

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, December 20, 2011

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on **Tuesday, December 20, 2011**, at 1:00 p.m. in the Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall.

TRUSTEES & ALTERNATES Robert Erlenbeck, Chair, Denise Bingaman, Douglas Bingaman, Mary Bland, Bryan Bond, Debra Bridges, Mark Kovach, Maryann Malloy, Sherry Murphy, Mark Stratman, Cass Wisniewski

ABSENT Gerald Ambrose, Duane Kelley, Scott Kincaid, Sheldon Neeley, Patricia Ramirez

ALSO PRESENT Ivory Day, Gray & Company (Consultant)
I'Lanta Robbins, Assistant City Attorney/Attorney for Retirement Board
Suzi Bye, Retirement & Benefits Manager

1. INTERIM CHAIR CALLS THE MEETING TO ORDER

Acting Chair Bob Erlenbeck called the meeting to order at 1:03p.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 other members of the public present who wished to address the Board.

4. APPROVAL OF AGENDA

A motion was made by Doug Bingaman, supported by Sherry Murphy, to approve the agenda as presented at the meeting. The motion carried unanimously.

5. APPOINTMENT OF PERMANENT BOARD CHAIR & VICE CHAIR

The Board discussed the upcoming hearings and the need for a Vice Chair to serve in place of Chairman Bob Erlenbeck when he cannot participate as a voting Board member. **A motion was made by Cass Wisniewski, supported by Mark Stratman, to appoint Bryan Bond as Vice Chair. The motion carried unanimously.**

**6. APPROVAL OF MINUTES – October 18, 2011 - Regular Board Meeting
October 18, 2011 - Special Board Meeting - Hearing for David Plewes
[November 15 Regular Board Meeting Minutes not yet completed]**

A motion was made by Sherry Murphy, supported by Doug Bingaman, to approve the minutes of the October 18, 2011 Special and Regular Board Meetings. The motion carried unanimously.

7. APPROVAL OF APPLICATIONS FOR VOLUNTARY RETIREMENT – See Attached

Moved/Resolved by Sherry Murphy, supported by Debra Bridges, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement for Douglas Bingaman, Eugene Brown, Susan Curtis, Linda Gladstone, Sandra Graham, Andre Latchison and Carl Pollard 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.

8. APPROVAL OF APPLICATIONS FOR DEFERRED RETIREES – See Attached

A Motion to Approve the Applications for Deferred Retirement for Dennis Watson and John Wooten was made by Sherry Murphy and supported by Cass Wisniewski. The motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS – See Attached

A motion was made by Sherry Murphy, supported by Debra Bridges, to approve the disability pension for Darren Chaddock. The motion carried unanimously.

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

A Motion was made by Sherry Murphy, supported by Debra Bridges to approve revisions to the Pensions Previously Reported for Terry Cooper, Clara Echols, James Hearsch and Jerry Tolbert. The motion carried unanimously.

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

A Motion to Approve the Option Picked by Deferred Retiree Robby Gifford was made by Sherry Murphy and supported by Doug Bingaman. 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 Institutional Investor Forum – Risk & Liquidity...Asset Management, January 10-11, 2012, New York, New York.

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 **Gabriel Roeder Smith & Co.**, Preliminary June 30, 2010 FERS Valuation Results. *

14.2 **Internal Revenue Service**, Favorable Determination Letter (subject to adoption of proposed Plan/Ordinance Amendments, November 18, 2011. *

14.3 **Gabriel Roeder Smith & Co.**, Software Services Agreements (signed), November 29, 2011.

14.4 **City of Flint Human Resources/Labor Relations**, Police Sgts. Assoc. Purchase of Time for Retirement Purposes, Revised November 17, 2011.

14.5 **CB Richard Ellis**, Distribution to FERS of \$265,310.74 on November 30, 2011.

14.6 **Settlement Agreement – Rebecca Jackson, Plaintiff vs. Hurley Medical Center, Defendant**.

14.7 **Jerry Ambrose**, Memo to Board Appointing Douglas Bingaman as Retirement Board Alternate, December 16, 2011 w/Legal Opinion from Attorney I'Lanta Robbins.

14.8 FY11 Worksheet for Computing Transfers into Citizen Bank Pension Trust Account.

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 **The Northern Trust Company** re: Wire Transfer for Payment of December 1, 2011 Pension Payroll, November 15, 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 **The Northern Trust Company**, Securities Lending Collateral Schedule & Changes in Investment Guidelines, November 15, 2011.

16.2 **Michigan Senate Bill No. 797** *(proposed)* to Amend PA 314, Public Employee Retirement System Investment Act.

16.3 **CB Richard Ellis Strategic Partners III**, Financial Statements as of September 30, 2011 & Monthly Summary Report for October 2011.

16.4 **ConvergEx Group**, Commission Recapture Services, January 1-October 31, 2011.

16.5 **Fisher Investments**, FERS Foreign Equity Fund – Third Quarter 2011.

16.6 **Intercontinental Real Estate Corp.**, Real Estate Investment Fund III Report for 3rd Qtr.

16.7 **Piedmont Investment Advisors**, FERS October 2011 Portfolio Appraisal and Reports.

16.8 **Wentworth, Hauser and Violich**, FERS October 2011 Portfolio Appraisal and Reports.

16.9 **PNC Institutional Investments**, FERS Third Quarter Asset Allocation & Report Summary.

A motion was made by Doug Bingaman, supported by Cass Wisniewski, 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	2,870
Payroll	\$64,959,885	\$63,205,866	\$64,661,427

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

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing** – Ivory Day presented and reviewed the monthly report. Discussion followed.
- ◆ **Actuarial Economic Assumptions** – Mr. Day presented his recommendation that the rate of return assumption remain at 8%. Actuary David Kausch stated that GRS recommends lowering the assumption to 7.75%, which would mean an increase in contributions by the employers. Discussion followed – no action taken to change assumption.
- ◆ **Market Update/Issues**
- ◆ **Proxy Voting** - *pending with Ivory Day*
- ◆ **New Real Estate Managers** – *status*
 - **Mayfield Gentry** - *contract pending raising of capital*
 - **American Realty Advisors** - *\$8,000,000 Allocation*

19. APPROVAL OF THE JANUARY 1, 2012 PENSION PAYROLL TRANSFER

A motion was made by Doug Bingaman, supported by Cass Wisniewski, to approve a transfer of \$5,215,500 for payment of the January 1, 2012 pension payroll (total estimated payroll - \$5,276,700), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES PENDING

- ◆ **Gabriel, Roeder, Smith & Co.** - *David Kausch*
 - **Fiscal Year 2010 Actuarial Valuation - Draft**
 - **Economic Assumptions**
 - **Demographic Assumptions**

David Kausch presented and reviewed the Draft/Preliminary Valuation Results as of June

30, 2010 and GRS recommendations for changing some of the demographic and economic assumptions. Discussion followed. The proposed new GASB rule changes for pension accounting disclosures were also discussed. Chairman Erlenbeck referred the draft to the Finance Committee for review and recommendations regarding proposed assumption changes; i.e., rate of return, wage inflation, etc. at the next Board Meeting. During discussion, it was noted that the State will be requiring changes to public pension systems tied to eligibility for revenue sharing. These include lowering multipliers for general employees to 1.5% and for public safety employees to 2% and excluding some types of pay from pension calculations. The changes would be effective for new employees and for existing employees' future service. The City must file a compensation plan with the State in May 2012 that will incorporate those changes in the future.

- **FERS/MERS Transfer Procedures** - Attorney Robbins reported that Attorney Michael VanOverbeke recently met with Hurley's Attorney, Kendall Williams, to discuss the procedures.
- **GRS Software Services - Agreement signed** – Mr. Kausch reported that GRS is implementing the benefit calculator and then the valuation data warehouse. There is a maintenance agreement in place and he will check to see whether it covers changes to valuation assumptions.

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

- ◆ **Take Two Interactive Lawsuit** – *Securities Fraud Loss \$176,505 – Settlement pending*
- ◆ **Capital BidCo** – *Requesting State Review*
- ◆ **Pension Calculation Errors Lawsuits** – *Hearings pending/to be scheduled*
 - **Sheila Burns** (5 “free” years in FAC) - *November 15th Hearing Postponed (lack of quorum) – Discussion – New hearing date set - January 24th.*
 - **William O. Kelly III** (FAC issues)
 - **Gregory Doerr** (FAC issues)
 - **Susan Jarema** (purchase of time)
 - **Scheduling of Hearings**
- ◆ **FAC Calculation Policy** – *Draft to be resubmitted to the Retirement Office for review*
- ◆ **Referral - State Emergency Manager – Implications for Retirement System/Board** - Attorney Michael VanOverbeke gave a report at the November Board Meeting.
- ◆ **Referral** – *Retirees working under contract for City/Hurley*

- ◆ **Referral – Revision of Hearing procedures** – Attorney Robbins has forwarded the current Rules of Procedures to Attorney VanOverbeke. The Board discussed the need to streamline the procedures to expedite conducting the hearings. Briefs are already required in advance from all attorneys for Board Members’ review. The next hearing will be held on January 24. It was discussed whether the hearings could be held to one hour - half an hour for each side to present, with no cross-examinations, no rebuttals, only a presentation of their case by each side.

A motion was made by Doug Bingaman, supported by Cass Wisniewski to change the hearing rules to allow for a total of 60 minutes for attorney arguments (30 minutes per side), with submission of briefs for review prior to the hearings. Motion carried unanimously.

- ◆ **Referral – Write new policy requiring immediate employer funding of additional unfunded liability (settlement agreements, job elimination benefit, etc.)**

- ◆ **IRS-Required Ordinance Changes for Tax Determination Letter**

Attorney Robbins reported that the Retirement System received a favorable IRS Tax Determination Letter stating that the Plan is in compliance with IRS regulations and maintains its tax-exempt status. However, the letter is subject to the approval of proposed ordinance changes that incorporate specific language and references to the IRS Tax Code which are now required for a Plan to be qualified. The System has been in compliance with the Tax Code, which was incorporated by general reference; however, newer regulations require more specific language outlining the relevant sections of the tax code. These ordinance changes do not alter benefit levels paid, calculation methodology or the powers and authority of the Board. The changes must be made within 91 days of the date of the determination letter. Upon Board recommendation, the ordinance amendments will be submitted to the Emergency Manager for public hearing and approval. Discussion followed.

A motion was made by Bryan Bond, supported by Doug Bingaman, to send the proposed ordinance changes incorporating the IRS requirements to the Emergency Manager for approval. The motion carried unanimously.

3:00 p.m. - Bob Erlenbeck left the meeting / Vice Chair Bryan Bond chaired remainder

22. PROFESSIONAL SERVICES COMMITTEE

Bryan Bond reported on the following:

- ◆ **Cost Saving Measures** –
 - **Pension Advice Mailing** – Beginning January 1, new retirees will not receive statements and must use the self-service website to obtain copies.
 - **Debit Cards, Direct Deposit, etc.** – Currently issuing approximately 160 checks; all

- o others receive advice statements or access their statements on the website.
- o **Pension payroll voluntary deductions & costs to administer** – A notification letter was previously sent to the vendors that a charge will be implemented, beginning January 1, 2012 for all voluntary deductions, in order to cover administrative costs.
- o **Retirement Self-Service Website** www.cityofflint.com/finance/Retirement/retirement.asp
- o **City of Flint Master Fee Schedule** – The City Council approved a resolution on November 14th for a new master fee schedule to take effect on December 15th. The schedule includes fees for retirees: Pension verification letters - \$18.00; Copies of paychecks - \$4.00 (these are available online); Duplicate 1099s - \$12.00. (There are comparable fees for active employees.)
- ◆ **Flint Housing Commission 2003 Job Eliminations - Deferred Retirees - Errors Found**
 - o **David Gardin – Purchase of Generic Time**
 - o **Ronda Moore - Purchase of Time/Cost of Purchase/Service Credits** – A hearing has been requested through her attorney.
- ◆ **Michigan State Income Tax Withholding for Pensions - Status Update** – Per Denise, the final update for Michigan taxes was just received. She has input 2800 tax changes so far and approximately 600 retirees have not returned their Michigan W-4P form. With the new tax changes, there is no longer an option to have only a flat amount deducted for federal taxes. A percentage plus an additional amount is allowable. There are 500+ retirees who were set up for a flat amount and the new tax updates did not take any tax deduction for them. Those retirees will need to file new tax forms indicating a percentage tax deduction (plus additional, if desired). The 600+ who did not fill out a MI W-4P form, if born after 1946, default to State income tax withholding at 4.35% unless/until they file a form to the contrary. Retirees must contact their tax preparers, as staff cannot give any tax advice. All changes become effective beginning January 1, 2012.
- ◆ **Errors/Corrections**
- ◆ **Rebecca Jackson vs. Hurley Medical Center – Settlement Agreement (#14.6)** - Discussed and placed on file.

22.1 DISABILITY RETIREMENT APPLICATIONS OUTSTANDING/PENDING

- ◆ **Reports/Recommendations** - None
- ◆ **Duty** -
- ◆ **Non-Duty** – 1 Hurley / 1 City
- ◆ **Responses received from Dr. Roth** - None

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes** (*service credits/FAC*) - *Hearing held October 18th – need to schedule 2nd session of Hearing.*

23. FINANCE/INVESTMENT COMMITTEE

Cass Wisniewski reported that the Committee met and discussed the following:

- ◆ **Genesee County Drain Commission/Karegnondi Water Authority Pipeline Project Presentation** – The County Drain Commissioner, Jeff Wright, presented a proposal for the Retirement System to invest in this \$300 million project, at a percentage rate of approximately 4%. The same proposal was presented to the Genesee County Retirement System. An ‘A’ rating from Fitch or Moody’s is anticipated. Discussion followed. Ivory Day and Attorney Robbins will review and report back on legal and investment issues.
- ◆ **IRS Tax Determination Letter** – Approval granted by the IRS subject to Ordinance changes.
- ◆ **Pension System Budget/Revenues/Expenditures/Admin Costs** – Item #14.8 was reviewed and discussed. The Board requested a breakdown of the \$750,000 administrative costs. It was noted that the City and Hurley are up to date on employer contributions.
- ◆ **Independent Audit of Pension System** – Doug Bingaman will discuss this issue with the new Finance Director. The Emergency Manager is bringing in a new audit team and the pension system may be included in that audit.

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

- ◆ **Defined Contribution/Defined Benefit Change for Exempts** – *Attorney Robbins drafting final language for submission to City Council*
- ◆ **Apply IRS Regulations for Beneficiaries** – *I’Lanta Robbins, R. Erlenbeck, GRS*
- ◆ **§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 – Pending appointment by Hurley President/CEO**

26. ADJOURNMENT

Upcoming Board Meetings:

Special Board Meeting – Sheila Burns’ Hearing – Tuesday, January 24, 2012, 10:00 a.m.

Regular Board Meeting - Tuesday, January 24, 2012, 1:00 p.m.

Regular Board Meeting - Tuesday, February 21, 2012, 1:00 p.m.

A motion was made by Doug Bingaman, and supported by Cass Wisniewski, to adjourn the meeting at 3:30 p.m. The motion carried unanimously.