

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, August 16, 2011

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on **Tuesday, August 16, 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, Robert Erlenbeck, Scott Kincaid, Maryann Malloy, Sherry Murphy, Patricia Ramirez, Michael Townsend (1:36), Cass Wisniewski

ABSENT Mary Bland, Bryan Bond, Debra Bridges, Gregory Eason, Duane Kelley, Mark Kovach, Sheldon Neeley, Mark Stratman

ALSO PRESENT Ivory Day, Consultant, Gray & Company, 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 1:10 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

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

5. APPOINTMENT OF PERMANENT BOARD CHAIR & VICE CHAIR

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

6. APPROVAL OF MINUTES – *July 19, 2011 - Regular Board Meeting*

Motion made by Scott Kincaid, supported by Robert Erlenbeck, to approve the minutes of the July 19, 2011 Regular Board Meeting, as written. The motion carried unanimously.

7. APPROVAL OF APPLICATIONS FOR VOLUNTARY RETIREMENT – *See Attached*

Moved/Resolved by Cass Wisniewski, supported by Scott Kincaid, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement for Michael Brown, Jeanette Grady, Carter McDonald, Patrick Rahn and Valerie Walker 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 Reciprocal Retirement Act and its application for Mr. Brown.

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

A motion was made by Cass Wisniewski, supported by Robert Erlenbeck, to approve the Applications for Deferred Retirement for Guadalupe Aguilar, Patrick Hart, Loren Miller and Jo A. Thorn-Joyce. Motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS – *None*

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

A motion was made by Sherry Murphy, supported by Robert Erlenbeck, to approve changes to the Pension Previously Reported for Steven Kinsman. Motion carried unanimously.

11. APPROVAL OF OPTIONS PICKED BY DEFERRED RETIREMENTS – See Attached

A motion was made by Robert Erlenbeck, supported by Sherry Murphy, to approve the Options Picked by Deferred Retirees Pamela Artman and Rebecca McLogan. 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 NCPERS, Public Safety Employees Pension & Benefits Conference, Rancho Mirage, California, October 9-12, 2011.

13.2 University of North Carolina, Mid-Sized Retirement & Pension Plan Management Conference, Chicago, Illinois, October 11-14, 2011.

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 Attorney Michael VanOverbeke, Memo to Board re: Record Retention Policy Recommendation, July 25, 2011. *

14.2 Attorney Habeeb Ghattas, Memo to Board re: David Plewes - Request for Hearing/Pension Recalculation, August 8, 2011. *

14.3 CB Richard Ellis Investors, Re: Cash Distribution of \$120,694.55 to be made to FERS on August 25 (\$10 million total distribution), August 11, 2011.

14.4 Gray & Company, S&P's Downgrade of US Debt & Implications, August 8, 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 Bingaman/Townsend, Letter to Northern Trust re: Pension Payroll Transfer for August 1, 2011, July 19, 2011.

15.2 Townsend, Letter to Karrie Woods re: Forms required for EDRO payments, July 25, 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 **Bernstein Litowitz Berger & Grossmann**, FERS Second Quarter 2011 Portfolio Watch Report.
- 16.2 **American Realty Advisors**, FERS Quarterly Report for June 30, 2011.
- 16.3 **CB Richard Ellis Investors**, FERS Monthly Report for June 30, 2011.
- 16.4 **Dodge & Cox**, FERS Quarterly Performance & Investment Reports for June 30, 2011.
- 16.5 **Globalt Investments**, FERS Quarterly Performance & Investment Summaries for June 30, 2011.
- 16.6 **ICON Advisers, Inc.**, FERS Portfolio Appraisal for June 30, 2011.
- 16.7 **Keeley Asset Management Corp.** FERS Small Cap Value Investment Strategy - Quarterly Report for June 30, 2011.
- 16.8 **LSV Asset Management**, FERS 2nd Quarter Investment Report-International Large Cap Value.
- 16.9 **Piedmont Investment Advisors**, FERS Quarterly Report for June 30, 2011.
- 16.10 **Wellington Management Company**, FERS Investment Review for April 1-June 30, 2011.
- 16.11 **Wentworth, Hauser & Violich**, FERS Appraisal & Asset Statements for May 2011.
- 16.12 **Wentworth, Hauser & Violich**, FERS Appraisal & Asset Statements for June 2011.
- 16.13 **BNY ConvergeEx**, FERS Commission Recapture Services Summary for January-June 2011.

A motion was made by Robert Erlenbeck, supported by Scott Kincaid, 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 | 2,884 |
| Payroll | \$64,959,885 | \$63,205,866 | \$42,935,188 |

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

Consultant Ivory Day presented and reviewed the following reports, with Board discussion following:

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing**
- ◆ **2nd Quarter Performance Report (June 30, 2011)**
- ◆ **Market Update** (*Ref. Agenda Item #14.4 & packet of information distributed at meeting*)

During discussion, Cass Wisniewski noted that **GASB** is changing the accounting rules for unrecorded pension liabilities. Chairman Bingaman stated that he would ask David Kausch from Gabriel Roeder Smith & Co. to address the Board next month regarding this issue and how it could affect investment allocation.

The Board discussed the FERS' Investment Policy, which requires that the System only invest in AAA rated collateralized mortgage obligations, and the impact of the downgrade of the US bond rating. Mr. Day recommended an amendment to the Investment Policy. He will write the amendment for review by Attorney Robbins and subsequent adoption by the Board and notification to the money managers.

- ◆ **Proxy Voting** - Mr. Day reported that he and the compliance staff at Gray & Company reviewed the proxy information that was received from the six equity managers, per the Board's request. He recommended that he contact all the managers and request a summary report to better explain what is voted and why. He will also review the process and parameters used by the four proxy voting organizations in the U.S. The Board can write their own policy; currently, each money manager has their own proxy voting guidelines and votes in accordance with what they believe is best for their plan and their customers. Discussion followed.
- ◆ **New Real Estate Managers – status report**
 - **Mayfield Gentry** - *contract pending raising of capital (not yet raised)*
 - **American Realty Advisors** - *Funded \$4.8 million on June 28, 2011*

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

A motion was made by Scott Kincaid, and supported by Cass Wisniewski, to approve a transfer of \$3,274,900 for payment of the September 1, 2011 pension payroll (total estimated payroll - \$5,225,664), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES PENDING

- ◆ **Fiscal Year 2010 Actuarial Valuation** – *Status - data collection* - Suzi Bye reported that she is continuing her work on recalculating and reconciling retirement savings and service credits for every participant manually due to the large number of errors found and the potential impact on the actuarial valuation. She will send the corrected data to the Actuary as soon as it is available.

21. LEGAL COUNSEL UPDATES – *I'Lanta Robbins, Attorney for Retirement Board*

- ◆ **Take Two Interactive Lawsuit** – *Securities Fraud Loss \$176,505 –Settlement pending*
- ◆ **Capital BidCo** – Attorney Robbins has been in contact with the general counsel for the Lansing Board of Water and Light regarding the investigation by the State of Michigan and their questions about this fund. The Lansing management has decided not to pursue the matter further. It appears that the State of Michigan is not conducting an investigation but has, in fact, stated they have no record of the request. She recommended further discussions with the Finance Committee regarding whether to resubmit the investigation request or discontinue further efforts. There has been no response to questions directed to the gentleman overseeing dissolution of the fund. Discussion followed. Attorney Robbins will contact the Lansing Board to determine their reasons for dropping this issue. The question was also raised regarding the possibility of a professional liability insurance policy that may have been held by Capital BidCo. Chairman Bingaman referred the issue to the Finance Committee for further discussion.
- ◆ **Pension Calculation Errors Lawsuits** – *Hearings to be scheduled*
 - **Sheila Burns** (*5 “free” years in FAC*) - Attorney Gibbs requested a hearing date of November 15. The Court has ruled on which Board Members may vote on the hearings, indicating that Ms. Bland and Ms. Murphy and Ms. Bingaman may not vote; however, Mr. Bingaman may vote. Mr. Erlenbeck is also ineligible to cast a vote regarding Ms. Burns’ hearing since he has been called as a witness.
 - **William O. Kelly III** (*FAC issues*) - We are waiting to hear from his attorney requesting a hearing date (lives out of state).
 - **Gregory Doerr** (*FAC issues*) - *pending results of other hearings before scheduling*
 - **Susan Jarema** (*purchase of time*)
- ◆ **FAC Calculation Policy** – *Draft submitted to the Retirement Office for review*
- ◆ **Records Retention Policy** - *Recommended by Attorney Michael VanOverbeke (#14.1)*

Attorney Robbins gave an overview of Attorney VanOverbeke's recommendation for a records retention policy, based on recent and pending litigation requiring retirement systems to be more transparent in their record keeping and have policies in place for records retention. She is recommending adoption of the policy, as it is in accordance with State statutes and Freedom of Information Act requirements. Discussion followed. The question was raised whether the policy could cause future legal issues because previous record keeping may not have included documents that are required in the policy. Does the Board need to identify which historical records are not available and can only be kept going forward? Attorney Robbins will contact Attorney VanOverbeke regarding disclosure requirements and legal ramifications in the case of lawsuits requesting historical documents that do not exist but are outlined for retention in the policy.

22. PROFESSIONAL SERVICES COMMITTEE

Denise Bingaman reported that the Committee met (two members were missing) and discussed the following:

- ◆ **Pension System Budget/Revenues/Expenditures/Administrative Costs** - *review pending*
- ◆ **Cost Saving Measures**
 - **Pension Advice Mailing** – *discontinued mailing 560 statements, per retirees' requests*
 - **Pay/Debit Cards, Direct Deposit, etc.** - Pay cards were offered with the August 1 payroll mailing and many responses have been received requesting to switch to pay cards or direct deposit. It was noted that the City followed the bid process to select the pay card vendor based on best costs for the retiree (no cost for basic transactions) and the City and the Retirement System. This vendor is also used by other government agencies, including the Friend of the Court. The pay card is working well and is very convenient for the employees that have been using it.
 - **Pension payroll deductions & costs to administer** - A letter will be sent to the Employee Club, AFLAC, Fire Fund, POL Benefit, URGE, Hurley, City, etc. outlining the Board's fee schedule for providing the pension payroll deduction service.
 - **Retirement Self-Service Website** www.cityofflint.com/finance/Retirement/retirement.asp
- Step-by-step instructions for accessing the system may need to be re-sent to retirees.
- ◆ **Flint Housing Commission 2003 Job Eliminations - Deferred Retirees - Errors Found**
 - **David Gardin – Purchase of Generic Time** – *copy of file provided/no response received*

- **Ronda Moore - Purchase of Time/Cost of Purchase/Service Credits - Hearing requested** - Attorney Robbins sent a certified letter last week and did not receive the card back. She also called and did not receive a response. This will be discussed further in committee.
- ◆ **Election Schedule - Retiree Representative - Trustee & Alternate**
 - **Nominating Petition Filing Deadline** - Friday, July 22 @ 5:00 p.m.
 - **Ballots will be mailed** - Friday, July 29
 - **Ballot return deadline** - Friday, August 19
 - **Ballots will be counted** - Friday, August 26

22.1 DISABILITY RETIREMENT APPLICATIONS OUTSTANDING/PENDING

- ◆ **Duty – 1 (City)**
- ◆ **Non-Duty - 1 (City)**
- ◆ **Responses received from Dr. Roth - None**

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes (service credits/FAC)** - Per Attorney I'Lanta Robbins, the hearing scheduled for August 16th has been tentatively rescheduled for the Regular Board Meeting date of October 18 at 9:00 a.m. (*Agenda Item #14.2*)

23. FINANCE/INVESTMENT COMMITTEE

Chairman Bingaman reported that the Committee has not met but plans to meet before the next Board Meeting to discuss Capital BidCo and other pending issues.

- ◆ **Financial Updates** - Fiscal Year 2012 Budget
- ◆ **IRS Tax Determination Letter** – Pending w/IRS
- ◆ **Private Equity Investments** – Under review
- ◆ **Independent Audit of FERS** – RFP in process for FY11

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** - *No Update*
 - **Public Act 314 (Pension Investment Act), Public Act 345 (Police & Fire Retirement Systems), Public Act 336 (Public Employees Retirement Act)** – *Pending Revisions*
- ◆ **Vacancies** (Ord. §35-8 & §35-10)
 - **Alternate for Cass Wisniewski** – *Pending appointment by Hurley President/CEO*
- ◆ **Pending State Income Tax Changes for Pensions** – During discussion, it was noted that a hearing is pending before the State Supreme Court to determine whether it is against the Michigan Constitution to tax public pensions. If the decision is made to proceed with the new law to take State income tax from public pensions, the State will send the necessary information to public pension systems for setting up tax withholding, which would begin with the January 1, 2012 pension payroll checks.

26. ADJOURNMENT

Upcoming Board Meetings:

Regular Board Meeting – Tuesday, September 13, 2011, 1:00 p.m.

Special Board Meeting – Hearing for David Plewes - Tuesday, October 18, 2011, 9:00 a.m.

Regular Board Meeting – Tuesday, October 18, 2011, 1:00 p.m.

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.

A motion was made by Scott Kincaid, supported by Patricia Ramirez, to adjourn the meeting at 2:59 p.m. The motion carried unanimously.

Michael A. Townsend
Secretary