

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, March 21, 2006, at 1:00 p.m. in the Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Douglas Bingaman, Peter Dobrzeniecki, Robert Erlenbeck, Ehren Gonzales, Janice Kehoe, Amy Lindman, Donald Phillips, Robert Rosenberger, Georgia Steinhoff, Cass Wisniewski

ABSENT Peggy Cook, Sandra Kidd, Kerry Nelson

ALSO PRESENT Suzi Bye, Retirement Supervisor
Ivory Day, Jr., Consultant, Gray & Company
David Fitchett, Northern Trust
Larry Langer, Actuary, Gabriel, Roeder, Smith & Company
George Peck, Attorney, Howard & Howard
I'Lanta Robbins, Assistant City Attorney/Attorney for the Retirement Board
Trachelle Young, City Attorney/Attorney for the Retirement Board

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:05 p.m.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Attorney Trachelle Young asked that the Board allow Attorney George Peck, currently on his way from Detroit, to address the Board later in the meeting regarding a potential lawsuit on behalf of the Retirement System and the City.

Robert Erlenbeck introduced new staff in the Retirement Office: Suzi Bye, Retirement Manager, and Colleen McAuliffe, Retirement Specialist.

3. APPROVAL OF THE FEBRUARY 21, 2006 REGULAR BOARD MEETING MINUTES

It was moved by Robert Rosenberger, and supported by Amy Lindman, to approve the minutes of the February 21, 2006, Regular Board Meeting.

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

4. APPLICATIONS FOR VOLUNTARY RETIREMENT

Robin Holzwarth

HMC/Exempt

Final Average Compensation:	\$ 55,293.99
Accumulated Contributions:	36,853.11
DRET:	18,763.72
Effective Date of Retirement	02/12/2006

Service: 25 Years, 0 Months

The retiree elected the Option B w/pop-up in the amount of \$ 2,180.41.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Robin Holzwarth 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 \$2,180.41, for as long as she lives.

Judith Woelfel

HMC/Exempt

Final Average Compensation:	\$ 77,353.55
Accumulated Contributions:	Non-Cont
DRET:	
Effective Date of Retirement	02/11/2006

Service: 27 Years, 3 Months

The retiree elected the Option Straight Life in the amount of \$ 2,479.72.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Judith Woelfel 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 \$2,479.72, for as long as she lives.

It was moved by Georgia Steinhoff and supported by Amy Lindman, to approve the Applications for Voluntary Retirement for Robin Holzwarth and Judith Woelfel.

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

5. APPLICATIONS FOR DEFERRED RETIREMENT

Larry Moore

HMC/1603

Final Average Compensation: \$ 29,954.37

Accumulated Contributions: Non-Cont

DRET: .00

Effective Date of Retirement 08/25/2000

Service: 29 Years, 2 Months

The retiree will elect an Option prior to 04/01/2008.

It was moved by Robert Rosenberger, and supported by Georgia Steinhoff, to approve the Application for Deferred Retirement for Larry Moore.

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

6. APPLICATION FOR DUTY AND NON-DUTY DISABILITY RETIREMENT

Holly Duncan

HMC/1603

Age: 49 Years

Service: 20 Years, 6 Months

The medical report and summary of Disability Determination dated January 25, 2006 from Dr. Victor Roth, Medical Director, does certify that Holly Duncan is not totally and permanently disabled.

Georgia Steinhoff, Chair of the Professional Services Committee, stated that the Committee met on March 13 and reviewed the report from Dr. Roth. The Committee concurs with Dr. Roth's recommendation that Holly Duncan is not totally and permanently disabled.

A motion was made by Georgia Steinhoff, supported by Amy Lindman, to concur with Dr. Roth's report that Holly Duncan is not totally and permanently disabled and should not be granted a disability retirement.

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

Susan Tarkowski

City/Fire

Age: 47 Years

Service: 21 Years, 0 Months

The medical report and summary of Disability Determination dated February 1, 2006 from Dr. Victor Roth, Medical Director, does certify that Susan Tarkowski is totally and permanently disabled as a Firefighter.

Georgia Steinhoff, Chair of the Professional Services Committee, stated that the Committee reviewed the report from Dr. Roth and concurs with his recommendation that Susan Tarkowski is totally and permanently disabled and is unable to work as a Firefighter.

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

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

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

Alkin Vanderson/HMC

Revised FAC \$ 30,150.53

Vacation pay rolled into FAC

8. OPTIONS PICKED BY DEFERRED AND NON DUTY DISABILITY RETIREES

Delores Hollins/HMC

Option C w/pop-up \$1,051.73

Gayland Moore/City

Option B w/pop-up \$ 1,259.95

For information only – no action is necessary.

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

9.1 Institutional Investor, The Search for Alpha, March 15-17, 2006, San Francisco, CA.

9.2 Watson Wyatt, Connecting High Tech to High Touch, April 5, 2006, Southfield, MI.

9.3 Financial Research Associates, Asset-Liability Management, April 5-6, 2006, New York, NY.

- 9.4 Information Management Network, 2nd Annual Papers Forum, April 18-20, 2006, Harrisburg, PA.
- 9.5 Strategic Research Institute, Pension Accounting Reform & the Future of Defined Benefit Plans, April 24-25, 2006, New York, NY.
- 9.6 Information Management Network, 6th Annual Scandinavian Institutional Investors Summit, May 31 – June 1, 2006, Stockholm, Sweden.
- 9.7 Stanford Law School, Fiduciary College, June 21-23, 2006, Stanford, CA.

A motion was made by Amy Lindman, 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.

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

- 10.1 Association of Benefit Administrators, Inc., Insights, Winter 2005-2006.
- 10.2 Northern Trust, Global Investments Strategy, March 2006.
- 10.3 Mesirow Financial, Invitation to Mesirow Financial's Spring Outlook, April 13, 2006, Birmingham, MI.
- 10.4 Wellington Management, Invitation to Dinner during NCPERS Conference, May 1, 2006, Ft. Lauderdale, FL.
- 10.5 Bernstein Litowitz Berger & Grossmann LLP, Performance Letter, February 2006.
- 10.6 Piedmont Investment Advisors, 2006 Projection, February 20, 2006.
- 10.7 Fidelity Investments, Letter to Daniel Hall re: Distribution, February 17, 2006.
- 10.8 Intercontinental Real Estate Corp., Letter to Daniel Hall re: Distribution, February 15, 2006.
- 10.9 Fidelity Investments, Letter to Daniel Hall re: Distribution, March 7, 2006.
- 10.10 Dodge & Cox, Letter to Daniel Hall re: Payment of Services, January 12, 2006. *(Enclosed)*

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

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

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

- 11.1 Magna Securities, Commission Recapture Report as of January 31, 2006.
- 11.2 State Street Global Advisors, Account Summary as of January 31, 2006.
- 11.3 State Street Global Advisors, Appraisal Report as of February 28, 2006.
- 11.4 Fidelity Investments, Monthly Investment Update as of February 28, 2006.
- 11.5 Fidelity Investments, Capital Contribution, March 8, 2006.
- 11.6 Skyline Asset Management, Performance Report, February 21, 2006.
- 11.7 Dodge & Cox, Investment Report as of December 31, 2005.
- 11.8 Milberg Weiss, Performance Update, 4th Quarter 2005.
- 11.9 Merganser Capital, Investment Memorandum, 4th Quarter 2005.
- 11.10 Barclays Global Investors, Currents, January 2006.
- 11.11 Brandywine Asset Management, Quarterly Investment Review, 4th Quarter 2005.
- 11.12 Hartford Investment Management, Fixed Income Outlook, February 2006.
- 11.13 Ariel Mutual Funds, Quarterly Investment Report, December 31, 2005.
- 11.14 Northern Trust Reports – January 2006 *(Enclosed)*
- 11.15 Retirement Fund Employee/Employer Contributions *(Enclosed)*

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

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

12. STATISTICAL REPORT OF BENEFITS (for information only)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Number Retired	3,002	3,032	3,027
Annualized Payroll	\$ 62,627,143	\$ 64,198,389	\$ 64,520,983

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

Chairman Daniel Hall reported that a transfer of \$2,630,200.00 was needed for the payment of the April 1st, 2006 pension payroll. Ivory Day, Jr., of Gray & Company, recommended that the funds be taken from the Russell 1000 Growth Fund (large cap) at Northern Trust.

Robert Erlenbeck stated that the reason for a larger than normal balance in the Citizens Bank account is the recent employee contribution transfers from Hurley Medical Center and the City.

A motion to approve a transfer for payment of the April 1st, 2006 pension payroll, in the amount of \$2,630,200.00 from the Northern Trust Russell 1000 Growth Fund to Citizens Bank, was made by Georgia Steinhoff, and supported by Cass Wisniewski.

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

Chairman Daniel Hall noted that the data has been received by the Actuary, Gabriel, Roeder, Smith & Company (GRS). GRS has provided a report to the Trustees regarding their recommendations. This was discussed at last month's Board Meeting.

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

Tabled by Chairman Daniel Hall.

16. FERS TO MERS TRANSITION

Chairman Daniel Hall noted that there was a meeting on March 7th with the following in attendance: Attorney Trachelle Young, Cass Wisniewski, Councilman/Trustee Ehren Gonzales, Peter Dobrzenicki and staff members Sekar Bawa, David Cramer, and Jeannine Thompson.

The meeting agenda included a discussion of an initial transfer of approximately \$15,000,000. Councilman Ehren Gonzales and Attorney Trachelle Young subsequently presented an add-on resolution to the City Council for their approval of the initial transfer; however, the resolution was tabled by the City Council to allow time for them to become more familiar with the MERS transfer issues.

Chairman Hall noted that Gray & Company has been researching the potential costs to move assets or funds in the amounts of \$15,000,000 and \$60,000,000. Joe Esuchanko, of Actuarial Services Company, has presented a proposal for an audit of the data. The Board is now waiting for the Attorney and the City Council to approve the initial transfer of approximately \$15,000,000. Attorney Young stated that the Administration will again have staff in attendance at the next City Council meeting to answer any questions regarding the MERS transfer. She noted that an Ordinance change would be needed before the final transfer; however, the resolution would allow for the initial transfer. The resolution also states that all fees incurred by the transfers will be paid by Hurley Medical Center and not by the Retirement System.

Discussion followed. Chairman Hall reported that Gray & Company and Northern Trust are working together in preparation for setting up the necessary transition accounts for the eventual transfers. The City Council resolution, if approved by the Council Finance Committee tomorrow, would be adopted at the Monday, March 27, Council Meeting.

17. DISCUSSION OF LETTER FROM LARRY LANGER EXTENDING THE CONTRIBUTION LAG REGARDING 60TH ANNUAL ACTUARIAL VALUATION

Chairman Daniel Hall asked Peter Dobrzeniecki, as Secretary of the System/Finance Director, and Larry Langer, Actuary with Gabriel, Roeder, Smith & Company (GRS), to review the letter from GRS dated March 15, 2006 with the Trustees. The letter was sent to the Board of Trustees (#17 in the agenda packets), at Peter Dobrzeniecki's request, to outline actuarial alternatives for temporarily reducing City contributions to the Retirement System.

Larry Langer noted that his March 15, 2006 response included a copy of his previous response to a similar review on October 28, 2003. These two letters outlined several options for temporarily reducing the City's contribution to the Retirement System. The Actuary's goal is to develop contributions that stay relatively stable from year to year; the ideal contribution rates, to ensure that all pension payments are made in the long term, are outlined in the annual actuarial reports. There are actuarially acceptable alternatives for a temporary reduction in contributions, which may not be sustainable to keep the Retirement System "solvent" in the long term.

One alternative is to extend the contribution lag; i.e., the time period between the date of the valuation and the date the contribution rates calculated for that valuation would be implemented. For example, the current contribution lag is one year; the contribution rates from the valuation report dated June 30, 2004 were scheduled to be implemented on July 1, 2005. This 12-month lag policy came about from the 2004 meetings. The ideal is to base contributions on the most recent information available. The typical lag is one year. It has historically been difficult for all City information to be provided to the Actuary and the Actuary to make the calculations and issue the report containing the new contribution rates soon enough to meet budgeting requirements within that time frame.

The March 15 letter proposes extending the contribution lag from the recently implemented lag of twelve months (reference the charts on page 3b) to 18-24 months (see page 4). The Governmental Accounting Standards Board (GASB), which sets policy for what is a reasonable or maximum contribution lag, allows up to 24 months.

Peter Dobrzeniecki stated that there are two reasons for requesting this change: 1) The City is still in a very tight financial situation with new police and fire contracts, and other contracts coming up for renewal, along with other increased expenses the City will face over the next couple of years. 2) The 12-month lag is causing problems because the City and Hurley have been unable to get all of the necessary information to Larry Langer in time for him to perform the calculations for the next budget. This proposed change would allow for budgeting and administrative issues. It would not harm the pension system by increasing the lag to 24 months, but would greatly help the City and make it much easier to get information to the Actuary and budget for the contributions on a timely basis. Mr. Dobrzeniecki noted that he wants to ensure that the City is able to meet its obligations without going into a deficit again and being forced to lay off workers. The Administration wants to do what is best for the City as a whole. The calculated contribution rates have increased substantially, based on the performance of the Fund several years ago, and the System's performance is now much better; however, the contribution rates do not yet reflect that trend.

Discussion followed. It was noted that the valuation report and contribution rates must be approved by the Board and then by the City Council before they can be implemented.

Larry Langer stated that FERS is currently funded at 82%; some of the plans he works with are only 50% to 62% funded. This proposal is within GASB rules and general actuarial practice. However, he does not recommend following this policy for an extended period of time because he believes that eventually there will be a need to shrink the lag and lower the amortization period and pay off the unfunded liability of the plan by taking the amortization period below 30 years.

Mr. Dobrzeniecki stated that he is asking for the 24-month lag for fiscal years 2006 and 2007. One of the main reasons the contribution rates are currently high is that the Fund went from a high of \$910 million down to \$766 million. When the bad years are no longer factored into the calculations, the contribution rates will begin to come down. He also noted that the Fund, under the guidance of the new Consultant, Gray & Company, has shown significant improvement.

Chairman Hall asked that Gray and Company review the information from Gabriel, Roeder and give the Board their comments. Cass Wisniewski stated that Hurley also wishes to extend the lag.

Larry Langer noted that there are two broad steps for the valuation: 1) estimate the benefits due from the System; and, 2) determine a dollar amount in today's dollars that would be sufficient to pay all of the benefits due from the System. That number is based upon a set of assumptions that were adopted beginning with the 2001 Valuation. None of those assumptions have been changed: investment return, estimated salary increases, retirement rates, etc. He also noted that the current investment return assumption is 7-3/4%. If the Board has a higher level of comfort due to the positive manager effect, the investment return could be raised.

Chairman Hall stated that he would like to table the issue and give everyone time to review the information and contact Peter Dobrzeniecki and/or Larry Langer if they have any questions. He asked Mr. Langer to revise the information for the next packets to include Hurley.

Peter Dobrzeniecki stated that there is another issue beginning next year also called OPEB – Other Post Employment Benefits (reference GASB 43 and GASB 45). This means that the City must report the liability for the estimated actuarial value of all post employment benefits (retiree health care, etc.) for current and retired employees and record 1/30 on the books every year as a liability. A portion of this liability must be pre-funded in order to maintain a better bond status. Unlike the pension, there are no assets underlying this liability. Discussion followed.

The Board recessed for a break at 2:21 p.m.

Georgia Steinhoff left the meeting at 2:21 p.m.

Chairman Daniel Hall called the meeting back to order at 2:30 p.m.

18. AUDIT COMMITTEE REPORT

Chairman Hall stated that no meeting of this committee has taken place since the last Board Meeting.

19. INVESTMENT COMMITTEE REPORT

Dave Fitchett, from Northern Trust (the Custodian), has been working with Ivory Day, Jr. at Gray and Company, regarding the anticipated rebalancing of the Fund, paying monthly benefits, financing new money managers and the MERS transfers. He has three documents that require the Board's approval and signatures by the Chairman and Secretary. The first document directs Northern Trust, as Custodian, to open three accounts:

1) Drawdown account to pay monthly benefits. This account would have the same risk and return characteristics as the Plan. There would be two equal funds, a cash component and a market cap fund. Every time funds are withdrawn to make the benefit payments, the account would be rebalanced to that 50/50 point. This account would be similar to the drawdown account that was at State Street; however, the fees are lower.

2) FERS to MERS transition account. This account would allow for approximately \$60,000,000 to be moved into a separate account in preparation for the transfers to MERS. The account would not incur any custodial charges from Northern Trust, but would allow the assets to be segregated so that when the transfers are done, they can be made without taking small amounts from each manager and interfering with the underlying investment objectives.

3) Transition account. This account would be open for the purpose of funding new managers and rebalancing assets. If Northern Trust is hired as transition manager, as in the past, the account would be available for transitions at no charge to the System.

Mr. Fitchett reported that a preliminary analysis of fees for transferring about \$60,000,000 to MERS indicates that transaction costs would be between \$65,000 and \$100,000, depending on which assets have to be sold.

Chairman Hall noted that Hurley Medical Center would be paying all fees for the MERS transfers.

Mr. Day reviewed the rebalancing schedules that reflect the transfers to MERS, setting up the drawdown account, and funding the four new managers (two international and two small cap). The schedules show where the monies would be coming from and the rebalancing for funding the new money managers. Discussion followed.

Mr. Fitchett stated that the other two documents that require signatures are: 1) A cross-trading consent form, required by the Department of Labor; and 2) a required second amendment to the Investment Manager Agreement to add the new fund and fee schedule.

Attorney Trachelle Young then introduced Attorney George Peck. She stated that he has been researching a case involving a FERS investment in a software company in which a great deal of money was lost. She believes that a lawsuit can be filed at no cost to the Retirement Board and the City of Flint. Mr. Peck will present his findings and then she will ask the Board to authorize him to represent FERS in a lawsuit.

Attorney George Peck stated that the lawsuit involves the Fund's purchase of 22,550 shares of a company called Take Two Interactive. Three separate purchases of shares were made between December 2004 and June 2005, for a total of \$524,345. The Board was unaware of the following information when these purchases were made:

1) Take Two Interactive is a company that designs software games. Their lead product is a game called Grand Theft Auto, which was highly touted on Wall Street as part of the next generation of super interactive games. This was a smart purchase, based on what was known at the time. What was not known was that Take Two Interactive embedded into the software some pornographic content; i.e., there is a way to play the game by downloading a program called "Hot Coffee" from the Internet, which activates the pornographic images. The company embedded this software because they felt the video game needed some "pizazz" and knew the kids would know how to access the additional software. Software games are rated and, if there is pornographic content, they must be rated "over 18." Many stores, including Blockbuster and Wal-Mart, will not carry pornographic software and they base their purchases on those ratings. Unknowingly, those stores sold that game and the kids were downloading the additional software and seeing the pornographic version.

2) During the same time period that FERS was buying those shares, the inside directors of this corporation were quietly selling \$18,000,000 of their shares, of which FERS purchased about a half million dollars worth. The "cause of action" for the lawsuit is that FERS was buying shares at \$14 just as they plummeted to \$9. FERS didn't know what the directors knew – that they were unloading shares and getting their money out while at the same time the buyers were buying shares that, in a very short few months, dropped substantially in

value. That is called an “insider deal” and there are a lot of securities rules; i.e., the Securities & Exchange Act federal regulations and compliance rules, that were being violated.

3) As this became known in the marketplace, Take Two Interactive claimed that hackers mangled their software. Now, with SEC and NASD investigations into exactly what did happen, it has become clear that it was not hackers, but the company itself that was responsible.

4) FERS lost \$176,000 or more on an investment made in good faith that involved deception. There are many other funds that invested in Take Two Interactive who are also filing lawsuits. According to the Multi-District Litigation Manual, similar lawsuits against the same company can be aggregated and gain class action status.

Mr. Peck asked to represent the interests of the System and the City in a lawsuit against Take Two Interactive for purposes of recovering the loss. He is prepared to do so on a contingency basis, meaning there would be no cost or expense to the City or the Fund. In addition, there is a good opportunity to file not only as part of a class action lawsuit but to make FERS the lead plaintiff. As the lead plaintiff, the lawsuit would be titled “The Flint Employees’ Retirement System et al vs. Take Two Interactive. Filing this lawsuit makes a very strong statement that the Board takes action against fraud and misrepresentation and will not tolerate being fooled into investing in pornography. He has prepared a press release to publicize that stand. If the Board approves filing the lawsuit, he has a form ready for Chairman Hall and Attorney Young to sign. Mr. Peck stated that his co-counsel would be Mantese & Associates. They have prepared a detailed complaint and stand ready to file the lawsuit today, with the Board’s consent.

Discussion followed. Chairman Daniel Hall stated that the Board’s legal agreement with the New York firm Milberg Weiss is not exclusive. He recommended that the Board approve hiring Attorney Peck on the basis of the preparations he has already made and the strong possibility of being the lead plaintiff in this class action lawsuit. He noted that Milberg Weiss did notify him by e-mail of this lawsuit, but did not recommend that FERS take an active role. Chairman Hall asked Attorney Young to notify Milberg-Weiss that they will not be the System’s lead counsel in this matter.

Attorney Peck stated that his goal is to recoup the \$176,000 that was lost. One of the ways this is done is by determining who is in the class action suit and investigating what insurance coverage is available. He or Attorney Young will update the Board as developments occur. Mr. Peck noted that the small cap money manager involved (possibly Wellington) was also deceived and cannot be held liable. During the discovery phase, if other firms are found liable, they will be added to the lawsuit against Take Two Interactive. The legal test is whether people knew what they were doing; for example, selling shares knowing they were really worth less than they were selling them for. That

is in violation of the securities laws. The System's Agreement with Mr. Peck states that one-third of the award would cover attorney fees and costs; however, the Courts usually award less. Awards for fees are between 18% and 33%, with 24% being the average. If there is no recovery, there will be no cost. Attorney Peck noted that the City of Flint has the standing to be a plaintiff in this case also, since the City funds the Retirement System. He also noted that there is a 60-day window to file this claim.

Ivory Day indicated that Gray does not get involved in their clients' legal issues; however, in a "no lose" situation like this their advice is to do whatever can be done to recoup losses.

Attorney Peck stated that these lawsuits average one to two years to resolve; however, he hopes to shorten that time frame. He believes there is criminal liability involved and hopes to get a settlement within a year. No other companies have taken the lead plaintiff role; although there have been five other lawsuits filed, their losses appear to be less. It is also quite possible that the Michigan federal claim will be multi-districted into New York.

A motion was made by Amy Lindman, and supported by Ehren Gonzales, to hire George Peck to represent FERS in a lawsuit against Take Two Interactive.

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

20. PROFESSIONAL SERVICES COMMITTEE REPORT

Bob Erlenbeck reported that the Professional Services Committee met and, in addition to the disability retirement applications, the agenda included three issues:

1) Kimberly Davis, a Hurley employee who filed for disability retirement and was denied at the last board meeting, sent a letter to the Committee containing further medical information. Her doctor indicated that they attempted to schedule a sleep study for her, pursuant to Dr. Roth's recommendation that an up-to-date narcolepsy sleep study test should be done; however, the insurance refused to pay for it. The Committee is recommending that, in order for Dr. Roth to adequately address her disability application, a sleep study should be performed in Ann Arbor, with the Retirement System covering the cost. At this time the actual cost of the sleep study is unknown because these studies vary in cost depending on how involved they turn out to be. Discussion followed.

A motion was made by Robert Rosenberger, and supported by Amy Lindman, to approve payment for a sleep study for Kimberly Davis at the University of Michigan-Ann Arbor.

Upon being put to a vote, the motion carried by a vote of 8 to 1.

2) Sherrie Jackson, who was denied a disability retirement last month, sent a letter requesting a copy of the February Board Minutes and Dr. Roth's report. Mr. Erlenbeck will respond with the requested information, per past practice.

3) The Committee has several outstanding questions and issues regarding retirement service credits, which have been forwarded to the City Attorney for review. These issues concern how the calculations deal with lay-offs, extended sick leave and other similar situations. The Attorney is reviewing these issues and believes an ordinance change may be necessary for clarification.

21. FINANCE COMMITTEE

Chairman Daniel Hall reported that the Finance Committee met and discussed costs related to the FERS to MERS transfer.

22. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Daniel Hall noted that Ehren Gonzales is chairing this committee.

23. GRAY & COMPANY

Chairman Hall asked Mr. Day for a performance update on the new small cap and international managers that will be funded soon. Mr. Day stated that there were no significant changes in their performance and they still look good in relation to each other and to the market. He also noted that Gray's recommendations are based on the long-term performance records of the money managers. He will give the Board an up-to-date report on the managers through the 4th Quarter at the April meeting.

Attorney I'Lanta Robbins stated that she is currently working with the new managers on contracts and related paperwork and will give a status report to the Board at the next meeting.

Chairman Daniel Hall stated that the 4th Quarter Performance Report will be presented at the April Board Meeting. He asked Mr. Day to include ICON Investment Advisers and Dodge & Cox when scheduling the next money manager review meeting, since they were unavailable for the last meeting.

24. LEGAL COUNSEL UPDATES

Attorney I'Lanta Robbins reported that an order was submitted to the Court on March 14th regarding the Claude Miller lawsuit. If there are no objections, the Court will sign the order and the lawsuit will be over.

Attorney Robbins stated that she and Attorney Young have been researching, reviewing and copying documents related to the Retirement System from files maintained at City Hall in Finance and the Retirement Office. However, there are still files and information in the possession of Attorney Habeeb Ghattas that they will need.

Chairman Hall reported that Attorney Habeeb Ghattas continues to bill the Board for the \$1000/month retainer, per his past agreement with the Board. Mr. Hall recently received two invoices for legal fees: 1) from Habeeb Ghattas for \$1026.71; 2) Spender & Robb for \$2198.00 regarding the Claude Miller vs. City of Flint lawsuit. Chairman Hall noted that the Professional Services Committee has removed Attorney Ghattas and contract discussions from their agenda in light of the Judge's opinion that the Board has the right to hire an attorney only when deemed necessary. It would appear to be a violation of the court order to continue with Attorney Ghattas on retainer. Discussion followed.

A motion was made by Robert Erlenbeck, and supported by Amy Lindman, to authorize Attorney Trachelle Young to send a letter on behalf of the Retirement Board (on Retirement Board letterhead) to Attorney Habeeb Ghattas indicating that the Board will no longer honor the retainer. In addition, the Attorney will review the current invoices and bring back her recommendations for payment at the next meeting.

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

Chairman Daniel Hall distributed copies of a letter from the Mayor to the State Attorney General requesting the State to perform a forensic audit of the City of Flint Pension Fund. Chairman Hall stated that he would welcome anyone who wishes to audit the Pension Fund because he believes the Fund is in order. Discussion followed. It was noted that the Fund has been audited by the City's outside auditors and an outside auditor hired by the Board; however, Peter Dobrzeniecki stated that forensic audits are conducted differently and usually involve investigations for possible fraud. It was decided that only the Chairman should give any response to the Press regarding this matter.

25. DB/DC CONVERSION

Bob Erlenbeck reported that there was a recent meeting with the #1600 and #1799 union representatives regarding the DB/DC conversion. He noted that, once the actuaries have the calculations ready to begin discussions regarding the transfer of funds, the unions would like to meet with the actuaries to discuss the calculations and transfers. It would be less expensive if the DB/DC meetings could be held on the same day that the actuaries are going to be in town for a meeting regarding the FERS to MERS transfers. He asked to be notified when the actuaries are requested to be present at a Board Meeting.

26. OTHER BOARD BUSINESS

Chairman Daniel Hall stated that the next Regular Board Meeting is scheduled for Tuesday, April 18, at City Hall.

27. ADJOURNED

There being no further business to discuss, it was moved by Amy Lindman, and supported by Robert Rosenberger, to adjourn the meeting at 3:31 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary