

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, June 19, 2007 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, Peter Dobrzeniecki, Robert Erlenbeck,
Ehren Gonzales, Janice Kehoe, Michelle Kirkwood, Amy Lindman,
Donald Phillips, Robert Rosenberger, Cass Wisniewski

ABSENT Douglas Bingaman, Peggy Cook, Sandra Kidd, Kerry Nelson,
Georgia Steinhoff, Scott Sutter

ALSO PRESENT Suzi Bye, Retirement Supervisor
Trachelle Young, City Attorney/Attorney for Retirement Board
I'Lanta Robbins, Assistant City Attorney/Attorney for Retirement Board
Ivory Day, Jr., Gray & Company
Harland Abraham, Northern Trust

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Hall called the meeting to order at 1:05 p.m. and asked that roll call attendance be taken.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

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

3. APPROVAL OF THE MAY 15, 2007 REGULAR BOARD MEETING MINUTES

It was moved by Donald Phillips, and supported by Robert Rosenberger, to approve the minutes of the May 15, 2007, Regular Board Meeting, as presented.

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

4. APPLICATIONS FOR VOLUNTARY RETIREMENT

Martha Studaker

HMC/Exempt

Final Average Compensation:	\$ 75,698.58
Accumulated Contributions:	Non-Cont.
DRET:	.00
Effective Date of Retirement	03/24/2007
Service: 29 Years, 8 Months	

The retiree elected the Option C w/pop-up in the amount of \$ 2,646.36.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Martha Studaker 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 \$2,646.36, for as long as she lives.

Welton Wright

Parks&Rec/1600

Final Average Compensation:	\$ 45,976.26
Accumulated Contributions:	9,995.95
DRET:	4,752.74
Effective Date of Retirement	03/14/2007
Service: 10 Years, 2 Months	

The retiree elected the Option B w/pop-up in the amount of \$ 634.58.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Welton Wright 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 \$634.58, for as long as he lives.

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

Martha Studaker - Option C w/pop-up – \$2,646.36

Welton Wright - Option B w/pop-up - \$634.58

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

5. OPTIONS PICKED BY DEFERRED & NON-DUTY DISABILITY RETIREMENTS
(for information only)

Ann Crumpton/Hurley Option B w/pop-up \$833.07

Cynthia Butcher/City Option Straight Life \$ 818.55

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

- 6.1 S.M. Snow & Associates, Controlling Health Care Costs for Self-Funded Plans, August 13-14, 2007, Chicago, IL.
- 6.2 University of Chicago, The Directors' Consortium, August 22-24, 2007, Chicago, IL.
- 6.3 Institute for International Research, Guns & Hoses, September 16-18, 2007, Huntington Beach, CA.

A motion was made by Donald Phillips, and supported by Amy Lindman, to receive and approve all information/documents listed under Agenda Items #6, #7, #8, and #9, and place all documents on file.

Bob Erlenbeck asked Suzi Bye to report on the status of recalculations of pensions per Item #7.6, the approved ordinance that changed the Hurley non-contributory multiplier from 1.5 to 1.7. Ms. Bye stated that she is in the process of revising the calculations. The deferred retirees will receive new final calculations. The 5-6 currently collecting will have their calculations revised and corrected in the order in which they retired. Chairman Hall asked that those changes be listed under "Revised Pensions" on the next agenda.

Bob Rosenberger noted that #9.18 only reflects employee contributions, not Hurley employer contributions. Chairman Hall asked that this document be modified to show employer contributions (or lack thereof). Peter Dobrzeniecki stated that he would do so.

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

7 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)

7.1 Pomerantz Haudek Block Grossman & Gross, The Pomerantz Monitor, May 2007.

- 7.2 Northern Trust Global Investments, Strategy, May 2007.
- 7.3 Lerach, Coughlin, Stoia, Geller, Corporate Governance, 2nd Quarter 2007.
- 7.4 Deposition of William Kelly on April 20, 2007.
- 7.5 Memo to Bob Erlenbeck from I'lanta Robbins re: Daniel Coffield Retirement Pension Compensation Limitation, April 2, 2007.
- 7.6 Hurley Ordinance No. 3688 – Pension Multiplier changed from 1.5% to 1.7%. Adopted March 26, 2007. (*Enclosed*)

- 8. 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*)
 - 8.1 Letter to Northern Trust from Daniel Hall re: June 1, 2007 Pension Transfer, May 29, 2007.
 - 8.2 Letter to Northern Trust from Daniel Hall re: Fidelity Real Estate Growth Fund Wire, April 24, 2007.
 - 8.3 Letter to Northern Trust from Daniel Hall re: Fidelity Real Estate Growth Fund Wire, May 22, 2007.
 - 8.4 Letter to Board of Trustees from Trachelle Young, re: Trustee voting without attendance at hearings, May 4, 2007.

- 9. 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*)
 - 9.1 Fidelity Investments, Capital Contribution, May 21, 2007.
 - 9.2 Fidelity Investments, Monthly Investment Update, May 31, 2007.
 - 9.3 Fidelity Investments, Monthly Investment Update, April 30, 2007.
 - 9.4 Magna Securities, Commission Recapture Report as of April 30, 2007.
 - 9.5 LJR Recapture Services, Trading Summary as of April 30, 2007.

9.6 ICON Advisors, Portfolio Update, June 2007.

- 9.7 Peregrine Capital Management, Small Cap Value Performance, 1st Quarter 2007.
- 9.8 Wentworth, Hauser and Violich, Appraisal Summary as of April 30, 2007.
- 9.9 CB Richard Ellis Investors, Summary Report, February & March 2007.
- 9.10 Wentworth, Hauser and Violich, Appraisal Summary as of March 31, 2007.
- 9.11 Paradigm Asset Management, Monthly Performance Update as of March 31, 2007.
- 9.12 Paradigm Asset Management, Monthly Performance Update as of April 30, 2007.
- 9.13 LSV Asset Management, 1st Quarter 2007 Investment Report, April, 2007.
- 9.14 Keeley Asset Management, 1st Quarter 2007 Investment Report, April 27, 2007.
- 9.15 Intercontinental Real Estate, 1st Quarter 2007 Investment Report, April 30, 2007.
- 9.16 Northern Trust Reports – March 2007. (*Enclosed*)
- 9.17 Retirement Fund Employee/Employer Contributions (*Enclosed*)
- 9.18 Hurley Employer/Employee Contributions July 2004 to Present. (*Enclosed*)

10. 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

11. APPROVAL OF THE JULY 1, 2007 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that a transfer of \$4,983,800 was needed for the payment of the July 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 June 18, 2007 was \$8,312,768.00.

A motion to approve the transfer of \$4,983,800 for payment of the July 1st, 2007 pension

payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Donald Phillips, and supported by Amy Lindman.

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

12. FINANCE COMMITTEE

Chairman Hall reported that the Committee has not met; however, Committee Chair Robert Rosenberger stated that he intends to call a meeting in the near future. Chairman Hall referred an issue raised by Donald Phillips, regarding the reporting of deceased pensioners and the resulting funds saved by the System, to the Finance Committee.

13. PROFESSIONAL SERVICES COMMITTEE REPORT

In the absence of Committee Chair Georgia Steinhoff, Chairman Hall presented her report on the Professional Services Committee Meeting, which was held on Monday, June 11, 2007. Present at the meeting were Daniel Hall, Bob Erlenbeck, Suzi Bye, Amy Lindman, and Georgia Steinhoff.

1. MinuteMaster options were discussed and the Committee is recommending that Gabriel Roeder Smith & Company (GRS) be asked to give a presentation/demonstration to the Board regarding the capabilities of their new MinuteMaster program, an on-line reference tool that should enhance recordkeeping and retrieval capabilities.

A motion was made by Donald Phillips, supported by Amy Lindman, to ask Gabriel, Roeder, Smith & Co. to demonstrate the MinuteMaster at a subsequent Board of Trustees' Meeting.

Discussion followed.

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

2. There are two individuals scheduled for disability exams on Wednesday, June 13.

3. A letter was received from Susan Fassett requesting that her service credit with Hurley Medical Center be forfeited. Suzi Bye will contact her and report back at the next committee meeting.

4. A request was received from Mary Jane Veit asking to change her beneficiary to a trust. Attorney I'Lanta Robbins will contact her attorney.

5. The Committee is reviewing billing and contract issues with Dr. Roth.
6. The Disability Policy is under review; the issue was tabled until next month.
7. An RFP for Actuarial Services is being written. Sample RFPs have been obtained from other Systems. Also, they are researching the costs of advertising the RFP with MAPERS, NCPERS and *Pensions & Investments Magazine*.
8. The Committee discussed the IRS \$3000 tax deduction for payment of health insurance premiums by retirees and expressed concerns about whether the State of Michigan is going to allow this deduction. This has been discussed at MAPERS and NCPERS and is also mentioned in the Gabriel Roeder newsletter. Discussion followed.
9. The Travel Policy is under review and recommendations to the Board will be forth-coming. They have a copy of the City Council's travel policy and are looking for the Board's ruling allowing two in-state and one out-of-state conference per year without prior approval. Discussion followed.
10. The Committee has been made aware that there are a few City employees in the FERS system who are also working at Hurley, thereby belonging to bargaining units that are in the MERS system. Attorney Robbins was asked to review the issue. Bob Erlenbeck noted that the significant question is whether or not those employees are members of two different retirement systems or one retirement system that has two different administrators?

Chairman Daniel Hall expressed his appreciation to Georgia Steinhoff (in absentia) for chairing the Professional Services Committee, noting that her term on the Board is ending and she is not running for reelection. Mr. Hall asked Michelle Kirkwood to attend future committee meetings and to consider being the new subcommittee Chair.

14. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Hall stated that he has an Ordinance Revision file that was compiled under the previous Committee Chair, former City Councilman/Trustee Edward Taylor. He will make a copy of that file for Councilman/Trustee Ehren Gonzales, Attorney I'Lanta Robbins, Secretary Peter Dobrzeniecki, etc. That file includes Ordinance changes and language covering various issues, including FERS to MERS, that has not been presented to the City Council for adoption.

15. INVESTMENT COMMITTEE REPORT

Chairman Hall reported that the Investment Committee met on June 14th and asked Ivory Day to give a report on that meeting during his consultant report.

16. GRAY & COMPANY

Ivory Day distributed the reports, “Allocation & Optimization” (30 year review) and “Investment Policy/Manager Allocation/Rebalancing” (as of June 15th). He reported that the Investment Committee discussed the application of asset allocation procedures to the all cap and large cap portion of the portfolio, which represents 30-40% of FERS’ assets (the largest allocation). There are four large cap/all cap managers - Northern Trust S & P 500, Dodge & Cox Large Cap Value, Globalt Large Cap Growth, Icon All Cap Core - each of whom has 25% of the total allocation. Mr. Day’s analysis showed that Globalt has been underperforming because their strategy did not match as well as expected with their benchmark index and other managers’ strategies. A reallocation of FERS’ assets in that segment could take better advantage of Globalt’s strategies. Applying the principles of asset allocation requires assembling a complimentary group of managers for each asset class. Following Mr. Day’s presentation and review of the reports, discussion followed.

Mr. Day recommended a rebalancing of the fund, noting that real estate and private equity are not yet funded and should remain unfunded for now. His recommendations included increasing the allocation to equities and replenishing the drawdown account. Specifically, Mr. Day proposed taking funds from: 1) \$14,000,000 from NTGI Northern Trust Aggregate Bond (to the Drawdown Account); 2) Northern Trust NTGI EAFE (to the Drawdown Account); 3) Wentworth Hauser; and 4) Globalt. The funds would be transferred into: 1) The drawdown account; 2) Dodge & Cox; 3) Icon Advisers; and 4) Northern Trust World Government Ex U.S. This proposal would rebalance the System and replenish the drawdown account. Mr. Day indicated his belief that a transition manager is not needed for this rebalancing. He could draft the necessary letters to the money managers and work with Northern Trust to accomplish the rebalancing. He also stated that the rebalancing would be done over a couple of months.

A motion was made by Amy Lindman, and supported by Ehren Gonzales, to accept the Consultant’s recommendation, as presented, for rebalancing the Fund, with the assistance of the Consultant, Gray & Company, and the Custodian, Northern Trust.

Discussion followed.

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

Ivory Day reviewed the Quarterly Performance Report for the period ending March 31, 2007. He noted that the return for the past year has been 8% (gross of fees). Discussion followed.

Chairman Hall noted that the Bank of Ireland liquidation costs had been referred to Ivory Day for review. Subsequent to his review, Chairman Hall will meet with Mr. Day, Peter Dobrzeniecki, and Attorney Robbins, for further discussion.

17. LEGAL COUNSEL UPDATES

Attorney I'Lanta Robbins reported on the following pending legal issues:

Claude Miller lawsuit (26/27 pays): The Plaintiff's Motion Requesting Attorney Fees & Costs, which was filed in January, is still pending before Judge Yuille. The Plaintiffs have filed another motion requesting that the Judge rule on their motion and he has indicated that he will issue a written opinion. There are no oral arguments scheduled. The City has been working with the plaintiffs who requested further information regarding recalculating their pensions. Robert Erlenbeck noted that he has one staff person dedicated full-time, as long as necessary, to retrieving and providing this information. Discussion followed.

Take Two Interactive lawsuit: There has been an amended scheduling order filed which has extended the deadlines for the filing of motions for summary disposition until near the end of June. Therefore, all discovery has been stayed. Certain legal issues must be resolved by the Judge before proceeding. She noted that a large class action lawsuit always takes more time to be litigated.

Status of Hearings for Pension Calculation Errors: Attorney Trachelle Young issued an opinion letter to the Board regarding the issue of board members missing some of the hearings and whether that would disqualify them from voting (Agenda Item 8.4). Attorney Robbins recommended that the Board set a hearing date for 9:00 a.m. on the date of the July meeting. Also, Attorney Gibbs has filed the deposition statement of Mr. Kelly, since he will be out of town and not present for live testimony. Attorney Gibbs will be presenting Mr. Kelly's case at the next hearing. Discussion followed.

Sherrie Jackson: Oral arguments were presented by both sides on Monday, June 11th. The Board had denied her non-duty disability request and her attorney filed a motion requesting that the Judge deny or reverse the Board's decision. After oral arguments, the Judge denied their request and affirmed the Board's decision; therefore, the Board's decision in this case will stand.

FERS to MERS Transition lawsuit: Responses to the original allegations have been filed with the Court. Currently awaiting scheduling order dates and then can proceed with discovery in the normal course of litigation.

18. DB/DC CONVERSION

A status report given by Robert Erlenbeck indicated that the purchase of time issue must first be resolved. He is expecting the conversion to begin sometime this fall.

19. OTHER BOARD BUSINESS

Chairman Daniel Hall noted that he will give copies of the FERS' IRS Tax Determination Letter to the Secretary and Retirement Office, as the letter must be updated in 2008. Gabriel Roeder Smith & Co. has informed their clients that a new Tax Determination Letter must be obtained in 2008 because retirement system plans are being reviewed by the IRS. Peter D noted that, with all the changes taking place in the System, it would be wise to begin work on the letter a year early. Discussion followed. Robert Rosenberger stated that the tax attorney hired by the Board, Meg Hunter, had indicated that the first MERS transfer did not need a tax determination letter because it was a fund to fund transfer and MERS would have to determine if there was a tax letter needed when they received the funds. It was also determined that the transfer from the Defined Benefit to the Defined Contribution plan would not require a Tax Determination Letter, because it is also a fund to fund transfer.

Robert Erlenbeck reported that he received a FOIA regarding the Board's travel policy and travel expenditures since 2005 from a local television station. Discussion followed.

Janice Kehoe noted that the Hurley Retirement Booklet (prepared by the City of Flint Retirement Office) states that vesting for contributory employees is 15 years of service, but it also states that an employee can retire at any age with 25 years of service or age 55 with 10 years of service. Discussion followed. Suzi Bye said she would check the ordinance language for clarification. Robert Erlenbeck noted that there are sections of the ordinance that interact with each other and the Ordinance must be reviewed as a whole to ensure proper interpretation. He also noted that his office is planning to revise those booklets. They have been adding disclaimers on the bottom of each page of the booklets they issue because the booklets are only summaries of the plan and not plan documents. The disclaimer states, "This is only a summary of the Plan; if there is any difference between this summary and the Ordinance or Union Contracts, the Ordinance and Contracts prevail."

Julie Sadler asked that all receipts from MAPERS and NCPERS trips be submitted to her office this week so the travel paperwork can be completed before the fiscal year end date of June 30th.

20. ADJOURNED

There being no further business to discuss, it was moved by Amy Lindman, and supported by Peter Dobrzeniecki, to adjourn the meeting at 2:45 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary