of \$215,968,903 in assets, as of November 1, 2006.

There were also small revisions in participant data: 1) Active participants included in the valuations numbered 2146 in February and 2157 in October; 2) The number of terminated vested members changed from 249 to 248 from February to October; 3) The number of retired members remained the same at 1287. The notes on page 4 of the October report explained differences between the February and October reports, which included:

1) Revised data as of June 30, 2004 was used for the October valuation; 2) Revised FERS actuarial assumptions were used in October, which included an increase in the investment return assumption from 7.75% to 8.00%; 3) Payroll for terminated vested members and retired members represents annual benefits payable.

Mr. Hoffman noted that the formulas and calculations used were based on funding ratios for Hurley of 100% funded for terminated vested and retired members and approximately 76% funded for the active participants.

Mr. Hoffman then answered questions from Trustees. Discussion followed. Chairman Hall noted that FERS had no input in the October report; Cass Wisniewski concurred.

Chairman Hall also noted that 47 Hurley retirees have retired through MERS.

In further discussion, Mr. Wisniewski stated that Hurley's original intent was that the unions, their retirees, their deferreds, and the exempts would transfer to MERS. The February report, done for FERS, was to be Phase 1 of the entire transfer. The only employees that would remain in FERS would be #1603 and their retirees. Discussion followed regarding the retirees being allowed to vote on any transfer. Mr. Wisniewski stated that the Hurley Retiree Association did conduct an election. Chairman Hall noted that the organization's membership includes less than 100 retirees and the Board is receiving letters from Hurley retirees stating they do not want to transfer. Chairman Hall stated that the Union attorneys claim that Hurley and the Board must abide by PERA because of the union contracts; however, the retirees are not covered by PERA. Also, in a meeting between Hurley and City/Board officials, the two sides are far from agreement in resolving the many issues: fees for conversion of securities to cash, retiree issues, an audit of the FERS system in terms of Hurley's employer contributions, liability concerns, ordinance amendments, outdated numbers in the valuations, division of assets, interest, costs for valuations and other expenses, etc. Cass Wisniewski stated that Hurley has not made any contributions into FERS or MERS for fiscal years 2006 or 2007 year to date; however, they did make all contributions in fiscal year 2005 to both FERS and MERS. Chairman Hall noted that a letter is being sent to Hurley's attorney, Kendall Williams, regarding information-sharing concerns, as approved by the Board at the last meeting.

Ivory Day reported that the drawdown account is down to \$19.7 million, before the March 1st payroll transfer, and recommended that monies be moved into the drawdown account. Discussion followed.

Chairman Hall asked Mr. Hoffman about the financial information for the 13th check calculations done last fall, based on the asset earnings for calendar year 2005. Mr. Hoffman stated his belief that Gabriel Roeder did not have the financial information. Chairman Hall asked that the financial information be given to all Trustees and to Mr. Hoffman by the Finance Department.

Chairman Hall asked Mr. Hoffman to report on the status of the annual actuarial valuations. Mr. Hoffman stated that the last valuation completed was for the fiscal year ended June 30, 2004. He further stated that a draft is almost complete for the valuation for the June 30, 2005 fiscal year end, which should be finished and delivered within the next couple of weeks. Chairman Hall asked Mr. Hoffman to attend the March Board Meeting to review the valuation information with the Trustees. Chairman Hall also asked for information on the valuation data most recently adopted for use in budgeting.

24. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Hall distributed copies of an amendment to the Retirement Ordinance, §35-23.4 Alternative Pension Plan Description, which would address a change Hurley made on April 1, 2002 in the non-contributory exempt employees' multiplier.

Attorney I'Lanta Robbins stated that the attorney's office prepared the draft using information that was provided by Attorney Bill Smith from Hurley. The next step is for the Board of Trustees to review and approve the Ordinance language so that it can be submitted to the City Council for their approval. Chairman Hall, Peter Dobrzeniecki, Robert Erlenbeck and Suzi Bye have reviewed and approved the draft language.

Chairman Hall read into the record the additional language to be added under **§35-23.4 Alternative Pension Plan Description, Section (c) Straight life pension determination:**

Effective April 1, 2002, for the first 25 years of service, alternative plan members shall receive a straight life pension equal to 1.7 per cent (1.7%) of their final average compensation multiplied by the number of years, and a fraction of a year, of his credited service. For all years of service exceeding 25 years, the pension shall be computed by taking 1.5 per cent (1.5%) of his final average compensation and multiplying that figure by the number of years and a fraction of a year of his credited service exceeding 25.

Chairman Hall further noted that this language would follow the existing language:

Alternative plan members shall receive a straight life pension equal to 1.5 percent of their final average compensation multiplied by the number of years, and a fraction of a year, of his credited service.

Discussion followed.

A motion was made by Georgia Steinhoff, and supported by Ehren Gonzales, to forward this ordinance change on to City Council for approval.

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

Ehren Gonzales asked Suzi Bye to attend the Council's Finance Committee Meeting on March 7th, to answer questions. Chairman Hall stated that he planned to attend also.

The Board recessed for a break at 2:45 p.m.

Chairman Hall called the meeting back to order at 2:58 p.m.

25. INVESTMENT COMMITTEE REPORT

Chairman Hall noted that Harland Abraham is working with staff to schedule a training session in April, in the City's I.S. training center, for the Northern Trust Passport System. He asked the Trustees to contact Suzi Bye if they wish to attend the training session.

Chairman Hall stated that Attorney I'Lanta Robbins has received information regarding several class action lawsuits, noting that Milberg Weiss is no longer representing FERS. Harland Abraham stated that he would begin sending Northern Trust's Class Action Litigation Reports (issued monthly via e-mail) to Attorney Robbins and Chairman Hall. Ms. Robbins will ensure that FERS is involved when appropriate. Also, there will be notifications from Northern Trust allowing FERS to opt out of a class action lawsuit; if FERS does not opt out, they will be automatically included.

26. GRAY & COMPANY

Chairman Hall asked Ivory Day, Jr. to review Investment Committee Meeting issues with the Trustees.

Ivory Day reported that the Investment Committee discussed changes to the Investment Policy. Those changes have been reviewed and approved by Attorney Robbins, who noted them as follows:

- 1) Deleting the Board of Trustees responsibility for due diligence visits on page 7. This responsibility is being assumed by the Consultant;
- 2) Section III B, Paragraph 7, Money managers "acknowledge and agree in writing as to their fiduciary responsibility to comply fully with the entire Investment Policy Statement set forth herein, and as modified in the future." The phrase "and as modified in the future" is being redacted. Managers have expressed concerns that, if the language is included and they sign the acceptance, they are agreeing to any future modifications without knowing what they are. This is also inconsistent with a later paragraph in the document that refers to "anything that needs to be revised or changed shall be discussed and reviewed with the managers beforehand."
- 3) Adding the term "economic" in the money manager guidelines, which would be more consistent with the Investment Policy, as the Policy details that one of the managers' responsibilities is to provide an economic benefit to the System.

Attorney Robbins recommended that a draft of the revised Investment Policy be sent to all investment managers. If the managers are comfortable with the changes, the Board can approve them. Discussion followed. Mr. Day noted that, since the managers have to live within the guidelines of the Investment Policy, it is important that they agree that they are able to do so. If there is any violation in the future, the manager's previous

agreement to abide by the Policy would be on record. The managers are not being asked to make changes, only to comment on the proposed changes.

Ivory Day reviewed the Gray & Company Investment Performance Report for the Quarter ended December 31, 2006. He noted that the Actual Return for the year was 11%.

Mr. Day reported that a Special Board Meeting has been scheduled for Monday, March 12th from 1:00 to 4:30 p.m. in the “Old” Committee-of-the-Whole Room. This meeting will include money manager presentations by Allegiant, Keeley and Globalt, along with his analysis of those managers. After the money manager presentations, Andrew Kelsen, Gray & Company’s Alternatives Specialist, will make a presentation regarding alternative assets, focusing on the two alternatives chosen for the FERS portfolio that have not yet been funded; i.e., private equity and real estate. Mr. Day noted that, with alternative assets, unlike other investments, the selection of the manager is much more important than the asset allocation.

Mr. Day asked the Board how they would prefer to receive the money managers’ presentation materials? It was agreed that he or the manager would e-mail the presentations to Julie Sadler, in the Secretary’s office, and she would e-mail them to the Trustees for their review prior to the meeting. The managers can then bring, or send in advance, hard copies to be reviewed at the meeting.

Mr. Day distributed and reviewed a new Rebalancing Schedule. He recommended that the funds currently in the FERS to MERS Transition Account (\$16,336,748) be transferred to the FERS Drawdown Account in order to bring the drawdown account closer to the \$30,000,000 targeted asset allocation. Since both accounts are at Northern, and it is unclear how long it will be before assets will be transferred to MERS, this appears to be the simplest way to replenish the drawdown account at this time.

A motion was made by Ehren Gonzales, and supported by Amy Lindman, to move the balance of the FERS to MERS Transition Account at Northern Trust into the Drawdown Account at Northern Trust.

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

Ivory Day also stated that, once a transfer to MERS is in the works, he can recommend an appropriate rebalancing schedule for the Fund to raise the necessary transfer amount and keep the Fund within the preferred asset allocation. Cass Wisniewski noted, for the record, that the transaction costs so far for the FERS to MERS transfer are zero, since this amount is being reallocated.

27. LEGAL COUNSEL UPDATES

Attorney I'Lanta Robbins reported that the Claude Miller case is still at the Court of Appeals level. Attorney George Peck is planning to attend the March Board Meeting to give a status report on the Take Two Interactive lawsuit. Chairman Hall asked Attorney Robbins to share information regarding class action lawsuits with Attorney George Peck.

28. DB/DC CONVERSION

Tabled by Chairman Daniel Hall. Suzi Bye stated that they are waiting on the Unions to review the calculations.

29. OTHER BOARD BUSINESS

Chairman Hall distributed CDs of the newest MAPERS Trustee Handbook, which includes Public Act 314. He noted that the CD replaces the previous MAPERS notebook that was regularly distributed to members.

30. ADJOURNED

There being no further business to discuss, it was moved by Amy Lindman, and supported by Ehren Gonzales, to adjourn the meeting at 3:38 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary