

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, January 24, 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, Daniel Coffield, Peter Dobrzeniecki, Robert Erlenbeck, Ehren Gonzalez, Sandra Kidd, Amy Lindman, Donald Phillips, Georgia Steinhoff, Cass Wisniewski

ABSENT Douglas Bingaman, Peggy Cook, Janice Kehoe, Kerry Nelson, Robert Rosenberger

NOTE Alvern Lock has retired from the City and is, therefore, no longer a Trustee representing active Police and Fire members.

ALSO PRESENT Harland Abraham, Custodian, Northern Trust
Ivory Day, Jr., Consultant, Gray & Company
Habeeb Ghattas, Attorney
Larry Langer, Actuary, Gabriel, Roeder, Smith & Company
I'Lanta Robbins, Assistant City Attorney
Trachelle Young, City Attorney

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

Jeff Morris, Vice President of the Registered Nurses and Registered Pharmacists Union at Hurley Medical Center, speaking on behalf of the union members, expressed their concerns regarding the timeliness of the MERS transfer and asked when the funds would be transferred.

3. APPROVAL OF THE NOVEMBER 22, 2005 REGULAR BOARD MEETING MINUTES

It was moved by Sandra Kidd, and supported by Amy Lindman, to approve the minutes of the November 22, 2005, Regular Board Meeting.

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

4. APPROVAL OF THE NOVEMBER 29, 2005 MONEY MANAGER MTG MINUTES

It was moved by Sandra Kidd, and supported by Amy Lindman, to approve the minutes of the November 29, 2005, Money Manager Meeting.

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

5. APPLICATIONS FOR VOLUNTARY RETIREMENT

Marilyn Brinks

City/1600

Final Average Compensation:	\$ 30,701.69
Accumulated Contributions:	26,466.68
DRET:	1,183.57
Effective Date of Retirement	01/05/2006

Service: 10 Years, 0 Months

The retiree elected the Option A in the amount of \$584.11.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Marilyn Brinks 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 \$584.11, for as long as she lives.

Curtis Foote

City/1600

Final Average Compensation:	\$ 33,761.14
Accumulated Contributions:	12,537.76
DRET:	815.36
Effective Date of Retirement	12/31/2005

Service: 12 Years, 5 Months

The retiree elected the Option Straight Life in the amount of \$862.32.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Curtis Foote 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 \$862.32, for as long as he lives.

**Eugene Royster
City/1799**

Final Average Compensation:	\$ 80,934.49
Accumulated Contributions:	52,097.19
DRET:	5,639.98
Effective Date of Retirement	12/17/2005

Service: 25 Years, 0 Months

The retiree elected the Option B w/pop-up in the amount of \$3,453.47.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Eugene Royster 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 \$3,453.47, for as long as he lives.

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the Applications for Voluntary Retirement for Marilyn Brinks, Curtis Foote, and Eugene Royster.

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

6. APPLICATIONS FOR DEFERRED RETIREMENT

**Sherida Aikins
HMC/1603**

Final Average Compensation:	\$ 30,813.30
Accumulated Contributions:	Non-cont
DRET:	.00
Effective Date of Retirement	11/06/2005

Service: 13 Years, 3 Months

The retiree will elect an Option prior to 09/01/2033.

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the Application for Deferred Retirement for Sherida Aikins.

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

7. APPROVAL OF PENSIONS PREVIOUSLY REPORTED

Wallace Jones/City Recovery of Overpayment	Revised Monthly Amount \$4,070.02
David Walker/City Recovery of Overpayment	Revised Monthly Amount \$805.48
Sharon Blosser/HMC Revised for additional DRET	Revised Dret Amount \$19,387.13
Mark Blough/City Revised for additional Contributions	Revised Cont Amount \$74,603.95
George Carlyon/City Revised for additional Contributions	Revised Cont. Amount \$27,505.13
Brenda Chatman/HMC Revised for additional DRET	Revised Dret Amount \$28,282.28
Kathleen Clay/City Revised for additional Contributions	Revised Cont. Amount \$29,903.98
Robert Clark/City Revised for additional Contributions	Revised Cont. Amount \$93,395.91
Robert Elizondo/City Revised for additional Contributions	Revised Cont Amount \$23,017.32
Alma Lawler/City Revised for additional Contributions	Revised Cont. Amount \$33,493.56
Karla Mason/HMC Revised for additional DRET	Revised Dret Amount \$28,467.76
Sheryl Merriam/City Revised for additional DRET	Revised Dret Amount \$2,508.46

Mary Mosqueda/HMC Revised for additional DRET	Revised Dret Amount \$19,369.85
Robert Phillips/HMC Revised for additional DRET	Revised Dret Amount \$39,475.02
Linda Smyth/HMC Revised for additional DRET	Revised Dret Amount \$21,393.58
Stephen Tarkowski/City Revised for additional DRET & Contributions	Revised Dret Amount \$34,420.80 Revised Cont Amount \$22,101.92
Thomas Townsend/City Revised for additional Contributions	Revised Cont Amount \$93,165.54
John VanConant/HMC Revised for additional DRET	Revised Dret Amount \$18,894.59
Michael Vargo/HMC Revised for additional DRET	Revised Dret Amount \$29,280.64
Ruthann Webb/HMC Revised for additional DRET	Revised Dret Amount \$20,484.52
Leslie Wickham/HMC Revised for additional DRET	Revised Dret Amount \$23,510.99

For information only – no action is necessary. The Board discussed the revisions. Robert Erlenbeck reported that the reason for many of the revisions is that, upon review of information for the 1099s and the updates for the actuarial report, it was discovered that not all monies had been reported. This will revise and correct the records in accordance with the final 1099s. Chairman Hall referred Wallace Jones' and David Walker's pension revisions to the Professional Services Committee for review. It was also noted that the Hurley revisions were due to gainsharing. Mr. Erlenbeck stated that these changes do not affect final average compensation or pension amounts.

8. OPTIONS PICKED BY DEFERRED AND NON DUTY DISABILITY RETIREMENT

Alkin Vanderson/HMC	Option Straight Life \$1,045.21
Cindy Truesdail/City	Option Straight Life \$780.77

For information only – no action is necessary.

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

- 9.1 Watson Wyatt, Managing More than Costs in 2006, January 24, 2006, Southfield, MI.
- 9.2 Wellington Management Co., Compliance & Risk Management Forum, March 2, 2006, Boston, MA.
- 9.3 Thomson, 18th Annual Buyouts Symposium East, March 8-9, 2006, New York, NY.
- 9.4 International Foundation, Benefits Conference for Public Employees, March 20-21, 2006, Orlando, FL.

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

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

10. COMMUNICATIONS RECEIVED (All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets.)

- 10.1 CRA Fund Advisors, The Community Investor, Fall/Winter 2005.
- 10.2 Babson Capital, The Babson Staff Letter, December 23, 2005.
- 10.3 MAPERS, Pension Scope, Winter 2005.
- 10.4 Lynch, Jones & Ryan, Letter regarding new reporting procedures in 2006, December 20, 2005.
- 10.5 Lerach & Coughlin, Corporate Governance, 1st Quarter 2006.

- 10.6 Watson Wyatt, Effective Communication: A Leading Indicator of Financial Performance, 05/06 Communication Study.
- 10.7 Watson Wyatt, Staying @ Work: Raising the Focus on Employee Health and Productivity, 2005/2006.
- 10.8 Milberg Weiss, Letter to Harland Abraham re: HCA, Inc., December 21, 2005. (Enclosed)
- 10.9 Chris Davenport, Letter to Retirement Office re: Disability Retirement, December 16, 2003. (Enclosed)
- 10.10 Bob Erlenbeck, Letter to Chris Davenport re: Disability Retirement, December 28, 2005. (Enclosed)
- 10.11 Bob Erlenbeck, Letter to Patricia Amos re: Disability Exam, December 22, 2005. (Enclosed)
- 10.12 Bob Erlenbeck, Letter to Deborah Relerford re: Disability Exam, December 22, 2005. (Enclosed)
- 10.13 State of Michigan Court of Appeals Decision on the Board of Trustees of the City of Flint Retirement System v City of Flint. (Enclosed)
- 10.14 Trachelle Young, Letter to Habeeb Ghattas re: Court of Appeals Decision and Transition, December 19, 2005. (Enclosed)

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

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

- 11. 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.)
 - 11.1 Magna Securities, Commission Recapture Report as of November 30, 2005.
 - 11.2 Magna Securities, Commission Recapture Report as of December 31, 2005.
 - 11.3 State Street Global Advisors, Account Summary as of December 31, 2005.
 - 11.4 State Street Global Advisors, Appraisal Report as of December 31, 2005.

- 11.5 Fidelity Investments, Monthly Investment Update as of December 31, 2005.
- 11.6 Fidelity Investments, Capital Contribution, January 5, 2006.
- 11.7 Milberg Weiss, Portfolio Monitoring Report, 3rd Quarter 2005.
- 11.8 Northern Trust Reports – November 2005 (Enclosed)
- 11.9 Retirement Fund Employee/Employer Contributions (Enclosed)

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

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

12. STATISTICAL REPORT OF BENEFITS *(for informational purposes only)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number Retired	3,001	3,002	3,032
Annualized Payroll	\$ 61,357,283	\$ 62,627,143	\$ 64,198,389

Chairman Hall stated that he was rearranging the order of the Agenda items to allow for individuals who needed to leave the meeting early.

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

Tabled by Chairman Daniel Hall.

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

Tabled by Chairman Daniel Hall.

16. FERS TO MERS TRANSITION

Chairman Daniel Hall distributed a draft copy of a proposed letter from Hurley and the City to the Actuaries clarifying the information needed for their calculations regarding the FERS to MERS transfer. The key component of the letter is a complete listing of exactly which divisions will and will not be transferring to MERS from Hurley. Chairman Hall and Larry Langer led a discussion regarding the information that should be contained in the letter and appropriate changes were made to the draft. Peter Dobrzeniecki and staff will prepare the final version of the letter, a copy of which will be in the next agenda packets. The Actuaries plan to present their recommendations at the February 21st Board Meeting.

The Investment Committee has asked Gray & Company to review the current assets and make recommendations regarding the reallocation and transfer of assets to accommodate the transfer to MERS.

Bob Erlenbeck stated that MERS has requested that the City of Flint provide electronic files for all transferring members; however, the City does not have the entire requested history on electronic media. Also, the City and Hurley need written assurance from MERS that they will be held harmless for the accuracy of the data.

17. RECEIVING OF THE 60TH ANNUAL ACTUARIAL VALUATION (6/30/04)

Actuary Larry Langer presented the final 60th Annual Actuarial Valuation for the fiscal year ended June 30, 2004 for review and approval by the Board. Mr. Langer stated that he added an estimate of contributions for the 2007 fiscal year for use in budgeting by Hurley and the City, based upon projected liabilities for the upcoming year and actual assets as of June 30, 2004. The budget estimates are found on page A-8. Although the contribution rate is again projected to increase, this is expected to be the last year for large increases, although there is still some volatility possible in the Police contribution rate. Mr. Langer noted that he is working with the City to improve the timeliness for receiving information needed for the valuation. He stated that he and his staff do not begin working on a new Valuation until the previous one has been adopted by the Board. There have been ongoing problems with the City providing the census and benefit provision information in a timely manner. However, the Finance staff has provided the financial information on a timely basis since Peter “D” became Finance Director.

Chairman Daniel Hall stated that the Finance Committee is working with the staff to improve the timeliness of the information provided for the valuation process. Hurley and the City need to budget the correct contribution rates in advance of the fiscal year.

Chairman Hall also noted that the Finance Director has asked to be more involved in the valuation process prior to the completion and presentation of each Valuation, to better ensure the accuracy of the financial information, particularly administrative expenses.

An error was noted on Page A-8, where the year referenced should be 2006 instead of 2005. Mr. Langer will correct this error.

Daniel Coffield left the meeting at 1:50 p.m.

A motion to receive the 60th Annual Actuarial Valuation Report, for the fiscal year ended June 30, 2004, with the correction as noted on page A-8, was made by Georgia Steinhoff, and supported by Amy Lindman.

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

18. EMPLOYER CONTRIBUTION RATES – HURLEY MEDICAL CENTER

A motion was made by Cass Wisniewski, and supported by Sandra Kidd, to adopt the contribution rates for fiscal year 2006 (in accordance with Section 35-37 of the Flint City Code) for Hurley Medical Center (10.57%), as computed by Gabriel, Roeder, Smith & Company, and set forth on page A-4 of the Report of the Sixtieth Annual Actuarial Valuation as of June 30, 2004.

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

19. EMPLOYER CONTRIBUTION RATES – CITY OF FLINT

A motion was made by Georgia Steinhoff, and supported by Amy Lindman, to adopt the contribution rates for fiscal year 2006 (in accordance with Section 35-37 of the Flint City Code) for the City of Flint, for General City (32.13%), Police (5.66%), and Fire (27.69%), as computed by Gabriel, Roeder, Smith & Company, and set forth on pages A-2 and A-3 of the Report of the Sixtieth Annual Actuarial Valuation as of June 30, 2004.

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

13. APPROVAL OF THE FEBRUARY 1, 2006 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that a transfer of \$5,054,000 was needed for the payment of the February 1st, 2006 pension payroll. Ivory Day, Jr., of Gray & Company, recommended that the funds be taken from the Russell 1000 Growth Fund (large cap) at Northern Trust.

A motion to approve a transfer for payment of the February 1st, 2006 pension payroll, in the amount of \$5,054,000 from the Northern Trust Russell 1000 Growth Fund to Citizens Bank, was made by Sandra Kidd, and supported by Amy Lindman.

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

20. AUDIT COMMITTEE REPORT

Tabled by Chairman Daniel Hall (no meeting was held since the last Board Meeting).

Peter Dobrzeniecki distributed copies of the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005 to the Trustees. Mr. Dobrzeniecki stated that the Retirement System information could be found in the Notes to Basic Financial Statements section in Note IV (beginning on page 39) and Note V.C. (beginning on page 60). There is additional information in the Required Supplementary Information section (pages 70-71). He also noted that the Pension and Benefit financial statements are found on pages 117-120.

21. INVESTMENT COMMITTEE REPORT

Chairman Daniel Hall reported that the Committee addressed the following issues at their last meeting:

- 1) A request of Gray & Company to set up a "mock" FERS to MERS transfer of \$100,000,000 for planning purposes.
- 2) Discussion of the outstanding contracts for the international and small cap money managers.
- 3) Discussion of the legal ruling that the City Attorney is now the attorney for the Retirement Board.
- 4) A request of Gray & Company to make a recommendation regarding setting up a drawdown account with Northern Trust to cover six months of pension payroll. This was done previously when the pension payroll funds were at SSgA.

Chairman Daniel Hall reported that he has received three documents that require review and signatures:

- 1) A confirmation letter from the Ernst & Young accounting firm regarding investments in the Intercontinental Real Estate Investment Fund.
- 2) A letter from Wentworth, Hauser and Violich noting that the fee schedule for assets above \$100 million was inadvertently left out of their 1984 management agreement with FERS. The letter asked for initials signifying acceptance or non-acceptance of the fee schedule.
- 3) A confirmation letter from PricewaterhouseCoopers regarding FERS investments with Dodge & Cox.

Chairman Hall asked that the documents be reviewed by the Attorney, the Consultant and the Custodian prior to signing.

A motion was made by Amy Lindman, supported by Cass Wisniewski, to authorize completion of and signatures on the three documents without further Board review, placing the documents on file when completed, after review by the Attorney, Custodian and Consultant.

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

22. PROFESSIONAL SERVICES COMMITTEE REPORT

Georgia Steinhoff reported that the Committee has not met since the last Board Meeting. The next committee meeting is scheduled for February 13th. A medical report was received from Dr. Roth at M-Works regarding Dolores Hollins, a Hurley Medical Center employee. It is his recommendation that she is totally and permanently disabled.

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

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

Robert Erlenbeck stated that he recently received four disability retirement application reports from M-Works. He noted that recommendations regarding Wallace Jones and David Walker (reference Item #7) are deferred until the next Professional Services Committee Meeting. Wallace Jones received \$16,000 in pension benefits over four months, contrary to a court order requiring that the payments be sent to the Attorney. In order to be in compliance with the Court, the City had to issue new checks to the Attorney. Mr. Jones cashed the checks and failed to return the funds when requested to do so. In order to recoup the overpayment amount, actuarial calculations were made by

Gabriel Roeder and Mr. Jones' monthly payment was revised. Mr. Erlenbeck asked that David Walker's information be dropped from the agenda at this time, until additional research can be done.

Bob Erlenbeck reported that the union contracts and the Retirement Ordinance are not clear regarding time off without pay (i.e., layoff or Extended Sick Leave) when calculating service credits, final average compensation, etc. This issue has been discussed by the Professional Services Committee. Georgia Steinhoff stated that, when she was the Retirement Supervisor, persons who were laid off did not get retirement service credits, but the time continued to accrue and was used for Final Average Compensation calculations. There are individuals currently off for as long as a year on Extended Sick Leave, layoffs, etc. Clear-cut rules are needed in the Retirement Office regarding what should be used as the cutoff date; i.e., the person's last pay period, the status of their employment relationship, recall rights, etc. Although employees do not earn retirement service credits, it is unclear where to draw the line for calculating their final average compensation.

Chairman Daniel Hall referred this matter to legal counsel for review and a recommendation to the Professional Services Committee, in order to develop a policy for Board approval.

23. FINANCE COMMITTEE

Chairman Daniel Hall stated that travel monies were denied by the Administration for Donald Phillips' and Janice Kehoe's attendance at the NCPERS Legislative Conference in Washington, D.C. There is a \$15,000 allocation in the budget for conferences. Peter Dobrzeniecki stated that the Mayor must approve ALL travel before any monies can be paid by the Finance Department. Chairman Hall asked that the record reflect that the Board has expressed concern about their ability to access the funds for travel and education. He asked the City Attorney to address this issue.

24. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Daniel Hall noted, for the record, that the following Retirement Board Committees are currently active: Audit (Daniel Hall, Chair), DB/DC (Robert Rosenberger, Chair), Investment (Daniel Coffield, Chair), Professional Services (Georgia Steinhoff, Chair), Education (Donald Phillips, Chair), Retirement Ordinance Revision Committee (Ehren Gonzalez, Chair), 13th Check (Donald Phillips, Chair), Finance (Robert Rosenberger, Chair). Chairman Hall also noted that Alvern Lock needs to be replaced on the DB/DC Committee, which also includes Robert Rosenberger, Peter Dobrzeniecki and Georgia Steinhoff. On the Retirement Ordinance Revision Committee, there are four members: Ehren Gonzalez, Daniel Hall, Donald Phillips and Robert

Erlenbeck. Chairman Hall stated that, if Cass Wisniewski or Dan Coffield would like to be on this committee to represent Hurley, he could withdraw from that Committee. On the 13th Check Committee, Ed Taylor needs to be replaced and Chairman Hall asked for a volunteer. An updated listing of the Committees will be provided to the Trustees as soon as it is completed.

25. GRAY & COMPANY

Ivory Day, Jr. and Chairman Hall noted that the international manager and small cap manager contracts are pending. Assistant City Attorney I'Lanta Robbins is in the process of reviewing the contracts, which she received from Attorney Ghattas, and expects them to be ready for signatures soon. The fee structure has been provided by Gray & Company and will be submitted to the City Council for approval. Chairman Hall stated that funding recommendations for the new managers have been made by Gray & Company: Wellington will be rebalanced downward to provide funds for the small cap managers and the funds for the international managers are currently being held in index funds at Northern Trust. Discussion followed.

A motion was made by Georgia Steinhoff, and supported by Cass Wisniewski, to authorize submission of the fees for the new money managers to the City Council for approval once the City Attorney has approved the contracts.

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

The Trustees discussed with Mr. Day the transfer to MERS and the model asset allocation of \$100,000,000 requested by the Investment Committee. Mr. Day stated that Gray & Company is recommending that all of the characteristics of the Fund remain the same; i.e., the same managers with proportionately smaller investments. The percentage relationship among the managers would remain the same, with the possible exception of real estate investments, which are not liquid. However, if the liabilities of the Fund were to become substantially higher or lower, that would require a change in the allocations to the various investment classes. Cass Wisniewski reported that he has contacted MERS, as requested by Chairman Hall, and MERS has stated that they will accept cash only. Until the actuaries have completed their calculations, the amount to be transferred, and whether the transfer should be done in stages, is unknown.

Mr. Day noted that there were two managers, IKON and Dodge & Cox, that were unable to attend the recent money manager review meeting. Chairman Daniel Hall referred the rescheduling of their presentations to the Investment Committee.

26. LEGAL COUNSEL UPDATES

Chairman Daniel Hall reported that a Transitional Meeting was held to discuss the Court Order upholding the City Attorney as the Attorney for the Retirement Board. The following were in attendance: Chairman Daniel Hall, City Attorney Trachelle Young, Attorney Habeeb Ghattas, Assistant City Attorney I'Lanta Robbins, Attorney Ric Champnella, Attorney Steven Spender. Attorney Robbins stated that she and Habeeb Ghattas have met and reviewed pending issues, including the contracts for the new money managers, which she is in the process of finalizing.

City Attorney Trachelle Young expressed concern regarding her office's lack of reference information in light of their new responsibilities for legal representation of the Retirement System. She has asked Attorney Ghattas to provide copies of all open, closed and pending files. Discussion followed.

Attorney Ghattas stated that he had concerns with the request by the City Attorney for copies of all files he has accumulated since he became the Attorney for the Retirement System. He believes many of those files relate to services specific to the Board of Trustees which may have been in conflict with the position of the City Administration, and he does not wish to breach his professional responsibility to the client by releasing that information. Attorney Ghattas noted that the Court of Appeals' opinion was clear in its interpretation that, under State law, the Board of Trustees has the right to hire its own attorney, independent of the office of the City Attorney, where it deems it in the best interest of the Retirement System, on a case-by-case basis. However, the Court of Appeals did not indicate that State law in this case pre-empted the Retirement Ordinance, leading to the conclusion that the Retirement Ordinance remains in effect and the Chief Legal Officer is the legal advisor to the Board of Trustees. Mr. Ghattas stated that, if there is any specific information requested by the City Attorney's office, he would accommodate that request. However, he does not believe he is obligated to provide all files and records, most of which the Retirement Office or the City Attorney's office should already have. He noted that, in addition to the files, the Board Meeting Minutes and the Minute Master should provide a complete record of Board activities and issues. He stated that he believes the files should be provided on a case-by-case basis. Mr. Ghattas also noted that, in his meetings with Assistant City Attorney I'Lanta Robbins, he attempted to give her an overview of his understanding of the responsibilities of the legal advisor to the Board of Trustees. He indicated that he is willing to assist in any future issues that the City Attorney requests. However, as the retainer agreement is no longer in effect, Mr. Ghattas gave notice that he intends to raise his fees from the current fee of \$85 per hour. Attorney Ghattas will send a letter to the Board with a proposal and fee structure for future services.

A discussion followed regarding the transitioning of the FERS records. Bob Erlenbeck noted that most of the documents in the Retirement Office are the official and final versions, with little or no background information (preliminary correspondence and responses, reviews, research information, etc.). The Minute Master index only relates to the final documents also. The complete legal files and history have always been maintained by Attorney Ghattas.

City Attorney Trachelle Young stated that she has a very serious concern about the lack of historical information on site to cover the past 20 years during which Attorney Ghattas represented the Board. She and her staff need historical records for reference. Ms. Young stated that it is unreasonable that they should be expected to contact Mr. Ghattas every time they need information. It is important that a reference file be available in their office to allow them to provide adequate representation on all issues, old or new, that may arise.

Attorney Ghattas stated that he believes that the request to turn over all files and documentation is burdensome; it is not the Court's requirement and may, in fact, be illegal in areas where conflicts of interest could be a factor. He further stated that a legal opinion is on record regarding the ethics of ownership of records, which states that the Attorney is the owner of the records in his possession and the client has the right of access only.

Attorney Young noted that Attorneys Ghattas and Spender filed an objection to the opinion in the Claude Miller 26-27 pays case.

Attorney Ghattas stated that his responsibilities to the client continue in the Claude Miller 26-27 pay case until such time as a final order is filed. The Court granted the City's motion for summary disposition, in which the Board of Trustees concurred on different grounds, but did not grant an order relative to the Board of Trustees. The Claude Miller class, through its attorney, sought reconsideration and clarification of the Court's opinion. The Court decided to deny the reconsideration on January 3rd. Based upon that order, there was an exchange of correspondence between plaintiff's counsel, Michael Bommarito, and Ric Champnella, who represents the City in the matter. There was an ongoing dispute in terms of what exactly the judge had ordered; specifically, did the judge order that a recalculation be made based upon the W-2s or a 365-day year? Neither the Plaintiff's counsel nor the City's attorney have been able to agree. The City's attorney submitted what is known as a "Proposed Order under the Seven-Day Rule." This means that, if the parties cannot agree or have any particular objections to the proposed order that was submitted, they must raise their objections within seven days. Both Attorney Spender and Attorney Ghattas agreed that the order needed to be clarified from the Board of Trustees' perspective. The objection they filed did not relate to Mr. Bommarito's concerns on behalf of his client. The objection was limited solely to the question of finalizing the Court's order with regard to the dismissal of the claim against the Board of Trustees. Discussion followed. It was noted that the Board of Trustees has

given their Attorney and Special Counsel approval to file paperwork on behalf of the Board when they believe it is in the best interests of the Board of Trustees. Mr. Ghattas indicated that, to the extent that the Board has authorized involvement in particular litigation, it is his responsibility, as their attorney, to pursue whatever action is needed within that litigation. Major actions, i.e., appeals, dismissals of complaint, settlements, etc. are always presented to the Board for direction prior to being taken.

City Attorney Trachelle Young stated that, in the spirit of cooperation, she will review the Minute Master and the files in the Secretary's office and the Retirement Office and then make a written request to the Board for the additional information she believes the City Attorney's office needs in order to have a solid foundation for reference. Ms. Young also expressed concern regarding the cost to the City to have Attorney Ghattas continue to attend meetings, which she believes is in violation of the court order, and charge the City whenever information is requested from him.

Discussion followed regarding legal costs to the Retirement System for the City Attorney's representation. Peter Dobrzeniecki and Trachelle Young stated that the System has not been directly charged for legal fees for the City Attorney's office in the past.

Attorney Ghattas stated that, in terms of litigation, all legal issues have been settled and there are no litigation issues pending to turn over to the City Attorney.

Chairman Daniel Hall noted that the money managers need to be informed of the new legal representative for the Retirement System Board of Trustees. He also referred Attorney Ghattas' forthcoming proposal to the Professional Services Committee for review and a recommendation to the Board.

27. DB/DC CONVERSION

Robert Erlenbeck stated that he requested this item to be added to the agenda in light of the FERS to MERS issue and the use of the actuaries in providing data. He believes this is the most appropriate time to initiate this transfer for those members who are eligible. He is asking the City Council for approval to hire an actuary to make the calculations needed for the Defined Benefit to Defined Contribution transfer.

28. IRS GUIDELINES FOR BENEFICIARIES

Chairman Hall stated that there are no new updates at this time.

29. OTHER BOARD BUSINESS

Chairman Daniel Hall noted that he is reviewing the list of current committees and committee members and he will be making appointments to committees to fill vacancies.

Georgia Steinhoff asked legal counsel I'Lanta Robbins whether a retiree who is in prison is entitled to continue receiving their pension. Attorney Robbins will review the matter and report back to the Board.

Bob Erlenbeck stated that he hopes to have the two vacancies in his office filled prior to the next board meeting (Retirement Supervisor and Assistant).

Chairman Daniel Hall noted that a donation was made to the Hurricane Katrina Fund in honor of FERS by Clarissa Parker (Piedmont).

Chairman Hall stated that, regarding Item #10.8, the letter to Harland Abraham from Milberg Weiss, the issue will be handled by Northern Trust. He also noted that he may request that an attorney from Milberg Weiss give a status report to the Board at a future meeting.

30. ADJOURNED

There being no further business to discuss, it was moved by Peter Dobrzeniecki, and supported by Sandra Kidd, to adjourn the meeting at 3:37 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary