

**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, September 20, 2005, at 1:00 p.m. at City Hall, City Council Committee-of-the-Whole Room, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, Douglas Bingaman, Daniel Coffield, Peter Dobrzeniecki, Robert Erlenbeck, Janice Kehoe, Sandra Kidd, Alvern Lock, Donald Phillips, Robert Rosenberger, Georgia Steinhoff, Edward Taylor

ABSENT Peggy Cook, Mark Horrigan, Amy Lindman, Cass Wisniewski

ALSO PRESENT Ivory Day, Jr., Senior Consultant, Gray & Company  
Habeeb Ghattas, Attorney for the Retirement Board  
Wanda Twitty, Retirement Manager

**1. CHAIRPERSON CALLS THE MEETING TO ORDER**

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

**2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD**

Retiree Joyce Lanckton submitted a letter to the Board of Trustees requesting a new hearing date.

**3. APPLICATIONS FOR VOLUNTARY RETIREMENT**

**Pamela Insalaco**

**HMC/Exempt**

Final Average Compensation: \$ 53,512.60

Accumulated Contributions: Non-Cont

DRET: .00

Effective Date of Retirement 08/27/2005

Service: 18 Years, 3 Months

The retiree elected the Option Straight Life in the amount of \$3,099.92.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Pamela Insalaco 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 \$3,099.92, for as long as she lives.

**Ruthann Webb**

**HMC/1603**

Final Average Compensation:	\$ 34,473.10
Accumulated Contributions:	6,507.56
DRET:	20,123.20
Effective Date of Retirement	07/22/2005

Service: 13 Years, 9 Months

The retiree elected the Option A in the amount of \$816.14.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Ruthann Webb 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 A in the amount of \$816.14, for as long as she lives.

**Mark Blough**

**City/Lts&Cpts**

Final Average Compensation:	\$ 85,497.67
Accumulated Contributions:	73,719.57
DRET:	.00
Effective Date of Retirement	08/05/2005

Service: 24 Years, 7 Months

The retiree elected the Option B w/pop-up in the amount of \$3,908.96.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Mark Blough 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 \$3,908.96, for as long as he lives.

**Larry Patrick**

**HMC/1603**

Final Average Compensation:	\$ 46,137.01
Accumulated Contributions:	26,610.89
DRET:	26,607.44
Effective Date of Retirement	07/23/2005

Service: 30 Years, 11 Months

The retiree elected the Option C w/pop-up in the amount of \$2,222.01.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Larry Patrick be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option C w/pop-up, in the amount of \$2,222.01, for as long as he lives.

**Alma Lawler**  
**City/1799**

Final Average Compensation:	\$ 54,344.35
Accumulated Contributions:	30,015.52
DRET:	3,285.06
Effective Date of Retirement	08/27/2005
Service: 25 Years, 0 Months	

The retiree elected the Option Straight Life in the amount of \$2,721.75.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Alma Lawler 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 \$2,721.75, for as long as she lives.

**John VanConant**  
**HMC/1603**

Final Average Compensation:	\$ 30,812.38
Accumulated Contributions:	20,020.59
DRET:	18,626.01
Effective Date of Retirement	08/26/2005
Service: 25 Years, 1 Months	

The retiree elected the Option Straight Life in the amount of \$1,465.73.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for John VanConant 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 \$1,465.73, for as long as he lives.

**Erlinda Barreras**

**HMC/MTO**

Final Average Compensation:	\$ 84,358.56
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	07/23/2005
Service: 35 Years, 2 Months	

The retiree elected the Option Straight Life in the amount of \$4,059.76.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Erlinda Barreras be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option Straight Life, in the amount of \$4,059.76, for as long as she lives.

**It was moved by Georgia Steinhoff and supported by Ed Taylor, to approve the Applications for Voluntary Retirement for Pamela Insalaco, Ruthann Webb, Mark Blough, Larry Patrick, Alma Lawler, John VanConant, and Erlinda Barreras.**

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

**4. APPLICATIONS FOR DEFERRED RETIREMENT**

**Wendy Buterakos**

**HMC/Exempt**

Final Average Compensation:	\$ 41,028.02
Accumulated Contributions:	Non-cont
DRET:	.00
Effective Date of Retirement	08/01/2005
Service: 17 Years, 2 Months	

The retiree will elect an Option prior to 10/01/2019.

**Eric Reischling**

**HMC/Exempt**

Final Average Compensation:	\$ 50,246.64
Accumulated Contributions:	Non-Cont
DRET:	.00
Effective Date of Retirement	07/22/2005
Service: 10 Years, 7 Months	

The retiree will elect an Option prior to 04/01/2028.

**Rosalie Jaeger**

**HMC/RN**

Final Average Compensation:	\$ 66,112.56
Accumulated Contributions:	Non-Cont.
DRET:	.00
Effective Date of Retirement	07/20/2005
Service: 19 Years, 8 Months	

The retiree will elect an Option prior to 06/01/2019.

**Linda Belford**

**HMC/Exempt**

Final Average Compensation:	\$ 83,855.37
Accumulated Contributions:	Non-Cont.
DRET:	.00
Effective Date of Retirement	08/19/2005
Service: 21 Years, 10 Months	

The retiree will elect an Option prior to 01/01/2014.

**Kristi George**

**HMC/NMO**

Final Average Compensation:	\$ 61,483.73
Accumulated Contributions:	Non-Cont.
DRET:	.00
Effective Date of Retirement	07/21/2005
Service: 16 Years, 10 Months	

The retiree will elect an Option prior to 09/01/2024.

Attorney Habeeb Ghattas asked that Linda Belford's application be tabled for further review. Ms. Belford and her Attorney, Loyst Fletcher, have expressed concerns regarding her service credits. Wanda Twitty stated that her application was reviewed and is now undergoing a second review. The first review confirmed the numbers as presented. Attorney Ghattas would like an opportunity to respond to her attorney after the second review is completed and prior to approval by the Board. Discussion followed.

**It was moved by Georgia Steinhoff, and supported by Ed Taylor, to approve the Applications for Deferred Retirement for Wendy Buterakos, Eric Reischling, Rosalie Jaeger, and Kristi George.**

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

**5. OPTIONS PICKED BY DEFERRED & DISABILITY RETIREMENTS**

Michael Szuch/City	Option C w/pop-up \$2,379.40
William Kyles/City	Option Straight Life \$ 2,083.34
Faye List/HMC	Option B, \$2,328.57

For information only.

**6. APPROVAL OF PENSION PREVIOUSLY APPROVED**

Jeffrey Shurter/1799 Revised FAC \$45,919.63  
**Correction of FAC pursuant to available pay periods**

For information only – no action is necessary.

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

- 7.1 Strategic Research, 7<sup>th</sup> Annual Distressed Debt Investing Forum, November 7-8, 2005, Las Vegas, NV.
- 7.2 NYU, 9<sup>th</sup> Annual Investment Management for Institutional Investors, November 13-16, 2005, San Francisco, CA.
- 7.3 Institute for International Research, 14<sup>th</sup> Annual Public Fund Boards Forum, December 4-7, 2005, San Francisco, CA.

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

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

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

- 8.1 NCPERS, 2005 Washington Report, September 2005.
- 8.2 Kirby McInerney & Squire, The Fiduciary Report, 4<sup>th</sup> Quarter 2005.

- 8.3 Merganser Capital, Investment Memorandum, 2<sup>nd</sup> Quarter 2005.
- 8.4 Babson Capital, The Babson Staff Letter, August 12, 2005.
- 8.5 Babson Capital, The Babson Staff Letter, September 9, 2005.
- 8.6 Invitation to Monday Night Football/Beer Tasting Festival at the 2005 MAPERS Fall Conference, September 26, 2005, Grand Traverse Resort, Acme, MI.
- 8.7 Gabriel, Roeder, Smith & Co., Invitation to their Hospitality Room at MAPERS Conference, September 26, 2005, Grand Traverse Resort, Acme, MI.
- 8.8 Public Safety Employees Pension & Benefits Conference, Conference scheduled for October 9-12, 2005 has been postponed, August 16, 2005.
- 8.9 Bank of New York, News Release, August 1, 2005.
- 8.10 Northern Trust, Global Investments Strategy, September 2005.
- 8.11 NCPERS, First Report NCPERS Task Force on Health Care Benefits, January 2003.
- 8.12 NCPERS, Second Report NCPERS Task Force on Health Care Benefits, January 2004.
- 8.13 NCPERS, Creating a Retiree Medical Trust, September 2005.
- 8.14 Intercontinental Real Estate Corp, Letter to Daniel Hall re: Distribution of Funds, August 16, 2005. (*Enclosed*)
- 8.15 Bank of Ireland, Letter to Debbie Stephens re: Outstanding issues, August 17, 2005. (*Enclosed*)
- 8.16 Letter to Lorna Woods-Johns from Bob Erlenbeck re: Purchase of Time, August 22, 2005. (*Enclosed*)
- 8.17 Memo to Wanda Twitty from Johnnie Coleman re: Retirement from HMC, August 31, 2005. (*Enclosed*)
- 8.18 Memo to Daniel Hall & Retirement Board from Bernice Calvin, AFSCME Local 825 re: Choice between FERS and MERS, September 13, 2005. (*Enclosed*)
- 8.19 Initial Draft Language to transfer from FERS to MERS, February 3, 2005. (*Enclosed*)

- 8.20 Letter to Bob Erlenbeck from Joyce Lanckton re: Hearing Date, September 2, 2005.  
(Enclosed)
- 8.21 Letter to Joyce Lanckton from Bob Erlenbeck re: Hearing Date, September 8, 2005.  
(Enclosed)
- 8.22 Letter to Retirement Board from Retiree Wesley Crayton re: FAC, September 9, 2005.  
(Enclosed)
- 8.23 Gray & Co., Memo from Andrew Kelsen re: Capital Bidco, September 12, 2005.  
(Enclosed)

Discussion followed. Chairman Daniel Hall stated that Item #s 8.17 and 8.18 would be discussed later in the agenda, along with other MERS issues. Wanda Twitty reported that there were issues with Wesley Crayton (reference #8.22), who retired in 2004, regarding the pay periods used for his FAC calculation. There was a signed letter in his file requesting specific pay periods, which were used in his calculations; some time later he called the Retirement Office and stated that he wanted to switch to calendar years. He believed the phone conversation should have taken precedence over the signed letter, which was not the case.

The Board discussed #8.23, a letter from Andrew Kelsen, Specialist in Alternative Assets at Gray & Company. Chairman Hall stated that he and Mr. Kelsen attended a meeting at Capital BidCo previously and he would like to attend another meeting scheduled in mid-October. He would like a representative from Gray & Company to attend with him again. Chairman Hall stated that Steve Sandstedt at Capital BidCo has not been very cooperative in providing requested information. He asked the Consultant to investigate what the million-dollar check recently received from Capital BidCo represented.

**A motion was made by Georgia Steinhoff, and supported by Ed Taylor, to authorize Chairman Daniel Hall to attend the meeting of Capital BidCo, at a date and location to be determined, along with a representative from Gray & Company.**

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

**A motion was made by Ed Taylor, and supported by Georgia Steinhoff, to receive the communications and place them on file.**

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



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

- 9.1 LSV Asset Management, Account Performance as of July 31, 2005.
- 9.2 Lynch, Jones & Ryan, Trading Summary as of July 31, 2005.
- 9.3 Magna Securities, Commission Recapture Report as of July 31, 2005.
- 9.4 Sit Investment Associates, Account Performance as of June 30, 2005.
- 9.5 State Street Global Advisors, Appraisal Report as of August 31, 2005.
- 9.6 Globeflex Capital, Performance Update as of June 30, 2005.
- 9.7 Ariel Mutual Funds, Quarterly Report, 2<sup>nd</sup> Quarter 2005.
- 9.8 Fidelity Investments, Monthly Investment Update as of August 31, 2005.
- 9.9 Fidelity Investments, Distribution as of September 14, 2005.
- 9.10 Fidelity Investments, Capital Contribution, September 13, 2005.
- 9.11 Northern Trust Reports – June & July 2005 (*Enclosed*)
- 9.12 Retirement Fund Employee/Employer Contributions (*Enclosed*)

**A motion was made by Georgia Steinhoff, and supported by Ed Taylor, to receive the reports and place them on file.**

Discussion followed.

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

**10. STATISTICAL REPORT OF BENEFITS (for informational purposes only)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number Retired	3,001	3,002	3,025
Annualized Payroll	\$ 61,357,283	\$ 62,627,143	\$ 64,511,479

**11. APPROVAL OF THE OCTOBER 1, 2005 PENSION PAYROLL TRANSFER**

**A motion was made by Robert Rosenberger, and supported by Robert Erlenbeck, to approve a transfer in the amount of \$4,980,700.00, from the Northern Trust S & P 500 provisional account to Citizens Bank, for payment of the October 1, 2005 pension payroll.**

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

**Motion made by Georgia Steinhoff, and supported by Ed Taylor, to move Item #26 forward in the agenda to be discussed concurrently with Item #s 12 and 13, the three items being related to the potential MERS transfer.**

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

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

Chairman Daniel Hall stated that the actuaries are working on the development of the methodology for active employees to transfer to MERS. They hope to have the information ready to present to the Board at the October Regular Board Meeting.

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

Tabled by Chairman Daniel Hall, who noted that the Board has held additional meetings to continue their deliberations and identify various issues that must be addressed in order to facilitate the transfer.

**26. FERS TO MERS**

The Board discussed Johnnie Coleman's request to retire from FERS (reference Agenda Item #8.17) instead of MERS. Mr. Coleman stated that he transferred from Local #1603 to Local #1973 shortly after the new contracts took effect and he began the retirement application process 2 or 3 months ago. Daniel Coffield noted that a clarification letter, regarding the effective date for MERS to begin processing retirements, was sent by Hurley Medical Center to Peter Dobrzeniecki, City Finance Director, on Friday.

Chairman Daniel Hall declared a recess at 1:38 p.m. to allow time to obtain copies of the Hurley letter for the Trustees.

The meeting was called back to order by Chairman Daniel Hall at 1:55 p.m.

Chairman Daniel Hall distributed to the Trustees copies of two letters (dated July 15, 2005, and September 16, 2005) from Daniel Coffield, CFO at Hurley Medical Center, to Peter Dobrzeniecki, Finance Director at the City of Flint regarding MERS.

Discussion followed. Daniel Coffield stated that the intent of the July letter was to indicate that Hurley intended to honor the contracts, in response to an unfair labor practice charge. That letter noted that “retirements already in process” should continue with FERS because MERS did not yet have the capability to begin paying people, thus avoiding harm to anyone about to retire.

Chairman Daniel Hall noted that the September 16<sup>th</sup> letter has not yet been reviewed by the City Attorney or the Board’s Attorney.

Attorney Habeeb Ghattas stated that the September 16<sup>th</sup> letter appears to be giving instructions for implementing the collective bargaining agreements. His understanding of the term “formal application,” as referenced in the letter, would mean a signed Application for Retirement, submitted to the Retirement Supervisor by a member of the System, thus beginning the retirement process, ultimately to be submitted to the Board of Trustees for approval.

Discussion followed. Retirement Supervisor Wanda Twitty reported that Johnnie Coleman signed his application for retirement on September 1, 2005 with an effective retirement date of October 1, 2005. Mr. Coleman first came to the Retirement Office in June 2005 to discuss his retirement options.

Chairman Hall stated that some of the new contracts contain confusing and conflicting language referencing MERS and FERS, which could create further problems. The language also varies greatly from one contract to another. The bargaining groups and the Medical Center need to resolve and clarify the contract language.

Mr. Erlenbeck stated that his staff is being asked to calculate redeposits and make FAC calculations for MERS; however, he is unwilling to allow his staff to assist MERS unless the City is formally indemnified and held harmless. He has requested a letter from the City Attorney to MERS and Hurley advising that the City staff can only provide information, not perform calculations.

Ed Taylor distributed copies of the Ordinance language he has been working on. Discussion followed regarding the proposed Ordinance language. Hurley's attorneys gave the City their recommended language in February 2005. Ed Taylor has worked with others on the revisions since then. Hurley's draft of the Ordinance language recommendations referred to giving bargaining units the opportunity to stay in FERS or transfer to MERS. However, under PERA, the Medical Center and the bargaining units would have to reopen the contracts in order to come to an agreement allowing individual choice, since they had voted to transfer to MERS as a group. Ed Taylor noted that his proposed ordinance language does not allow for a choice for those bargaining units that voted to go to MERS.

Bernice Calvin, President of Local #825, stated that they voted on November 24, 2003, to transfer to MERS. However, in a meeting with Local #825 members about six months ago, the majority of them indicated their desire to stay with FERS. As their President, she is asking the Board to allow them that choice. Local #825 members believe that the Letter of Understanding, as a legal part of their contract, does allow them to have a choice. They have hired an attorney who agrees the Letter is a part of their contract and can only be changed by the parties that signed it. He confirmed their position that PERA also protects their Letter of Understanding and, unless it is respected as part of their contract, there will be a lawsuit against Hurley and FERS.

Chairman Daniel Hall stated that Bernice Calvin's letter (reference Agenda Item #8.18) cites Local #825's contract, which states that all permanent employees shall be entitled to membership and benefits of the City of Flint Employees Retirement System, referencing Ordinance #625, dated April 22, 1946, as amended.

Further discussion followed regarding the employees who have retired from FERS instead of MERS since July 1, 2004.

Dan Coffield agreed that the attorneys for the seven bargaining units should meet with the Hurley Attorneys and standardize the contract language relating to FERS and MERS. He would support the collective bargaining process being reopened to allow for individual choice. In terms of the non-union/exempt employees, he would prefer Ordinance language allowing them the option to transfer.

Daniel Coffield left the meeting at 2:48 p.m.

#### **14. RECEIVING OF THE 59<sup>TH</sup> ANNUAL ACTUARIAL VALUATION**

Tabled by Chairman Daniel Hall.

**15. STATUS OF EMPLOYER CONTRIBUTION RATES – HURLEY MEDICAL CENTER**

Tabled by Chairman Daniel Hall. He stated that a resolution was needed to adopt the fiscal year 2006 rates for Hurley Medical Center.

**16. AUDIT COMMITTEE REPORT**

Tabled by Chairman Daniel Hall.

**17. 13<sup>th</sup> CHECK PROGRAM COMMITTEE**

Georgia Steinhoff reported that there was a meeting yesterday, with Larry Langer present by conference call. The consensus of the Committee is that this issue will remain “status quo.”

**18. INVESTMENT COMMITTEE REPORT**

Chairman Daniel Hall reported that the Committee would be meeting with Gray & Company to evaluate the best source(s) of the assets to be transferred to MERS and investigate ways to keep the fees to a minimum when converting from stocks to cash.

**19. GRAY & COMPANY**

Chairman Daniel Hall moved this item to the end of the agenda.

**20. PROFESSIONAL SERVICES COMMITTEE REPORT**

Committee Chair Georgia Steinhoff reported that the Committee met on September 12. They discussed the letter from Attorney Loyst Fletcher to Attorney Ghattas regarding Linda Belford. Wanda Twitty will research the issues raised and report back to the Committee. The Committee also recommends a new hearing date for Ms. Lanckton.

Chairman Daniel Hall stated that the Committee is in the process of reviewing the Board’s contract with Attorney Habeeb Ghattas. He also stated that Milberg Weiss has contacted him requesting approval to obtain additional data from Northern Trust. However, any data more than two years old (which has already been provided by Northern Trust) would incur fees for research and copying. Chairman Hall has indicated to Milberg Weiss that the Board is not inclined to incur any fees for this research.

**21. FINANCE COMMITTEE**

Tabled by Chairman Daniel Hall.

**22. HURLEY MEDICAL CENTER ELECTION RESULTS**

Chairman Daniel Hall asked for a resolution to certify the election held at Hurley Medical Center (reference Item #22 in the Agenda packets) in August.

**A motion was made by Georgia Steinhoff, and supported by Ed Taylor, to certify the election on Friday, August 26th, of Hurley Medical Center Trustees Janice Kehoe and Daniel Hall, and Alternate Sandra Kidd.**

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

Chairman Daniel Hall reminded the Board that new/re-elected Trustees and Alternates must be sworn in at the City Clerk's office within ten days of the board meeting at which they are certified.

Chairman Daniel Hall stated that he would be contacting Hurley's new CEO, Patrick Wardell, to request an appointment to fill the vacancy for the Hurley employee member alternate.

**23. FOIA REQUESTS**

Chairman Daniel Hall stated that all information requests are to be referred to Peter Dobrzeniecki, as Secretary of the System, for appropriate handling.

**24. RETIREMENT ORDINANCE REVISION COMMITTEE**

There have been no meetings of this Committee, per Chairman Daniel Hall.

**25. LEGAL COUNSEL UPDATES**

*Retirement Ordinance Changes (MERS)* - Attorney Habeeb Ghattas reported that he reviewed the drafts and has had no further involvement with regard to proposed changes.

*Claude Miller Update* – Attorney Ghattas noted that Claude Miller is the named plaintiff in a class action suit filed against the City, the collective Board of Trustees and the individual Trustees. The City of Flint and the Board of Trustees sought dismissal of the Complaint. The Court granted Dismissal ordering, consistent with the MERC ruling, that affected individuals would be entitled to two years of FAC at 26 pays and 1 year at 27 pays, based upon the contracts that were in place at the time. This decision relates only to the affected members that are part of that lawsuit. There was a “sister” lawsuit filed also, the Ron Rutherford class action suit. Essentially, the Court ruled the same way: to the extent that 26 pays is the rule, there should be 26 pays for 2 years and 1 year at 27 pays, for FAC calculations, based upon past practice. Attorney Ghattas further stated that he received a letter on September 16<sup>th</sup> from Michael Bommarito, the attorney representing the Claude Miller class, requesting concurrence with his filing of a proposed Motion for Clarification and Reconsideration of the Court’s September 8, 2005, order. Attorney Ghattas indicated that he and Attorney Spender declined to concur.

*Velma Wright* – Attorney Ghattas has had no further contact from Attorney George Washington, the Labor representative, or her private counsel.

*Colleen Belanger* – Attorney Ghattas received a letter from her attorney on 8/30/05 asking to attend the next Retirement Board Meeting. He responded to Attorney Keller that the next regularly scheduled board meeting was on 9/20/05 and he was welcome to attend, as the meetings are open to the public. However, the Board has not scheduled a hearing for Ms. Belanger, pending a follow-up review by the System’s Medical Director.

*Fidelity Management* – Attorney Ghattas stated that Fidelity Management is the Real Estate Group that the Board has invested in. There are concerns with a proposed change in their investment parameters. The original Statement of Investment Policy referenced investment in condominiums being 20% of the capital commitment. FERS has received notification that they are requesting an amendment to that investment policy to allow Fidelity to increase the amount of exposure to 30% in condominiums and they made specific reference to mezzanine debt financing. Attorney Ghattas has discussed this request with Gwelda Swilley-Burke and Andrew Kelsen at Gray & Company. Fidelity’s rule, with regard to changing the policy, is that if three-fourths of the investors agree to it, the policy will be changed. Therefore, even if the Board rejected their proposal, the change is likely to happen. The Board of Trustees did not agree in order to make a statement that this is matter of concern. Moreover, the Board is requesting further information as to the types of investments in this asset class. Attorney Ghattas has spoken with Alex Guadagno at Fidelity, expressing the Board’s concerns and requesting updated information as to the nature of the investments. Although Mr. Guadagno indicated that he would provide the information by today, it has not yet been received. Attorney Ghattas will review that information with Gray & Company staff and report back to the Board. Attorney Ghattas also informed Mr. Guadagno that their recent correspondence listed the City of Flint as the Investor, instead of the City of Flint

Employees Retirement System, and he asked that this be corrected.

Chairman Daniel Hall reported to the Board that the City did not pay Attorneys Habeeb Ghattas and Steven Spender for their most recent invoices.

Attorney Ghattas stated that, pursuant to an action of the Board of Trustees vs. the City of Flint, Judge Richard Yuille approved an order granting the Board's Motion for Entering a Preliminary Injunction to maintain the status quo. The last paragraph of that order entered on May 1, 2002, provides that the City of Flint and its officers, agents, employees and attorneys are prohibited from restricting or otherwise interfering with the Board of Trustees' retention of the Law Offices of Habeeb Ghattas as their independent legal counsel. The City was ordered to process the payment of fees for legal services to the Law Offices of Habeeb Ghattas as it had done previously. If these bills are not paid immediately, Attorneys Ghattas and Spender are prepared to file a motion, before the end of the week, to direct the City to process the payments, per past practice, consistent with the Court's order. It is hoped that this issue will be resolved prior to filing the motion.

Discussion followed.

Chairman Daniel Hall asked for discussion regarding Mrs. Joyce Lanckton's request for a hearing date.

**A motion was made by Georgia Steinhoff, supported by Janice Kehoe, to set the hearing for Mrs. Joyce Lanckton on Tuesday, October 25, at 1:00 p.m.**

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

## **19. GRAY & COMPANY**

Ivory Day, Jr. reported on the status of the Small Cap Value Manager Search. After the three presentations to the Board of Trustees, two were chosen for consideration based upon the satisfactory negotiation of fees. Allegiant had indicated they would manage a portfolio of \$30-60 million dollars for a fee of 66 basis points. Keeley indicated that they would manage a similar portfolio for 60 basis points. The instructions he received from the Trustees were that, if both would agree to a fee of 60 basis points, the funds would be split between them. Mr. Day reported to the Board that his negotiations with the two managers resulted in their agreement to reduce their fees to 50 basis points each. This is a savings of \$48,000 from Allegiant and \$30,000 from Keeley, on a \$30 million portfolio. At his request, Allegiant and Keeley sent their proposed contracts to the Fund's Attorney, who is in the process of reviewing them and working with the managers to ensure that the contracts are within State of Michigan guidelines. The fees will also need to be submitted to the City Council for approval.



Ivory Day, Jr. reported on the status of the International Equity Manager Search. The Board voted to hire Fischer, with a \$20,000,000 investment, and LSV with \$25,000,000. Mr. Day was asked to evaluate the fee structure for separate accounts vs. commingled funds. The fee for a separate account at LSV is 83 basis points and for a commingled account is 85 basis points. At Fischer, the fee is 83 basis points for a separate account, and 95 basis points for a commingled account. With a separate account, there are also custody fees and transaction costs. At LSV, the difference between the commingled and separate accounts is about \$5,000 in favor of the separate account until transaction costs are added, which amounts to about \$4,000, a \$1000 difference. The transaction costs represent \$20 per transaction, which is charged by the custodian. The charge is based on where the transactions are made, what countries they are investing in, etc. This estimate of \$4,000 for transaction fees is assuming a 200% turnover (100% turnover to sell and then buy). The difference is more substantial with Fischer, where the separate account charge is 83 basis points and the commingled is 95 basis points. On a \$20 million account, separate account fees would be \$166,000 and commingled would be \$190,000, a \$24,000 difference in fees. Applying transaction costs in the same way (\$4,000), the difference would be \$20,000. A major concern is that transaction costs are, in reality, unlimited. His advice, therefore, is to invest with a commingled fund. It appears that this fund does not have any specific requirements that would cause the manager to need to have a separate account; however, the Fund Attorney needs to determine if there are any potential conflicts with Michigan law. If he finds issues regarding the commingled fund that makes it incompatible with Michigan law, then Mr. Day would recommend the separate accounts.

Mr. Day noted that the Consultants were asked for their recommendations regarding meetings with money managers. They recommend that each manager attend a Board Meeting at least once a year to report on their investment philosophy and strategy and answer the Board's questions. At this time, there are four managers that should be scheduled to meet with the Board within the next few months: Large Cap - ICON Advisers, Core - Dodge & Cox, Growth – Globalt, Inc., and a Small Cap managers. Discussion followed.

Chairman Daniel Hall decided to schedule a special board meeting on November 23<sup>rd</sup>, for the purpose of a money manager review, at 1:00 p.m. at City Hall.

**26. FERS TO MERS**

(Discussed previously.)

**27. OTHER BOARD BUSINESS**

Donald Phillips reported to the Board on the status of the lawsuit Ron Rutherford et al vs. the City of Flint and the Retirement Board. Mr. Gibbs, the attorney for the plaintiffs, has filed a Motion for Reconsideration with Circuit Court Judge Yuille. This is the first step in the appeal process. If Judge Yuille does not reconsider the case, it will be appealed to the Michigan Court of Appeals.

**28. ADJOURNED**

**There being no further business to discuss, it was moved by Georgia Steinhoff, and supported by Robert Rosenberger, to adjourn the meeting at 3:40 p.m.**

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary