

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, October 18, 2011

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on **Tuesday, October 18, 2011**, at 1:00 p.m. in the Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall.

TRUSTEES & ALTERNATES Douglas Bingaman – Chair; Denise Bingaman, Bryan Bond, Debra Bridges (1:21), Robert Erlenbeck, Maryann Malloy (1:21), Sherry Murphy (1:17), Sheldon Neeley (1:20), Mark Stratman, Cass Wisniewski

ABSENT Mary Bland, Gregory Eason, Duane Kelley, Scott Kincaid, Mark Kovach, Patricia Ramirez, Michael Townsend

ALSO PRESENT Christopher Kuhn, Gray & Company (Consultant)
David Kausch, Gabriel, Roeder, Smith & Co. (Actuary)
I'Lanta Robbins, Assistant City Attorney/Attorney for Retirement Board
Suzi Bye, Retirement & Benefits Manager
Julie Sadler, Staff Assistant to FERS

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Acting Chair Douglas Bingaman called the meeting to order at 1:12 p.m.

2. ROLL CALL (Attendance)

Roll was called and members were present or absent as recorded 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

A motion was made 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

A motion was made to table the appointment of a permanent Chair and Vice Chair by Robert Erlenbeck, supported by Mark Stratman. The motion carried unanimously.

6. APPROVAL OF MINUTES –September 20, 2011 - Regular Board Meeting

A Motion was made by Robert Erlenbeck, supported by Cass Wisniewski, to approve the minutes of the September 20, 2011 Regular Board Meeting, as written. The motion carried unanimously.

7. APPROVAL OF APPLICATIONS FOR VOLUNTARY RETIREMENT – See Attached

Moved/Resolved by Mark Stratman, supported by Cass Wisniewski, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement for James Coleman, Melissa Gifford, James Hearsch, LaJoyce Howard, Daniel Lopez, Sandra Quiel and Edward Reynolds 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. Motion carried unanimously.

The Board discussed the issue of contract provisions for job elimination (including five additional years) and whether or not the positions have been *permanently* eliminated, as well as the additional unfunded liability this causes to the System. David Kausch (Gabriel Roeder) noted that, if there are events that trigger unfunded liability; i.e., benefit changes, etc. a Public Act 728 valuation must be done. Although the Board doesn't have a say over contract issues, they do have a say in funding. The Board could set an alternate funding policy in which such events would require additional deposits by the employer to cover any additional liability incurred.

It was noted that, per ordinance, the pension is to be frozen when individuals return to employment under contract. Chairman Bingaman asked Attorney Robbins to review that issue. Any additional reviews needed from the Actuary (P.A. 728, etc.) are charged to whichever entity requested the review - the City, Hurley or the Retirement System. It was also noted that, in many cases, there are staff members who have the expertise needed to review any additional pension amounts granted and estimate the additional cost to the System without an additional actuarial valuation. Mr. Erlenbeck stated that he will review the calculations involved in these retirements to determine the additional cost to the System. The major concern is the additional unfunded liability being added to the Retirement System. The

question under discussion is why would the City not be held to the same standard as the employees; i.e., requiring that they must pay for additional time granted in contracts or settlement agreements? The City does make additional contributions to the Retirement System, based on actuarial studies, for unfunded liability every year. They do not currently pay the additional liability incurred under settlement agreements or contract negotiations "up front" but it is factored into employer contributions calculated through the actuarial valuations. With the new GASB accounting rules, the City and Hurley are required to recognize the full unfunded actuarial liability on their annual balance sheets.

8. APPROVAL OF APPLICATIONS FOR DEFERRED RETIREMENT – *See Attached*

A Motion to Approve the Applications for Deferred Retirement for Michelle Champion, Michael Keahey and Holly Pierce was made by Mark Stratman and supported by Robert Erlenbeck. The motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS – *See Attached*

A motion was made by Robert Erlenbeck, supported by Sherry Murphy, to approve the disability pensions for Gail Cotter and Marc Gern. The motion carried unanimously.

10. APPROVAL OF CHANGES TO PENSIONS PREVIOUSLY REPORTED – *See Attached*

A Motion was made by Robert Erlenbeck, supported by Sheldon Neeley, to approve revisions to the Pensions Previously Reported for Valerie Walker and Wilfred Brown. The motion carried unanimously.

11. APPROVAL OF OPTIONS PICKED BY DEFERRED RETIREES – *See Attached*

A Motion to Approve the Options Picked by Deferred Retirees Perry Fielder, Irene Mueller and Holly Pierce was made by Mark Stratman and supported by Robert Erlenbeck. The motion carried unanimously.

12. INFORMATIONAL CHANGES TO PENSIONS – *None*

13. UPCOMING CONFERENCES

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

- 13.1 International Foundation, Employee Benefit Education - 2012 Catalog of Conferences, Certificate Programs, Online Learning, Publications.

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 Steven F. Spender, Attorney, Letter to Board re: Legal Representation for Ronda Moore, September 27, 2011. *

- 14.2 Gabriel Roeder Smith & Co., Letter to Board re: Selecting Economic Assumptions, October 14, 2011. *

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 Douglas Bingaman & Michael Townsend, Letter to Northern Trust re: October 1 Pension Payroll Transfer, September 20, 2011.

- 15.2 Douglas Bingaman & Michael Townsend, Letter to Northern Trust re: Sell Securities in Drawdown Account for October 1 Pension Payroll Transfer, September 20, 2011.

- 15.3 Douglas Bingaman & Michael Townsend, Letter to Northern Trust re: Transfer to American Realty Advisors for Capital Call, September 20, 2011.

- 15.4 Suzi Bye, Letter to Alvin Hare re: Overpayment Error - June 2011 Pension Payment, September 21, 2011.

- 15.5 Suzi Bye, Letter to Sherry Murphy re: Retiree Representative Election Ballot Counting on Tuesday, September 27, 2011 at 10:00 a.m., September 22, 2011.

- 15.6 Suzi Bye, Letter to Mary Bland re: Retiree Representative Election Ballot Counting on Tuesday, September 27, 2011 at 10:00 a.m., September 22, 2011.

- 15.7 Suzi Bye, Letter to Linda DeFlorio re: Retiree Representative Election Ballot Counting on Tuesday, September 27, 2011 at 10:00 a.m., September 22, 2011.

- 15.8 Michael Townsend, Letter to Cass Wisniewski/Hurley Medical Center re: \$.20/deduction monthly transaction fee, September 23, 2011.
- 15.9 Michael Townsend, Letter to Mary Bland/United Retired Government Employees re: \$.20/deduction monthly transaction fee, September 23, 2011.
- 15.10 Michael Townsend, Letter to Michael Schmidt, Flint Police Benefit Association re: \$.20/deduction monthly transaction fee, September 23, 2011.
- 15.11 Michael Townsend, Letter to Maurice O'Donnel/Flint Firemen's Fund Association re: \$.20/deduction monthly transaction fee, September 23, 2011.
- 15.12 Michael Townsend, Letter to Joyce Edwards/Flint City Employees Club re: \$.20/deduction monthly transaction fee, September 23, 2011.
- 15.13 Michael Townsend, Letter to Marcia Rutter/AFLAC re: \$.20/deduction monthly transaction fee, September 23, 2011.

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 **American Realty Advisors**, Letter to Clients re: Current Market Conditions, Sept. 26, 2011.
- 16.2 **BNY ConvergeEx Group Recapture Services**, Plan Summary Report January 1 - Aug. 31, 2011.
- 16.3 **Wentworth, Hauser & Violich**, FERS Appraisal & Asset Statements for August 2011.
- 16.4 **Wellington Management**, Form ADV Part 2B Brochure Supplement, September 27, 2101.
- 16.5 **Piedmont Investment Advisors**, FERS Portfolio Performance & Appraisal, August 2011.
- 16.6 **Dodge & Cox**, Brokerage Commission Report, July 1 - September 30, 2011.

A motion was made by Robert Erlenbeck, supported by Sherry Murphy, to receive and place on file all documents listed in Agenda Item #s 13, 14, 15, 16. (Certain items were discussed where appropriate in the Agenda.) Motion carried unanimously.

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

	<u>2009</u>	<u>2010</u>	<u>2011 YTD</u>
Number Retired	2,849	2,880	2,883
Payroll	\$64,959,885	\$63,205,866	\$53,765,409

18. GRAY & COMPANY – CONSULTANT’S REPORT/RECOMMENDATIONS

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing** - Distributed and reviewed with the Board by Chris Kuhn. Discussion followed.

- ◆ **Rebalancing - \$23,574,473 - Recommendation from Consultant - Transfer from:**

- Northern Trust Aggregate Bond - \$16,055,631
- Northern Trust World Government EX US - \$3,182,414
- JP Morgan Chase Bank One - \$2,723,752
- CB Richard Ellis - \$1,228,686
- Fidelity Management Trust - \$383,990

To Drawdown Account at Northern Trust

A motion was made by Cass Wisniewski, supported by Robert Erlenbeck, to do everything necessary to transfer \$23,574,473 from cash holdings to the drawdown account, as recommended by the Consultant. Motion carried unanimously.

- ◆ **Market Update/Issues** - Chris Kuhn - Board discussion.
- ◆ **Proxy Voting** - *pending with Ivory Day*
- ◆ **New Real Estate Managers – status**
 - **Mayfield Gentry** - *contract pending raising of capital*
 - **American Realty Advisors** - *\$8,000,000 Investment*
- Capital Calls: \$4,800,000 - 6/28/11 & \$1,120,000 - 10/3/11 (Ref #15.3)

19. APPROVAL OF THE NOVEMBER 1, 2011 PENSION PAYROLL TRANSFER

A motion was made by Sherry Murphy, supported by Robert Erlenbeck, to approve a transfer of \$5,129,300 for payment of the November 1, 2011 pension payroll (total estimated payroll - \$5,248,216), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES PENDING - David Kausch, Gabriel, Roeder, Smith & Company

- ◆ **Fiscal Year 2010 Actuarial Valuation** - The FY10 Valuation is progressing and Mr. Kausch plans to present a summary report to the Board at the November Regular Board Meeting.
- ◆ **Gabriel, Roeder, Smith & Co. -**
 - **Economic Assumptions** - *Review & recommendations (see Agenda Attachment #14.2 – Letter from Mr. Kausch, GRS)* - Mr. Kausch reviewed the issues covered in his letter to the Board: economic assumptions, demographic assumptions, and alternatives. Discussion followed. Chairman Bingaman noted that Consultant Ivory Day will discuss rate of return assumptions with the Board in November and make his recommendations. Mr. Day has indicated that he is comfortable with the current assumption of an 8% rate of return. Mr. Kausch was asked to project contribution rates if any of the assumptions are changed, which he said would be part of his presentation in November. He also noted that, in light of the current economic situation, even though increased contribution rates are needed, governmental entities are under very tight budget constraints. The job of the Trustees is to ask for resources to support the benefits of the Plan while acting in the best interests of all members, both retired and active, and ensuring there are enough funds for the Plan. Mr. Kausch will also provide a summary of assumptions used in other Michigan plans for the Board's review, as part of their deliberations on the issues.
 - **Demographic Assumptions** - Review and recommendations will be made when the 2010 Actuarial Valuation is presented.
 - **FERS/MERS Transfer Procedures** - Under review by Attorney Robbins with recommendations to be made at the November Board Meeting. Mr. Kausch received data from HMC on the 40 + members "in limbo" for transfer between FERS and MERS. A transfer of funds would involve the members' contributions.
 - **GRS Software Services** - *Agreement approved*

21. LEGAL COUNSEL UPDATES – I'Lanta Robbins, Attorney

- ◆ **Take Two Interactive Lawsuit** – *Securities Fraud Loss \$176,505 –Settlement pending*
- ◆ **Capital BidCo** - Attorney Robbins has discussed with Legal Counsel at the Lansing Board of Water & Light (another major shareholder) to obtain further documentation for a request to the State for review. She plans to request an investigation by the State of Michigan before the next board meeting.

- ◆ **Pension Calculation Errors Lawsuits – Hearings pending/to be scheduled** – The Board discussed scheduling issues, in light of the number that are pending.
 - **Sheila Burns** (5 “free” years in FAC) - November 15 Hearing scheduled
 - **William O. Kelly III** (FAC issues) - tentatively set for January Board Mtg date
 - **Gregory Doerr** (FAC issues)
 - **Susan Jarema** (purchase of time)
All of these individuals are represented by Attorney Gregory Gibbs.

- ◆ **FAC Calculation Policy** – Draft will be reviewed with the Retirement Office

22. PROFESSIONAL SERVICES COMMITTEE

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

- ◆ **Cost Saving Measures - Ongoing**
 - **Pension Advices Online**
 - **Debit Cards, Direct Deposit, etc.** - The System is now mailing less than 160 checks per month. This is currently saving over \$200/month in postage costs. All new retirees beginning January 1, 2012 are required to go "paperless" and be paid via direct deposit or paycard.
 - **Pension payroll deductions & costs to administer** – Notification letters were sent to providers (Ref #15.8-#15.13).
 - **Retirement Self-Service Website** www.cityofflint.com/finance/Retirement/retirement.asp
All forms are available online to print and send to the Retirement office by fax or mail, including address changes, tax changes, direct deposit forms, etc. Return envelopes are no longer provided. During discussion, it was noted that URGE has been encouraging retirees to "go paperless." URGE will also note in their newsletter that the forms are available online and written requests for address changes (without a form) will be honored by the Retirement office staff.

- ◆ **Flint Housing Commission 2003 Job Eliminations - Deferred Retirees - Errors Found**
 - **David Gardin – Purchase of Generic Time - no contact**
 - **Ronda Moore - Purchase of Time/Cost of Purchase/Service Credits (Ref #14.1)**
Attorney Robbins notified counsel for Ms. Moore that there are several hearings already scheduled ahead of Ms. Moore’s, but that she is in the queue.

- ◆ **Election Certification - Retiree Representative - Trustee & Alternate**
(Ref #15.5, 15.6, 15.7; #22) - During discussion, Suzi Bye reported that there were many spoiled ballots due to being received after the deadline, missing names/return addresses, or containing unsigned envelopes (needed to ensure that individuals do not vote twice).

A motion was made by Cass Wisniewski, supported by Mark Stratman, to certify the results of the September 27, 2011 election for retiree representatives on the Board of Trustees electing Sherry Murphy as Trustee and Mary Bland as Alternate. The motion carried unanimously.

22.1 DISABILITY RETIREMENT APPLICATIONS OUTSTANDING/PENDING

- ◆ **Reports/Recommendations** - *Two new applications received.*
- ◆ **Duty** - *None pending*
- ◆ **Non-Duty** – *Four pending - no reports received*
- ◆ **Responses received from Dr. Roth** – *None*

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes** (*service credits/FAC*) - A Hearing was held at 9:00 a.m. today and a continuation hearing date needs to be scheduled.

23. FINANCE/INVESTMENT COMMITTEE

Chairman Bingaman asked Michael Townsend to be Chair of this Committee, as Mr. Bingaman is planning to retire, and it was noted that a meeting would be scheduled in the near future. Committee Members currently are: Douglas Bingaman, Michael Townsend, Cass Wisniewski, Mark Stratman.

- ◆ **Financial Updates**
- ◆ **Pension System Budget/Revenues/Expenditures/Admin Costs**
- ◆ **IRS Tax Determination Letter** – *Pending w/IRS*
- ◆ **Private Equity Investments**
- ◆ **Independent Audit of FERS**

It was reported that a representative from the Genesee County Drain Commission will present an investment opportunity to the Committee (and subsequently, the Board) involving investment in the new water pipeline to Port Huron.

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

- ◆ **Apply IRS Regulations for Beneficiaries** –*Legal, R. Erlenbeck, GRS*

- ◆ **IRS Changes for Tax Determination Letter** - *pending IRS approval of language recommended/submitted by Attorney Michael VanOverbeke*
- ◆ **Defined Contribution/Defined Benefit Change for Exempts** – *Attorney Robbins drafting final language for submission to City Council*
- ◆ **§35-31/31.1/32/32.1 Firefighters/Police Officers – Death in the Line of Duty / Death Pension Limitations – Surviving Spouses** – *Legal, Mark Stratman, Suzi Bye*

25. OTHER BOARD BUSINESS

- ◆ **Pending Michigan Legislation**
 - ◆ **Public Act 314 (Pension Investment Act), Public Act 345 (Police & Fire Retirement Systems), Public Act 336 (Public Employees Retirement Act)**
- ◆ **Vacancies (Ord. §35-8 & §35-10)**
 - ◆ **Alternate for Cass Wisniewski** – *To be appointed by Hurley President/CEO*
- ◆ **Pending Michigan State Income Tax Changes for Pensions**

Mr. Neeley asked the Attorney, through the Chair, about the potential impact on the Board and Retirement System of the appointment of an Emergency Manager by the Governor. Discussion followed. Attorney Robbins stated that she would review the law and advise the Board at the next meeting.

Mr. Erlenbeck asked whether the Board can set guidelines for employers on the impact to the Retirement System of employee purchase of time, job elimination, etc. Mr. Kausch stated that employer contributions for unfunded liability are currently amortized over 30 years, per State law minimum requirements. However, the Board is allowed to set a funding policy that shortens the amortization period and could require that whenever additional issues arise; i.e., special service purchases, job elimination awards, etc. they are funded in total at that time. It is the purview of the Board to secure benefits to the Trust and ensure that the funds will be available when needed. Mr. Kausch stated that the additional unfunded events have had an adverse impact on the Retirement System. The Chair asked Attorney Robbins to review and make recommendations regarding establishing a Board policy requiring the employers to fully fund additional unfunded liability at the time those issues are approved.

26. ADJOURNMENT

Upcoming Board Meetings:

Hearing to be continued for David Plewes - To be scheduled

Special Board Meeting – Hearing for Sheila Burns - Tuesday, November 15, 2011, 9:00 a.m.

Regular Board Meeting - Tuesday, November 15, 2011, 1:00 p.m.

Special Board Meeting – Hearing- ? - Tuesday, December 20, 2011, 9:00 a.m.

Regular Board Meeting - Tuesday, December 20, 2011, 1:00 p.m.

A motion was made by Cass Wisniewski, and supported by Robert Erlenbeck, to adjourn the meeting at 2:31 p.m. The motion carried unanimously.