

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 21, 2005, at 9:00 a.m. at Hurley Medical Center, in the 1B Conference Room, with the following in attendance:

TRUSTEES & ALTERNATES	Daniel Hall – Chairperson, Daniel Coffield, Robert Erlenbeck, Sandra Kidd, Amy Lindman, Donald Phillips, Robert Rosenberger, Georgia Steinhoff, Edward Taylor, Cass Wisniewski
ABSENT	Douglas Bingaman, Peggy Cook, Mark Horrigan, Janice Kehoe, Alvern Lock
ALSO PRESENT	Ivory Day, Jr., Senior Consultant, Gray & Company Wanda Twitty, Retirement Supervisor
(Afternoon Only)	Habeeb Ghattas, Attorney for the Retirement Board Harland Abraham, Vice President, The Northern Trust Company Joseph Esuchanko, President/Actuary, Actuarial Services Company Larry Langer, Actuary, Gabriel, Roeder, Smith & Company Karla Maue, Vice President/Actuary, Actuarial Services Company

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 9:20 a.m.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

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

3. TRAINING SESSION WITH GRAY & CO.

Ivory Day, Jr., of Gray & Company gave a presentation, "The Basics of Asset Allocation." The Board discussed the report and Mr. Gray answered their questions.

The Board recessed for a break at 10:40 a.m.

The Board returned from break at 10:55 a.m.

Ivory Day, Jr., of Gray & Company gave two presentations entitled “FERS Asset Allocation Analysis” and “FERS Active vs. Passive Investment Management.” The Board discussed the reports and Mr. Gray answered their questions. It was decided that no action would be taken, as a result of the information in the reports, until the afternoon session of the meeting.

4. LUNCH BREAK

The Board recessed for a lunch break at 12:00 noon.

5. CHAIRPERSON CALLS THE MEETING BACK TO ORDER

Chairman Daniel Hall called the meeting back to order at 1:02 p.m.

6. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

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

7. APPROVAL OF THE MAY 24, 2005 REGULAR BOARD MEETING MINUTES

Attorney Habeeb Ghattas noted that a correction was needed on page 9184, under Legal Counsel Updates:

Original Entry: Claude Miller Update – Attorney Habeeb Ghattas stated that the Plaintiff filed a cross motion for summary disposition regarding the Claude Miller litigation. Judge Yuille has not yet rendered any decision. The motions for oral arguments were postponed and have not been rescheduled.

Corrected Entry: Claude Miller Update – Attorney Habeeb Ghattas stated that *cross motions for summary disposition have been filed* regarding the Claude Miller litigation. Judge Yuille has not yet rendered a decision. The oral arguments were *cancelled by the Court* and have not been rescheduled.

Chairman Daniel Hall noted the need for a correction on page 9173, regarding Sheryl Merriam’s application for voluntary retirement:

Original Entry: Tabled by Chairman Daniel Hall, at the request of Ms. Merriam.

Corrected Entry: Tabled by Chairman Daniel Hall.

It was moved by Georgia Steinhoff, and supported by Amy Lindman, to approve the minutes of the May 24, 2005, Regular Board Meeting, as corrected.

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

8. APPLICATIONS FOR VOLUNTARY RETIREMENT

Bradford Barksdale
Police/Lieutenants & Captains

Final Average Compensation:	\$ 129,204.39
Accumulated Contributions:	93,670.86
DRET:	.00
Effective Date of Retirement	07/01/2004
Service: 25 Years, 3 Months	
The retiree elected the Option Straight Life SSEQ in the amount of \$6,979.70	

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Bradford Barksdale 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 SSEQ, in the amount of \$6,979.70, for as long as he lives.

Professional Services Committee Chair Georgia Steinhoff reported that the Committee reviewed Mr. Barksdale’s application. It was noted that Mr. Barksdale is retiring under the Lieutenants and Captains Union and he did not receive any additional pay for sick time. Also, he did not receive the higher accumulation as an appointee; everything was in accordance with an individual retiring through that bargaining unit. The Committee is recommending approval of Mr. Barksdale’s application for retirement.

Chairman Daniel Hall requested that the board packets for the next regular meeting include information regarding the system now in place for processing retirement applications; i.e., calculations, reviews, approvals, signatures, etc.

Debra McFarlan
HMC/1603

Final Average Compensation:	\$ 34,615.78
Accumulated Contributions:	26,636.67
DRET:	20,653.10
Effective Date of Retirement	04/29/2005

Service: 29 Years, 4 Months

The retiree elected the Option Straight Life in the amount of \$1,769.25

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Debra McFarlan 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 \$1,769.25, for as long as she lives.

Sheryl Merriam - Separated and tabled by Chairman Daniel Hall.
Utilities/1799

Final Average Compensation:	\$ 46,688.62
Accumulated Contributions:	47,878.59
DRET:	2,367.30
Effective Date of Retirement	05/01/2005

Service: 22 Years, 9 Months

The retiree elected the Option Straight Life in the amount of \$ 2,148.65

Phyllis Reams
HMC/2056

Final Average Compensation:	\$ 33,612.93
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	05/07/2005

Service: 22 Years, 9 Months

The retiree elected the Option Straight Life in the amount of \$899.59

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Phyllis Reams 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 \$899.59, for as long as she lives.

Janet Ruggirello
HMC/RN

Final Average Compensation:	\$ 85,607.78
Accumulated Contributions:	25,909.24
DRET:	45,983.02
Effective Date of Retirement	04/29/2005
Service: 25 Years, 9 Months	

The retiree elected the Option Straight Life in the amount of \$4,119.87

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Janet Ruggirello 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 \$4,119.87, for as long as she lives.

Nancy Watson
HMC/825

Final Average Compensation:	\$ 41,008.15
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	05/05/2005
Service: 26 Years, 9 Months	

The retiree elected the Option Straight Life in the amount of \$1,542.08

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Nancy Watson 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 \$1,542.08, for as long as she lives.

It was moved by Amy Lindman, and supported by Robert Rosenberger, to approve the Applications for Voluntary Retirement for Bradford Barksdale, Debra McFarlan, Phyllis Reams, Janet Ruggirello, and Nancy Watson.

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

9. APPLICATIONS FOR DEFERRED RETIREMENT

Brenda LaBar
HMC/MTO

Final Average Compensation:	\$ 42,448.26
Accumulated Contributions:	20,943.14
DRET:	26,843.63
Effective Date of Retirement	04/29/2005
Service: 17 Years, 8 Months	
The retiree will elect an Option prior to 09/01/2012	

Donna Lee
Customer Service/1600

Final Average Compensation:	\$ 39,281.82
Accumulated Contributions:	22,858.57
DRET:	2,208.62
Effective Date of Retirement	05/15/2005
Service: 19 Years, 0 Months	
The retiree will elect an Option prior to 09/01/2005	

Carol Glauser
Assessments/1600

Final Average Compensation:	\$ 34,541.55
Accumulated Contributions:	10,871.55
DRET:	1,874.26
Effective Date of Retirement	05/05/2005
Service: 10 Years, 7 Months	
The retiree will elect an Option prior to 09/01/2022	

Deborah Pirker-Fruehauf
HMC/1603

Final Average Compensation:	\$ 35,377.30
Accumulated Contributions:	13,413.88
DRET:	21,002.32
Effective Date of Retirement	05/05/2005
Service: 17 Years, 3 Months	
The retiree will elect an Option prior to 02/01/2013	

Oralia Smith
HMC/Exempt

Final Average Compensation:	\$ 82,549.78
Accumulated Contributions:	Non Cont
DRET:	.00
Effective Date of Retirement	04/28/2005
Service: 19 Years, 8 Months	
The retiree will elect an Option prior to 02/01/2015	

Janet Wilson
HMC/1603

Final Average Compensation:	\$ 38,412.94
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	05/11/2005
Service: 14 Years, 11 Months	
The retiree will elect an Option prior to 11/01/2010	

It was moved by Georgia Steinhoff, and supported by Ed Taylor, to approve the Applications for Deferred Retirement for Brenda LaBar, Donna Lee, Carol Glauser, Deborah Pirker-Fruehauf, Oralia Smith, and Janet Wilson.

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

10. APPROVAL OF NON-DUTY & DUTY DISABILITY RETIREMENTS

Freda Woods
HMC/825

Age: 56 Years
Service: 16 Years, 6 Months

The medical report and summary of Disability Determination dated May 12, 2005 from Dr. Victor Roth, Medical Director, does certify that Freda Woods is totally and permanently disabled.

In addition, a statement for professional services rendered in the amount of \$550.00 was submitted.

Georgia Steinhoff reported that the Professional Services Committee reviewed the report from Dr. Roth at M-Works and concurs with Dr. Roth's determination that Ms. Woods is totally and permanently disabled. The Committee recommends Board approval of her request for disability retirement.

Motion made by Amy Lindman, and supported by Sandra Kidd, to concur with Dr. Roth's report that Freda Woods is totally and permanently disabled, and should be granted a disability retirement.

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

11. OPTIONS PICKED BY DEFERRED & DISABILITY RETIREMENTS

Kathryn Eicke/HMC	Option Straight Life \$ 1,912.77
Elaine Farrow/City Of Flint	Option Straight Life \$ 1,234.28
Judith Walker/HMC	Option Straight Life \$ 617.94
Charlie Harris/City Of Flint	Option B \$1,857.25

No action necessary – for information only.

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

- 12.1 MAPERS and Loomis, Sayles & Co., One Day Seminar on Portfolio Strategies to Address Public Plan Asset & Liability Issues, July 18, 2005, Troy, MI.
- 12.2 Global Pensions, Currency Management Forum, September 8, 2005, Fairmont Hotel, San Francisco, CA.
- 12.3 The Conference Board, Human Resources Outsourcing Conference, September 20-21, 2005, Chicago, IL.
- 12.4 Institute for International Research, 13th Annual Guns & Hoses 2005, Las Vegas, NV.
- 12.5 WRG Research, 2nd Annual Best Practices in Retirement Education & Communication Programs, October 16-18, 2005, Boston, MA.

A motion was made by Ed Taylor, and supported by Robert Rosenberger, to add the stated conferences to the list of authorized conferences.

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

13. 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.)

- 13.1 Acadian Asset Management, Notice of new address as of June 20, 2005.
- 13.2 MAPERS, 3rd Annual Summer PAC Golf Outing, July 19, 2005, Shepherd's Hollow Golf Club, Clarkston, MI.
- 13.3 Ariel Mutual Funds, Semi-Annual Report as of March 31, 2005.
- 13.4 Merganser Capital Management, Investment Memorandum, April 2005.
- 13.5 Babson Capital, The Babson Staff Letter, May 27, 2005.
- 13.6 City of Flint Employees' Retirement System, Letter to Magna Securities re: New Consultant, May 23, 2005.
- 13.7 City of Flint Employees' Retirement System, Letter to Lynch, Jones & Ryan re: New Consultant, May 23, 2005.

- 13.8 Northern Trust Transition Management, Equity Trade Execution Report, May 9, 2005.
- 13.9 Actuarial Service Co., Letter to Daniel Hall re: FERS Transfer Valuation, May 23, 2005. (Enclosed)
- 13.10 NCPERS, Newsletter re: Help NCPERS Preserve California DB Plans, March 18, 2005. (Enclosed)
- 13.11 NCPERS, Newsletter re: NCPERS Proxy Voting Guidelines, Spring 2005. (Enclosed)
- 13.12 City of Flint Employees' Retirement System, Letter to State Street Global Advisors re: Termination of SSGA Fund Participation for Index & Passive Investments, June 15, 2005.
- 13.13 City of Flint Employees' Retirement System, Letter to Northern Trust re: Termination of SSGA Fund Participation for Index & Passive Investments, June 15, 2005.
- 13.14 City of Flint Employees' Retirement System, Letter to Northern Trust re: Opening 5 new NTGI Accounts and 1 Custodian Account to receive SSGA Index & Passive Investment Funds, June 15, 2005.
- 13.15 City of Flint Employees' Retirement System, Letter to Northern Trust re: Retaining NTSI for Execution Services to Transition SSGA Portfolio, June 15, 2005.
- 13.16 City of Flint Employees' Retirement System, Letter to Northern Trust Securities, Inc. re: Effecting SSGA Portfolio Liquidation, June 15, 2005.
- 13.17 City of Flint Employees' Retirement System, Amendment to Investment Management Agreement with Northern Trust Investments, including Investment Management Guidelines and Fee Schedule, June 15, 2005.
- 13.18 City of Flint Employees' Retirement System, Letter to Northern Trust Investments re: Provision of Transition Management Services, including Transition Services Agreement, June 15, 2005.
- 13.19 City of Flint Employees' Retirement System, Letter to Northern Trust re: New Account for Piedmont Investment Advisors, June 15, 2005.
- 13.20 City of Flint Employees' Retirement System, Letter to Northern Trust re: New Account for Dodge and Cox, June 15, 2005.
- 13.21 City of Flint Employees' Retirement System, Letter to Northern Trust re: New Account for JP Morgan Investment Management, June 15, 2005.

- 13.22 Julie Sadler, Fax to David Fitchett at Northern Trust re: SSgA Liquidation and Funding of New Money Managers, June 15, 2005.
- 13.23 Julie Sadler, Fax to Gwelda Swilley-Burke, Gray & Company, re: SSgA Liquidation and Funding of New Money Managers, June 15, 2005.
- 13.24 Letter to Julie Sadler from Habeeb Ghattas re: Contract of Services, June 15, 2005. (Enclosed)
- 13.25 City of Flint Employees' Retirement System, Revised Letter to State Street Global Advisors re: Termination of SSGA Fund Participation for Index & Passive Investments with Trade Dates, June 15, 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.

- 14. 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.)
 - 14.1 State Street Global Advisors, Account Summary as of April 30, 2005.
 - 14.2 Lynch, Jones & Ryan, Trading Summary as of April 30, 2005.
 - 14.3 Brandywine Asset Management, Quarterly Investment Review, 1st Quarter 2005.
 - 14.4 Intercontinental Real Estate, IREIF III Report for the Quarter and Year Ended December 31, 2004.
 - 14.5 Navellier Calculated Investing, Large Cap Growth Portfolio as of March 31, 2005.
 - 14.6 AA Capital Partners, Inc., 2004 Annual Report, June 2, 2005.
 - 14.7 Deutsche Bank Securities, Inc., Trade Confirmation Notice, June 1, 2005.
 - 14.8 Fidelity Investments, Monthly Investment Update as of May 31, 2005.
 - 14.9 Fidelity Investments, Capital Contributions, May 18, 2005. (Enclosed)

- 14.10 Fidelity Investments, Capital Contributions, May 31, 2005. (Enclosed)
- 14.11 Northern Trust Reports – April 2005 (Enclosed)
- 14.12 Retirement Fund Employee/Employer Contributions (Enclosed)

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

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

Chairman Daniel Hall reported to the Board of Trustees that Peter Dobrzeniecki, Director of Finance and Secretary of FERS, was fired by Mayor Williamson. At this time, therefore, there is no Secretary of the System. No information regarding a replacement for Peter Dobrzeniecki has been forthcoming. Douglas Bingaman had been appointed as the Finance Director’s alternate on the Board; however, he cannot be the Secretary to the System in his current employment capacity as Deputy Treasurer. Chairman Hall and Committee members from the Finance, Audit and Budget Committees will be meeting with Mr. Bingaman and Finance staff to discuss Trustees’ questions regarding financial data. Attorney Habeeb Ghattas noted that the Finance Director serves, by virtue of his position, as the Secretary to the System; so long as that position remains vacant, subject to appointment by the Mayor, there is no Secretary for the System. Attorney Ghattas also noted that the Board does not have the authority to appoint a Secretary to the System in the interim.

15. STATISTICAL REPORT OF BENEFITS

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number Retired	3,001	3,002	3,019
Annualized Payroll	\$ 61,357,283	\$ 62,627,143	\$ 63,720,302

For informational purposes only.

16. APPROVAL OF THE JULY 1, 2005 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that the current balance in the SSgA drawdown fund is \$1,101,182.70. The available balance in the Citizens Bank account is estimated to be \$898,361.74, with an additional \$4,219,064.71 needed to meet the July 1, 2005 pension payroll of \$5,117,426.45. Chairman Hall made inquiry of Harland Abraham (representative for the Custodian, Northern Trust) and Gray & Company (the Consultant) their recommendations for moving \$4,219,064.71 to meet the payroll. After the transfers were made from State Street accounts to fund the new money managers, there was a residual in one account of approximately \$15,000,000 after funding Dodge & Cox for \$75,000,000. Of the \$15,000,000, \$4,000,000 is available in a cash account that could be transferred to Citizens Bank. A motion is needed to move the necessary funds from SSgA and Northern Trust to Citizens to pay the July pension payroll.

A motion to approve transfers for the July pension payroll in the amount of \$4,219,064.71, with \$1,101,182.70 (or balance of account) from the State Street Global Advisors S&P Provisional Account (draw-down fund) to Citizens Bank and to move the balance needed (up to the \$4,000,000 in the referenced cash account), from Northern Trust to Citizens Bank, for payment of the July 1, 2005 pension payroll of \$5,117,426.45, was made by Sandra Kidd, and supported by Amy Lindman.

Discussion followed.

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

Discussion of the signature policy followed. Harland Abraham noted that, when funds are to be moved out of the Trust (in this case to Citizens Bank), Northern is required to comply with the City Ordinance, per the City Attorney, which requires the signatures of the Treasurer/Deputy Treasurer and the Secretary of the System. They also must comply with the signature policy of the Board, which requires the additional signature of the Chair or Vice Chair. Attorney Habeeb Ghattas reviewed the signature policy issues of the Board and the City with the Trustees. He also stated that, although the City Ordinance refers to the City Treasurer as the Custodian, the Board hired Northern Trust many years ago, under authority of State Law, to be its Custodian. Chairman Daniel Hall noted that Northern Trust needs notification in writing from the City of Flint that there is no longer a Finance Director to serve in the capacity of Secretary for FERS.

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

Chairman Daniel Hall introduced Larry Langer, Actuary, of Gabriel, Roeder, Smith & Company (GRS), and Joseph Esuchanko, President/Actuary, and Karla Maue, Vice President/Actuary, from Actuarial Services Company, who are present to discuss the actuarial calculations in preparation for this transfer. He referred to Communication #13.9 (in the agenda packets), a letter from Actuarial Services Company reporting on their review of the GRS calculations and their recommendations.

Larry Langer reported that GRS determined the transfer amounts for the Hurley active employees and retirees in preparation for a transfer to MERS. The basis for the calculation was to determine the liability of each individual. There are several actuarially acceptable ways to calculate this liability; however, GRS used the method recommended by MERS, which was to base the calculations upon the same assumptions and methods currently in use for the purposes of funding the Retirement System. All calculations were made using December 31, 2003 data. The Hurley Medical Center and City of Flint employees and retirees have always been separately accounted for. Eight of the nine Hurley bargaining units voted to move to MERS; this requires the liability to be determined for each individual member. Since there is also the potential for retirees transferring, the retiree liability had to be calculated on an individual basis, as well. After GRS completed their calculations, the Actuarial Services Company reviewed them. Chairman Hall noted that a review was deemed appropriate in order to confirm the data used, the valuation methods, the calculations and the method used to compute the individual liability. Actuarial Services Company has now completed their review.

Joseph Esuchanko and Karla Maue reported that they agreed with the valuation methods, assumptions and calculations used by GRS as reasonable and actuarially sound. The underlying feature of the valuation method used, which distinguishes it from other methods, is that after the transfer takes place, the funded ratio of the plan that remains will be unchanged. In other words, before any transfers, if FERS were 85% funded; after the transfers, FERS would still be 85% funded since 85% of the liability would be moved with the individuals who are transferring to MERS. Therefore, the funded ratio would be the same after the assets are transferred. They cautioned that, if retirees are not transferred along with active employees, there might be an increase in the contribution rate due to a shrinking payroll used to calculate contributions. They also noted that the data used for the calculations was the same data used for the December 31, 2003 Valuation. With all of the changes that would have happened to the System during that time; i.e., new and terminated employees, changes in wages, etc., the study should be updated with more current data. The Actuaries noted that the data shouldn't be more than six months old when the final calculations are done and the transfers take place.

Discussion followed.

Chairman Daniel Hall noted that there have been problems with the calculation of correct service credits for Hurley personnel in the Human Resources Department.

In response to a question regarding the Fiscal Year 2004 Actuarial Valuation, Larry Langer stated that the retiree data is still being compiled by the City, along with the required information on the self-insurance fund and administrative expenses.

The Board recessed for a break at 1:50 p.m.

The Board returned from break at 2:07 p.m.

Chairman Daniel Hall asked Dan Coffield to address the Board's concerns regarding claimed errors in credited time and the timeliness of compiling the data for HMC employees. He noted that a MERS representative had asked, at one of the committee meetings, who would be responsible to ensure the accuracy of the credited service calculations for those who will be transferring. Hurley employees have reported errors and inconsistencies in their calculations of credited time.

Dan Coffield stated that the HMC Human Resources Department was aware that not all of the roster cards, which record credited service, were up-to-date. In anticipation of certain employee groups transferring to MERS, they have contracted with temporary help (retired employees) to bring all of the roster cards up to date.

Chairman Daniel Hall asked the Board's attorney to address issues relating to the transfer of System assets.

Attorney Habeeb Ghattas stated that the transfer could be accomplished as long as it is consistent with the responsibilities of the Board, as Trustees of the assets of the System. However, the Retirement Plan Document (the Retirement Ordinance) must properly provide for the transfer. Reference §35-39, Management of Funds of System, Subsection (a)(1) provides that "The Board of Trustees shall be Trustees of the assets of the Retirement System." In §35-39 (b) the Ordinance states, "All money and other assets of the Retirement System shall be held for the sole purpose of making payments authorized by the provisions of the retirement plan and shall be used for no other purpose." It is his opinion that the Plan, in its current form, does not authorize this transfer. Until such time as the Plan Document is changed by the City Council, no transfer is authorized; the Board, as Trustees of the assets of the System, would be prohibited from authorizing any transfer until the Plan allows it. Mr. Coffield has stated that this transfer is, in part, authorized under the authority of the Public Employee Relations Act (PERA) to the extent that this has been a benefit negotiated between the Medical Center and certain of its employee groups. Mr. Ghattas indicated his agreement, generally, with Mr. Coffield's

statement; however, the difficulty is that the Letters of Understanding, or proposed contract amendments, although allowing a transfer, specifically do not provide the methodology that the Board would need in terms of appropriate guidance so as to authorize the transfer.

Mr. Ghattas stated that any Ordinance amendment proposed by the City Council should be reviewed by the System's actuaries and the Board's Special Tax Counsel to confirm that the System will not be in jeopardy. This is part of the responsibility of the Board, as Trustees of the assets of the System, to ensure that promises made are, in fact, promises kept. The Trustees must ensure that, as a result of the proposed transfer, certain members of the Plan are not being compromised at the expense of other members. The Trustee's responsibilities and requirements, under the Law, are to ensure that specific provisions allowing the transfer to be made do not compromise the tax-qualified status of the System or the integrity of the individual members' benefit accounts.

Trustee/Council Member Ed Taylor stated that he and others have been working on the draft of the new ordinance language. They had been waiting for a final actuarial report confirming that all actuarial calculations had been reviewed and approved. However, he is very disturbed by the possibility that, as a result of the transfer to MERS, there could be an increased contribution rate required to meet the liability left in FERS for the existing retirees. This raises questions and concerns. The Ordinance language given to the City Attorney and City Council by Hurley was totally incorrect and had to be rewritten. It is imperative that the Retirement System is not compromised as a result of a transfer of dollars from FERS to MERS. Until they are confident that will not be the case, the City Council, which has sole authority over the Retirement Ordinance, will not approve the Ordinance change. Once they are assured that all issues can be resolved, a City Council majority will likely approve the Ordinance change, which is needed to provide the appropriate methodology for the transfer.

Larry Langer noted that he is now working with the City to compile the information for the 6/30/04 actuarial valuation; however, the 6/30/05 valuation will be needed to facilitate a transfer of assets to MER in a timely manner, preferably within six months of the valuation date.

Discussion followed.

Dan Coffield stated that, in February of 2004, the Hurley Board of Managers approved seven new Union contracts with seven of their bargaining units authorizing the transfer to MERS. All of the attorneys for all of the entities involved have acknowledged that the union contracts supercede the City ordinance. Many Hurley employees are waiting for the transfer before making their retirement applications. In February of 2004, the December 2003 data was very fresh. This process has taken 16 months and is still ongoing and, to the credit of the Hurley bargaining units, they have been very

cooperative and patient. It is time to resolve the issues and make the transfer.

Chairman Daniel Hall asked the question that, when all of the negotiations started for this transfer, was there any acknowledgement from any of the negotiating parties, during the contract process for these seven locals, that there was a need for an ordinance change to be in place?

Dan Coffield stated that Legal Counsel for the Hurley Board of Managers has advised that, since the Ordinance is the Plan Document, it would be better if the Plan document was changed; however, in a court of law, under PERA, the bargaining agreement would supercede the City ordinance. He stated that attorneys on all sides have acknowledged that the bargaining unit contracts trump the Ordinance.

Chairman Daniel Hall stated the need for all of the attorneys involved in this issue – for the Hurley Board of Managers, the Union groups, the City, the Board of Trustees – to meet and discuss the legal ramifications and the best way to proceed to resolve all of the issues. He noted that, from a legal standpoint, if the transfer were not done properly, lawsuits would likely follow.

Dan Coffield stated that Hurley and its unions have a history of cooperatively working together and they have been in agreement on the transfer for 16 months. Also, Hurley has stated they will pay the costs of both actuaries for all calculations and reviews. Hurley has provided all requested data to Mr. Langer; Hurley's attorneys and MERS attorneys have worked out contract language; Hurley has signed contracts with MERS. Hurley officials and Union officials believe the City, the City Council, the FERS Board and its attorney have stalled the process. If the City does not change the Ordinance and move forward, the Hurley bargaining units have indicated that they will avail themselves of all necessary legal remedies to resolve the situation.

Attorney Habeeb Ghattas stated that the advice he has given to the Board of Trustees in the past is that, under the authority of the Michigan Public Employee Relations Act (PERA), a retirement benefit affecting wages, hours or conditions of employment will supercede any conflicting provision in an Ordinance. Since the Employer, Hurley Medical Center, has negotiated with its unions the right to transfer to MERS, they have the right to do that under the authority of PERA. Even in the absence of an Ordinance change, that transfer can ultimately be accomplished. The difficulty, however, is that this process is not limited or restricted only to the unions or labor groups that have been represented, but it also relates to certain retirees and exempts who were to be given the opportunity, as well. This has never been made clear. In addition, the Trustees of the assets of the System need specific methodology for the transfer to be completely satisfied that no member of the System is being compromised as a result of this transfer. Clearly, Hurley and the unions have the right to make this transfer. The main issue, however, is that the transfer be done properly and consistent with the Board's fiduciary

responsibilities to the Plan. The issue has been framed in the context of the cart having been put before the horse. These issues should have been worked out and then incorporated into the collective bargaining agreement. Although different attorneys might reach different conclusions, Mr. Ghattas stated that, with regard to the transfer methodology and the specifics of how the transfer is to be accomplished, some attorneys could take the position that, as Trustees of the assets, the Board can establish those methodologies by resolution. In terms of his understanding of the law, and if he's going to err, he wants to err on the side of caution, to the extent that the Board is charged with the responsibility of implementing Plan provisions, it would be better practice to have the specific transfer methodologies in the Plan document. This would ensure that everyone understands how the transfer is to be accomplished and potential problems avoided. As Trustees of the assets, his recommendation is that, with regard to the represented members, the Plan provisions should allow for the transfer. However, the provisions should be very specific in terms of how it is to be accomplished. It is also unclear where the Hurley exempts and retirees are in the process. Those are issues that the City Council is reviewing and considering. These are Trust assets and all parties involved must be very careful in terms of how these assets are expended. The Trustees have certain responsibilities and obligations to make sure that this is done properly.

Dan Coffield stated that the Hurley attorneys have determined that, since there are contracts between Hurley and seven AFSCME labor groups authorizing only one retirement system for those union members (MERS), beginning with the new fiscal year on July 1st, current contributions (both employer and employee) for those seven bargaining units will be sent to MERS, in accordance with those contracts.

Attorney Habeeb Ghattas stated that Article 9, Section 24, of the Constitution of the State of Michigan protects pension benefits of public employees by requiring that the employer make all required contributions to the appropriate retirement system. A Board of Trustees, based on information it receives from its Actuary, approves employer contribution formulas so as to meet funding status. If an employer refuses to make those contributions, it would be in violation of the constitutional requirement. Although it is understandable that the Medical Center is considering this action, since they may be taking the position that, under the negotiated agreements, the proper Plan is MERS, until such time as the Plan is properly amended and methodologies established, payments to MERS would be inappropriate.

Motion made by Ed Taylor, supported by Amy Lindman, to authorize Habeeb Ghattas to review the matter of HMC making pension contributions to MERS instead of FERS, contact Hurley Medical Center (HMC) representatives, and attempt to resolve the issue short of litigation. However, if that cannot be accomplished, Attorney Ghattas is authorized to take appropriate legal action to attempt to enjoin or restrain the proposed HMC action and, if necessary, retain special counsel for that purpose.

Discussion followed.

Dan Coffield stated that he represents the Hurley Board of Managers as well as being a Trustee of the System. There were Letters of Understanding, legally binding collective bargaining agreements, signed in February 2004. Also, there were three-year contracts between Hurley and its unions, effective July 1, 2004 that have two years left. In those contracts, members of those seven unions became members of MERS; they are no longer members of FERS. As an exempt employee, he remains a member of FERS. Mr. Coffield noted that the payments to be sent to MERS would be for active employees only; retired members are not affected.

Upon being put to a roll call vote, the motion carried by a vote of five (5) yes votes to two (2) no votes.

Roll Call:	Daniel Coffield – no	Georgia Steinhoff – yes
	Ed Taylor – yes	Robert Rosenberger – yes
	Sandra Kidd - no	Amy Lindman – yes
	Daniel Hall – yes	

Chairman Daniel Hall allowed Lolanda Johnson, an attorney with the office of Mr. William Smith, Executive Vice President and General Counsel of Hurley Medical Center, to address the Board. She stated that she will tell Mr. Smith what happened at this meeting and they will work with the Board and its attorney to try to resolve this issue, agreeing that going to court should be a last resort.

Chairman Daniel Hall asked that Attorney Smith work with the City Attorney, Habeeb Ghattas, the attorney for the Retirement Board, and the MERS attorney to resolve these issues as soon as possible. Dan Coffield stated that HMC does not want to be in court over this issue with the City, with FERS, or with the Unions. The Unions served notice last week that they are filing an unfair labor practice lawsuit against HMC; Attorney Smith has advised HMC officials that the hospital would lose such a lawsuit. Mr. Coffield noted that the process has taken too long and the Hospital must abide by the terms of the contract. Discussion followed.

The Board further discussed issues of retirement service credits and the importance of accurate and up-to-date calculations prior to a transfer, following the methodology outlined in the Retirement Ordinance. It was requested that HMC personnel work with the Retirement Office to ensure that all information is timely and correct. Mr. Coffield noted that Jay Kitson, Vice President of Human Resources at HMC, is aware that the records were behind and has taken steps to ensure they are updated. However, they are unaware of any problems with the accuracy of the information. He noted that it is in Hurley's best interest to insure all pension information is as accurate as possible. Chairman Hall stated that he hears from 2-3 Hurley employees a week complaining that staff is making errors in their credited service. He noted that, for the record, all service credits are calculated at Hurley, not by City staff. Georgia Steinhoff said that there have been many errors with leaves of absence not being correctly posted to HMC employees' service credit cards. Bob Rosenberger noted that City retirement office staff needs to review the information and calculations for the HMC employees because the Board, as fiduciaries, needs to ensure that all data is correct. There must be safeguards in the System.

Chairman Daniel Hall asked Attorney Ghattas to attempt to schedule a meeting with Hurley's attorney. Discussion followed. It was noted that all attorneys need to be included in the meetings to resolve the issues with the MERS transfer: the attorneys for the seven AFSCME bargaining units, HMC, FERS, MERS, the City of Flint, and the Board's Special Tax Counsel. Attorney Ghattas noted that a Special Board Meeting might need to be called by the Chair regarding this issue.

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

Tabled by Chairman Daniel Hall.

19. RECEIVING OF THE 59TH ANNUAL ACTUARIAL VALUATION FOR CALENDAR YEAR ENDED DECEMBER 31, 2003.

Chairman Daniel Hall reported that the Finance Committee will be meeting with Finance Department staff regarding questions on expenditures, administrative fees, bank service expenses, rehires, interest and income, revenue, assets, etc. Many of their questions relate to information found in the draft 59th Annual Actuarial Valuation Report. Larry Langer stated that he will update and finalize the report once he receives any changes. He also noted that information is needed as of 12/31/03 for the self-insurance fund. Mr. Langer mentioned that this annual valuation was done to satisfy the State requirement of an annual valuation and that future reports will be done on a fiscal year, instead of

calendar year, basis. Therefore, there were no contribution requirements in this valuation; however, he gave estimates for fiscal year 2006 budgeting purposes, to be used until the fiscal year 2004 report is completed (probably in three or four months). Attorney Ghattas noted that the report cannot be received until the Trustees are satisfied that their questions have been answered and the final document is presented.

Discussion followed regarding the need to adopt the contribution rates, since they were given for budgeting purposes and are not the final rates that are normally adopted. Chairman Hall stated that resolutions would be needed from each employer in order to adopt rates. Larry Langer noted that the contribution rates adopted through fiscal year 2005 were based, in part, on recommendations from the Pension Reform Task Force. Those recommendations are no longer in effect. Since the actual rates for fiscal year 2006 will be in the fiscal year 2004 valuation, it is unclear whether the Board should adopt the estimated rates.

20. ADOPTION OF THE P.A. 728 CERTIFICATION (AS CONTAINED IN THE 59TH ANNUAL ACTUARIAL VALUATION)

Tabled by Chairman Daniel Hall. Chairman Hall asked Attorney Ghattas to further review this certification requirement with the Actuary.

21. 13th CHECK PROGRAM

Committee Chair Georgia Steinhoff reported that the Committee met on June 13th and discussed the corrections needed for the 13th check Ordinance. Mr. Ghattas gave the information to Councilman Taylor last week for this week's City Council meeting. Once approved, Attorney Ghattas and the Committee will be researching information compiled previously by the Committee and the Actuary. Eventually the Committee will need authorization from the Board, if desired, to proceed with an investigation of possible options to present to the City Council as alternatives to the 13th check.

Tabled by Chairman Daniel Hall until City Council action has been taken. Ed Taylor noted that the Ordinance changes are on the Committee Meeting agenda tomorrow and the first reading is scheduled for Monday, June 27th. The changes were previously overlooked when the ordinance was revised and involve changing a date from 1999 to 2004, changing the potential income distribution to \$3,000,000, and allowing for the specified base amount to be adjusted annually with the Consumer Price Index.

22. AUDIT COMMITTEE REPORT

Chairman Daniel Hall reported that he spoke with Beth Bialy, of Plante & Moran, and asked her for available dates for a meeting with both the Audit & Finance Committees. He noted that Doug Bingaman will now be on the Audit Committee, along with Cass Wisniewski and Sandy Kidd. Chairman Hall also requested a letter from Plante & Moran regarding any possible conflict of interest issues, due to the merger with Dupuis & Ryden.

23. INVESTMENT COMMITTEE REPORT

Chairman Daniel Hall thanked Ivory Day for his participation in the Board Meeting.

Chairman Hall distributed a copy of a letter he just received from David Fitchett at Northern Trust, regarding the transition from State Street Global Advisors. The letter noted that, consistent with Board direction, the following transactions had been made:

- 1) \$60,000,000 liquidated securities transferred to Northern Trust.
- 2) \$90,000,000 large cap value index fund at SSgA transferred to Northern, with \$75,000,000 going to Dodge & Cox, \$11,000,000 in cash going into a fund account and \$4,000,000 being held in cash for transfer to Citizens for payment of the next pension payroll.
- 3) \$91,000,000 was liquidated from SSgA to the bond fund and distributed as follows: \$40,000,000 to Bank One/J. P. Morgan, newly hired fixed income manager; \$10,000,000 to Piedmont, newly hired fixed income manager; \$41,000,000 to the same investment/ account at Northern Trust. All of these transfers were made upon recommendation by Gray & Company.
- 4) \$42,000,000 in World Government Bond account at SSgA will be moved to Northern Trust on June 21st.
- 5) The former Bank of Ireland funds at SSgA will be transferred to Northern at the end of June, for best costs.
- 6) Remaining at SSgA is the drawdown account, which is being liquidated (approx. \$1.1 million) to the Citizens account for payment of the July 1 pension payroll.

A Board decision will be needed as to whether the SSgA drawdown will remain in use or a different account will be established elsewhere. Chairman Hall stated that he will ask Dan Coffield to set up an Investment Committee meeting before the July regular board meeting to discuss the drawdown account and recommendations from Gray & Company.

Chairman Hall asked Ivory Day to further address the issue of an international search.

Mr. Day briefly reviewed last month's presentation, "International Manager Search." Discussion followed. The merits of commingled vs. separately managed accounts were also discussed. Gray and Company recommended that a value manager and a core manager be hired. Their top two recommendations for each, based on performance, are: 1) Boston (value), 2) LSV (value), 3) Manning & Napier (core), 4) Fischer (core). Chairman Daniel Hall noted that this search will be discussed further at the next meeting and a decision made for a date to schedule presentations by those four managers.

A discussion of the asset allocation presentation at the morning session followed.

Motion made by Georgia Steinhoff, supported by Ed Taylor, to adopt the recommendations made by Gray and Company regarding asset allocation (reference page 4 of the FERS Asset Allocation Analysis):

Decrease Domestic Core Fixed Income from 34% to 25%
Increase Non U.S. Dollar Core Fixed Income from 5% to 8%
Increase Real Estate from 2% to 5%
Decrease Large Cap from 42% to 35%
Increase Small Cap from 11% to 15%
Increase International Equity from 5% to 10%
Increase Private Equity from 1% to 2%
Add Active Large Cap Value Manager
Add Active Small Cap Value Manager
Add Active International Equity Manager
Terminate Northern Russell LCG Index Fund
Terminate State Street S & P 500 Index Fund
Terminate State Street Passive Bond Market Fund
Terminate State Street Russell LCV Index Fund
Terminate State Street Russell SCC Index Fund
Terminate State Street Daily EAFE Index Fund
Terminate State Street Strategic Balance Fund

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

Mr. Day presented his review and analysis of FERS investments and the following reports: 1) "Manager Fee Analysis" and 2) "Investment Manager Search Quantitative Analysis" (for Small Cap Value Managers). In addition, Mr. Day distributed reports for review prior to the July meeting, in order to facilitate discussion at that meeting: 1) "Draft Investment Policy Statement for FERS;" 2) "FERS Quarterly Performance Report for Period Ending March 31, 2005."

24. PROFESSIONAL SERVICES COMMITTEE REPORT

Committee Chair Georgia Steinhoff reported that the Professional Services Committee met on Tuesday, June 14, and reviewed and approved the election dates for the Hurley Trustees and alternates. They also discussed and approved the disability application for Freda Woods. The additional information received from Colleen Belanger has been forwarded to Dr. Roth, who will be submitting to the Committee a written recommendation following his review. The Committee also received additional information regarding Kim David and Holly Duncan, both of whom were previously denied for disability retirement. This information has been forwarded to Dr. Roth for his review. The Committee is currently reviewing the contract with Attorney Ghattas.

Attorney Ghattas reported that he reviewed the proposed contract with Milberg Weiss, the law firm the Board is hiring to serve as a portfolio monitor for securities fraud. He made a number of suggested revisions, which were approved by the firm. The contract is ready to be signed. In addition, a letter must be sent to Northern Trust authorizing the release of information to Milberg Weiss, on an ongoing basis, in order to conduct their reviews.

25. FINANCE COMMITTEE

Chairman Daniel Hall will be setting up a meeting of this Committee, which includes himself, Bob Rosenberger and Georgia Steinhoff. Peter Dobrzeniecki and Bob Erlenbeck were attending the meetings in a staff capacity. Chairman Hall is requesting that Sekar Bawa, Dave Cramer and Doug Bingaman attend from the Finance/Treasury staff. He also noted that it is important for all travel expense reports for MAPERS and NCPERS to be submitted to Finance as soon as possible, before the close of the fiscal year.

26. ELECTION RULES COMMITTEE

Per Chairman Daniel Hall, this Committee has not met.

27. RETIREMENT ORDINANCE REVISION COMMITTEE

Per Chairman Daniel Hall, there is no action to be taken at this time.

28. LEGAL COUNSEL UPDATES

Attorney Habeeb Ghattas reported that he has reviewed the Retirement Ordinance changes for the MERS transfer and given suggested changes to Ed Taylor. He will also be speaking with Hurley's attorney regarding their handling of MERS transition issues to determine if any Board action is needed.

Mr. Ghattas reported that there has been no decision yet on the Cross-Motions for Summary Disposition in the Claude Miller case. He also reported that there has been no further contact from Velma Wright's attorneys. Additional information regarding Colleen Belanger has been received and was submitted to Dr. Roth. The Professional Services Committee is waiting for his written response. Jill Higgeson, who was previously denied disability retirement benefits, requested a hearing, per Ordinance, through her attorney, Tim Simon. This hearing has been tentatively scheduled for the morning of the July 19 Board Meeting.

Motion made by Robert Erlenbeck, and supported by Georgia Steinhoff, that Dr. Roth be contacted and asked to be available by conference call during the Jill Higgeson hearing on July 19th.

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

Chairman Daniel Hall noted that Intercontinental has issued a capital call, which he is referring to Attorney Ghattas for review. Intercontinental also made a distribution of \$26,341.78 to FERS, the pro-rated share from real estate investments as of March 31.

Chairman Hall referred documents from Fidelity Management Trust to Attorney Ghattas for review: 1) Final K-1 for the Real Estate Growth Fund II account; 2) Investment Policy intended to moderate their portfolio; 3) Management Limited Partnership Agreement language. Attorney Ghattas noted that Fidelity is recommending a policy change to increase mezzanine debt exposure from 20% to 30%, and is asking all partners to concur in writing. Discussion followed regarding mezzanine investments, debt exposures, commingled funds, Fidelity Management investments, etc.

A motion was made by Amy Lindman, supported by Ed Taylor, to direct that a signature, by the appropriate representative(s) of the Board of Trustees, will be affixed on the form sent by Fidelity Real Estate Growth Fund, and the box will be checked that will indicate that FERS rejects the proposed amendment to the investment policy.

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

29. APPROVAL OF ELECTION DATES

Chairman Daniel Hall noted that the dates have been set for the election of the two Trustees and Alternates for Hurley Medical Center, as follows:

Primary Election – Friday, August 12th, 2005, 7:00 a.m. to 4:30 p.m.

General Election – Friday, August 26th, 2005, 7:00 a.m. to 4:30 p.m.

Motion made by Georgia Steinhoff, and supported by Amy Lindman, to approve the election dates as submitted.

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

30. OTHER BOARD BUSINESS

Bob Rosenberger stated that he received a letter to the Board of Trustees from Lorna Woods-Johns (active City employee) regarding purchasing time and asking the Board to further address the issue. Chairman Daniel Hall asked the Professional Services Committee and Attorney Ghattas to review the letter and the issues raised. He also asked that Attorney Ghattas be present at the next Professional Services Committee meeting to address that issue and to bring a draft contract between himself and the Board of Trustees.

Chairman Daniel Hall noted that he and Daniel Coffield received an e-mail from Charlotte Novak, President of the R.N.'s Union that read as follows:

“Please provide us with all correspondence, both written and e-mails, regarding the transfer from FERS to MERS. Thank you.” – Charlotte Novak

Attorney Ghattas stated that this request should be directed to the Retirement Office, in the absence of an Executive Director or Secretary of the System for a response or request for clarification.

31. ADJOURNED

There being no further business to discuss, it was moved by Georgia Steinhoff, and supported by Ed Taylor, to adjourn the meeting at 4:35 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary