

**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, August 19, 2008 at 1:00 p.m. in the New Committee-of-the-Whole Room, 3<sup>rd</sup> Floor, City Council Chambers, at City Hall, with the following in attendance:

*TRUSTEES & ALTERNATES* Douglas Bingaman – Acting Chairperson, Denise Bingaman, Mary Bland, Peter Dobrzeniecki, Robert Erlenbeck, Janice Kehoe, Amy Lindman, Cass Wisniewski

*ABSENT* Darryl Buchanan, Ehren Gonzales, Michelle Kirkwood, Kerry Nelson

*ALSO PRESENT* Harland Abraham, Northern Trust  
Suzi Bye, Retirement Supervisor  
Ivory Day, Gray & Company  
I'Lanta Robbins, Assistant City Attorney/Attorney for Retirement Board  
Julie Sadler, Recording Secretary  
Trachelle Young, City Attorney/Attorney for Retirement Board

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

Acting Chair Douglas Bingaman called the meeting to order at 1:08 p.m.

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

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

**3. MINUTES**

- ◆ June 17, 2008 (*incomplete*)
- ◆ July 22, 2008 (*incomplete*)

The Chair noted that the minutes were not yet completed when the agenda packets were issued, but they should be finished in time to be approved at the next Board Meeting.

**4. APPLICATIONS FOR VOLUNTARY RETIREMENT**

**Russell Buford**

**WPC/1600**

Final Average Compensation:	\$ 41,482.05
Accumulated Contributions:	14,520.80
DRET:	6,782.65
Effective Date of Retirement	07/15/2008

Service: 14 Years, 2 Months

The retiree elected the Option B w/pop-up in the amount of \$932.45

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Russell Buford 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 \$932.45, for as long as he lives.

**Alan McLeod**

**Police/Lts & Cpts**

Final Average Compensation:	\$ 81,246.34
Accumulated Contributions:	60,302.16
DRET:	15,367.37
Effective Date of Retirement	06/27/2008

Service: 31 Years, 2 Months

The retiree elected Option C in the amount of \$5,069.59

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Alan McLeod 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 in the amount of \$5,069.59, for as long as he lives.

**Ladalia Postell**

**HMC/Exempt**

Final Average Compensation:	\$ 66,730.03
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	07/05/2008

Service: 18 Years, 8 Months

The retiree elected the Straight Life in the amount of \$1,764.64

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Laldalia Postell 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 \$1,764.64, for as long as she lives.

**Houston Tipton**

**Police/FPOA**

Final Average Compensation:	\$ 95,694.57
Accumulated Contributions:	34,055.44
DRET:	45,857.43
Effective Date of Retirement	06/30/2008

Service: 29 Years, 0 Months

The retiree elected the Option C in the amount of \$5,085.91

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Houston Tipton 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 in the amount of \$5,085.91, for as long as he lives.

**William Walsh**

**HMC/Exempt**

Final Average Compensation:	\$ 116,165.06
Accumulated Contributions:	6,005.70
DRET:	75,532.51
Effective Date of Retirement	07/01/2008

Service: 14 Years, 4 Months

The retiree elected the Option B in the amount of \$2,328.03

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for William Walsh 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 in the amount of \$2,328.03, for as long as he lives.

**A motion was made by Amy Lindman, and supported by Peter Dobrzeniecki, to approve the Applications for Voluntary Retirement for the following persons (with monthly pensions as noted):**

**Russell Buford - Option B w/pop-up - \$932.45**  
**Alan McLeod – Option C - \$5,069.59**  
**Ladalia Postell – Option Straight Life - \$1,764.64**  
**Houston Tipton – Option C - \$5,085.91**  
**William Walsh – Option B - \$2,328.03**

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

**5. APPLICATIONS FOR DEFERRED RETIREMENTS**

**Arnenia Odum**

**HMC/1603**

Final Average Compensation: \$ 33,938.92  
Accumulated Contributions: .00  
DRET: .00  
Effective Date of Retirement 06/06/2008  
Service: 14 Years, 4 Months  
The retiree will elect an Option prior to 11/01/2018

**Carla Singleton**

**HMC/1603**

Final Average Compensation: \$ 44,362.05  
Accumulated Contributions: .00  
DRET: .00  
Effective Date of Retirement 04/20/2008  
Service: 17 Years, 0 Months  
The retiree will elect an Option prior to 07/01/2029

**A motion was made by Amy Lindman, and supported by Peter Dobrzeniecki, to approve the applications for deferred retirement made by Arnenia Odum and Carla Singleton.**

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

**6. APPROVAL OF NON-DUTY DEATH BENEFIT**

**Sandra Thurman** (Beneficiary: Shonda Thurman – Daughter)

**HMC/1603**

Final Average Compensation:	\$ 38,786.70
Accumulated Contributions:	Non-cont.
DRET:	.00
Effective Date of Retirement	06/04/2008

Service: 22 Years, 0 Months

The beneficiary will receive a monthly benefit in the amount of \$824.91.

**A motion was made by Amy Lindman, and supported by Peter Dobrzeniecki, to approve the non-duty monthly death benefit for Sandra Thurman, payable to her beneficiary Shonda Thurman, in the amount of \$824.91.**

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

**7. APPROVAL OF PENSIONS PREVIOUSLY REPORTED**

**Daniel Coffield/Hurley**

File Audit – FAC	\$296,520.25	Option A	\$13,745.80
Original	\$211,666.67	Original -	\$ 9,812.24
Pension Underpayment	\$54,561.75	Retirement Date:	Sept. 27, 2007

**Recalculated for additional actuarial information**

**Dean Frick/Hurley**

File Audit – FAC	\$159,043.80	Option C w/pop-up	\$6,930.63
Original	\$153,372.89	Original	\$6,683.51
		Retirement Date:	June 28, 2008

**Revised to include in-between sick**

**REVISED PER JUDGE YUILLE RULING**

**Paul Plunkey/Fire**

File Audit – FAC	\$149,543.95	Option Straight Life	\$8,541.67
Original	\$148,481.67	Original -	\$8,480.99
Pension Underpayment	\$4,112.16	Retirement Date –	June 30, 2002

**A motion was made by Amy Lindman, and supported by Mary Bland, to approve the revisions to the pensions previously reported.**

Discussion followed. It was noted that IRS Section 415 limits apply to Mr. Coffield's pension and that Hurley Medical Center pays the pension amount over that limit. Although his total pension benefit is listed, the Retirement System pays only up to the 415 limits.

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

**OPTIONS PICKED BY DEFERRED RETIREMENT (ADD-ON)**

**Lawrence Ashlock, Jr./1600**  
File Audit – FAC \$33,755.18

Option Straight Life \$269.57  
Retirement Date – August 1, 2008

**A motion was made by Amy Lindman, and supported by Mary Bland, to approve the agenda add-on for Lawrence Ashlock, Jr.'s pension payment and to approve the option picked.**

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

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

- 8.1 Information Management Network, 3<sup>rd</sup> Annual Middle Atlantic States Public Employee Retirement System Forum, October 27-28, 2008, Chantilly, VA.
- 8.2 NCPERS, 2008 Public Safety Employees Pension & Benefits Conference, October 12-15, 2008, Palm Springs, CA.

**A motion was made by Amy Lindman, and supported by Mary Bland, to receive the information/documents listed under Agenda Items #8, #9, #10, and #11 and place all documents on file.**

**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 enclosed in the Board Members' packets also)*

- 9.1 Northern Trust, Point of View, July 2008, Newsletter.

- 9.2 Northern Trust Global Investments, Strategy, August 2008, Newsletter.
- 9.3 Gabriel Roeder Smith & Co., GRS News Scan, July 2008, Newsletter.
- 9.4 The Institutional Real Estate Letter, August 2008, Magazine.
- 9.5 Wellington Management Co., Our Business and Practices, August 7, 2008.
- 9.6 Allegiant Asset Management, Dinner Invitation at MAPERS, September 14, 2008. *(Enclosed)*
- 9.7 VanOverbeke, Michaud & Timmony, Letter to Board of Trustees re: Statement for legal services for 1<sup>st</sup> & 2<sup>nd</sup> periods of 2008. *(Enclosed – to be discussed under “Legal Counsel”)*
- 9.8 Letter to FERS from Maureen McFarland re: Pension Computation, August 11, 2008. *(Enclosed)*
- 9.9 Ordinance #3720 adopted July 14, 2008. *(Enclosed)*
- 10. COMMUNICATIONS SENT** *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members’ packets also)*
- 10.1 Letter to Northern Trust from Peter Dobrzeniecki re: August 1, 2008 Pension transfer, July 22, 2008.
- 10.2 Letter to Jay Kitson from Suzi Bye re: Eddie Holmes, July 23, 2008.
- 10.3 Letter to M-Works from Suzi Bye re: Disability application for Elaine Shelton, July 23, 2008.
- 10.4 FERS Election Policy – adopted July 22, 2008 *(Enclosed)*
- 10.5 FERS Disability Policy – adopted July 22, 2008 *(Enclosed)*
- 11. REPORTS RECEIVED** *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members’ packets also)*
- 11.1 Fidelity Investments, Monthly Investment Update, July 31, 2008.
- 11.2 Intercontinental Real Estate Corp, Distribution from fund, August 6, 2008.
- 11.3 Magna Securities, Commission Recapture Report, June 30, 2008.

- 11.4 LJR Recapture Services, Commission Recapture Report, May 31, 2008.
- 11.5 Fisher Investments, Investment Portfolio, June 30, 2008.
- 11.6 Wellington Management, Investment Review, June 30, 2008.
- 11.7 LSV Asset Management, Investment Report, June 30, 2008.
- 11.8 State Street Global Advisors, Investment Quarterly, 3<sup>rd</sup> Quarter 2008.
- 11.9 Keeley Asset Management, Small Cap Value Investment Report, June 30, 2008.
- 11.10 Dodge & Cox, Investment Report, June 30, 2008.
- 11.11 Northern Trust Reports – June 2008. (*Enclosed*)
- 11.12 Retirement Fund Employee/Employer Contributions. (*Enclosed*)
- 11.13 Hurley Employer/Employee Contributions FY 2008. (*Enclosed*)

## **12. GRAY & COMPANY**

Ivory Day distributed, and reviewed with the Board, the **Investment Manager Allocation and Rebalancing Schedule** as of August 12<sup>th</sup>, noting the total fund value on that date was \$731 million. Discussion followed. It was also noted that the drawdown account will soon need to be replenished.

Mr. Day distributed and reviewed information on bills currently in the Michigan State Legislature regarding **investments** in countries identified as having connections with terrorist groups. The bills do not appear to apply to municipalities. Mr. Day noted that the FERS International Equity Managers do not invest in any of the identified countries, which are designated as “emerging.” Discussion followed.

Mr. Day reviewed suggested amendments to the **FERS’ Investment Policy**.

**A motion was made by Amy Lindman, and supported by Cass Wisniewski, to adopt the Investment Policy with amendments, as discussed.**

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



Ivory Day presented and reviewed the **Second Quarter Performance Report for the period ended June 30, 2008**. Discussion followed.

**13. APPROVAL OF THE SEPTEMBER 1, 2008 PENSION PAYROLL TRANSFER**

Chairman Douglas Bingaman reported that a transfer of \$4,238,800 was needed for the payment of the **September 1<sup>st</sup>, 2008 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 August 13, 2008, was \$16,083,164. Harland Abraham noted that, since September 1<sup>st</sup> is Labor Day, the wire/cash transfer should be made on August 29<sup>th</sup>.

**A motion to approve the transfer of \$4,238,800 for payment of the September 1<sup>st</sup>, 2008 pension payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Amy Lindman, and supported by Cass Wisniewski.**

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

**14. THE 62<sup>ND</sup> ANNUAL ACTUARIAL VALUATION - RESOLUTION TO ADOPT CONTRIBUTION RATES FOR FISCAL YEAR BEGINNING JULY 1, 2008**

**A motion was made by Amy Lindman, and supported by Cass Wisniewski, to adopt the employer contribution rates for fiscal year 2009 (in accordance with Section 35-37 of the Flint City Code) for the City of Flint, for General City (34.52%), Police (10.07%), and Fire (28.68%), as computed by Gabriel, Roeder, Smith & Company, and set forth on pages A-2, A-3 and A-4 of the Report of the Sixty-Second Annual Actuarial Valuation as of June 30, 2006. The rates will be submitted to City Council for their support.**

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

**A motion was made by Amy Lindman, and supported by Mary Bland, to adopt the employer contribution rates for fiscal year 2009 (in accordance with Section 35-37 of the Flint City Code) for Hurley Medical Center (10.81%), as computed by Gabriel, Roeder, Smith & Company, and set forth on page A-5 of the Report of the Sixty-Second Annual Actuarial Valuation as of June 30, 2006. The rates will be submitted to City Council for their support.**

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

## 15. GABRIEL ROEDER SMITH & CO (GRS) - ACTUARIAL ISSUES

The Board reviewed and discussed a proposal from GRS for **Minute Master services, including Social Security Death Check Access**. Deceased retiree overpayment issues were discussed and it was noted that one pension was overpaid \$18,254.04 because her spouse failed to notify the Retirement Office of her death. Attorneys Young and Robbins will assist in efforts to recoup the funds. These issues will also be addressed through the Overpayment/Underpayment Policy. Three additional deceased retirees were found when GRS recently gave FERS access to the Social Security Death Check program, for demonstration purposes.

**A motion was made by Amy Lindman, and supported by Cass Wisniewski, to hire Gabriel, Roeder, Smith & Company to provide Minute Master Services, to include:**

- 1) Set up - compiling and imaging past board minutes and legal opinions for the period of 1/1/80-12/31/07 and imaging additional documents such as union contracts and policies;**
- 2) Annual costs for Minute Master Services, including Social Security Death Check Access;**

**for a total cost to the System not to exceed \$100,000. If/when additional funds are needed, the request must be brought to the Board for approval.**

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

The **GRS Fiscal Year 2007 Actuarial Valuation** was discussed and it was noted that the data transfer is in process.

## 16. BOARD MEMBER VACANCIES

Attorneys Trachelle Young and I'Lanta Robbins reviewed the following legal opinions:

**Alternate as Chairman or Vice-Chairman** – August 13, 2008 - Pursuant to the Retirement Ordinance, an alternate may not sit as a Chairman or Vice-Chairman. The legislative intent was that a trustee member, and not an alternate, be selected because an alternate cannot vote unless the corresponding trustee is absent.

**Board of Trustees Retiree Representative, Who May Serve** – August 13, 2008

Retired MERS members, who are former FERS members now receiving a retirement payable by the MERS, are not permitted to sit in a retiree trustee and/or alternate seat. According to the Ordinance language, the retiree trustee/alternate must be a member of the Retirement System. The Ordinance definition of “retirement system” is defined as the City of Flint Retirement System.

**Retiree Alternate; Filling of Vacancy; Election Process** – August 15, 2008 - The Ordinance is clear and unambiguous concerning the filling of a vacated retiree seat. An alternate shall not be automatically placed in the trustee position to fill an unexpired term. That alternate must be appointed by the Board on a temporary basis until the next succeeding election of the Board of Trustees. The Board can appoint any FERS retiree member to the vacated trustee position. The election will determine who will fill the remaining unexpired term of the trustee position.

The Board discussed the legal opinions and the current **Board vacancies**. The Board's attorneys were asked whether the Trustees had the right to recommend changes to the **Retirement Ordinance**, since there are many issues that are addressed in various places in the Ordinance in such a way that the language becomes ambiguous and/or contradictory. Attorney Trachelle Young stated that the Board did have the right to propose Ordinance changes to the City Council for their consideration and possible adoption. As the Board's attorneys, she stated that they would draft changes for the Board's consideration, when requested. It was agreed that the Ordinance Committee should meet and propose changes for the Board's review and consideration for approval and recommendation to City Council.

A suggested **Ordinance change** to eliminate one Hurley representative (as a result of the MERS transfers), and replace with a citizen representative (a citizen of Flint, to be chosen/appointed by the Board), was discussed. Suggestions also discussed included replacing a Hurley representative with an additional retiree, or leaving the Board as is.

After discussion, the Chair appointed an **ad hoc committee** to investigate other public retirement systems in the State of Michigan, and the composition of their Boards, and report back to the Board with their recommendations. Committee members were appointed: Janice Kehoe, Chair, Robert Erlenbeck and Mary Bland. Attorney Robbins will assist the Committee in researching the issues. The Committee was assigned to investigate all issues addressed in the attorneys' opinions (with the exception of the MERS issue); i.e., selection of trustees/alternates, filling vacancies, ascension of alter-nates to trustees, alternates serving as officers, etc. Further discussion of these issues was tabled until the **Board Composition Committee** makes their recommendations.

**A motion was made by Peter Dobrzeniecki, and supported by Mary Bland, to adopt/accept the Legal Opinion stating that a MERS retiree cannot sit on the FERS Board as a retiree representative.**

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

It was noted that the **Police/Fire Election** ballots will be mailed on September 5<sup>th</sup>. The deadline for return is the 19<sup>th</sup>, and the ballots will be counted on September 26<sup>th</sup>.

## 17. LEGAL COUNSEL UPDATES

Attorney I'Lanta Robbins reported on pending legal issues:

- ◆ **Claude Miller Update (26/27 pays)** – nothing new to report.
- ◆ **Take Two Interactive** – nothing new to report. Attorney George Peck will attend the next Board Meeting to give an update.
- ◆ **Status of Hearings for Pension Calculation Errors** – Judge Farrah (4 cases) – nothing new to report.
- ◆ **FERS to MERS Transition** (pending litigation) – There have been two Court orders: 1) Dismissed Donald Phillips as a named individual in the lawsuit. 2) The case was placed on administrative hold, meaning that the case is closed on the court docket, but still pending until the transfer actually occurs. The next steps to complete the process (in order): completion of the GRS actuarial analysis (now in process), Retirement Board approval, submission to City Council to approve Ordinance changes, etc., the transfer of funds to MERS. A full set of signed MERS documents must be given to Gray & Co. and Northern Trust as they prepare for the eventual transfer of funds.
- ◆ **Attorney Michael VanOverbeke Invoices (#9.7)** – The agenda packets included copies of his invoices for legal services for the first and second quarters 2008. Most of the charges relate to his representation of the Board in the MERS lawsuit.

**A motion was made by Amy Lindman, and supported by Mary Bland, to approve payment of two invoices from Attorney Michael VanOverbeke for legal services rendered to the Board during the 1<sup>st</sup> and 2<sup>nd</sup> Quarters 2008 in the amounts of \$19,506.30 (1<sup>st</sup> Quarter) and \$18,215.35 (2<sup>nd</sup> Quarter), for a total of \$37,721.65.**

Discussion followed.

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

- ◆ **Daniel Coffield & Daniel George** – The Board has approved their adjusted FAC calculations and they are now receiving higher pension payments. There has been no further contact by their Attorney. All of their issues have, presumably, been resolved.

- ◆ **Burns/Wiggins/Doerr** (pending hearing dates) – Their attorney is waiting until Judge Farrah rules on the previous pension calculation hearings before scheduling.
- ◆ **IRS Regulations for Beneficiaries** – A written legal opinion will be given by Attorney Anthony Heckemeyer at Keller Thoma, after his review.
- ◆ **Overpayment/Underpayment Policy** – Under review with the Professional Services Committee.
- ◆ **FAC Calculation Policy** – Currently being written, with assistance from Suzi Bye and Denise Bingaman to identify the many issues the policy should include.

## 18. PROFESSIONAL SERVICES COMMITTEE

**Claude Miller Pension Revisions – File Audit Issues** – Suzi Bye reported that the audits of the 42 pensions (to add a 27<sup>th</sup> pay) are almost complete; however, during the audits many issues have been identified that need to be addressed.

Peter Dobrzeniecki reported that the Professional Services Committee met on Friday to discuss these file audit issues. A critical point to address is whether or not some of these issues are actually “errors” or a result of previous office policies and procedures. If an issue is identified as an “error,” then all of the same errors should be fixed retroactively for all pensioners. Therefore, an “error” must be an issue that the Board believes cannot be ignored, because fixing all of the same errors would require extensive recalculations, as he recommends that all pensions with that particular “error” should also be corrected. If the Board chooses not to call a particular issue an “error,” then it would be considered a policy or procedure issue. If that particular issue has not already been addressed with more recent policies or procedures, updated policies or procedures might be needed, going forward.

Discussion followed. One issue identified and discussed was the past practice of using Retirement Cards for calculating service credits, whereas the current practice also makes use of Personnel Roster Cards, Time Sheets (now on the computer), etc. This is especially important when identifying “PT” (part-time) hours vs. full-time hours. Some individuals were given full credit for part-time work because of the way their time was identified on their retirement card and they received full credit for a month(s) worked without having worked the 80 hours/10 days required to receive a month’s credit. Without the “PT” on the Retirement Card, office practice appears to be that it was assumed the person worked full time. A current payroll employee, who worked in the payroll/retirement office in the past, has stated that was their practice when these pensions were calculated.

Attorney I'Lanta Robbins stated that issues which could affect how a retiree receives a pension, whether they were overpaid or underpaid, must be determined by the Board. The Judge's ruling in the lawsuit was to give one 27<sup>th</sup> pay to those who did not receive one. He did not anticipate a detailed audit.

A copy of the Judge's ruling was requested, since it is unclear if the Judge actually ordered that each retiree's recalculation must include two 26-week years and one 27-week year in their Final Average Compensation, or his order was intended only to make certain that the pensions involved had *at least one 27-week year* as opposed to three 26-week years. The interpretation of that ruling could cause some pensions to be reduced, instead of increased or remaining the same. However, it was noted that the auditing process has resulted in some pensions being increased for reasons other than adding a 27<sup>th</sup> pay. It was agreed that these audit issues must be addressed in order to complete the recalculations required by the Judge's ruling.

The Chairman set a special meeting, for further discussion of these issues, on Wednesday, August 27<sup>th</sup>, at 1:00 p.m. He asked that Katrina Slabchuck, the retirement office employee referred to previously, be available during that meeting.

## 19. FINANCE/INVESTMENT COMMITTEE

Committee Chair Peter Dobrzeniecki reported that the Committee (himself, Cass Wisniewski, Doug Bingaman) met today with Harland Abraham and Ivory Day.

- ◆ **Budget Issues & Payroll Allocations – FY08 Expenditures / FY09 Budget –** Information is currently being compiled, per the Board's request.
- ◆ **FERS to MERS Transition –** The focus of the committee meeting was to begin planning the methodology for the transfer. It was agreed that a Transition Manager was needed.

Harland Abraham explained the transfer process to the Board and the need for a Transition Manager:

- 1) A date must be chosen at which the securities will be valued.
- 2) The Transition Manager would recognize that all of FERS' money managers will be impacted, except those not yet fully funded or not easily liquidated. Ivory Day would assist in determining the impact for each manager.
- 3) The Transition Manager must notify investment managers, sign documents, etc., so that all business is conducted to the best benefit of the Fund.

- 4) The Transition Manager would decide which securities should be liquidated to raise the amount needed. The fact that it is impossible to identify which securities should be considered part of Hurley's investments, and which belong to the City, further complicates the situation.
- 5) The Transition Manager must execute the trades timely, but in such a way as to minimize market impact.
- 6) Once the cash is in the FERS to MERS Transition Account (already set up), it is available to be wired to MERS. Until the transfer is made, interest would accumulate in that account.
- 7) A Transition Manager must be chosen and told when to begin. The actual process cannot be commenced until GRS completes the calculations for the amount needed. Additionally, the retirement contributions Hurley owes to the Fund must be deducted.

The Committee recommended that Northern Trust be hired as Transition Manager for the MERS transfer. Discussion followed. The fund value and actuarial numbers to be used for the transition will be based on the GRS 2007 audit/actuarial valuation. Once that valuation is completed, the System has 90 days to transfer the funds to MERS.

**A motion was made by Amy Lindman, and supported by Mary Bland, to hire Northern Trust as the Transition Manager for the FERS to MERS transfer.**

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

The Board also discussed Hurley's future intent to give their active exempt employees and all retirees the option to transfer to MERS. Only Local #1603, who voted to remain in FERS, will not be given an option. Once the selection process is completed, an additional transfer to MERS will be required.

- ◆ **DB/DC Conversion** – Approximately \$11 million will need to be transferred after the City's window allowing for certain groups to make their choice. According to the actuarial numbers, if all eligible employees transferred, approximately \$32 million would be needed from FERS. However, based on experience for such transfers, about one-third of those eligible will actually choose to do so. It would be most cost efficient for the Fund if this transfer was made in conjunction with the MERS transfer.

**A motion was made by Cass Wisniewski, and supported by Amy Lindman, to hire Northern Trust as the Transition Manager for the DB/DC conversion.**

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

- ◆ **Pension File Audit Guidelines for Recalculations/Error Corrections – New Issues**  
– A special meeting has been scheduled for Wednesday, August 27<sup>th</sup>.
- ◆ **FERS Audit** – During discussion, it was noted that the last independent audit was performed in 2004. The annual City financial audit includes FERS. A separate audit would cost approximately \$20,000. Peter Dobrzeniecki recommended that a separate audit be made every five years, with the next audit being scheduled for fiscal year 2009. That audit should include the transfer process for MERS and DB/DC.

**20. 13<sup>th</sup> CHECK COMMITTEE**

**The 13<sup>th</sup> check issues were reassigned to the Ordinance Revision Committee by the Chair.**

**21. RETIREMENT ORDINANCE REVISION COMMITTEE**

It was noted that the Committee members are Ehren Gonzales, Chair, Peter Dobrzeniecki, and Robert Erlenbeck, with staff members Suzi Bye and Denise Bingaman. Discussion followed regarding **issues that are being identified for possible Ordinance language changes:**

- ◆ Pension Overpayments/Underpayments
- ◆ MERS retirees cannot serve on the Board of Trustees
- ◆ HMC-MERS language
- ◆ Pension Retro payments – Lump sum or spread?
- ◆ Payroll Errors – Date paid or spread when earned? (Contracts override Ordinance – Attorneys can work with Labor Relations to change future contracts.)
- ◆ Board Vacancies
- ◆ Board Membership Changes – If Trustee position becomes vacant, Alternates ascend to Trustee automatically & new Alternates are appointed?
- ◆ Trustee Alternates – Election as Chair or Vice Chair?
- ◆ Hurley Trustees – Change One to a Citizen-at-Large or Retiree Representative?
- ◆ 13<sup>th</sup> Check Issues
- ◆ Other Issues as identified by Staff and Board



**22. DB/DC CONVERSION**

Robert Erlenbeck reported that the City has received the revised actuarial information from GRS and should soon be moving forward with an open enrollment period for employees for the **DB/DC conversion**. Discussion followed regarding the timing of the transfer of funds to coincide with the MERS transfer.

**23. OTHER BOARD BUSINESS**

The Board discussed the appointment of two delegates and two alternates to **represent FERS at the MAPERS** business meeting.

**A motion was made by Peter Dobrzeniecki, and supported by Mary Bland, to appoint Cass Wisniewski and Mary Bland as the delegates, with Janice Kehoe and Denise Bingaman appointed as alternates, for the purpose of voting at the MAPERS business meeting on September 15<sup>th</sup> at the fall conference.**

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number Retired	3,027	3,002	3,014
Annualized Payroll	\$ 64,850,497	\$ 65,084,806	\$ 65,031,542

**25. ADJOURNED**

***Notes: The next Regular Board Meeting is scheduled for Tuesday, September 23, 2008.  
MAPERS Dates: September 13-16, 2008***

**There being no further business to discuss, it was moved by Janice Kehoe, and supported by Amy Lindman, to adjourn the meeting at 4:05 p.m.**

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary