

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES SPECIAL MEETING

A special meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, November 20, 2007 at 11:00 a.m. in the New Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, John Balsler, Peter Dobrzeniecki,
Robert Erlenbeck, Ehren Gonzales, Amy Lindman, Michelle Kirkwood

ABSENT Douglas Bingaman, Mary Bland, Peggy Cook, Janice Kehoe,
Kerry Nelson, Robert Rosenberger, Cass Wisniewski

ALSO PRESENT I'Lanta Robbins, Assistant City Attorney/Attorney for the Board
Julie Sadler, Recording Secretary

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 11:17 a.m. Chairman Hall stated that the purpose of the meeting was to discuss the recent hearings.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Donald Phillips, President of the United Retired Government Employees (U.R.G.E.) invited the Board to the U.R.G.E. annual Christmas Party on Tuesday, December 4th at 5:00 p.m. at the U.R.G.E. hall. Attorney Ric Champnella, representing the City, and Attorney JeanMarie Miller, representing the Plaintiffs, were also present.

3. SPECIAL HEARINGS FOR KAY TERAU, DEBORAH CHERWINSKI, SANDRA STEARNS AND WILLIAM KELLY.

Chairman Hall stated that the purpose of the meeting was to discuss the hearings for Kay Tereau, Deborah Cherwinski, Sandra Stearns and William Kelly, and he asked for a motion to go into closed session in order to do so.

A motion to go into closed session, for the purpose of discussing the hearings for those four individuals, was made by Amy Lindman and supported by Ehren Gonzales.

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

Chairman Daniel Hall stated that the meeting was closed and asked all individuals who were not on the Board or requested to stay to leave the meeting. He also noted that deliberations would take place during closed session; however, all votes would be made publicly, in open session. The votes will be taken at the 1:00 Regular Board Meeting.

The Board then entered into discussions and deliberations regarding William Kelly III.

After discussions and deliberations were concluded, a motion to come out of closed session was made by Peter Dobrzeniecki and supported by Amy Lindman.

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

4. OTHER BOARD BUSINESS

There was no other business brought before the Board.

5. ADJOURNMENT (*Break for lunch – Regular Board Meeting at 1:00 p.m.*)

Chairman Hall called for a recess for lunch at 12:18 p.m. until the 1:00 Regular Board Meeting.

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, November 20, 2007 at 1:00 p.m. in the New Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, John Balsler, Peter Dobrzeniecki,
Robert Erlenbeck, Ehren Gonzales, Michelle Kirkwood,
Amy Lindman, Robert Rosenberger, Cass Wisniewski

ABSENT Douglas Bingaman, Mary Bland, Peggy Cook, Janice Kehoe, Kerry Nelson

ALSO PRESENT Suzi Bye, Retirement Supervisor
I'Lanta Robbins, Assistant City Attorney/Attorney for Retirement Board
Denise Bingaman, Retirement Staff
Julie Sadler, Recording Secretary
Ivory Day, Jr., Gray & Company
Chris Kuhn, Gray & Company

6. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:07 p.m.

7. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

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

MOTIONS/DECISIONS REGARDING THE HEARINGS FOR KAY TERAU, DEBBIE CHERWINSKI, SANDRA STEARNS AND WILLIAM KELLY

Chairman Hall stated that he was moving this issue forward in the agenda and would now take the Board's votes on the four hearings in public session. Chairman Hall explained the hearing procedure and stated, for the record, that each Trustee had been given the opportunity and all

necessary information to make a valid decision or take a valid position on the hearings. He then asked if any Trustees were missing any of the information they should review prior to voting on any of the issues. No Trustees indicated that they needed further information. Chairman Hall then asked Julie Sadler to take roll call attendance.

Peggy Cook? (silence)
Peter Dobrzeniecki? Here.
Cass Wisniewski? Here.
Dan Hall? Here.
John Balsler? Here.
Ehren Gonzales? Here.
Robert Rosenberger? (silence)

Note: Mr. Rosenberger left the meeting to allow his alternate, Michelle Kirkwood, to vote since he did not attend the hearings and Ms. Kirkwood did attend them.

Janice Kehoe? (silence)
Mary Bland? (silence)
Douglas Bingaman? (silence)
Amy Lindman? Here.
Kerry Nelson? (silence)
Robert Erlenbeck? Here.
Michelle Kirkwood? Here.

Chairman Daniel Hall asked each Trustee to vote, from the findings of facts and conclusions that have been presented to the Board in the case of Ms. Sandra Stearns, has the pensioner demonstrated no error?

Upon being put to a roll call vote, there were six “yes” votes, one “no” vote and one abstention:

Roll Call:	Peter Dobrzeniecki – yes	Robert Erlenbeck – no
	Amy Lindman – yes	Michelle Kirkwood – yes
	John Balsler – yes	Ehren Gonzales – yes
	Daniel Hall – yes	Cass Wisniewski – abstained

Note: Mr. Wisniewski stated, for the record, that he was abstaining from voting because he did not attend the hearings.

Chairman Daniel Hall asked each Trustee to vote, from the findings of facts and conclusions that have been presented to the Board in the case of Ms. Deborah

Cherwinski, has the pensioner demonstrated no error?

Upon being put to a roll call vote, there were seven “no” votes, no “yes” votes, and one abstention:

Roll Call:	Peter Dobrzeniecki – no	Robert Erlenbeck – no
	Amy Lindman – no	Michelle Kirkwood – no
	John Balsler – no	Ehren Gonzales – no
	Daniel Hall – no	Cass Wisniewski – abstained

Chairman Daniel Hall asked each Trustee to vote, from the findings of facts and conclusions that have been presented to the Board in the case of Mr. William O. Kelly III, has the pensioner demonstrated no error?

Upon being put to a roll call vote, there were seven “no” votes, no “yes” votes, and one abstention:

Roll Call:	Peter Dobrzeniecki – no	Robert Erlenbeck – no
	Amy Lindman – no	Michelle Kirkwood – no
	John Balsler – no	Ehren Gonzales – no
	Daniel Hall – no	Cass Wisniewski – abstained

Chairman Daniel Hall asked each Trustee to vote, from the findings of facts and conclusions that have been presented to the Board in the case of Ms. Kay Tereau, has the pensioner demonstrated no error?

Upon being put to a roll call vote, there were no “yes” votes, seven “no” votes and one abstention:

Roll Call:	Peter Dobrzeniecki – no	Robert Erlenbeck – no
	Amy Lindman – no	Michelle Kirkwood – no
	John Balsler – no	Ehren Gonzales – no
	Daniel Hall – no	Cass Wisniewski – abstained

Chairman Hall stated that the hearings for the four individuals were now concluded.

Attorney JeanMarie Miller asked for a point of clarification, on behalf of the pensioners. In some of the cases, there were various errors alleged and the Board did not vote individually on each error, causing confusion on what each individual vote was for.

Chairman Daniel Hall accepted her comments for the record and stated that the Board's attorney would give a written decision summarizing their vote.

Attorney JeanMarie Miller asked whether their objections regarding voting procedures, etc., which were placed on the record, would still be preserved, for the record.

Chairman Daniel Hall stated that their objections had been noted, for the record.

8. APPROVAL OF THE AUGUST 21, 2007 SPECIAL & REGULAR BOARD MEETING MINUTES

The minutes were reviewed and discussed. Cass Wisniewski noted that corrections were needed on Page #9612, Item #17, as follows:

Original:

Lary Langer reviewed the proposed contribution rates for fiscal years 2007 and 2008, as a percentage of payroll:

	<u>FY2007</u>	<u>FY2008</u>
General	33.16%	36.0%
Police	4.43%	9.0%
Fire	28.46%	31.0%
Hurley Medical Center	9.70%	11.0%

Corrected:

Larry Langer reviewed the proposed contribution rates for fiscal years 2008 (July 1, 2007 to June 30, 2008) and 2009 (July 1, 2008 to June 30, 2009), as a percentage of payroll:

	<u>FY2008</u>	<u>FY2009</u>
General	33.16%	36.0%
Police	4.43%	9.0%
Fire	28.46%	31.0%
Hurley Medical Center	9.70%	11.0%

It was moved by Amy Lindman, and supported by Ehren Gonzales, to approve the minutes of the August 21, 2007, Special and Regular Board Meetings, with corrections to be made on Page #9612 as appropriate, after review.

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

9. APPROVAL OF THE SEPTEMBER 25, 2007 SPECIAL & REGULAR BOARD MEETING MINUTES

It was moved by Amy Lindman, and supported by Robert Erlenbeck, to approve the minutes of the September 25, 2007, Special and Regular Board Meetings, as presented.

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

10. APPROVAL OF THE OCTOBER 9, 2007 SPECIAL BOARD MEETING MINUTES

It was moved by John Balsler, and supported by Ehren Gonzales, to approve the minutes of the October 9, 2007, Special Board Meeting, as presented.

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

11. APPLICATIONS FOR DEFERRED RETIREMENT

Nancy Bradley - HMC/Exempt

Final Average Compensation: \$ 42,250.23

Accumulated Contributions: Non-cont.

DRET:

Effective Date of Retirement 08/18/2006

Service: 10 Years, 3 Months

The retiree elected the Option prior to 06/01/2013.

Susan Moon - HMC/Exempt

Final Average Compensation: \$ 62,880.67

Accumulated Contributions: Non-cont.

DRET:

Effective Date of Retirement 08/18/2006

Service: 15 Years, 10 Months

The retiree elected the Option prior to 06/01/2013.

A motion was made by Peter Dobrzeniecki, and supported by John Balsler, to approve the applications for deferred retirement made by Nancy Bradley and Susan Moon.

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

12. APPROVAL OF PENSIONS PREVIOUSLY REPORTED

David Forsse/City (Retired 9-10-94) –

Revised FAC pursuant to Judge Yuille's current decision/file audit -
Was \$37,040.67 - \$1,834.36 monthly
Rev \$38,492.15 - \$1,906.25 monthly
Total Retro Payment: \$8,839.37
Years of Service: 25 years, 0 month
Received refund of \$129.34 for overpayment of Generic time.

Lynne Hawkins/City (Retired 5-7-94) –

Revised FAC pursuant to Judge Yuille's current decision/file audit -
Was \$33,142.47 - \$1,380.86 monthly
Rev \$34,133.45 - \$1,422.15 monthly
Total Retro Payment: \$6,689.87
Years of Service: 25 years, 1 month

Gary Elford/City (Retired 2-26-00) –

Revised FAC pursuant to Judge Yuille's current decision/file audit -
Was \$92,820.90 - \$4,792.15 monthly
Rev \$93,287.16 - \$4,861.22 monthly
Total Retro Payment: \$2,217.75
Years of Service: 25 years, 2 months

Keith DeWitt/City (Retired 8-1-93) –

Revised FAC pursuant to Judge Yuille's current decision/file audit -
Was \$46,517.64 - \$2,417.14 monthly
Rev \$47,086.34 - \$2,548.69 monthly (5-10-96 contract settlement)
Rev \$46,798.97 - \$2,538.98 monthly
Total Overpayment owed to the System: \$1,660.41
Was: Years of Service: 29 years, 5 months
Rev: Years of Service: 29 years, 6 months

Chairman Daniel Hall stated that, after conferring with the Finance Director, he was tabling #12, pending administrative review. He also noted that the pension recalculations relate to Judge Yuille's decision and court order. Peter Dobrzeniecki stated that he wanted to review the pension recalculations, for the benefit of the retirees. Discussion followed. Chairman Hall asked Suzi Bye to work with Peter Dobrzeniecki regarding additional information and review of the pensions.

13. OPTIONS PICKED FOR DEFERRED RETIREMENTS

John Dagenais, Jr./Hurley	Option Straight Life \$4,700.75
File Audit – FAC \$152,816.14	Ret. Savings \$ 119,019.42
Rev. \$146,073.92	Rev. Ret. Savings 178,109.29
Service Credit – 18 years, 10 months	
Rev. Svc Credit 18 years, 11 months	

Per Suzi Bye, the original Final included Health & Dental care, sick payoff & incentive payments, as well as an incorrect multiplier. Also, Retirement Savings changed due to additional interest accrual. A 27th pay was added, per Judge Yuille’s ruling.

Kris Miller/City	Option C \$973.07
File Audit – FAC \$46,454.75	Ret. Savings \$23,875.43
Rev. \$51,955.74	Rev. Ret Svgs \$32,711.72

Per Suzi Bye, through the audit process VDO hours were included & a 27th pay was added per Judge Yuille’s ruling. Retirement savings also changed, due to added interest accrual.

Celestine Roberson/Hurley	Option C \$1,285.50
File Audit - FAC \$46,719,66	Ret. Savings \$66,090.39
Rev \$48,586.43	Rev Ret. Svgs \$111,650.60

Per Suzi Bye, A 27th pay was added, per Judge Yuille’s ruling. Also, Gainsharing was removed from FAC.

A motion was made by Peter Dobrzeniecki, and supported by Amy Lindman, to approve the options picked by deferred retirees John Dagenais Jr., Chris Miller, and Celestine Roberson.

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

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

- 14.1 Institute for International Research, The Enterprise Risk Management Forum for Financial Services, January 30, 2007 - February 1, 2008, New York, NY.
- 14.2 Russell Investments, 2008 Russell Summit, March 15-18, 2007, Orlando, FL.

A motion was made by Amy Lindman, and supported by Ehren Gonzales, to receive and approve all information/documents listed under Agenda Items #14, #15, #16, and #17, and place all documents on file.

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

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

15.1 Resolution Adopting the Computed Contribution Rates for Fiscal Year 2008 for the City of Flint General, Police & Fire – Adopted 10-22-07. *(Enclosed)*

15.2 Resolution Adopting the Computed Contribution Rates for Fiscal Year 2008 for Hurley Medical Center – Adopted 10-22-07. *(Enclosed)*

15.3 Resolution Supporting an Additional Annual Payment “13th Check” to Eligible Retirees and Beneficiaries – Adopted 10-22-07. *(Enclosed)*

15.4 Northern Trust Global Investments, Strategy, November 2007.

15.5 Community Capital Management, The Community Investor, Fall 2007.

15.6 Payden & Rygel, Point of View, September 2007.

15.7 Memo to Bob Erlenbeck from I’Lanta Robbins re: Vested Retirement System Member Contributions, November 6, 2007. *(Enclosed)*

15.8 Memo to Board of Trustees from I’Lanta Robbins re: Applications for Non-Duty Disability Retirements, May 4, 2007. *(Enclosed)*

15.9 FERS Disability Retirement Procedure, November 2007. *(Enclosed)*

16. 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.)*

16.1 Letter to Northern Trust from Daniel Hall re: November 1, 2007 Pension Transfer, September 25, 2007.

- 16.2 FERS, Letter to Joyce Lanckton from Bob Erlenbeck re: Retirement Representative Election Complaint, October 26, 2007. (*Enclosed*)

- 16.3 Memo to FERS Retirees from Mayor Donald Williamson re: 13th Check, October 1, 2007.
- 16.4 FERS, Letter to Retirees from Peter Dobrzeniecki re: Payment of 13th Check, October 26, 2007.
- 16.5 FERS, Letter to Charter Retirees from Peter Dobrzeniecki re: Payment of 13th Check, October 26, 2007.
- 16.6 FERS, Letter to Beneficiary Retirees from Peter Dobrzeniecki re: Payment of 13th Check, October 26, 2007.
- 16.7 FERS, 13th Check Distribution Information, October 2007.

- 17. 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.)*
- 17.1 Globalt Investments, Equity Strategies, 3rd Quarter 2007.
- 17.2 Fidelity Investment, Monthly Investment Update, October 31, 2007.
- 17.3 Fidelity Investment, Real Estate Growth Fund II, September 30, 2007.
- 17.4 Wellington Management, Investment Review, September 30, 2007.
- 17.5 Fisher Investments, Investment Portfolio, September 30, 2007.
- 17.6 LSV Asset Management, Investment Report, September 30, 2007.
- 17.7 Hartford Investment Management, Fixed Income Update, 3rd Quarter 2007.
- 17.8 Skyline Asset Management, Small Cap Value, September 30, 2007.
- 17.9 Fisher Investments, Performance Summary as of September 30, 2007.
- 17.10 Northern Trust Reports – September 2007 *(Enclosed)*
- 17.11 Retirement Fund Employee/Employer Contributions *(Enclosed)*
- 17.12 Hurley Employer/Employee Contributions FY 2008 *(Enclosed)*

18. STATISTICAL REPORT OF BENEFITS *(for information only)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Number Retired	3,032	3,027	3,004
Annualized Payroll	\$ 64,198,389	\$ 64,850,497	\$ 65,192,316

19. APPROVAL OF THE DECEMBER 1, 2007 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that a transfer of \$4,515,200 was needed for the payment of the December 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 November 16, 2007, was \$6,245.936.

A motion to approve the transfer of \$4,515,200 for payment of the December 1st, 2007 pension payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Ehren Gonzales, and supported by Robert Rosenberger.

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

20. APPROVAL OF PAYROLL TRANSFER – APPROVAL OF AUTHORIZED SIGNERS

Chairman Hall stated that a new listing of authorized signers was required due to Donald Phillips' retirement and subsequent replacement as Vice Chair by Robert Rosenberger.

A motion was made by Amy Lindman, and supported by Ehren Gonzales, to update the Board's listing of authorized signers by replacing Donald Phillips' name as Vice Chair with Robert Rosenberger.

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

21. 13th CHECK

Chairman Hall stated that a Committee is being formed and should begin meeting soon after the first of the year in order to review and make recommendations regarding future 13th Check payments and revisions to the Ordinance language that may be needed. Discussion followed regarding the 13th Check payments made in October.

22. FINANCE COMMITTEE

Committee Chair Robert Rosenberger reported that the Committee would be meeting the following week. He noted that, at their last meeting, the Committee decided that the audit performed by the City's auditors would be sufficient and an additional audit would not be scheduled this year.

23. PROFESSIONAL SERVICES COMMITTEE REPORT

Chairman Daniel Hall reported that the Committee met on November 13th. Present were Daniel Hall, Robert Erlenbeck, Michelle Kirkwood, and Suzi Bye. The following issues were discussed:

Disability Policy – A draft policy is now under review by Attorney I'Lanta Robbins. Chairman Hall asked the Board to review the policy (Agenda Item #15.9) and be prepared to discuss it further at the next meeting.

Jeffrey Hall & Sandra Bradshaw-Tidwell – Their applications for disability retirement have been denied. A letter was sent to Hurley asking if there was available work with their restrictions. Hurley responded that there was nothing available. Chairman Hall indicated that this issue should remain on the agenda.

IRS Regulations for Beneficiaries – Bob Erlenbeck stated that these regulations apply to the maximum amount of pension benefit available to a beneficiary, dependent upon age, and the options selected for pensions. There is a formula indicating how much a recipient could receive. The major issue is whether this IRS regulation would trump City Ordinance or Union contracts, which allow for 100% survivorship. The IRS says the benefit could be reduced because of a beneficiary's age. This issue has been referred to Attorney Chat Heckemeyer at Keller Thoma for an opinion. Discussion followed.

Minute Master Options – The Committee received a proposal, which will be reviewed with staff, and the Committee will make a recommendation to the Board.

Actuary RFP – The Committee has this issue on hold, due to the MERS lawsuit.

A discussion followed regarding the valuation data for Gabriel Roeder for the FY06 valuation. Peter Dobrzeniecki stated that the City has provided all information GRS requested. Chairman Hall stated that he has been in contact with Larry Langer, who indicated that no data has been received from Hurley Medical Center, which has made no contributions to FERS due to the

ongoing MERS issues. GRS must have information for the system as a whole in order to do the complete valuation report. At this time, only City, Police & Fire data are available. Discussion followed. Attorney Robbins noted that the parties are continuing to be in communication regarding MERS. Chairman Hall stated that Hurley is violating State law by refusing to make their employer contributions to FERS and making contributions to MERS and led a discussion of the possibility of suing Hurley for the required contributions. He also stated that he would be discussing this issue with Michael VanOverBeke in an upcoming meeting. Attorney L'Anta Robbins stated that the Board has the right to pursue legal action on this issue.

A motion was made by Amy Lindman, and supported by Peter Dobrzeniecki, to draft a letter to the new Hurley CFO stating that Hurley has not paid their employer contributions on behalf of the Exempt and Local #1603 employees in more than a year and that legal action could result.

Discussion followed. Chairman Hall asked Cass Wisniewski whether the Hurley CFO was aware that the employer contributions had not been made for #1603 and Exempts. Mr. Wisniewski responded that he did not know, noting that the CFO had joined Hurley about a month ago. Peter Dobrzeniecki and Attorney Robbins stated they would work together to draft the letter.

Upon being put to a vote, the motion carried 6 to 1. Cass Wisniewski went on the record as voting against the motion.

During further discussion, Attorney Robbins was asked whether a lawsuit against Hurley regarding contributions would hinder or help the lawsuit regarding MERS issues. Attorney Robbins stated that, as an attorney, she advises open communications between parties with the goal of seeking a resolution before pursuing legal action. A letter was previously sent to HMC and they admitted they are not making contributions to FERS but are making them to MERS. The issue was also discussed in meetings and negotiations between Hurley, the City and FERS regarding MERS. HMC agreed to pay for an actuary to review the numbers for the transfer to MERS and stated that contributions owed to FERS would be an offset for the amount to eventually be transferred to MERS. Pursuing the contributions issue in court should not have any effect on the MERS litigation. The FERS Board would be taking a more stringent stand by litigating the issue. MERS negotiations can continue, with the Board's direction. Currently, attorneys for all sides are meeting to discuss the issues and advising their clients what they think might be the best way to resolve them.

Attorney Robbins further noted that Motions for Summary Disposition have been filed to request the case regarding the FERS to MERS transfer be dismissed on a legal basis. The litigation is continuing although discussions are underway. Last month, the Court stated that the

issues must be separated, and motions filed separately, which will take additional time. Attorney Robbins recommended that the Board send a strong letter advising Hurley that they have not been making their contributions and that the Board is considering seeking legal action. In response to the Attorney's question regarding the amount Hurley owes to FERS, Peter Dobrzeniecki stated that he would provide that information from Hurley's recent audit. An additional issue is the interest the funds would have earned. FERS' investments earned 11% in 2007. Mr. Dobrzeniecki stated he would like to consult with Attorney Michael VanOverBeke regarding the Hurley letter.

Chairman Hall reported that MERS has filed a FOIA to obtain FERS Investment Performance data.

Education Policy – The policy is being updated and will be presented to the Board for adoption. Discussion followed. Michelle Kirkwood and Julie Sadler were congratulated for passing the Level One Examination for the MAPERS Achievement Program at the Fall MAPERS Conference.

Board Election Rules – Amy Lindman is researching election rules and issues for review by the Committee. Revised rules will be presented to the Board for adoption in the future.

Letter from Bambi Rose dated June 28, 2007 – This issue is pending and will be discussed at the next meeting.

Terminated/Vested Employees – Chairman Hall asked Board Members to review Item #15.7 in the agenda packets. Discussion followed regarding vested employees leaving Hurley or the City and withdrawing their pension contributions. It was noted that withdrawal of contributions eliminates FERS' liability for that individual. The legal opinion states that they can withdraw their funds but would become ineligible to return to the System without redepositing service credit within a specific period of time. Bob Erlenbeck added that deferred retirees may also opt to withdraw their contributions, thus losing their eligibility for a FERS pension. If eligibility for a pension is lost, the right to retiree health care is eliminated, per the Ordinance, which states that "deferred retirees are not eligible for health care until such time as they are in receipt of a pension." The Committee has been discussing the legal ramifications and liability issues.

Gary Bitterman (HMC-Local 2056) – Mr. Bitterman terminated/separated from Hurley in 1999 (prior to MERS in 2004) under a Settlement Agreement. He was vested and is entitled to a pension; however, he did not sign up for deferred retirement. He is now 55 and has asked to retire, but it is unclear whether he would retire from MERS or FERS. MERS has referred him to Local #2056 and the Union has referred him to FERS. Hurley has taken the position that

deferred retirees prior to 2004 are to retire from FERS. Discussion followed. Chairman Hall stated that this is another issue that will be discussed with Attorney Michael VanOverBeke.

24. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Hall reported that the Committee has not met. He also noted that there is a new City Council President and the City Council will be reviewing appointments to Boards and Commissions.

25. INVESTMENT COMMITTEE REPORT

No report/meeting per Chairman Hall.

26. GRAY & COMPANY

Chairman Hall asked Ivory Day to summarize the 3rd Quarter Performance Report and present a more detailed review at the December meeting. Mr. Day reviewed the Performance Report and Manager Allocation with the Board, noting that overall performance has been very good.

Mr. Day also gave an overview of the performance of Small Cap Equity Managers Allegiant and Keeley and recommended that Allegiant be scheduled to present a detailed performance analysis and 3rd Quarter report at the December Board Meeting. Chairman Hall asked Mr. Day to schedule Allegiant.

Mr. Day stated that a reallocation of funds to replenish the drawdown account is necessary and recommended a transfer of \$22 million. The Trustees previously approved rebalancing and this phase has been on hold due to the volatility of the market. He recommended the funds be transferred in early December from the following managers:

Northern Trust EAFE - \$1 million
LSV – \$6.5 million
Wentworth, Hauser & Violich - \$4 million
Northern Trust Aggregate Bond - \$5 million
J.P. Morgan Chase Banc One - \$1 million
Northern Trust World Government EX U.S. - \$4.5 million

A motion was made by Amy Lindman, and supported by John Balsler, to transfer \$22 million into the Drawdown account from the six managers recommended by the Consultant.

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

Chris Kuhn (from Gray & Company) asked the Trustees for suggestions on ways to improve the Performance Reports. Discussion followed.

Chairman Hall asked Cass Wisniewski whether Hurley paid a 13th check to the retirees at MERS. Mr. Wisniewski responded that Hurley did not.

27. LEGAL COUNSEL UPDATES

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

Claude Miller Update (26/27 pays) – The City is continuing to recalculate pensions of retirees pursuant to Court orders.

Take Two Interactive – The defendants have filed Motions for Dismissal and plaintiffs' attorneys have filed responses. She is currently waiting for the Judge's rulings. The discovery phase is on hold pending the Court's decision.

Status of Hearings for Pension Calculation Errors – The pension hearings were concluded today with decisions rendered by the Board. Attorney Robbins will prepare formal, written decisions, which will be submitted to the Board for final approval, prior to being sent to the other attorneys.

FERS to MERS Transition Pending Litigation – A pretrial conference was held with the Court Clerk to schedule dates for trials, submissions of exhibits and lists of witnesses, discoveries, etc. with a possible trial date in April or later in the spring. The Board previously discussed issues regarding Hurley's lack of employer contributions.

Attorney Robbins asked for discussion and clarification of the Board's position regarding hiring the Actuary to update the calculations for the potential transfers to MERS. Chairman Hall noted that, as the Chair, he wants Hurley to state, in writing, that they will be the "responsible party" and pay for the updated actuary report to calculate the transfer amount. Attorney Robbins stated that Hurley agreed, in a letter from Attorney Kendall Williams, that they would pay for all actuarial expenses. Discussion followed. The major concern of the Board is the need for a written statement from the Hurley Board of Managers indicating which groups would be transferred in the initial transfer to MERS. There has been much controversy regarding exempts and retirees, who were not mentioned in the original January 2006 letter from Hurley CFO Daniel Coffield. That letter indicated that the parties in the initial transfer would be the active members of the seven union groups that voted to transfer to MERS. Based on that letter, the initial actuarial valuation calculated that \$60+ million should be transferred. A few months later, FERS representatives

were told that Mr. Coffield was only an employee of HMC and did not speak for, or represent, HMC. Therefore, the Board must have a written document, from the HMC Board of Managers, stating which groups would be in the initial transfer, prior to authorizing further actuarial valuations. These issues will be discussed with Attorney Michael VanOverBeke.

Daniel Coffield Letter - Attorney Robbins stated that Daniel Coffield sent a letter to the Board, after the Board approved his retirement, regarding issues he had with his retirement calculations. Hurley's Legal Counsel, Attorney William Smith, also submitted a letter to the Board on the issues. These letters have been referred to Chat Heckemeyer, outside legal counsel, for review and recommendations. Discussion followed.

28. DB/DC CONVERSION

No report.

29. APPROVAL OF THE 2008 RETIREMENT BOARD CALENDAR (DRAFT)

Chairman Hall asked the Board to review the dates for potential scheduling conflicts prior to approving the schedule at the December meeting.

30. OTHER BOARD BUSINESS

Chairman Hall noted that all Board Members are invited to the U.R.G.E. Christmas Party on the first Tuesday in December.

31. ADJOURNED

There being no further business to discuss, it was moved by Amy Lindman, and supported by John Balsler, to adjourn the meeting at 2:42 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary