

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, October 19, 2004 in the New Committee-of-the-Whole Room, City Hall Council Chambers, with the following in attendance.

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Daniel Coffield, Peggy Cook, Peter Dobrzeniecki, Robert Erlenbeck, Janice Kehoe, Sandra Kidd, Amy Lindman, Alvern Lock, Donald Phillips, Robert Rosenberger, Edward Taylor, Cass Wisniewski

ABSENT James Goodin, Mark Horrigan, Georgia Steinhoff

ALSO PRESENT Habeeb Ghattas, Attorney for the Retirement Board
Jeffrey Welch, Attorney for the Retirement Board
Wanda Twitty, Retirement Supervisor

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

Barbara Nelson, Registered Nurse at Hurley Medical Center, asked the Board about the status of the MERS transfer. Chairman Daniel Hall noted that a status report is on the meeting agenda.

3. APPROVAL OF THE SEPTEMBER 21, 2004 REGULAR BOARD MEETING MINUTES

It was moved by Donald Phillips, and supported by Robert Erlenbeck, to approve the minutes of the September 21, 2004 Regular Board Meeting.

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

4. APPROVAL OF THE POLICE/FIRE ELECTION RESULTS

It was moved by Donald Phillips, and supported by Daniel Coffield, to accept the results of the election for the Retirement Board Trustee and Alternate representing the Police & Fire Departments, as certified, naming Alvern Lock as the Trustee and Amy Lindman as the Alternate.

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

5. APPLICATIONS FOR VOLUNTARY RETIREMENT

Steven Anderson - Tabled
DPW/1600

Final Average Compensation:	\$ 35,929.60
Accumulated Contributions:	32,393.40
DRET:	25.38
Effective Date of Retirement	12/27/2003
Service: 32 Years, 10 Months	
The retiree elected the Option A in the amount of \$2,333.70	

Bob Erlenbeck noted that eight sample calculations/formulas for Local #1600 and #1799 members have been provided to the Union leadership, which has taken the information under advisement. The City is waiting for the Union to accept or reject the formulas so that this process can be moved forward and finalized.

Helen Bradley
HMC/1603

Final Average Compensation:	\$ 27,302.80
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	09/19/2004
Service: 13 Years, 8 Months	
The retiree elected the Option Straight Life in the amount of \$442.50	

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Helen Bradley 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 \$442.50, for as long as she lives.

Paul Chappell
DPW/1600

Final Average Compensation:	\$ 31,807.14
Accumulated Contributions:	13,359.78
DRET:	.00
Effective Date of Retirement	09/18/2004
Service: 11 Years, 1 Months	

The retiree elected the Option Straight Life in the amount of \$721.62

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Paul Chappell 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 \$721.62, for as long as he lives.

Catherine Gardener
Fire/352

Final Average Compensation:	\$ 54,475.55
Accumulated Contributions:	19,437.15
DRET:	33,851.68
Effective Date of Retirement	08/28/2004
Service: 23 Years, 0 Months	

The retiree elected the Option Straight Life in the amount of \$2,714.70

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Catherine Gardener 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 \$2,714.70, for as long as she lives.

Susan Jackson
HMC/1603

Final Average Compensation:	\$ 34,654.88
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	09/15/2004
Service: 24 Years, 6 Months	

The retiree elected the Option Straight Life in the amount of \$1,202.81

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Susan Jackson 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 \$1,202.81, for as long as she lives.

Nancy McCarthy
HMC/RN

Final Average Compensation:	\$ 41,378.00
Accumulated Contributions:	Non-Cont.
DRET:	.00
Effective Date of Retirement	08/31/2004
Service: 17 Years, 9 Months	

The retiree elected the Option Straight Life in the amount of \$919.59

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Nancy McCarthy 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 \$919.59, for as long as she lives.

Victoria McKinney
HMC/Exempt

Final Average Compensation:	\$101,337.46
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	09/16/2004
Service: 15 Years, 3 Months	

The retiree elected the Option Straight Life in the amount of \$1,391.53

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Victoria McKinney 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 \$1,391.53, for as long as she lives.

It was moved by Donald Phillips, and supported by Robert Rosenberger, to approve the Applications for Voluntary Retirement for Helen Bradley, Paul Chappell, Catherine Gardener, Susan Jackson, Nancy McCarthy, and Victoria McKinney.

Upon being put to a vote, the motion to approve the Applications for Voluntary Retirement, with the exception of Steven Anderson, carried unanimously.

6. APPLICATIONS FOR DEFERRED RETIREMENT

Mary Fortenberry
HMC/Exempt

Final Average Compensation:	\$ 68,306.63
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	09/17/2004
Service: 15 Years, 1 Months	
The retiree will elect an Option prior to 06/01/2017	

Aaron McGee
HMC/1603

Final Average Compensation:	\$ 24,665.85
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	07/27/2004
Service: 30 Years, 7 Months	
The retiree will elect an Option prior to 11/01/2007	

Sheila Malone
HMC/1603

Final Average Compensation:	\$ 24,179.93
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	05/05/2004
Service: 17 Years, 2 Months	
The retiree will elect an Option prior to 08/01/2017	

Roberto Mata
Fire/352

Final Average Compensation:	\$ 59,808.09
Accumulated Contributions:	16,093.26
DRET:	35,266.76
Effective Date of Retirement	09/03/2004
Service: 19 Years, 8 Months	
The retiree will elect an Option prior to 01/01/2008	

Charleen Scott
HMC/RN

Final Average Compensation:	\$ 56,229.31
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	07/23/2004
Service: 24 Years, 9 Months	
The retiree will elect an Option prior to 10/01/2004	

Gail Watson
HMC/1603

Final Average Compensation:	\$ 32,919.21
Accumulated Contributions:	Non Cont.
DRET:	.00
Effective Date of Retirement	08/30/2004
Service: 15 Years, 5 Months	
The retiree will elect an Option prior to 07/01/2025	

It was moved by Robert Rosenberger, and supported by Donald Phillips, to approve the Applications for Deferred Retirement for Mary Fortenberry, Aaron McGee, Sheila Malone, Roberto Mata, Charleen Scott, and Gail Watson.

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

7. REVISIONS TO PENSIONS PREVIOUSLY APPROVED

Steven Miller/1799 Revised Contributions \$80,720.71
Revised for Missed Contributions

Francisco Flores/1600 Revised Contributions \$48,279.61
Revised for Missed Contributions

Alan Klee/1600 Revised Contributions \$43,898.94
Revised for Missed Contributions

Lindsey Curtis/1600 Revised Contributions \$27,654.07
Revised for Missed Contributions

Louis Rivas/1600 Revised Contributions \$50,714.67
Revised for Missed Contributions

Per Wanda Twitty, Retirement Supervisor, these revisions represent corrections to previously incomplete information. This listing is for the Board's information only; the pension amounts did not change.

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

8.1 Thomson Venture Economics, Buyouts Symposium West 2004,
October 19-20, 2004, San Francisco, CA.

8.2 Institute for International Research, 13th Annual Public Fund Boards Forum,
December 5-8, 2004, San Francisco, CA.

8.3 International Foundation, Certificate of Achievement in Public Plan Policy,
February 28 – March 1, 2005, Orlando, FL.

8.4 Bank of Ireland Asset Management, 2004 Investment Seminar,
October 27, 2004, Chicago, IL.

A motion was made by Daniel Coffield, and supported by Donald Phillips, to add the stated conferences to the list of authorized conferences.

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

9. 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.)
- 9.1 Standard Federal, Invitation to breakfast while attending MAPERS, October 11, 2004.
- 9.2 Independent Fiduciary Services, Operational Review for Public Pension Funds, October 6, 2004.
- 9.3 TimesSquare Capital Management, AMG to Acquire TimesSquare Capital Management's Growth Equity, September 14, 2004.
- 9.4 David Babson & Co., The Babson Staff Letter, September 10, 2004.
- 9.5 David Babson & Co., The Babson Staff Letter, September 24, 2004.
- 9.6 Mesirow Financial, Invitation to Grand Rapids Art Museum while attending MAPERS, October 10, 2004.
- 9.7 MAPERS, Memo to Lisa DeDolph re: Executive Board Elections, October 5, 2004.
- 9.8 Northern Trust, Global Investments Strategies, September 2004.
- 9.9 Gabriel, Roeder, Smith & Co., Letter to Daniel Coffield re: FERS Transfer Valuation, September 13, 2004.
- 9.10 Gabriel, Roeder, Smith & Co., Letter to Retirement Board re: 13th Check Program, September 29, 2004. (Enclosed)
- 9.11 Letter to Wanda Twitty from Gail Cotter re: Request for copy of independent examination report by MWorks, August 5, 2004.
- 9.12 Letter to Retirement Board from Gail Cotter re: Appeal Request on Duty Disability Retirement, September 16, 2004. (Enclosed)
- 9.13 Letter to Retirement Board from Leroy Macklin re: Reevaluation of Disability Retirement, September 29, 2004. (Enclosed)
- 9.14 E-Mail from Mary Fedorak re: Organizational Changes at Bank of Ireland Asset Management, September 24, 2004. (Enclosed)

- 9.15 Resolution approved by City Council Adopting the 2005 Contribution Rates for the Fiscal Year 2005 for the City of Flint General, Police & Fire, September 27, 2004. (Enclosed)
- 9.16 Resolution approved by City Council Adopting the 2005 Contribution Rates for the Fiscal Year 2005 for Hurley Medical Center, September 27, 2004. (Enclosed)
- 9.17 NCPERS, The Monitor, September 2004.
- 9.18 URGE, Letter to Retirees re: Transfer to MERS, September 3, 2004. (Enclosed)
- 9.19 Plante & Moran, Letter to Daniel Hall re: Audit Proposal, August 30, 2004. (Enclosed)
- 9.20 City of Flint Employees Retirement System, Letter to Northern Trust re: Transition Services Agreement, September 23, 2004.
- 9.21 City of Flint Employees Retirement System, Letter to State Street re: Transfer of Funds, September 23, 2004.
- 9.22 Habeeb Ghattas, Letter to Daniel Hall re: FERS/MERS Transfer, October 7, 2004. (Enclosed)
- 9.23 Pension Flow Chart (731 Fund). (Enclosed)

A motion was made by Robert Rosenberger, and supported by Daniel Coffield, to receive the communications on file.

Chairman Daniel Hall asked Peggy Cook to share #9.23 with the Mayor in preparation for a follow-up meeting.

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

- 10. 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.)
- 10.1 State Street Global Advisors, Account Summary as of August 31, 2004.
- 10.2 Lynch, Jones & Ryan, Trading Summary as of August 31, 2004.
- 10.3 Magna Securities, Commission Recapture Report as of August 31, 2004.

- 10.4 Brandywine Asset Management, Quarterly Investment Review, 2nd Quarter 2004.
- 10.5 SIT Investment Associates, Second Quarter 2004.
- 10.6 State Street Global Advisors, Appraisal Report, September 30, 2004.
- 10.7 RCM, Performance Summary as of August 31, 2004.
- 10.8 Bank of Ireland, Statement of Holdings as of September 30, 2004.
- 10.9 Northern Trust Reports – August 2004. (Enclosed)
- 10.10 Retirement Fund Employee/Employer Contributions. (Enclosed)

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

The Board discussed #10.10 and it was requested that more information be included on this report in the future; i.e., all expenses of the System. Habeeb Ghattas stated that, as Trustees of the assets of the Retirement System, accountability issues indicate that Board Members are legally entitled to detailed expense information for the System.

Peggy Cook asked for a request in writing, itemizing exactly what information is desired, and stated that she would work with Peter Dobrzeniecki to provide information to the Board. Chairman Daniel Hall stated that he would work with Dan Coffield, Sandy Kidd and Don Phillips to write a letter requesting specific financial information.

Upon being put to a vote, the motion to receive the reports on file carried unanimously.

11. STATISTICAL REPORT OF BENEFITS

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

For informational purposes only.

12. APPROVAL OF THE NOVEMBER 1, 2004 PENSION PAYROLL TRANSFER

Per Chairman Daniel Hall, this item will be addressed later in the Agenda (during #19 - the Investment Committee Report).

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

Chairman Daniel Hall asked for an update on any issues related to the MERS transfer.

Daniel Coffield noted that Habeeb Ghattas issued a letter to the Board (Agenda #9.22) outlining the current outstanding issues. The main issue is that the City Council has to approve the necessary Ordinance changes. Dan Coffield, Daniel Hall and other Hurley staff are working with the City Council representatives on the Retirement Board, and the City Council Chair, to bring the matter before the City Council for their vote. If the Retirement Ordinance is changed to accommodate the transfer to MERS, the collective bargaining agreements with Hurley will also have to be amended.

Daniel Coffield stated that, when the Board authorized (at Hurley's cost) Gabriel, Roeder, Smith & Company to perform the actuarial calculations for each Hurley member of the System, it was also approved for Rodwan & Associates to conduct a review of the actuarial calculations, principles, and methodology. Rodwan & Associates has now withdrawn from the project. The Board discussed the necessity of a review of the GRS calculations. Chairman Daniel Hall will contact additional actuarial firms, for price quotes and availability, within the next couple of days.

Motion by Daniel Coffield, supported by Robert Rosenberger, that the Chair and Vice Chair be authorized to engage a second actuarial firm to replace Rodwan & Nichols, at the expense of Hurley Medical Center. The Board is to be given an update on the status of the review at the November 9th Board Meeting.

Discussion followed.

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

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

Tabled.

15. 13th CHECK PROGRAM

Chairman Daniel Hall referenced #9.10 in the agenda packet, a letter from Larry Langer at GRS regarding the 13th Check Program. Larry Langer was unable to attend this meeting, due to another commitment. Chairman Hall expressed his concerns regarding the letter, noting that page 1 (b) states that GRS was “asked by the Board;” however, the question was asked by Donald Phillips, relative to the 13th check being paid and the usage of market rate. That section should state “...asked by a Trustee...” Also, Mr. Hall noted that the calculations are based on past practice. In a telephone discussion with Larry Langer, Mr. Langer stated that the market rate has not been used in the past. Also, page 1 (a) notes, “...no 13th check is to be paid based on current procedures.”

A discussion of the GRS document and related data followed. Chairman Daniel Hall stated that he will ask Larry Langer to attend the November 9th meeting to review the 13th check information with the Board and answer their questions. Also, Ken Brunke, from Callan Associates, will be present at the November 9th meeting and can answer the Board’s questions regarding the money management reports used to determine whether or not a 13th check should be issued this year.

Chairman Daniel Hall tabled further discussion until November 9th.

16. AUDIT COMMITTEE REPORT

- Update/Recommendations
- Plante & Moran Audit Proposal

Chairman Daniel Hall reported that the Audit Committee has not met since the last Board Meeting. They do have the Plante & Moran Audit Proposal for the 2004 audit and will be meeting on that issue soon.

17. DB/DC COMMITTEE REPORT

Robert Rosenberger reported that no meeting has been held since the last Regular Board Meeting. The Committee is waiting for a determination as to whether or not a tax determination letter is needed in order to proceed. Chairman Daniel Hall noted that the tax determination letter will be discussed under “Other Board Business” on this agenda.

The Board recessed for a break at 1:52 p.m.

Chairman Daniel Hall called the Meeting back to order at 2:02 p.m.

18. PROFESSIONAL SERVICES COMMITTEE REPORT

Chairman Daniel Hall stated that, in Georgia Steinhoff's absence, he will present the Professional Services Committee report to the Board. The Committee met on Tuesday, October 5, with Georgia Steinhoff, Amy Lindman, and Daniel Hall present.

Equating Option – Bob Erlenbeck will be contacting Gabriel, Roeder, Smith & Company to change the program to accommodate the new formula language.

Colleen Belanger – Bob Erlenbeck talked to Dr. Roth, who has received her medical records. Dr. Roth wants to send her for additional testing to confirm an allergy to latex. Daniel Hall will ask Hurley Human Resources about her employment status.

Tax Determination Letter – Chairman Daniel Hall distributed to the Board Members:

- 1) a copy of the most current IRS Tax Determination Letter, dated July 22, 1996;
- 2) a letter from Habeeb Ghattas, dated September 28, 2004, regarding the tax determination letter; and
- 3) IRS Publication 794, attached to Mr. Ghattas letter, which addresses the significance and limitations of favorable tax determination letters.

Chairman Hall asked how the Board wished to proceed regarding the tax determination letter. He would like a written response from the City Legal Department concerning their information and opinion on this issue. It was noted that the tax determination letter proves that the City is a municipality, which is required by MERS. Also, the DB/DC conversion requires a tax determination letter and a legal opinion is needed to determine if the current letter, dated 7/22/96, is sufficient. Chairman Hall stated that additional information from Meg Hunter, Special Tax Counsel for the Board, might be helpful.

Habeeb Ghattas noted that the DB/DC Conversion Committee has concerns about the question of whether there is the necessity for an updated tax determination letter. Correspondence from Special Tax Counsel Meg Hunter, of Dykema Gossett, recommended that an updated tax determination letter be requested from the IRS to accommodate tax qualification concerns regarding both the MERS and DB/DC issues. (Also, regarding the MERS issue, Ms. Hunter recommended Ordinance amendments outlining specific transfer methodology. The Board has directed that Mr. Ghattas make recommendations on the ordinance change issues; however, there have not yet been any meetings scheduled.) Mr. Ghattas has asked the City Attorney's office whether they have a more current tax determination letter since the City of Flint, as Plan Sponsor, would maintain that information. He stated that the Board of Trustees, as Trustees of the assets of the System, is clearly charged with the responsibility to ensure that the Plan is administered in accordance with tax qualification provisions. He believes that the most current tax determination letter is the 1996 letter. As a tax-qualified plan, MERS would want some assurance that FERS is a tax-qualified system. It is unclear whether the 1996

letter is adequate for MERS or whether they need an updated letter. The issue of the FERS to MERS transfer is moving from one defined benefit plan to another defined benefit plan, with the rules being basically the same. However, the DB/DC conversion is more complex.

Discussion followed.

Motion by Robert Rosenberger, supported by Daniel Coffield, that the City be given the authority to do all things necessary to move forward on DB/DC, pending the approval of City Council.

Discussion followed. It was noted that the necessary Ordinance amendments for the DB/DC conversion have already been completed. The Board previously approved the transfer methodology, subject to resolution of the issue of the tax determination letter.

Habeeb Ghattas cautioned that the Board should first read IRS publication 794 before they approve moving forward without an updated tax determination letter. He stated that the issues go beyond the simple conclusion of whether or not the City is a governmental unit. The deferred retirement income is not taxed to the individual members, unless the System loses its tax-qualified status. He recommended that the Board have Special Tax Counsel attend a Board Meeting and respond to their questions. In his opinion, the 1996 tax determination letter is outdated and the Ordinance is clear that the responsibility of the Board of Trustees is to administer the System in compliance with tax qualification provisions of the Internal Revenue Code. There have been a number of changes to the Code that impact public employee retirement systems. Without further review or discussion with the City Attorney, he is unsure of the status of those suggested changes. In his opinion, the Ordinance and the tax determination letter must be updated. The Trustees have a responsibility to ensure that both are in full compliance.

Discussion followed. Per Bob Erlenbeck, the City of Flint did consult with Special Tax Counsel and made changes to multiple sections of the Ordinance to ensure that the Retirement System was in compliance with the IRS codes. The Ordinances were, in fact, submitted after July 1st to City Council, with commentary regarding the reasons for those ordinance changes. The City Council has not rescinded or changed any of those ordinances that ensure that the City of Flint is in compliance with IRS regulations within the Retirement System Ordinance.

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

Chairman Daniel Hall asked Habeeb Ghattas about the status of recommendations by Special Tax Counsel Meg Hunter regarding the MERS transfer. Mr. Ghattas responded that Ms. Hunter made the following recommendations: 1) The Retirement Ordinance must be amended to accommodate the MERS transfer; 2) She requested a meeting with the second Actuary that will be retained to review and evaluate the GRS calculations.

Chairman Daniel Hall stated that the City Council should determine whether a new tax determination letter should be obtained from the IRS. Peter Dobrzeniecki noted that Plante & Moran, the System's Auditors, believe that the current tax determination letter is still valid.

Leroy Macklin – Mr. Macklin is a police officer who contacted Bob Erlenbeck because he was denied disability retirement due to the need for additional testing, as recommended by his doctor. The additional testing has been done and information is being forwarded to Dr. Roth. Mr. Macklin is requesting a reconsideration, based on the additional findings. He will be reevaluated by the Committee.

RFP, Consultant Report – 45 RFPS were mailed out by Julie Sadler. The Professional Services Committee will be meeting to review the RFPs. Chairman Daniel Hall reported that Callan Associates has notified him that they are declining to submit a proposal and that their consultant relationship with the Board will end as of January 1, 2005, although they will be happy to assist the Board in the future, under different arrangements.

Kathleen Robinson & Stephen Tarkowski Reevaluations – Bob Erlenbeck is contacting Dr. Roth to set up appointments for additional testing.

PPOM – Bob Erlenbeck is in negotiations with the PPOM. A search is also underway for other companies who could provide the testing services.

Disability Report – Five additional applications have been received. Bob Erlenbeck has sent a medical release form to each; once the forms are returned, he will make examination appointments for them.

Gail Cotter – Requested a reevaluation of her denial of her disability retirement. She has been in contact with him and she plans to attend the next Retirement Board Meeting, with her attorney, to appeal further. She has not submitted additional documentation since Dr. Roth's denial; however, she is in disagreement with the decision. Chairman Daniel Hall noted that Item #9.12 is her appeal request.

19. INVESTMENT COMMITTEE REPORT

A motion to approve the transfer of \$6,000,000 from the State Street Global Advisors (SSGA) S & P 500 Index Fund into the SSGA “drawdown fund” and approve the pension payroll transfer for November 2004 in the amount of \$2,241,295.54 from the SSGA “drawdown fund” to Citizens Bank for payment of the November 1, 2004 pension payroll, was made by Daniel Coffield, and supported by Robert Rosenberger.

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

Daniel Coffield reported that the Investment Committee met on October 8th. The Committee reviewed a letter from Callan Associates regarding the Bank of Ireland’s poor performance. The Bank of Ireland has been on the Board’s watch list for some time and, based on continued poor performance, it is the recommendation of the Investment Committee that the Board terminate their relationship with the Bank of Ireland and transfer the funds to an index fund at State Street Global Advisors.

Motion by Donald Phillips, seconded by Daniel Coffield, to terminate the contract with the Bank of Ireland and transfer the funds to an EAFE index fund at State Street Global Advisors.

Discussion followed. It was noted that State Street should be used as the Transition Manager.

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

Daniel Coffield reported that discussion items on the Committee’s agenda included the FERS to MERS transfer and the Consultant RFP. He noted that the Investment Committee will assist the Professional Services Committee with the consultant selection process.

Chairman Daniel Hall and Attorney Habeeb Ghattas reported on the status of the Dodge & Cox equity contract. Mr. Ghattas noted that the contract was signed in January 2004, but never implemented. Part of the reason was that there was no sense of urgency, in terms of the MERS/FERS issue and, since that time, there has been the decision of the judge with regard to compliance with the Ordinance, which requires approval of fees by the City Council. The Investment Committee recommends that this be forwarded to the City Council to request approval of fees. Chairman Daniel Hall also noted that the contract should be attached to the memo to Council.

Motion to move the approval of fees for Dodge & Cox to City Council made by Daniel Coffield, supported by Donald Phillips.

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

20. EDUCATION/ TRAVEL/ TRAINING COMMITTEE

Chairman Daniel Hall addressed the issue of a budget for funding education, travel and training. Bob Erlenbeck reported that the City Council has reallocated monies in the budget, which included taking \$150,000 out of the Retirement System's \$200,000 budgeted for professional services. Therefore, it will be difficult to pay the professional service fees this year, which includes actuarial fees, auditors' fees, etc. The legal fees are paid out of the Law Office budget, which received substantial budget cuts by the City Council also. Therefore, there is no money in the Retirement System budget to be transferred into the travel line item. Any additional funds desired will require City Council approval.

Discussion followed. Daniel Coffield noted that, when the City Council approves the fees in the contract for Dodge & Cox, the budget will need to be amended to allow for payment of those fees.

Chairman Daniel Hall stated that this Committee needs to meet soon to discuss these issues.

21. ELECTION RULES COMMITTEE

Chairman Daniel Hall stated that this Committee needs to meet before the next election early in 2005.

22. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Daniel Hall reported that there have been no meetings of this Committee. In addition to Mr. Hall, members currently include Georgia Steinhoff and Donald Phillips.

23. LEGAL COUNSEL UPDATES

Retirement Ordinance Changes – Chairman Daniel Hall noted that Attorney Habeeb Ghattas sent a letter to City Council requesting a meeting; however, no meeting date has been set.

Teresa Beatenhead – Tabled by Chairman Daniel Hall.

24. UPDATING COMPUTER PROGRAM FOR EQUATING OPTION

Bob Erlenbeck reported that the program has not yet been updated. He will be meeting with Larry Langer from GRS to change the program, since ages and birth dates have to be programmed also to build in the new social security equating option language.

25. DISCUSSION OF HABEEB GHATTAS' CONTRACT AND OUTSTANDING LEGAL ISSUES

Peter Dobrzeniecki led a discussion of the necessity of having Attorney Ghattas attend all board and committee meetings and recommended that his contract be terminated and that his services be utilized on an "as-needed" basis, noting that City funds are now severely limited.

Daniel Coffield expressed concerns over the length of time involved in executing Investment Committee recommendations/Board decisions and recommended that ways be developed to streamline the processes. Discussion followed. It was noted that many of the issues that are holding up awards of funds to new money managers relate to the legal documents required.

Habeeb Ghattas noted that, as a result of the decision of the Judge in May regarding whether State Law pre-empts the Ordinance, the Board resolved (with Counsel recommendations and pending a determination from the Court of Appeals as to whether or not the Board has the authority to expend its own funds) to work with the City Council, as required by the Ordinance. A letter went to the President of the City Council in June, from Chairman Daniel Hall, asking him to meet in order to discuss potential Ordinance changes, protocols and procedures for approval of fees, etc. To date, that meeting has not been scheduled. He has suggested that contracts be drawn up and then given to the City Council for approval of the fees. Following is a status report on the pending contracts, as given to the Investment Committee at their last meeting:

Wells Capital: Mr. Ghattas noted that when he contacted Wells Capital regarding the Board's commitment to invest with them, Wells indicated that they had not been informed that they were getting the FERS account. Mr. Ghattas stated that it was not his responsibility to notify them. He explained to Wells the status of the Retirement System in relation to the City Council, based on Judge Yuille's decision, and the requirement that the City Council approve the fees, noting that the case was pending in the Court of Appeals. Wells expressed concerns about working with the Retirement System under those conditions. Mr. Ghattas asked them to forward their concerns, in writing, to Board Chairman Daniel Hall, Investment Committee Chair Daniel Coffield, or Peter Dobrzeniecki, Secretary/Fund Administrator. To date, there has been no response.

Munder: A draft contract was sent to Mr. Ghattas several months ago by Munder and he incorporated his suggested changes and concerns. Past practice has been that, once the Board has approved entering into a contract, as part of his responsibilities to draft the contract, he requests that the manager send him their proposed language and he attempts to incorporate their provisions with the form that he has generated in the past. The draft contract has been sent to Munder; however, they have not responded and he does not know whether there are contract issues that are beyond resolution. One of their specific concerns is their contractual requirement that the laws of the state in which they are incorporated have jurisdiction over the contract. That cannot be the case with regard to pension systems and the State of Michigan.

Bank One: Clarence Lewis at Bank One told Mr. Ghattas that their practice is not to send a draft contract until or unless they have a copy of an investment policy. Mr. Ghattas told them that the Board was in the process of updating their investment policy and, if there were any specific concerns, the Board would attempt to address them. However, they were not inclined, based upon their legal advisors, to send a draft contract. Mr. Ghattas told them he would draft a boilerplate contract and send it to them when he was in a position to do so. Later that day, Mr. Lewis called and stated that he had received information from his legal advisors that he could send a draft; however, a draft has not been received.

Piedmont: The draft contract was created and sent to them and he is awaiting their response or reply.

Discussion followed regarding the length of time it takes, after awarding a contract, to establish the funding, the need for a review of Mr. Ghattas' contract, and the need for better procedures to shorten the length of time for Board decisions to be implemented.

Chairman Daniel Hall noted that in 2002-03, in the lawsuit *City of Flint v. Habeeb Ghattas*, Judge Yuille ruled that the Board should maintain the status quo until a ruling on the appeal. Mr. Hall stated that the Board can decide what meetings they want Mr. Ghattas to attend.

Mr. Ghattas was asked to provide, in writing by the next meeting, a complete update of actions on all pending money manager contracts. It was noted that, once the contracts are in place, the Council must approve fees before the contracts can be funded.

Discussion followed regarding the need for current performance information on the money managers once the fees are approved and the Board is ready to fund the contracts.

Chairman Daniel Hall asked Habeeb Ghattas to contact Wells Capital by telephone regarding their discussion with him that they were unsure whether they wanted to work with FERS on a fixed income investment of \$40,000,000 and ask for a response within 72 hours.

Chairman Daniel Hall noted that a copy of the contract with Habeeb Ghattas will be provided to the Trustees at the next meeting.

Discussion followed regarding the Retirement Ordinance, as the Governing Document for the Retirement System. The Ordinance refers to the development, by the Retirement Board, of rules and procedures by which business should be handled, such as the processes for transferring funds, etc. Concrete rules and procedures need to be developed. There has been some progress in terms of developing investment reports and processing disability retirements.

Chairman Daniel Hall tabled this item for further discussion at the next Regular Board Meeting. He asked Board Members to bring their recommendations at that time.

26. OTHER BOARD BUSINESS

Bob Rosenberger requested that the DB/DC Committee Report be removed from future agendas. Chairman Daniel Hall stated that it will be removed, unless it is requested specifically to be listed in the future. It is now the task of City Administration to implement the DB/DC conversion.

Daniel Hall stated that Mary Guy, from SSGA, will be in attendance at the November 9th Money Manager Review Meeting. She has also been asked to review their fee schedule at that time.

Don Phillips asked for mailboxes for the Trustees at City Hall so they can pick up their mail and receive it on a more timely basis than waiting for the agenda packets. Bob Erlenbeck stated that his office will address this issue.

Don Phillips stated that he believes the Retirement System should have a full-time Administrator, as well as its own facilities. Discussion followed.

27. ADJOURNED

A motion was made by Robert Rosenberger, and supported by Daniel Coffield, to adjourn the meeting at 3:46 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki
Secretary