

**CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, March 16, 2010**

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on **Tuesday, March 16, 2010** at 1:00 p.m. in the Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Douglas Bingaman – Interim Chairperson, Denise Bingaman, Debra Bridges, Robert Erlenbeck, John Erwin, Juliann Fairbrother, Janice Kehoe, Scott Kincaid, Michelle Kirkwood, Sherry Murphy, Michael Townsend, Cass Wisniewski

ABSENT Mary Bland, Gregory Eason, Duane Kelley, Sheldon Neeley, Mark Stratman

ALSO PRESENT Suzi Bye, Retirement & Benefits Manager
I'Lanta Robbins, Assistant City Attorney
Ivory Day, Gray & Company
Christopher Kuhn, Gray & Company

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Interim Chair Douglas Bingaman called the meeting to order at 1:36 p.m.

2. ROLL CALL (Attendance)

Roll was called and members were present or absent as noted above.

3. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

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

4. APPROVAL OF AGENDA

Motion by Robert Erlenbeck, supported by Cass Wisniewski, to approve the agenda, as presented at the meeting. The motion carried unanimously.

5. APPOINTMENT OF PERMANENT BOARD CHAIR & VICE CHAIR

Motion by Michael Townsend, supported by Robert Erlenbeck, to postpone the issue of appointing a permanent Chair or Vice Chair. The motion carried unanimously.

6. APPROVAL OF MINUTES - February 16, 2010 Regular Board Meeting

Motion made by Scott Kincaid, supported by Michael Townsend, to approve the minutes for the February 16th Regular Board Meeting, as presented. Motion carried unanimously.

7. APPLICATIONS FOR VOLUNTARY RETIREMENT – *See Attached*

Motion made by Sherry Murphy, supported by John Erwin, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Shirley Brackins, Mark Cabot, Gloria Garland, and Rosa Mitchell, be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension, as indicated, for life or until such chosen option shall require. The motion carried unanimously.

8. APPLICATIONS FOR DEFERRED RETIREMENT – *See Attached*

A motion was made by Sherry Murphy, supported by Robert Erlenbeck, to approve the Application for Deferred Retirement for Thetis Watson. Motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS – *None*

10. APPROVAL OF PENSIONS PREVIOUSLY REPORTED – *None*

11. OPTIONS PICKED BY DEFERRED RETIREMENTS – *None*

12. INFORMATIONAL CHANGES TO PENSIONS – *None*

13. UPCOMING CONFERENCES

(Placed on file in the Secretary's office and available for Board review.)

- 13.1 MAPERS 2010 Spring Conference, May 23-25, 2010, Soaring Eagle Resort, Mt. Pleasant, MI.
- 13.2 16th Annual Mid-Sized Retirement & Pension Plan Management Conference, May 4-7, 2010, Boston, Massachusetts.
- 13.3 International Foundation, Washington Legislative Update, May 3-4, 2010, Washington, D.C.
- 13.4 World Research Group, 2nd Annual National Benefits Forum for Taft-Hartley & Public Funds, May 13-14, 2010, Las Vegas, Nevada.

14. COMMUNICATIONS RECEIVED *(Placed on file in the Secretary's office and available for Board review or copy may be requested; *if noted, copy included with Agenda.)*

- 14.1 George B. Washington, Attorney for AFSCME Local 1603, Letter re: Vacation days and final average compensation, March 8, 2010. *
- 14.2 Ivory Day, Article in Chicago Sun-Times re: Lawsuit against Northern Trust Co. by Chicago Teachers' Pension Fund, February 2, 2010. *
- 14.3 City of Flint Comprehensive Annual Financial Report, Audit by Plante & Moran of Retirement System, as of June 30, 2009. *

15. COMMUNICATIONS SENT *(Placed on file in the Secretary's office and available for Board review or copy may be requested; *if noted, copy included with Agenda.)*

- 15.1 Bingaman/Townsend, Letter to Northern Trust re: Pension Payroll Transfer for March 1, 2010.
- 15.2 Suzi Bye, Letter to Nota Sidiropoulos re: Pension Overpayment, February 23, 2010.
- 15.3 Retirement Board, Memo to City Council re Ordinance Change to §35-16.4, Feb. 26, 2010. *

16. REPORTS RECEIVED *(Placed on file in the Secretary's office and available for Board review or copy may be requested; *if noted, copy included with Agenda packets.)*

- 16.1 Fisher Investments, FERS Fourth Quarter 2009 Foreign Equity Fund Performance Report.

16.2 BNY ConvergEx Group, FERS Trading Activity with LJR Recapture Services, Jan. 2010.

16.3 Intercontinental Real Estate Corp., Investment Fund III Performance Report, 3rd Qtr 2009.

16.4 Wentworth, Hauser and Violich, FERS Appraisal Summary & Statement of Assets as of January 31, 2010.

A motion was made by Robert Erlenbeck, supported by Cass Wisniewski, to receive and place on file all documents listed in Agenda Item #s 13, 14, 15, 16. (Certain items will be discussed where appropriate in the Agenda.) The Board will discuss MAPERS and NCPERS under Other Board Business. The motion carried unanimously.

17. STATISTICAL REPORT OF BENEFITS (for information only)

	<u>2008</u>	<u>2009</u>	<u>2010 YTD</u>
Number Retired	3,065	2,849	2,843
Payroll	\$66,402,468	\$64,959,885	\$15,579,919

18. GRAY & COMPANY - REPORT/RECOMMENDATIONS

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing** – presented and reviewed by Ivory Day. Discussion followed.
- ◆ **Educational Session re: Real Estate & Private Equity** – Mr. Day will conduct an educational session at 10:00 a.m. on May 18 (prior to the Regular Board Meeting).
- ◆ **Smallcap Equity Investment Manager Performance Quantitative Analysis – Allegiant, Keeley, Wellington** – presented and reviewed by Ivory Day. Discussion followed.

19. APPROVAL OF THE APRIL 1, 2010 PENSION PAYROLL TRANSFER

A motion was made by John Erwin, and supported by Cass Wisniewski, to approve a transfer of \$4,588,200 for payment of the April 1, 2010 pension payroll (total estimated payroll - \$5,040,254), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES PENDING

- ◆ **Contribution Rates for Fiscal Year 2011 (beginning July 1, 2010) – Review by David Kausch, Gabriel Roeder Smith & Co. & Software Presentation**

Michael Townsend noted that David Kausch, from Gabriel Roeder, was asked to address the Board regarding the City's contribution rates to the retirement system (and the resulting impact on the City's finances) and various actuarial alternatives that affect the way the rates are calculated. It was noted that City administration will be talking with the union groups about these issues as part of their contract negotiations.

David Kausch led a discussion regarding the 2008 actuarial valuation's proposed fiscal year 2011 contribution rates. Since the "General City" group (exempts, AFSCME #1600 and #1799) has been closed to the defined benefit (DB) plan, with all new hires since 2003 going into the defined contribution (DC) plan, this changes the method the actuaries must use to amortize the unfunded liability (which is done over 30 years) and calculate the contribution rate. If that entire group were still open to the DB plan, the contribution, as a percentage of pay, would be about 35% (\$9 million). As a closed plan, the amortization rate must be calculated at the level dollar method, which would be about 50% of pay (\$13 million). The reason is that, eventually, the members of the defined benefit plan would be retiring and funds must be available to pay those retirements when, at the same time, contributions from active member payroll are declining or even ending because there are no new members to replace them, which could keep the contribution rate level or even increasing due to inflation increasing payroll. Although there are other "short-term" fixes for contribution rates, they are not recommended when the plan's funding is at this level. If the plan were opened to new hires, the retirement benefit for those new members could also be changed or reduced. Since the funding is already precarious, reopening the plan to this group is critical to the health and stability of the Fund. The theory of DC plans is that they are much less expensive for an employer to fund, having a lower, fixed contribution rate; however, the DB plan must be well-funded in order to avoid this problem of significantly increased contribution rates. With all of the retirement windows for this group, and the market losses, the plan is no longer as well funded as it once was. By shrinking the number of members who contribute, and for whom the City makes contributions, it causes the defined benefit plan to have a greater unfunded liability. The DC plan's contribution rates are 10-11% for the City and 4-5% for the employees. If it weren't for the large unfunded liability currently in the DB plan, the contribution rates would be about 12% (8% for the City and 4% for the employees) instead of 35% and increasing. A DC plan can be more expensive due to the increased costs of operating the DB plan with fewer participants.

Mr. Kausch demonstrated a software program that GRS has developed to project the long-range effects of various changes on a DB pension plan. This program is useful for

developing contribution rates as a percentage of projected payroll, determining the plan's funding based on various investment returns, employee data, smoothing methods, assets, membership, losses, funding ratios, etc. and determining the best contribution rates under different criteria. The cost is free for the first copy and then \$8000/division. The Fund has four divisions. Each copy must be set up with the membership data and information for that division.

◆ **Adoption of FY2008 Actuarial Valuation**

Mr. Kausch stated that, based on all information available, including the general group being closed, the new rates in the valuation would take effect on July 1st, 2010. If the City were to reopen the plan for the three groups in the General City division before July 1, the contribution rate would be lowered and the valuation could be reissued with the new contribution rates. If all three groups in that division were reopened, the rate could be as low as 35%, which would eliminate the additional \$4 million contribution currently in the FY11 rates (from 50.27% of payroll to 35.33%). This would depend on whether all three groups were reopened and whether a choice was given to future hires between the DB or DC plans. If a choice, the Actuary would be required to assume that some new individuals would choose the DC plan; therefore, the rate would not go all the way down to 35%. The rates will still increase next year (FY12) due to the market losses to the system. Discussion followed. It was noted that only the City Administration can make the decision to reopen the Plan; however, adoption of the valuation could be postponed, to allow the City time to negotiate with the unions.

A motion was made by Scott Kincaid, supported by Robert Erlenbeck, to postpone the adoption of the FY2008 actuarial valuation report until May. Motion carried unanimously.

- ◆ **Actuarial RFPs** – Presentations by actuaries were given in January. The Board discussed whether to proceed with the process of selecting an actuary to start on the fiscal year 2009 valuation while the 2008 fiscal year report is still pending. **A motion was made by Robert Erlenbeck, supported by Scott Kincaid, to postpone further action on the selection of an actuary until May. Motion carried unanimously.**

21. LEGAL COUNSEL UPDATES

The Board's Attorney, I'lanta Robbins, reported on the following pending legal issues:

- ◆ **Take Two Interactive Lawsuit** – No update from Attorney George Peck. The case is nearing settlement; after a settlement is approved, funds would eventually be distributed.

- ◆ **FAC Calculation Policy** – *Pending/under review*
- ◆ **Capital BidCo** – Additional financial Information was requested; no response has been received to date. The State of Michigan has been asked to review legal/financial issues also. There is a State Statute that allows shareholders to go to Circuit Court to demand documents, which may be an option.
- ◆ **Pension Calculation Errors Lawsuits – Cherwinski/Tereau/Kelly** - *Mediation*
- ◆ **Pension Calculation Errors Lawsuits - Burns/Wiggins/Doerr** - *Mediation*
- ◆ **Susan Jarema - Purchase of Time** – *Mediation*

Settlement options have been discussed with the plaintiffs' legal counsel, Attorney Gregory Gibbs, who has indicated that three individuals may be interested in a proposed settlement to correct their future pension payments and allow for collection of their overpayments.

- ◆ **Linda Winfrey – Settlement Agreement** – At a previous meeting Attorney Robbins gave her verbal legal opinion that there was not an error when including Ms. Winfrey's settlement agreement in her FAC because the funds were reclassified and should be considered as wages.
- ◆ **Harland Verrill – Overpayment due to errors?** – Attorney Robbins and the Professional Services Committee are reviewing the issues.
- ◆ **Claude Miller Pension Revisions** – The Board discussed the calculations for those who have requested that their FAC be recalculated under the Claude Miller lawsuit and the MERC decision. The wording of the MERC decision, judges' rulings, etc. was requested from Attorney I'Lanta Robbins at the next meeting. Per Judge Yuille, retirees within the class were to receive a final average compensation that included 1 year with 27 pay periods. The judge's decision also allowed members of the class the opportunity to request their detailed pay history, for the purposes of determining their own FAC, which they could then submit to the Retirement Office for review. About 500 individuals requested their detailed payroll records. To date, about 20 retirees have submitted their recalculation requests to the Retirement Office for review, in addition to the previous 46 that have already been recalculated pursuant to the Claude Miller lawsuit. Attorney Robbins will review the legal decisions and provide copies at the next meeting.
- ◆ **Elected Board Members – Lay-Offs, etc.** – Attorney Robbins stated that Ordinance 35-10 defines a Board Vacancy as “leaving the employ of the City.” Therefore, Mr. Mark Stratman, the Fire Dept. Alternate Trustee, cannot serve on the Board while he is on lay-off status from his position as a firefighter with the City of Flint.

22. PROFESSIONAL SERVICES COMMITTEE

Robert Erlenbeck reported that the Committee met and discussed the following issues:

- ◆ **Cost Saving Measures - Pension Advice Mailing** – Under review with Information Services Staff.
- ◆ **Auditing “Pop-Ups” – Known Errors** – Discussed with Legal Counsel.
- ◆ **Hurley #1603 - Vacation Fold-Ins** (*ref. #14.1*) – Attorney Robbins stated that she has responded in writing to the letter from AFSCME #1600 Attorney Washington requesting further information. She suggested that the attorney contact Hurley, as the employer, and noted that the matter is currently under legal review. She will not recommend that the practice be discontinued until she has had an opportunity to fully review the matter, Hurley has had an opportunity to respond, and the attorney has received the information needed. Therefore, she is recommending that a decision be postponed for another month.

A motion was made by Scott Kincaid, supported by Sherry Murphy, to postpone making a decision on the Hurley #1603 vacation fold-in issue. During discussion, Janice Kehoe stated that further information would be provided at the next Board Meeting. **Motion carried unanimously.**

- ◆ **David Williams – Deceased Police Officer** – The Probate Court has issued a ruling regarding his Beneficiary.
- ◆ **Tony Golden** – *Hearing scheduled March 16, 2010 - 10:00 a.m. - He requested postponement.*

22.1 DISABILITY RETIREMENT APPLICATIONS

- ◆ **Duty** – *No applications pending*
- ◆ **Non-Duty**
 - ◆ One application pending, then withdrawn
 - ◆ One new application received
 - ◆ **Wayland Day, Police Officer**

A motion was made by John Erwin, and supported by Scott Kincaid, to accept and concur with Dr. Roth’s report that Wayland Day is totally and permanently disabled and should be approved for a non-duty disability retirement. Motion carried unanimously.

◆ **Renetta Cochran, HMC #1603**

A motion was made by John Erwin, and supported by Robert Erlenbeck, to accept and concur with Dr. Roth's report that Renetta Cochran is not totally and permanently disabled and should be denied a non-duty disability retirement. Motion carried unanimously.

The Board discussed an error that has been found in the payout of a duty death pension. The error was found as the result of a request to review the City ordinance, and past practice, regarding duty death pensions for police officers and firefighters. The contract and ordinance language differs. The information regarding the error will be presented to the Board at the next meeting for review and recommendations.

The Board discussed a recently-discovered error involving a deferred retiree who was told, when he left Hurley in 1989, that he had more than ten years of service. He recently applied for retirement; however, a review of his file, in order to calculate his pension, has revealed an error in addition, with the individual having only 8-1/2 years of service credit. This means that he was not vested when he left Hurley and was not entitled to a pension, nor was he eligible to buy time. Chairman Bingaman asked Suzi Bye to send a letter to the individual informing him of the error and recommending that he contact Hurley, his union, etc., to see if some type of settlement agreement might be obtained. Under Public Act 728, any agreement would require an actuarial study before Board approval.

Denise Bingaman and Suzi Bye reported to the Board that they have found additional individuals, who were part of the 26-27 pays lawsuits, that have not yet had their pensions recalculated, were not sent to the actuary, or did not have their pensions lowered as a result of the recalculations that were to eliminate all but one 27-pay final average compensation year. They believe there are about 15 individuals who still need to have their pensions recalculated as a result of the lawsuits. Discussion followed. The Board agreed that the individuals should be added to the agenda as they are recalculated, rather than holding a special meeting to review all of them at once.

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes** – The Board discussed the possibility of issuing a refund for overlapping time purchased and the need to have a 27th pay in his FAC, per the MERC decision (he had two 26-pay years and one 26-1/2 pay year). In addition, other errors have been found in his pension calculations that created an overpayment to him that must be repaid to the System. All calculations (both old and new) should be brought to the Board next month for review.

23. FINANCE/INVESTMENT COMMITTEE

Per Douglas Bingaman, the Committee has not met.

- ◆ **IRS Tax Determination Letter** - *Pending w/Attorney Michael VanOverbeke* – Attorney Robbins has discussed with Attorney VanOverbeke, who is preparing to file the appropriate paperwork to submit to the IRS. He requested an updated actuarial valuation from FERS, which will be sent to him. He will send a Power of Attorney form to the Board for approval to authorize him to apply to the IRS on behalf of the FERS Board.

- ◆ **Audit by Plante & Moran – FY09 Comprehensive Annual Financial Report** - Michael Townsend stated that, as part of their annual audit of the City, Plante & Moran audits the pension system. The portions of the annual audit report that relate to the pension system have been provided to the Board (*ref. #14.3*). He asked Board Members to review the information and noted that any questions can be addressed to him at a subsequent Board Meeting.

Mr. Townsend stated that he is working to develop reports showing the current fiscal year revenues and expenses, which were requested previously.

The Board discussed the need for an independent audit of the Retirement System now that the MERS transfers are completed. It was noted that Plante & Moran currently performs the audits for the City of Flint, Hurley Medical Center, and the Downtown Development Authority and is already very familiar with the Retirement System.

A motion was made by Scott Kincaid, supported by Sherry Murphy, to request a proposal from Plante & Moran for an independent audit of the Flint Employees' Retirement System. Motion carried unanimously. Mr. Townsend was asked to request the proposal, which should include the scope of the audit and the cost.

24. RETIREMENT ORDINANCE REVISION COMMITTEE (of-the-Whole)

- ◆ **§35-16.4 “13th Check” SUBCOMMITTEE** – *Michelle Kirkwood, Chair*
Issues under discussion -
 - **90% Funded** – *Resolution submitted to City Council (1st Reading 3/8/10) (ref. #15.3)*
 - **Five-Year Rolling Average**
 - **Changes in Eligibility/Calculations: Age, Contributory/Non-contributory, Deferred, Straight Life Pension Factor, Beneficiaries**
 - **Alternative Cost of Living Option**

- ◆ **§35-8 Alternates** - *Language & letter of recommendation to be sent to City Council*

- ◆ **§35-10 Alternates Ascending to Trustee Position when Vacated** – *Language & letter of recommendation to be sent to City Council*
- ◆ **§35-31/31.1/32/32.1 Firefighters/Police Officers** – *Under legal review; however, the contracts supersede the Ordinance language and the contract language varies in the different contracts.*
- ◆ **§35-26(a)(1) Option “A”** - *Language & letter of recommendation to be sent to City Council*

25. OTHER BOARD BUSINESS

- ◆ **New Recording/Transcription Equipment** – *received*
- ◆ **Actuarial Valuation** - Mr. Erlenbeck noted that the current copies of the 6/30/08 actuarial valuation should be marked “draft” to avoid confusion in the future, since it is the intent of the Board and the City to make changes that will require the report to be reissued.
- ◆ **MAPERS/NCPERS** - Chairman Bingaman stated that Board Members who wish to attend MAPERS or NCPERS should contact Julie Sadler with their requests.
- ◆ **HMC Purchase of Time** - Janice Kehoe asked Suzi Bye for information regarding Hurley employees purchasing time, purchase requirements, etc.

26. ADJOURNMENT

Upcoming Board Meetings:

Hearing – Tony Golden – Tuesday, April 20, 2010, 10:00 a.m.

Regular Board Meeting – Tuesday, April 20, 2010, 1:00 p.m.

Educational Session – Tuesday, May 18, 2010, 10:00 a.m.

Regular Board Meeting – Tuesday, May 18, 2010, 1:00 p.m.

A motion was made at 3:47 p.m. by Scott Kincaid, supported by Michael Townsend, to adjourn the meeting. The motion carried unanimously.

Michael A. Townsend
Secretary

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM - BOARD OF TRUSTEES

Approval of Pension Calculations

March 16, 2010 Board Meeting

7. APPLICATIONS FOR VOLUNTARY RETIREMENT

Last Name	First Name	Unit	Union	Final Avg. Comp. (FAC)	Accum. Contrib.	DRET (Before Tax Contrib.)	Effective Retirement Date	Service Years/ Months	Option Elected	Monthly Pension Payment	Notes
Brackins	Shirley	HMC	1603	\$44,739.02	\$0.00	\$0.00	02/14/10	37 years, 7 months	Option A	\$2,176.96	
Cabot	Mark	COF	FPOA	\$63,487.74	\$7,396.74	\$42,194.06	02/08/10	22 years, 9 months	Option B	\$2,700.72	Non-duty death-deceased 02-09-10
Garland	Gloria	HMC	1603	\$38,611.22	\$0.00	\$0.00	02/20/10	33 years, 0 months	Straight Life	\$1,753.59	
Mitchell	Rosa	HMC	Exempt	\$82,785.61	\$20,548.08	\$57,896.16	01/29/10	29 years, 11 months	Straight Life	\$4,271.51	

Motion made by Sherry Murphy, supported by John Erwin, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Shirley Brackins, Mark Cabot, Gloria Garland, and Rosa Mitchell, be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension, as indicated, for life or until such chosen option shall require. The motion carried unanimously.

8. APPLICATIONS FOR DEFERRED RETIREMENT

Last Name	First Name	Unit	Union	Final Avg. Comp. (FAC)	Accum. Contrib.	DRET (Before Tax Contrib.)	Effective Retirement Date	Service Years/ Months	Option to be Elected by (date)	Notes
Watson	Thetis	HMC	Exempt	\$80,472.46	\$0.00	\$0.00	01/30/10	28 years, 10 months	12/01/10	

A motion was made by Sherry Murphy, supported by Robert Erlenbeck, to approve the Application for Deferred Retirement for Thetis Watson. Motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS - NONE

10. APPROVAL OF PENSIONS PREVIOUSLY REPORTED - NONE

11. OPTIONS PICKED BY DEFERRED RETIREES - NONE
12. INFORMATIONAL CHANGES TO PENSIONS - NONE