

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES REGULAR MEETING

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, March 17, 2009 at 1:00 p.m. in the Old Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Douglas Bingaman – Acting Chairperson, Denise Bingaman, Mary Bland, Debra Bridges, Robert Erlenbeck, Julie Jamick, Janice Kehoe, Vanessa Nelson, Leonard D. Smorch, Mark Stratman, Cass Wisniewski

ABSENT Michael K. Brown, John Erwin, Ehren Gonzales, Michelle Kirkwood, Kerry Nelson

ALSO PRESENT Suzi Bye, Retirement Supervisor
I'Lanta Robbins, City Attorney/Attorney for Retirement Board
Colleen McAuliffe, Retirement Specialist
Julie Sadler, Assistant to FERS
Christopher Kuhn, Gray & Company
Harland Abraham, The Northern Trust Company

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Acting Chair Douglas Bingaman called the meeting to order at 1:10 p.m.

3. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Sherry Murphy and Charles Menard introduced themselves as candidates for the position of retiree alternate trustee on the Retirement Board.

Mr. Bingaman introduced Leonard Smorch, who was appointed as the new Finance Director, which makes him, by virtue of position, a Trustee on the Retirement Board. The Chair also introduced the new Board Members appointed by Hurley: Vanessa Nelson as a Trustee, and Debra Bridges and Julie Jamick as Alternates.

2. APPOINTMENT OF BOARD CHAIR & VICE CHAIR

Chairman Bingaman noted that there is a Legal Opinion stating that alternates should not sit as the chairperson or vice chairperson on the Retirement Board.

A motion was made by Mary Bland, and supported by Janice Kehoe, to table the appointments of Board Chair and Vice Chair.

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

4. APPLICATIONS FOR VOLUNTARY RETIREMENT

Sherlyn Feimster / 68th Dist Court/1600

Final Average Compensation:	\$ 35,787.11
Accumulated Contributions:	18,068.76
DRET:	6,175.50
Effective Date of Retirement	02/04/2009

Service: 19 Years, 4 Months

The retiree elected the Option Straight Life in the amount of \$1,412.84.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Sherlyn Feimster 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 \$1,412.84, for as long as she lives.

Kimberly Khair / Major Grants/1600

Final Average Compensation:	\$ 40,080.31
Accumulated Contributions:	27,001.35
DRET:	7,526.11
Effective Date of Retirement	02/15/2009

Service: 25 Years, 4 Months

The retiree elected Option Straight Life in the amount of \$2,069.42

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Kimberly Khair 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 \$2,069.42, for as long as she lives.

Dorothy Pharms / HMC/1603

Final Average Compensation:	\$ 60,958.57
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	01/30/2009
Service: 32 Years, 1 Month	

The retiree elected Option Straight Life in the amount of \$1,715.28

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Dorothy Pharms 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 \$1,715.28, for as long as she lives.

Betty Rugley / HMC/1603

Final Average Compensation:	\$ 30,754.88
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	03/03/2009
Service: 10 Years, 0 Months	

The retiree elected Option Straight Life in the amount of \$435.69

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Betty Rugley 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 \$435.69, for as long as she lives.

A motion was made by Cass Wisniewski, and supported by Mary Bland, to approve the Applications for Voluntary Retirement for the following persons (with monthly pensions as noted):

Sherlyn Feimster - Option Straight Life - \$1,412.84
Kimberly Khair – Option Straight Life - \$2,069.42
Dorothy Pharms - Option Straight Life - \$1,715.28
Betty Rugley – Option Straight Life - \$435.69

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

5. APPLICATIONS FOR DEFERRED RETIREMENT

Michael Morgan / HMC/Exempt

Final Average Compensation:	\$ 79,756.19
Accumulated Contributions:	.00
DRET:	.00
Effective Date of Retirement	01/11/2009
Service: 26 Years, 1 Month	

The retiree will elect an Option prior to 05/01/2014.

Kathleen Grasel (Correction)

HMC/Exempt

Final Average Compensation:	\$ 74,873.49
Accumulated Contributions:	26,824.35
DRET:	52,407.17
Effective Date of Retirement	10/01/2008
Service: 24 Years, 5 Months	

The retiree will elect an Option prior to 05/01/2009.

6. APPROVAL OF PENSIONS PREVIOUSLY REPORTED - REVISED TO INCLUDE ADDITIONAL HURLEY MEDICAL CENTER PAYROLL INFORMATION:

Daniel George/HMC/Exempt

Revised FAC: \$252,533.90
Original FAC: \$251,935.19
Pension Underpayment: \$10,118.94

Revised Monthly Pension: \$ 11,557.22
Original Monthly Pension: \$ 11,529.81
Option C w/pop-up

LaFonda Hayter/HMC/1603

Revised FAC: \$31,962.06
Original FAC: \$31,879.00
Pension Underpayment: \$7.56

Revised Monthly Pension: \$326.02
Original Monthly Pension: \$325.18
Option B w/pop-up

Randy Hergenreder/HMC/Exempt

Revised FAC: \$85,646.87
Original FAC: \$84,221.20
Pension Underpayment: \$773.20

Revised Monthly Pension: \$4,033.23
Original Monthly Pension: \$3,966.09
Option C

Julie Hodges/HMC/1603

Revised FAC: \$41,918.20
Original FAC: \$41,460.66
Pension Underpayment: \$433.52

Revised Monthly Pension: \$2,028.95
Original Monthly Pension: \$2,006.81
Option Straight Life

Paula Horcha/HMC/Exempt

Revised FAC: \$71,457.06
Original FAC: \$70,663.80

Revised Monthly Pension: \$
Original Monthly Pension: \$
Option will be selected by 9-1-2010

Sherrie Jackson/HMC/1603

Revised FAC: \$ 27,910.82
Original FAC: \$ 27,689.30
Pension Underpayment: \$25.29

Revised Monthly Pension: \$ 350.54
Original Monthly Pension: \$ 347.76
Option B w/pop-up

Susan Jaskiewicz/HMC/RN

Revised FAC: \$56,228.02
Original FAC: \$56,155.17
Pension Underpayment: \$21.42

Revised Monthly Pension: \$ 1,181.36
Original Monthly Pension: \$ 1,179.83
Option Straight Life

Robert Jewell/HMC/Exempt

Revised FAC: \$66,413.07
Original FAC: \$65,488.81
Pension Underpayment: \$565.76

Revised Monthly Pension: \$ 1,269.92
Original Monthly Pension: \$ 1,252.24
Option Straight Life

A motion was made by Cass Wisniewski, and supported by Mary Bland, to approve the applications for Deferred Retirement, revisions to the Pensions Previously Reported, and the Options Picked by Deferred Retirees.

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

7. OPTIONS PICKED BY DEFERRED RETIREMENTS

Janice Cooke/HMC/RN

File Audit – FAC \$53,314.63

Option Straight Life \$868.35
Retirement Date: 03-13-1999

Kathleen Grasel/HMC/Exempt

File Audit – FAC \$74,873.49

Option B w/pop-up \$3,074.00
Retirement Date: 10-1-2008

8. APPROVAL OF NON-DUTY DISABILITY RETIREMENT

Georgia Anderson / Hurley/1603

Age: 53 Years
Service: 11 Years, 8 Months

The medical report and Summary of Disability Determination dated January 13, 2009 from Dr. Victor Roth, Medical Director, does certify that Georgia Anderson is totally and permanently disabled.

A motion was made by Cass Wisniewski, and supported by Mary Bland, to concur with Dr. Roth's report that Georgia Anderson is totally and permanently disabled and should be given a non-duty disability retirement.

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

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

- 9.1 Hancock Timber Resource Group, Timberland Investment Seminar & Tour, April 7, 2009, Charlotte, NC.
- 9.2 Financial Research Associates, Emerging Manager 2009, April 26-28, 2009, Miami, FL.
- 9.3 MAPERS, 2009 MAPERS Spring Conference, May 17-19, 2009, Grand Rapids, MI.

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

- 10.1 Northern Trust, Strategy, Newsletter, March 2009.
- 10.2 MAPERS, Pension Scope, Newsletter, Winter 2009.
- 10.3 Gabriel Roeder Smith & Co., News Scan, Newsletter, January 2009.
- 10.4 TIMCO Financial Group, Inc., Letter to Retirement Board re: Presentation, February 10, 2009. *(Enclosed)*
- 10.5 Hurley Medical Center, Notice to Employees & Retirees re: FERS to MERS Transfer, March 12, 2009. *(Enclosed)*
- 10.6 Gabriel Roeder Smith & Co., Letter to Douglas Bingaman re: Hurley Employer Contributions, February 12, 2009. *(Enclosed)*
- 10.7 Hurley Medical Center, Letter to Douglas Bingaman re: Appointment of vacant retirement board seats, February 26, 2009. *(Enclosed)*

- 10.8 Barbara Jean Moten, Letter to Retirement Board re: Vacant Retiree Seat, March 9, 2009. *(Enclosed)*
- 10.9 Sherry Murphy, Letter to Retirement Board re: Vacant Retiree Seat, February 26, 2009. *(Enclosed)*
- 10.10 Charles Menard, Letter to Retirement Board re: Vacant Retiree Seat, February 25, 2009. *(Enclosed)*
- 11. COMMUNICATIONS SENT** *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets also.)*
- 11.1 Letter to Northern Trust from Douglas Bingaman re: March 1, 2009 Pension transfer, February 17, 2009.
- 11.2 FERS, Letter to Tony Golden re: Overpayment of Pension, February 27, 2009. *(Enclosed)*
- 11.3 FERS, Letter to Leslie Young re: Pension Overpayment, March 3, 2009. *(Enclosed)*
- 12. REPORTS RECEIVED** *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets also.)*
- 12.1 LJR Recapture Services, Trading Summary, January 31, 2009.
- 12.2 Magna Securities, Commission Recapture Report, January 31, 2009.
- 12.3 Intercontinental Real Estate Corp., Net Asset Value Reporting & Performance, February 9, 2009.
- 12.4 Piedmont Investment Advisors, Portfolio Performance, January 31, 2009.
- 12.5 GLOBALT Investments, 2008 Proxy Report, February 23, 2009.
- 12.6 State Street Global Advisors, Investment Quarterly, 1st Quarter 2009.
- 12.7 Fisher Investments, 2008 Foreign Equity Review, 4th Quarter 2008.
- 12.8 Northern Trust Reports – January 2009. *(Enclosed)*
- 12.9 Retirement Fund Employee/Employer Contributions. *(Enclosed)*
- 12.10 Hurley Employer/Employee Contributions FY 2009. *(Enclosed)*

A motion was made by Robert Erlenbeck, and supported by Cass Wisniewski, to accept and place on file the documents listed under Agenda Items #9, #10, #11 and #12, separating items for discussion as follows: #10.4 - #19 Finance/Investment Committee; #10.5 - #17 Legal Counsel Updates; #10.7, #10.8, #10.9, #10.10 - #16- Board Member Vacancies.

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

13. GRAY & COMPANY

Christopher Kuhn, of Gray & Company, distributed and reviewed the updated Manager Allocation and Rebalancing Schedule. Discussion followed.

14. APPROVAL OF THE APRIL 1, 2009 PENSION PAYROLL TRANSFER

Chairman Douglas Bingaman reported that a transfer of \$4,665,800 was needed for the payment of the April 1st, 2009 pension payroll, with funds to be taken from the Northern Trust Flint-Drawdown Account #26-19617.

A motion was made by Mary Bland, and supported by Cass Wisniewski, to approve the transfer of \$4,665,800 for payment of the April 1st, 2009 pension payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank.

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

15. GABRIEL ROEDER SMITH & CO – ACTUARIAL ISSUES

There were no actuarial issues to discuss.

16. BOARD MEMBER VACANCIES

There was discussion as to whether the two alternate positions appointed from Hurley were assigned to specific Hurley trustees. It was also noted that any Hurley Board Member electing to transfer to MERS would no longer be eligible to serve on the FERS Board.

The Board discussed correspondence from three retirees who applied to fill the alternate position for the Retirement Board Trustee. Two that were present, Sherry Murphy and Charles Menard, were given the opportunity to introduce themselves and state their qualifications for serving on the Board. Discussion followed.

A motion was made by Mary Bland, and supported by Robert Erlenbeck, to vote to select either Sherry Murphy or Chuck Menard to fill the vacant alternate retiree trustee position.

Upon being put to a roll call vote, the results were 5 to 3 for Charles Menard:

**Mark Stratman – Charles Menard
Cass Wisniewski – Charles Menard
Janice Kehoe – Sherry Murphy
Denise Bingaman – Charles Menard
Leonard D. Smorch – Charles Menard
Vanessa Nelson – Sherry Murphy
Robert Erlenbeck – Charles Menard
Mary Bland – Sherry Murphy**

Chairman Bingaman welcomed Mr. Menard to the Board and informed him that he needed to be sworn in prior to the next Board Meeting.

17. LEGAL COUNSEL UPDATES

Attorney I'Lanta Robbins recommended that the Board move into Executive Session for the purposes of discussing pending litigation on Case # 0887891, Tereau, Kelly and Cherwinski, as an open session would have a detrimental effect on litigation strategy in the matter.

A motion was made by Robert Erlenbeck, and supported by Cass Wisniewski, to move into Executive Session for the purpose of discussing Case # 0887891, in the matter of Tereau, Kelly and Cherwinski.

Upon being put to a roll call vote, the motion carried unanimously:

Mark Stratman – yes	Cass Wisniewski – yes
Janice Kehoe – yes	Denise Bingaman – yes
Leonard D. Smorch – yes	Vanessa Nelson – yes
Robert Erlenbeck – yes	Mary Bland – yes

Chairman Bingaman requested that all present who were not members of the Board or staff leave the meeting.

The Board moved into Executive Session at 1:45 p.m.

A motion was made by Leonard Smorch and supported by Cass Wisniewski, to end the Executive Session.

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

The Board returned to open session at 1:55 p.m.

A motion was made by Robert Erlenbeck, and supported by Cass Wisniewski, to allow the Retirement Board's attorney to enter into facilitative mediation for the lawsuits involving Kay Tereau, Osborn Kelly, and Deborah Cherwinski.

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

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

- ◆ **FERS to MERS Transition** – Robert Erlenbeck stated that Hurley sent letters to all Retirees and Exempts giving them the option to transfer to MERS. Cass Wisniewski noted that the deadline for return of the election forms is May 1, 2009, with the forms going directly to the Actuary, Gabriel Roeder Smith & Company. Attorney Robbins stated that she received an e-mail from the Williams Firm, which represents Hurley, acknowledging that Hurley owes back contributions to FERS. She further stated that a separate agreement will be drawn up between the Board and Hurley regarding the contributions owed and the manner of repayment.
- ◆ **Burns/Wiggins/Doerr** – Attorney Robbins reported that these cases, involving possible calculation errors, are on hold until the Tereau et al cases are resolved.
- ◆ **IRS Regulations for Beneficiaries** – Nothing new to report.
- ◆ **FAC Calculation Policy** – Nothing new to report.
- ◆ **Daniel Coffield** – Mr. Coffield's attorney, who also represents Daniel George, has requested a hearing; however, Attorney Robbins is working with Ms. Bye and Mr. Erlenbeck to address their concerns regarding after-tax contributions. This will necessitate a revision in their Final Average Compensation, with new calculations to be made and applied retroactively.

18. PROFESSIONAL SERVICES COMMITTEE

Committee Chair Robert Erlenbeck reported that the following issues were discussed at the Professional Services Committee meeting:

- ◆ **MERS – Second Actuarial Opinion** – The Committee discussed other actuaries, proposals and options for a second actuarial opinion, as recommended by Gabriel Roeder Smith & Company, and review of the calculations for the transfer to MERS. There are two alternatives: 1) An actuarial review of the methodology used and a statistical sampling; 2) a full audit of the calculations. A preliminary quote has been received, which was \$6,000 for the methodology/statistical sampling and \$14,000 for a full audit. The Board's preference is needed before formal quotes are requested.

A motion was made by Vanessa Nelson, and supported by Robert Erlenbeck, to conduct a full audit. Discussion followed.

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

- ◆ **Disability Report** – The Committee discussed and recommended approval of the non-duty disability retirement of Georgia Anderson (which was approved by the Board).
- ◆ **Eddie Holmes** – A letter providing additional information was recently received from Hurley. It was not shared with the full Board due to concerns of confidentiality and HIPAA laws; however, the Committee will review and make a recommendation to the Board.
- ◆ **David Plewes** – The Retirement Office and Finance are reviewing Mr. Plewes' pension calculations to ensure that they are in accordance with the November 21st Executive Meeting.
- ◆ **M-Works/Dr. Roth** – Although U of M/M-Works sent FERS a notification that they are no longer in the occupational health field, the University of Michigan Hospital is still allowing Dr. Roth to use their facilities and Dr. Roth is continuing to service three communities.
- ◆ **James Maxwell** – Denise Bingaman and Suzi Bye have determined that Mr. Maxwell was overpaid, based on the Board's agreement with the Legal Opinion that Mr. Maxwell should not have been recalculated at this time and the retroactive payment made to him should be recovered.

A motion was made by Denise Bingaman, and supported by Mary Bland, to reduce James Maxwell's pension back to the amount he was receiving prior to recalculating his pension due to the end of his Workers' Compensation. In addition, action must be taken to recoup the overpayment of \$3, 271.27.

Discussion followed.

Upon being put to a vote, the motion carried unanimously, with one abstention (Robert Erlenbeck).

- ◆ **Tony Golden** – The Board approved the correction of his pension calculation at the February meeting and an overpayment notification letter was sent to Mr. Golden. The letter indicated the amount of the overpayment, three options for repayment, and a 30-day window to respond. If he does not respond by Friday, March 20, the Board can make the determination as to the option for repayment.
- ◆ **Susan Jarema** – The Board previously adopted Attorney I'Lanta Robbins' legal opinion that Ms. Jarema must pay the corrected rate for the service time she had purchased. No formal (written) request for a hearing has been received, although Ms. Jarema has verbally indicated that she would like the matter placed on hold pending the outcome of a hearing before the Board.

19. **FINANCE/INVESTMENT COMMITTEE**

Committee Chair Douglas Bingaman reported on the following:

- ◆ **FERS to MERS Transfer** – The first transfer of \$43,500,000 was completed in February. The second transfer will likely be done at the end of June for those Hurley individuals choosing to switch to MERS. The Committee will work with the Custodial Bank, Consultant and Actuary to ensure that the necessary assets are available for the transfer. Discussion followed. There are about 1600 Hurley Retirees and Deferred Retirees who are being given the option to transfer.
- ◆ **IRS Tax Determination Letter** – Attorney Michael VanOverbeke's office will process, with a deadline of 2010.
- ◆ **TIMCO** - Mr. Bingaman will contact TIMCO to schedule a presentation before the Finance/Investment Committee and then bring the information back to the Board. Consultant Chris Kuhn noted that this managerial approach is a little more costly, works best with plans that do not meet frequently to make decisions on managers, and requires more trust in the consultant to make the investment decisions.

20. RETIREMENT ORDINANCE REVISION COMMITTEE

The Board discussed draft language for an Ordinance change regarding the correction of errors and reviewed the language currently in use by Genesee County. The proposed Ordinance change, as presented by Attorney I'Lanta Robbins, would limit to three years the collection of overpayments from retirees (prior to the date the error is found), rather than retroactive to the date their pension payments began. Relevant issues discussed included correcting errors in the retiree's favor retroactive to the beginning of their pension payments, and overpayment errors resulting from erroneous or fraudulent information being corrected retroactive to the beginning of those payments, per Legal recommendation.

A motion was made by Robert Erlenbeck, and supported by Leonard Smorch, requesting Legal to draft the proposed change to include language regarding fraud and remove the limitation of three years for underpayments.

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

13th Check Issues – Mr. Bingaman stated that he is compiling information for review at the next meeting.

21. DB/DC CONVERSION

Mr. Erlenbeck reported that he is working with the ICMA on the conversion. They indicated that, historically, an average of 30% of eligible individuals will transfer to a DC plan; however, with the current economic conditions, it may be only 20-25%. This would generate a potential transfer from FERS of \$7-9 million. The targeted conversion date is July 1, 2009. Discussion followed. Once the amount is determined, the liquidated funds will be placed in a separate account at Northern Trust prior to the transfer to the ICMA.

Mr. Erlenbeck gave a brief history of the conversion, noting that the DB/DC conversion methodology was approved by the Board in 2002. Although AFSCME Locals #1600 and #1799 negotiated it into their contracts in 1997, nothing happened until 2001, when it was reinitiated and then formalized in 2002. The Finance Director, Matthew Grady, wanted to move forward with the implementation but was told it had to be negotiated. He tried to move forward anyway, sending a letter to employees, but it was halted until the process could be done properly. There was also a concern of the possible need for an updated tax determination letter, which was resolved by the DB/DC Committee (Robert Rosenberger was the Chair). Subsequent to the Board's approval, a purchase of time issue arose with #1600 and #1799, which has only recently been resolved. If all eligible employees were to transfer (which never happens), the conversion would cost about \$35 million.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number Retired	3,027	3,002	3,035
Annualized Payroll	\$ 64,850,497	\$ 65,084,806	\$ 66,151,541

23. OTHER BOARD BUSINESS

The Board discussed a situation in which a Hurley retiree died and left her pension to her husband, under the “Ten Years Certain” option. Then her husband died before the end of the ten years – who should be receiving the balance of the pension payments? According to Attorney Robbins, the retiree’s legal representative must work with an attorney and probate court to re-establish the retiree’s estate, to which the funds would be paid by FERS, since the deceased husband’s beneficiary may not be the individual who should legally receive the balance of the retiree’s estate.

24. ADJOURNED

A motion was made by Robert Erlenbeck, and supported by Janice Kehoe, to adjourn the meeting at 3:03 p.m.

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

Leonard D. Smorch
Secretary