

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 25, 2005, at 1:00 p.m. in the Committee-of-the-Whole Room, 3rd Floor, City Hall Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Peter Dobrzeniecki, Robert Erlenbeck, Sandra Kidd, Amy Lindman, Alvern Lock, Donald Phillips, Robert Rosenberger, Georgia Steinhoff, Edward Taylor, Cass Wisniewski

ABSENT Daniel Coffield, Peggy Cook, James Goodin, Mark Horrigan, Janice Kehoe

ALSO PRESENT Habib Ghattas, Attorney for the Retirement Board
Steven Spender, Special Counsel
Wanda Twitty, Retirement Supervisor
Harland Abraham, Northern Trust
Curtis Spears, Northern Trust
Alexander Matturri, Jr. Northern Trust
Mary Guy, State Street Global Advisors
Heather McGoldrick, State Street Global Advisors

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:06 p.m. He noted that Trustees should have a copy of an agenda addendum, listing an additional application for voluntary retirement for Kathleen Clay, to be added to the current agenda. He stated that Daniel Coffield will be absent, with his alternate, Cass Wisniewski, in attendance. He also stated that Jan Kehoe will be absent, with her alternate, Sandra Kidd, present.

2. ELECTION OF NEW CHAIRPERSON

Motion by Georgia Steinhoff, supported by Sandra Kidd, to appoint Daniel Hall as Chair of the Retirement Board of Trustees.

Discussion followed.

Upon being put to a roll call vote, the motion carried unanimously:

Roll Call:	Robert Erlenbeck – yes	Peter Dobrzeniecki - yes
	Daniel Hall – yes	Georgia Steinhoff – yes
	Alvern Lock – yes	Edward Taylor – yes
	Robert Rosenberger – yes	Sandra Kidd – yes

Motion by Georgia Steinhoff, supported by Sandra Kidd, to appoint Donald Phillips as Vice Chair of the Retirement Board of Trustees for another term.

Discussion followed. Peter Dobrzeniecki stated that he believed that Donald Phillips should not be the Vice Chair because he is an alternate for Georgia Steinhoff and could not vote in Chairman Daniel Hall's place when acting as Vice Chair. Also, he believes it would be more appropriate for another Board Member to be the Vice Chair or the alternate for Daniel Hall (currently vacant), which would give the Hospital his vote, and represent Mr. Hall's viewpoint as well. Discussion followed. Daniel Hall stated that his alternate, in the event of a vacancy, is supposed to be appointed by the CEO of the Hospital. Bob Erlenbeck asked for legal opinions on two Trustee/Alternate questions: 1) If a Trustee is present at a meeting, normally their Alternate should not sit at the table and their participation is to be minimal? 2) If the Trustee and the Alternate are both present, can the Trustee defer to the Alternate to be the voting member or must the Trustee always be the voting member, if present?

Attorney Habeeb Ghattas responded to the questions. In summary, he noted that he has questioned the practice of an Alternate serving as an officer in the past; however, the Board has elected to do so. Arguments exist in support of both positions, but the Board has a past practice of electing an Alternate as an officer. Regarding having the Alternate for the Chair serve as Vice Chair, the rules adopted by the Board of Trustees state: "The Board shall elect a Chairman and a Vice Chairman, each chosen by no less than five Trustees, for a two-year term." The rules are very specific – each is elected separately. Mr. Ghattas had made a previous recommendation that an Alternate should not be designated as an officer. The Board elected not to take his advice and there is past practice. The primary argument, in favor of the practice, is that all Board Members, whether elected Trustees or Alternates, serve as Trustees. That is why both serve on Committees, attend meetings, and participate as Trustees. They have fiduciary responsibilities. The only distinction, as a matter of practice, has been that, when the Trustee is present, the Alternate does not vote. The question then becomes, "Is that reason enough to deny an Alternate the right to be an Officer of the Board?" The sense of the Board was that it was not and past practice has allowed Alternates to serve as Vice Chair; i.e., Hugh Rose and Donald Phillips.

Regarding the question of a Trustee deferring to an Alternate to vote on a particular issue, it is Mr. Ghattas' belief that the Ordinance does not allow for the Trustee not to vote;

however, this is an issue that warrants further review. He believes that practice would set a dangerous precedent and, if a Trustee is present at a meeting, their obligation is to vote. This would be in full compliance with the Ordinance and would be his recommendation, absent further review on the issue. The Alternate should vote only when the Trustee is not in attendance at a meeting.

Discussion followed. Bob Rosenberger asked Attorney Ghattas if it was his recommendation that an Alternate not be elected as the Vice Chair? Attorney Ghattas asked for the opportunity to further review the matter and make a recommendation at the next Board Meeting.

A motion was made by Bob Rosenberger, and supported by Peter Dobrzeniecki, to table the issue to elect a Vice Chair.

Discussion followed.

Upon being put to a roll call vote, the motion to table carried by a vote of 5 yes and 4 no:

Roll Call:	Robert Erlenbeck – yes	Peter Dobrzeniecki - yes
	Cass Wisniewski – yes	Georgia Steinhoff – no
	Alvern Lock – yes	Edward Taylor – no
	Robert Rosenberger – yes	Sandra Kidd – no
	Daniel Hall – no	

Chairman Daniel Hall asked Attorney Habeeb Ghattas to review the issue of an Alternate serving as Vice Chair and report back to the Board at the February meeting.

3. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Gail Cotter, Flint Police Department employee, addressed the Board regarding her appeal of the denial of her application for duty disability due to a severe back condition. She expressed her concerns that Dr. Roth had not taken all of her medical history and information into account, especially the opinion and prognosis of her City-appointed neurosurgeon for Workers' Compensation, Dr. Lopez, the results of her MRIs and myelogram, and the pain and anti-inflammatory medications she must take on a daily basis. She also noted that the union contract states that the responsibility of the City disability examiner is to determine whether she could be rehabilitated to come back to her job. It further states that the physician must be able to say, with certainty, that she can be rehabilitated; otherwise, she is eligible for a disability retirement. Dr. Roth concluded that she wasn't totally disabled and his report to the Board did not reflect some of the information that was provided to him. Ms. Cotter noted that the City will not

allow her to return to work, due to the severity of her medical condition.

Discussion followed. It was determined that Dr. Roth has received all of Ms. Cotter's medical information. In summary, Chairman Daniel Hall stated that the Professional Services Committee, chaired by Georgia Steinhoff, is working with Dr. Roth on her case, and Dr. Roth will be rendering a follow-up opinion shortly. The Committee will make a final determination at that time. Mr. Erlenbeck will contact Dr. Roth to request a written report in time to be placed on the February agenda. It was determined that all procedures have been followed, to date, in this case. Chairman Daniel Hall told Ms. Cotter that she would be receiving a response from the Board as soon as practicable.

Chairman Daniel Hall stated that he would like to modify the agenda; due to the fact that Special Counsel Steven Spender is present, he would entertain a motion to meet in Closed Session. The motion would be appropriate under the authority of the Open Meetings Act, for the purpose of "consulting with Legal Counsel regarding trial or settlement strategy in connection with a pending lawsuit;" i.e., the lawsuit filed by Claude Miller et al against the City of Flint, the Board of Trustees, and Certain Named Individual Trustees.

Motion made by Sandra Kidd, supported by Alvern Lock, to move Item #23, Legal Counsel Updates - Claude Miller, forward in the Agenda and enter into a closed session for the purpose of consulting with Legal Counsel regarding trial or settlement strategy in connection with the pending lawsuit filed by Claude Miller et al against the City of Flint, the Board of Trustees, and Certain Named Individual Trustees, due to the fact that an Open Meeting would have a detrimental financial effect on the litigation or settlement position of the Board of Trustees.

Upon being put to a roll call vote, the motion carried unanimously:

Roll Call:	Robert Erlenbeck – yes	Peter Dobrzeniecki – yes
	Cass Wisniewski – yes	Georgia Steinhoff – yes
	Alvern Lock – yes	Edward Taylor – yes
	Robert Rosenberger – yes	Sandra Kidd – yes
	Daniel Hall – yes	

Chairman Daniel Hall requested that all members of the public leave the room until after the closed session is completed.

The Board of Trustees recessed into closed session at 1:43 p.m.

The Board of Trustees returned to their Regular Board Meeting at 2:25 p.m.

Legal Counsel Updates -

Special Counsel Steven Spender reported that on Tuesday, January 18th, oral arguments were presented in the case of the City of Flint Employees Retirement System vs. the City of Flint in the Court of Appeals. This was a Declaratory Judgment Action. When the Claude Miller case was filed, the City Attorney's office wrote a letter to the Board of Trustees stating that the City would appoint the lawyer that represents the Board in this case. Mr. Ghattas, on behalf of the Board, stated that the Board has the right to appoint their own lawyer. In response to the City's refusal to accept the Board's position, Mr. Spender was hired as Special Counsel to file a lawsuit for a Declaratory Judgment Action, which requests the Judge to interpret the law and tell the Plaintiff what their rights are. It has been the Board's position that the Board of Trustees can independently hire their own lawyer any time they determine they need to do so. Judge Yuille ruled that the Board of Trustees did have the right to independently hire their own counsel; however, only when there was a conflict with the City of Flint on what he referred to as the "essential functions" of the Board of Trustees. That ruling was appealed to the Michigan Court of Appeals, claiming that the Board should always have the right to independently retain their own legal counsel, as there is an inherent conflict with the City Attorney representing the Board of Trustees because the City Attorney owes loyalties to the citizens of the City of Flint, to the Mayor and to the Administration. Attorney Champnella argued, on behalf of the City of Flint, that the Board should not have the right to hire its own counsel, absent a conflict of interest with the City. Mr. Spender argued, on behalf of the Board, that the Board of Trustees should have that right. Mr. Spender stated that he was very encouraged by the questions asked by the Judges, particularly Judge Fitzgerald, who asked whether, in the case of a conflict, the Board had the right to determine if there is a conflict? And Mr. Spender replied that they do. Mr. Spender told the Board that he expects an opinion from the Court to take about 60 days. He is expecting a very favorable opinion, based upon the briefs, the oral arguments, and the questions from the judges. As soon as a decision is reached, he will report it to the Board.

The Board recessed for a break at 2:27 p.m.

The Board returned from break at 2:37 p.m.

19. INVESTMENT COMMITTEE REPORT
 - Northern Trust & State Street Global Advisors – Index Funds

Chairman Daniel Hall moved this agenda item forward in the Agenda because

representatives are present from Northern Trust and State Street Global Advisors. They have been invited to address the Board, at the recommendation of the Investment Committee, regarding the System's Index Funds. Both firms manage index funds for the Retirement System, and the Investment Committee believes the System would be better served by combining the two investments into one index fund, which should result in a significant reduction of fees. Therefore, both will be making a presentation to the Board regarding their index fund management and fees. There is approximately \$40,000,000 invested in each company's index fund.

Mary Guy and Heather McGoldrick, of State Street Global Advisors (SSgA), made a presentation regarding SSgA, their staffing structure, the status of the FERS index funds, their investment strategies, fees, etc., and answered the Board's questions. It was noted that FERS investments through SSgA total \$333,665,086 as of December 31, 2004. Northern Trust, as FERS Custodian, receives statements from SSgA of FERS assets under management by SSgA. All FERS investments at SSgA are in comingled funds and are custodied at SSgA. The drawdown, asset allocation and self-insurance funds are under one fee umbrella; all of the passive accounts (S&P 500, Russell 1000, Passive Aggregate Bond, the International MSCI EAFE and the Passive World Government Bond) have a minimum in the contract, because each investment was made at a different time. However, as long as FERS is meeting the minimum balance by having enough assets in one account, the other accounts do not require a minimum balance, only basis point fees are charged. The drawdown account fee is higher, because it is set up as a separate account. The drawdown account was separated from the SSgA comingled fund last year to match the plan allocation. Because that fund is managed by the asset allocation team, and is not a straight index fund, it has to be rebalanced and traded accordingly, causing the fee to be at a higher minimum. The Board discussed the need for a stable drawdown fund, keeping an appropriate minimum balance, to minimize fees.

The average fees at SSgA, excluding the drawdown and self-insurance fee structure, after Securities Lending, are at 4.0 basis points. The fee proposal for the index fund is a 10% relationship-based discount on the total Passive Index assets, as long as the Passive Aggregate account and one other passive account stay with SSgA. Also, SSgA will credit any open market trading costs (commissions) on the transfer of assets from Northern, if necessary, to utilize State Street Global Markets. Both the FERS International and S&P 500 accounts at SSgA have always been at discounted (below standard) fee levels.

Curtis Spears and Alexander Matturri, Jr., of Northern Trust, made a presentation regarding Northern Trust, their investment strategies, the status of the FERS index funds and fees, and answered questions from the Board. They noted that, since FERS is a large client, both for investments and custody, Northern offers a 15% discount off the

investment fee, taken off the custody fee.

With market values aggregated for fee calculations, the fees presented for investments in Northern Trust were as follows:

	<u>Domestic Equity</u>	<u>Fixed Income</u>
First \$100 million	4 basis pts	5 basis pts
Over \$100 million	1 basis pt	2 basis pts
Minimum annual fee	\$10,000	\$10,000

Currently, there is about \$100,000,000 in Domestic Equity investments at Northern; anything over \$100,000,000 would be charged 1 basis point.

After the presentations, the Board discussed the merits of having Northern manage the accounts currently at SSgA. The Investment Committee will review this issue, per Chairman Daniel Hall. Chairman Hall will discuss custody and fee issues with Harland Abraham at Northern, and the Investment Committee will be reviewing funds, fees, and managers, and bringing recommendations back to the Board.

Ed Taylor led a discussion of litigation services for class action lawsuits. Harland Abraham stated that Northern Trust does provide services in this area, as Custodian, by tracking class action security litigation. Reports are sent every month showing all class action security litigations applying to each client. Northern ensures that, whenever there is a settlement involving a payout in one of the lawsuits, the funds are credited back into the account impacted, or an account of the client's choice, if that account is closed. However, there are legal firms that are more aggressively involved in these lawsuits. Attorney Habeeb Ghattas stated that the Board can direct Northern Trust to send class action notifications individually to the Board and the Board can opt out of the class action and act individually and pursue independent recovery with its own attorney. Whether that would be in the System's best interest, financially or otherwise, is a judgement call. Past practice has been to participate in class action litigation.

4. APPLICATIONS FOR VOLUNTARY RETIREMENT

Sharon Blosser
HMC/1603

Final Average Compensation:	\$ 48,410.67
Accumulated Contributions:	38,485.59
DRET:	18,554.65
Effective Date of Retirement	01/02/2005
Service: 27 Years, 4 Months	
The retiree elected the Option C w/pop-up in the amount of \$2,272.02	

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Sharon Blosser be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C w/pop-up, in the amount of \$2,272.02, for as long as she lives.

Brenda Chatman
HMC/1973

Final Average Compensation:	\$ 49,335.32
Accumulated Contributions:	28,041.19
DRET:	27,537.79
Effective Date of Retirement	01/02/2005
Service: 29 Years, 9 Months	
The retiree elected the Option C in the amount of \$2,367.99	

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Brenda Chatman be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C, in the amount of \$2,367.99, for as long as she lives.

Kathleen Clay
68th Dist Court/1600

Final Average Compensation:	\$ 29,006.73
Accumulated Contributions:	29,903.98
DRET:	.00
Effective Date of Retirement	12/01/2004
Service: 25 Years, 0 Months	

The retiree elected the Option Straight Life in the amount of \$1,469.88

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Kathleen Clay 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 \$1,469.88, for as long as she lives.

Asa Lee Crawford
HMC/1603

Final Average Compensation:	\$ 19,749.56
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	12/07/2004
Service: 22 Years, 3 Months	

The retiree elected the Option Straight Life in the amount of \$441.99

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Asa Lee Crawford 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 \$441.99, for as long as she lives.

Pamela Elder
HMC/Exempt

Final Average Compensation:	\$ 75,082.84
Accumulated Contributions:	38,171.65
DRET:	34,962.04
Effective Date of Retirement	12/10/2004
Service: 25 Years, 3 Months	

The retiree elected the Option A in the amount of \$3,527.24

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Pamela Elder 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 \$3,527.24, for as long as she lives.

Susan Hermanson
HMC/Exempt

Final Average Compensation:	\$ 46,337.94
Accumulated Contributions:	Non-Cont.
DRET:	.00
Effective Date of Retirement	12/24/2004
Service: 15 Years, 10 Months	

The retiree elected the Option Straight Life in the amount of \$ 1,039.38

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Susan Hermanson 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 \$1,039.38, for as long as she lives.

Roxanne Maguffee
HMC/Exempt

Final Average Compensation:	\$ 65,367.29
Accumulated Contributions:	24,032.70
DRET:	30,986.66
Effective Date of Retirement	12/10/2004
Service: 25 Years, 5 Months	
The retiree elected the Option Straight Life in the amount of \$ 3,127.64	

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Roxanne Maguffee 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 \$3,127.64, for as long as she lives.

Karla Mason
HMC/RN

Final Average Compensation:	\$ 49,581.15
Accumulated Contributions:	30,062.61
DRET:	28,095.49
Effective Date of Retirement	01/02/2005
Service: 26 Years, 11 Months	
The retiree elected the Option Straight Life in the amount of \$ 2,434.30	

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Karla Mason 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 \$2,434.30, for as long as she lives.

Margo Miller
HMC/RN

Final Average Compensation:	\$ 71,267.37
Accumulated Contributions:	27,866.60
DRET:	37,485.41
Effective Date of Retirement	12/01/2004
Service: 27 Years, 8 Months	

The retiree elected the Option Straight Life in the amount of \$ 3,543.58

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Margo Miller 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 \$3,543.58, for as long as she lives.

Barbara Nelson
HMC/RN

Final Average Compensation:	\$ 42,145.90
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	01/02/2005
Service: 30 Years, 3 Months	

The retiree elected the Option Straight Life in the amount of \$ 1,437.34

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Barbara Nelson 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 \$1,437.34, for as long as she lives.

Vernon Perkins
HMC/1603

Final Average Compensation:	\$ 29,024.38
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	12/17/2004
Service: 32 Years, 0 Months	

The retiree elected the Option Straight Life in the amount of \$ 839.65

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Vernon Perkins 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 \$839.65, for as long as he lives.

Syble Smith
Police/1799

Final Average Compensation:	\$ 46,260.59
Accumulated Contributions:	33,321.94
DRET:	1,858.42
Effective Date of Retirement	12/15/2004
Service: 25 Years, 7 Months	

The retiree elected the Option Straight Life in the amount of \$ 2,386.92

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Syble Smith 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 \$2,386.92, for as long as she lives.

Linda Smyth
HMC/Exempt

Final Average Compensation:	\$ 41,612.35
Accumulated Contributions:	5,280.35
DRET:	21,304.30
Effective Date of Retirement	01/02/2005
Service: 12 Years, 1 Months	

The retiree elected the Option Straight Life in the amount of \$921.83

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Linda Smyth 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 \$921.83, for as long as she lives.

Michele Vargo
HMC/RN

Final Average Compensation:	\$ 72,689.35
Accumulated Contributions:	40,376.56
DRET:	29,041.82
Effective Date of Retirement	12/31/2004
Service: 22 Years, 7 Months	

The retiree elected the Option C in the amount of \$ 2,855.96

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Michele Vargo be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C, in the amount of \$2,855.96, for as long as she lives.

It was moved by Georgia Steinhoff, and supported by Edward Taylor, to approve the Applications for Voluntary Retirement for Sharon Blosser, Brenda Chatman, Kathleen Clay, Asa Lee Crawford, Pamela Elder, Susan Hermanson, Roxanne Maguffee, Karla Mason, Margo Miller, Barbara Nelson, Vernon Perkins, Syble Smith, Linda Smyth, and Michele Vargo.

Upon being put to a vote, the motion to approve the Applications for Voluntary Retirement carried unanimously.

5. APPLICATIONS FOR DEFERRED RETIREMENT

Thaddeus Conover
HMC/2056

Final Average Compensation:	\$ 45,256.79
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	11/25/2004
Service: 11 Years, 6 Months	
The retiree will elect an Option prior to 10/01/2011	

Janine Johnson
HMC/Exempt

Final Average Compensation:	\$ 49,602.08
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	12/10/2004
Service: 11 Years, 7 Months	
The retiree will elect an Option prior to 01/01/2017	

Thomas Rogers
HMC/Exempt

Final Average Compensation:	\$106,769.61
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	12/31/2004
Service: 17 Years, 6 Months	
The retiree will elect an Option prior to 11/01/2011	

Jill Smith
Mayors Office/Exempt

Final Average Compensation:	\$ 51,825.32
Accumulated Contributions:	14,797.65
DRET:	.00
Effective Date of Retirement	12/04/2004
Service: 14 Years, 3 Months	
The retiree will elect an Option prior to 01/01/2024	

It was moved by Georgia Steinhoff, and supported by Ed Taylor, to approve the Applications for Deferred Retirement for Thaddeus Conover, Janine Johnson, Thomas Rogers, and Jill Smith.

Discussion followed.

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

6. APPLICATION OF DUTY & NON-DUTY DISABILITY RETIREMENT

Kathleen Robinson
Police/FPOA
Applied for Duty Disability

Age: 38 Years
Service: 10 Years, 9 Months

The Addendum medical report and summary of Disability Determination dated January 13, 2005 from Dr. Victor Roth, Medical Director, does certify that Kathleen Robinson is not totally and permanently disabled. Georgia Steinhoff noted that this was the second determination from Dr. Roth, after Ms. Robinson was sent for additional testing.

Georgia Steinhoff reported that the Professional Services Committee concurs with Dr. Roth's recommendation that Kathleen Robinson is not totally and permanently disabled.

Motion made by Georgia Steinhoff, and supported by Robert Erlenbeck, to concur with Dr. Roth's report that Kathleen Robinson is not totally and permanently disabled, and her application for duty disability retirement is denied.

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

Kimberly Davis
HMC/1603

Age: 35 Years
Service: 12 Years, 3 Months

The medical report and summary of Disability Determination dated December 20, 2004 from Dr. Victor Roth, Medical Director, does certify that Kimberly Davis is not totally and permanently disabled.

Georgia Steinhoff reported that the Professional Services Committee concurs with Dr. Roth's recommendation that Kimberly Davis is not totally and permanently disabled.

Motion made by Georgia Steinhoff, and supported by Robert Rosenberger, to concur with Dr. Roth's report that Kimberly Davis is not totally and permanently disabled, and her application for disability retirement is denied.

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

David Miller
DPW/1600

Age: 52 Years
Service: 7 Years, 7 Months

The medical report and summary of Disability Determination dated December 16, 2004 from Dr. Victor Roth, Medical Director, does certify that David Miller is not totally and permanently disabled. Dr. Roth also noted that he believes Mr. Miller could be put back to work, with some limitations.

Georgia Steinhoff reported that the Professional Services Committee concurs with Dr. Roth's recommendation that David Miller is not totally and permanently disabled. The Committee also recommended that Mr. Miller be referred to the City's Human Resources Department. Discussion followed.

Motion made by Georgia Steinhoff, and supported by Robert Rosenberger, to concur with Dr. Roth's report that David Miller is not totally and permanently disabled.

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

Chairman Daniel Hall noted that the Board passed a resolution in June 2004 regarding M-Works invoices. If the M-Works invoices are for the standard fee of \$550, the bills are not required to be submitted to the Board for approval. However, if there are additional tests and fees, he has directed those invoices to be in the Board packets. Chairman Hall referenced Communication #10.10 in the current agenda packet. Discussion followed. Bob Erlenbeck noted that he has been unable to set up special rates for testing fees with any companies he has contacted. Chairman Daniel Hall stated that the Professional Services Committee will review fees charged for additional testing and evaluations.

7. OPTIONS PICKED BY NON-DUTY DISABILITY & DEFERRED RETIREMENTS

Jerry Cox/HMC	Option A/\$927.14
Teresa Schaffer/HMC	Option B/\$334.40

No action is necessary by the Board – for information only.

8. APPROVAL OF NON-DUTY DEATH BENEFIT

Teresa Beatenhead (Beneficiary: Douglas Beatenhead – Husband)
HMC/1603

Final Average Compensation:	\$ 22,199.57
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	12/05/2002
Service: 20 Years, 11 Months	
The beneficiary will receive a monthly benefit in the amount of \$574.92	

No action is necessary by the Board. Robert Erlenbeck noted that the first payment to Mr. Beatenhead would include all monthly benefits due since 12/5/02, the eligibility date for benefits to be received, in accordance with past practice. Discussion followed.

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

9.1 Thomson Venture Economics, Buyouts Symposium, March 9-11, 2005, New York, NY.

- 9.2 Institutional Investors Institute, 2005 Public Funds Roundtable, April 28-29, 2005, Charleston, SC.
- 9.3 Institutional Shareholder Services, The Directors' Consortium, February 23-25, 2005, Stanford University, CA.
- 9.4 MAPERS, 2005 Spring Conference, May 15-17, 2005, Mt. Pleasant, MI.
- 9.5 MAPERS, 2005 Fall Conference, September 25-27, 2005, Grand Traverse Resort, Acme, MI.
- 9.6 NCPERS, 2005 Annual Conference & Exhibition, May 6-12, 2005, Las Vegas, NV.

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

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

- 10. COMMUNICATIONS RECEIVED (All items were placed on file in the Retirement Office; if noted, a copy was given to Board Members in their agenda packets also.)
- 10.1 Wellington Management, SEC FORM ADV, December 16, 2004.
- 10.2 Northern Trust, Global Investments Strategy, December 2004.
- 10.3 Lerach, Coughlin, Stoia, Geller, Rudman & Robbins, Corporate Governance Bulletin, 1st Quarter 2005.
- 10.4 MAPERS, Pension Scope, Winter 2004.
- 10.5 Merrill Lynch Investment Consulting, Thank You Letter, December 23, 2004.
- 10.6 Gabriel, Roeder, Smith & Co., News Scan, December 2004.
- 10.7 Bank of Ireland, Donation to The Matthew Speer Juvenile Diabetes Fund, December 2004.
- 10.8 Mesirow Financial, Investment Management Newsletter, December 13, 2004.

- 10.9 Keller & Avadenka, Letter to Bob Erlenbeck re: Colleen Belanger Disability Report, December 17, 2004. (Enclosed)
- 10.10 M-Works, Fees & Additional Testing Fees, December 2, 2004. (Enclosed)
- 10.11 Harris, Goyette, Winterfield & Farrehi, P.L.C., Letter to Retirement Board re: Velma Wright, January 6, 2005. (Enclosed)

A motion was made by Robert Rosenberger, and supported by Georgia Steinhoff, to receive the communications on file. It was noted that Item #10.9 will be discussed under the Professional Services Committee Report.

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 given to Board Members in their agenda packets also.)
 - 11.1 State Street Global Advisors, Activity Report, December 31, 2004.
 - 11.2 State Street Global Advisors, Appraisal Report, December 31, 2004.
 - 11.3 Magna Securities, Commission Recapture Report as of November 30, 2004.
 - 11.4 Payden & Rygel, Quarterly Review, January 2005.
 - 11.5 Sit Investment Associates, Performance Review as of September 30, 2004.
 - 11.6 Lynch, Jones & Ryan, Trading Summary as of November 30, 2004.
 - 11.7 Piedmont Investment Advisors, Piedmont Perspective, December 2004.
 - 11.8 Fidelity Investments, Monthly Investment Update, December 31, 2004.
 - 11.9 Fidelity Investments, Capital Contributions, December 20, 2004. (Enclosed)
 - 11.10 Fidelity Investments, Capital Contributions, December 21, 2004. (Enclosed)
 - 11.11 Fidelity Investments, Capital Contributions, January 6, 2005. (Enclosed)
 - 11.12 Northern Trust Reports – November 2004 (Enclosed)

11.13 Retirement Fund Employee/Employer Contributions (Enclosed)

A motion was made by Sandra Kidd, and supported by Robert Rosenberger, to receive the reports on file.

Discussion followed regarding Item #11.13. Sandra Kidd asked for more detail on the report, specifically payments to money managers, attorneys, etc. Chairman Daniel Hall stated that he will be referring this topic to Committee, and meeting with Finance officials regarding the need for payment information. Attorney Habeeb Ghattas stated that it appears that a significant concern exists of possible Trust assets of the Retirement System being used to pay attorneys for non-Retirement System business or without proper direction from the Board of Trustees.

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

12. STATISTICAL REPORT OF BENEFITS

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Number Retired	2,964	3,001	3,002
Annualized Payroll	\$ 58,416,621	\$ 61,357,283	\$ 62,627,143
13 th Check	-0-	-0-	-0-
Charter 13 th Check	-0-	-0-	-0-

For informational purposes only.

13. APPROVAL OF THE FEBRUARY 1, 2005 PENSION PAYROLL TRANSFER

A motion to approve the pension payroll transfer for February 2005 in the amount of \$3,226,637.18 from State Street Global Advisors S&P Provisional Account to Citizens Bank for payment of the February 1, 2005 pension payroll, was made by Georgia Steinhoff, and supported by Ed Taylor.

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

14. RESOLUTION AUTHORIZING THE TRANSFER OF ALL DATA FOR CERTAIN

ACTIVE MEMBERS AND RETIREES OF HURLEY MEDICAL CENTER

There being no new information, Chairman Daniel Hall tabled this agenda item.

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

There being no new information, Chairman Daniel Hall tabled this agenda item. Chairman Hall noted that, per Daniel Coffield, attorneys from the City and from Hurley have been working together regarding the Ordinance language to allow the transfer to MERS; however, the Board's attorney has not been asked to participate in these meetings.

16. 13th CHECK PROGRAM

Donald Phillips noted that he sent a letter to the City requesting some documents from the mid 1980s outlining the methodology for payment of the 13th check. He has been told that City employees are having difficulty locating copies. Also, Larry Langer from Gabriel, Roeder, Smith was contacted and he stated that he could not locate copies of the documents. Mr. Phillips filed a FOIA request, which has received no response to date. He has now turned his request over to an attorney. If the City cannot resolve this issue, the Board will need to develop methodology for paying the 13th check. Discussion followed. Councilman Taylor noted that Ordinance language was approved by Council at yesterday's meeting authorizing an additional payment to the Charter employees; however, it is not a "13th Check."

17. AUDIT COMMITTEE REPORT

- Update/Recommendations
- Plante & Moran Audit Proposal

Chairman Daniel Hall stated that there have been no meetings of this Committee since the last Regular Board Meeting.

18. PROFESSIONAL SERVICES COMMITTEE REPORT

Georgia Steinhoff reported that the Professional Services Committee met on January 10th. The committee discussed Velma Wright's application for disability retirement (reference Agenda Item #10.11) and referred it to Attorney Habeeb Ghattas. The Committee also discussed the appeal by Gail Cotter. Dr. Roth has received and reviewed the additional information, but has not yet provided a written report. The Committee reviewed Colleen Belanger's reevaluation (reference Agenda Item #10.9 – a letter from her attorney) and referred the matter to Attorney Habeeb Ghattas. Bob Erlenbeck stated that an additional letter regarding Ms. Belanger was just received by his office, a copy of which he is distributing to the Trustees and Attorney Habeeb Ghattas at this meeting. Discussion followed. Chairman Daniel Hall stated that Velma Wright and Colleen Belanger have not met the requirements for disability retirement. Since both have now hired attorneys, the matter should be left to the Board's attorney. Georgia Steinhoff noted that the Committee is also in the process of reviewing Mr. Ghattas contract.

25. CONSULTANT SEARCH

Chairman Daniel Hall reported that he contacted the two finalists, Gray & Company and Asset Strategies, for further information, as requested. He distributed their responses to the Trustees. The additional information requested included more detail regarding the services covered by the fees, the number of visits to the Board per year, and the number of educational sessions per year. Gray & Company stated their fee quotation of \$115,000/year was guaranteed for five years. Their fee includes as many visits with the Board of Trustees as desired. In addition, the fees include two educational sessions annually. Mr. Hall has requested references - one in-state and one out-of-state - for each of the two finalists. As soon as those references are received, he will be checking them. Asset Strategies' response noted that their fees would include an investment manager review, an asset allocation study, and unlimited visits with the Board.

Motion made by Ed Taylor, supported by Sandra Kidd, to hire Gray & Company as the Consultant.

Discussion followed.

Upon being put to a roll call vote, the motion carried unanimously:

Roll Call:	Georgia Steinhoff – yes	Sandra Kidd – yes
	Robert Rosenberger – yes	Cass Wisniewski – yes
	Robert Erlenbeck – yes	Peter Dobrzeniecki - yes
	Alvern Lock – yes	Edward Taylor – yes
	Daniel Hall – yes	

Chairman Daniel Hall stated that he would work with Daniel Coffield and the Investment Committee to compose a notification letter to Gray & Company, which will be reviewed by Attorney Ghattas prior to mailing. Attorney Ghattas is now authorized to engage in contract negotiations with Gray & Company. In addition, references will be checked and due diligence performed.

19. INVESTMENT COMMITTEE REPORT

Chairman Daniel Hall presented the Investment Committee Report, in Daniel Coffield's absence. He noted that the Committee reviewed the money manager reports at their meeting. They also discussed the MERS transfer, noting that language to update the Retirement Ordinance is being developed by attorneys from the City and from Hurley, without Habeeb Ghattas' involvement.

Attorney Habeeb Ghattas reported on the issues remaining with the outstanding money managers' contracts:

- Dodge & Cox – There are two commitments pending for Dodge & Cox: 1) Equity – the contract was approved several months ago, but must be submitted to City Council, who has an obligation, under the Ordinance, to fix the fees. The Committee wants to review more recent investment data from Dodge & Cox before finalizing the contract and submitting it to Council; however, that information has not been received from Callan. 2) Fixed Income – this will be a comingled account because the size of the commitment does not reach their minimum for a separately managed account. He is currently waiting for information from Dodge & Cox regarding any trust limitations they might have to ensure there are no issues with the Michigan statute.
- Wells Capital Fixed Income – They requested a letter of direction from the Board informing them that they have been retained. A draft letter was prepared by Daniel Coffield and Daniel Hall and given to Mr. Ghattas for review. This account will also be comingled, rather than separately managed.

- Lee Munder – The contract is in order; the only concern is the issue of signature authority. Mr. Ghattas noted that all of the potential money managers need an official document stating the appropriate signature authority to sign contracts and letters of direction on behalf of the Board of Trustees. With the direction of the Board of Trustees, Attorney Ghattas has prepared a letter certifying the Board’s policy regarding signature authority: any two of the three officers (Chair, Vice Chair, Secretary) have signature authority, per Board resolution.
- Piedmont – The only remaining issue is the need for a letter regarding signature authority.
- Bank One – There were a couple of remaining concerns that were just resolved today, with their attorney, and Mr. Ghattas is now prepared to sign off on the contract as to form.

Attorney Ghattas noted that there is still the issue of the need for “fresher numbers” from the proposed money managers, prior to finalizing the contracts with them, and approval of fees through the City Council.

Chairman Daniel Hall stated that he will be meeting with Dan Coffield regarding several issues: 1) The Executive Summary draft to be included with the submission of contracts to City Council for fee approval. Attorney Ghattas has provided the necessary Ordinance language for the summary. 2) Mr. Ghattas’ template letter to notify new managers of the signature authority. 3) The signature authority policy. 4) Due diligence visits for Piedmont and Wells Capital.

Chairman Hall also noted that Jeff Lemieux, of Wellington Management (an existing money manager), sent a letter on November 23rd, 2004 to Debbie Stephens stating that he cannot report to Callan & Associates without updating his files that he is still required to do so. Callan has not returned Mr. Hall’s call regarding this issue. Chairman Hall will be contacting Mr. Lemieux.

Ed Taylor stated that he would like the City Council to have the required information submitted to them, for approval of money manager contract fees, by February 4th. This is the deadline for the Agenda for the Committee Meetings on Wednesday, February 9th and the Council Meeting on Monday, February 14th. Discussion followed.

Alvern Lock left the meeting at 4:35 p.m.

20. EDUCATION/ TRAVEL/ TRAINING COMMITTEE

Chairman Daniel Hall tabled this item and noted this Committee needs a meeting schedule.

21. ELECTION RULES COMMITTEE

Chairman Daniel Hall tabled this item and stated that there will be another election in July and the rules need to be updated before then.

22. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Daniel Hall tabled this item.

23. LEGAL COUNSEL UPDATES

- Donald Uptegraff – Attorney Habeeb Ghattas reported that Mr. Uptegraff had applied for deferred retirement, and then requested his deferred retirement to be set aside, based upon his goal to rehire with the City. Mr. Ghattas’ advice was that, since his application was not in compliance with the specifics of the Ordinance, he has the right to withdraw. However, if he is withdrawing his deferred retirement based upon the condition that he be rehired by the City, the Board has no authority, with regard to the City’s discretion, to rehire him. Mr. Ghattas recommended that a letter to be sent to Mr. Uptegraff advising him of that fact.
- Velma Wright – Ms. Wright is a Hurley employee who has been on workers’ compensation for more than five years. She has made application for disability retirement, claiming that the five years to be considered, for purposes of her FAC calculation, be 1999 and the four previous years. The Ordinance is very specific that “Final Average Compensation” is to be calculated as wages paid during any three years of credited service contained within the five years of credited service immediately preceding the date that employment at Hurley terminates. Jay Kitson, at Hurley Medical Center, stated to Retirement Supervisor Wanda Twitty that Ms. Wright remains an employee at Hurley. Mr. Ghattas will respond to Ms. Wright’s attorney by citing the Ordinance and confirming that her employment status appears to have been determined by the Medical Center. Until such time as there is any change on this issue, there is nothing further the Board should do.

- Colleen Belanger – Ms. Belanger has filed for a duty disability retirement claiming a severe allergy to latex. She has now retained legal counsel. Bob Erlenbeck contacted Dr. Roth in December, enclosing additional letters and information from Ms. Belanger, and requesting that Dr. Roth respond to determine whether or not the additional information would have an effect on his initial determination that he needed further examination and documentation. Dr. Roth has not yet responded in writing. However, in telephone discussions with Dr. Roth, the doctor has stated that, in order for him to feel completely comfortable with his determination, he believes Ms. Belanger should have an additional test for the latex allergy. The previous test was performed in 1994. Ms. Belanger has refused to undergo another test. Discussion followed regarding Board procedures. Attorney Ghattas will correspond with her attorney regarding the Board's conclusions that an additional test is needed. Chairman Daniel Hall stated that Ms. Belanger is asking the Board to circumvent the process rather than follow the advice of the Board's doctor, which could set a bad precedent.

24. UPDATING COMPUTER PROGRAM FOR EQUATING OPTION

Bob Erlenbeck stated that he has been in contact with Larry Langer, of Gabriel, Roeder, Smith & Company, regarding this project. However, the cost for Mr. Langer to research the factors needed, in order to determine whether or not the program could be adjusted to handle the equating option, will be about \$1000. Mr. Langer does not anticipate the overall expenditure to be much greater than that cost. As a result of his research, Mr. Langer believes that the current computer program can be modified and updated; however, he does not yet have a final price quote for the Board.

26. FERS BUDGET

Chairman Daniel Hall stated that he and another Trustee will be meeting with Peter Dobrzeniecki regarding the System's budget for FY06.

27. OTHER BOARD BUSINESS

Bob Erlenbeck notified the Board that, as the City has undertaken a review of retirement benefit calculations, certain errors may exist. He asked about the process to notify the Board of any errors found. Discussion followed. Chairman Daniel Hall asked that any errors be referred to the Professional Services Committee, who will review and report to the Board.

28. ADJOURNED

There being no further business to discuss, it was moved by Peter Dobrzeniecki, and supported by Sandra Kidd, to adjourn the meeting at 5:17 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki
Secretary/Fund Administrator