

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, April 19, 2011

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, April 19, 2011, 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 – Chair; Denise Bingaman, Mary Bland, Bryan Bond, Debra Bridges, Robert Erlenbeck, Scott Kincaid, Mark Kovach (2:00), Patricia Ramirez (1:31), Mark Stratman, Cass Wisniewski (1:10)

ABSENT

Gregory Eason, Duane Kelley, Sheldon Neeley, Sherry Murphy, Michael Townsend

ALSO PRESENT

Christopher Kuhn, Gray & Company, Consultant
Harland Abraham, Northern Trust
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 1:08 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

Retiree Theron Wiggins (Fire Department) addressed the Board regarding his pending lawsuits due to errors/changes to his pension, requesting to negotiate a settlement.

Attorney Robbins stated that Mr. Wiggins is represented by Counsel and she did not recommend open discussions with Mr. Wiggins without his Counsel being present.

A motion was made by Scott Kincaid, supported by Bryan Bond to go into Executive/Closed Session for the purpose of consulting with the Board's attorney regarding Theron Wiggins' pending litigation and possible settlement strategy, since an open meeting could have a detrimental financial effect on the litigating or settlement position of the Retirement Board.

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

May Bland - yes

Douglas Bingaman - yes

Debra Bridges - yes

Bryan Bond - yes

Cass Wisniewski - yes

Robert Erlenbeck - yes

Scott Kincaid - yes

Mark Stratman - yes

The Board moved into closed session at 1:17 p.m.

A motion was made to move out of Executive/Closed Session by Scott Kincaid, supported by Robert Erlenbeck. The motion carried unanimously.

The Board moved out of closed/Executive Session at 1:35 p.m.

A motion was made by Scott Kincaid, supported by Patricia Ramirez, that the Board's Attorney be directed to provide an offer and negotiate a settlement in the Theron Wiggins cases, based on discussion during the Executive Session and subject to the Board's approval. Motion carried unanimously.

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 – March 15, 2011 Regular Board Meeting

Motion made by Scott Kincaid, supported by Robert Erlenbeck, to approve the minutes for the March 15th, 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 Robert Erlenbeck, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement for Linda Buggs, Dana Daniels, James Hamilton, Mary Nunnery, Michael Schmidt and Keith Speer 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. APPROVAL OF APPLICATIONS FOR DEFERRED RETIREMENT – See Attached

A motion was made by Scott Kincaid, supported by Bryan Bond, to approve the Applications for Deferred Retirement for Edwin Auston, Melissa Becklic and Susan Muma. The motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS – See Attached

A motion was made by Mark Stratman, supported by Mary Bland, to approve the Disability Pensions for Jewel Johnson and Tony Terry. The motion carried unanimously.

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

A motion was made by Mark Stratman, supported by Scott Kincaid, to approve the Pension Previously Reported for Peter Perez. The motion carried unanimously.

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

A motion was made by Mark Stratman, supported by Patricia Ramirez, to approve the Options Picked by Deferred Retirees Mary K. Foley and Joseph Cochran. The motion carried unanimously.

12. INFORMATIONAL CHANGES TO PENSIONS – See Attached

Changes to the pensions of Juanita Arther and Leona Husemann were noted.

13. UPCOMING CONFERENCES

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

13.1 **NCPERS/Harvard Law School**, Program for Advanced Trustee Studies, July 25-27, 2011, Cambridge, Massachusetts.

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 **Dennis R. McCann**, Letter to Suzi Bye re: Overpayment Option Selection (b), Feb. 12, 2011. *

14.2 **Shaunise Darden**, Letter to Board re: Application for Hurley Alternate, March 2, 2011. *

14.3 **Maryann Malloy**, Letter to Board re: Application for Hurley Alternate, March 14, 2011. *

14.4 **Attorneys Peter Bade & I'Lanta Robbins**, Memo to Board re: Sherry Murphy FAC Calculation, March 17, 2011. *

14.5 **CB Richard Ellis Investors**, Letter to D. Bingaman re: Cash Distribution to FERS of \$144,966.86 per Agrmt of Ltd Partnership of CBRE Strategic Partners III, March 22, 2011.

14.6 **Piedmont Investment Advisors**, Letter to D. Bingaman re: 30% Membership Interest acquired by Rosemont Investment Partners, April 1, 2011.

14.7 **Flint City Council**, Resolution of Support for FERS' Board Resolution Adopting Contribution Rates for FY12 for City General, Police & Fire, Approved March 14, 2011.

14.8 **Flint City Council**, Resolution of Support for FERS' Board Resolution Adopting Contribution Rates for FY12 for Hurley Medical Center, Approved March 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 **Bingaman/Townsend**, Letter to Northern Trust re: Pension Payroll Transfer for April 1, 2011, March 15, 2011.

15.2 Suzi Bye, Letter to **Lesa Keely** re: Repayment Option C (actuarially reduced pension over lifetime) selected by Board of Trustees on her behalf, March 31, 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 **CB Richard Ellis Strategic Partners III**, Financial Statements as of December 31, 2010.

16.2 **Dodge & Cox**, Brokerage Commission Report, January 1-March 31, 2011.

16.3 **Fisher Investments**, FERS First Quarter 2011 Investment Manager Report.

16.4 **Globalt Investments**, 2010 Proxy Report.

16.5 **Intercontinental Real Estate Investment Fund III**, Report for Quarter & Year Ended December 31, 2010 with Audited Financial Statements.

16.6 **Keeley Asset Management**, Annual Update of Form ADV and 2011 Privacy Policy.

16.7 **Northern Trust**, 2010 Schedule K-1 for Permian Basin Royalty Trust and Sabine Royalty Trust.

16.8 **Piedmont Investment Advisors**, FERS Monthly Reports for Period Ending February 28, 2011.

16.9 **BNY ConvergeX Group**, FERS Commission Recapture Services, January 1-February 28, 2011.

A motion was made by Mary Bland, 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	2877
Payroll	\$64,959,885	\$63,205,866	\$21,385,448

18. GRAY & COMPANY – CONSULTANT’S REPORT/RECOMMENDATIONS - *Chris Kuhn*

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing** - *Presented & discussed*
- ◆ **Proxy Voting** (*not discussed*)
- ◆ **Rebalancing to replenish drawdown account** - A recommendation was made by the Consultant to replenish the drawdown account by withdrawing \$25.5 million from the Equity Northern Trust S&P account.

A motion was made by Scott Kincaid, supported by Robert Erlenbeck, to transfer funds from the Northern Trust S&P 500 account to replenish the drawdown account as recommended by the Consultant. The motion carried unanimously.

- ◆ **New Real Estate Managers** – *Contract status*
 - **Mayfield Gentry**
 - **American Realty Advisors**

Attorney I'Lanta Robbins reported that she is reviewing the proposed investment contract with American Realty and recommending some changes. The attorney for Mayfield Gentry has contacted her and stated that they will submit a Memorandum of Understanding to the Board prior to a contract, due to the stipulation by FERS that they raise \$100 million in the fund before FERS invests. Chris Kuhn is also working with the new managers. Discussion followed.

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

A motion was made by Scott Kincaid, and supported by Robert Erlenbeck, to approve a transfer of \$3,224,300 for payment of the May 1, 2011 pension payroll (total estimated payroll - \$5,157,416), 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*

◆ **Gabriel, Roeder, Smith & Co. - Informational Presentation - David Kausch**

Mr. Kausch summarized for the Board current actuarial and other retirement issues that could potentially affect retirement systems, which are currently included in pending legislation in the State of Michigan and at the Federal level. At the State level, Public Act 4 was recently passed, which gives Emergency Managers broader powers including the ability to change Retirement Boards and transfer retirement assets into other systems if the retirement system is not at least 80% funded. Also at the State level, the Governor has proposed certain requirements that local governments must meet to receive their full revenue sharing, including changes to defined benefit retirement plans, health care cost sharing, etc. There are also changes under consideration at the Federal level to increase reporting requirements and change actuarial assumptions. Additionally, GASB accounting standards for retirement systems are under review, with an exposure draft outlining the proposed changes to be released in June or July. Discussion followed.

Mr. Kausch and the Board also discussed the transferring of individuals at Hurley Medical Center from Local #1603/FERS to another union/MERS. He recommended that a process, which would include actuarial liability calculations, be created for the transfer of funds from FERS to MERS based on the initial transfer agreement. The Board would need to act on and approve each transfer before it happens. Mr. Wisniewski noted that approximately 40 active employees have transferred out of Local #1603 and into a bargaining unit that transferred to MERS. Currently, an individual cannot retire from MERS until the transfer process is in place and the necessary transfer from FERS to MERS has been made. Mr. Kausch stated that, actuarially and administratively, assets for individuals should not be moved between funds until an individual retires.

21. LEGAL COUNSEL UPDATES – I’Lanta Robbins, Attorney for the Retirement System

- ◆ **Take Two Interactive Lawsuit – Securities Fraud Loss \$176,505 –Settlement pending**
Harland Abraham (Northern Trust) is monitoring. It is still unknown how much FERS will receive.
- ◆ **Capital BidCo – Pending completion of State of Michigan investigation**
Additional information has been sent to the State and she will be following up with them on their investigation.
- ◆ **Pension Calculation Errors Lawsuits –**
 - **Sheila Burns (5 “free” years in FAC) –** The hearing (this morning) was adjourned with a request that Judge Farah issue a ruling to clarify which Board Members are allowed to vote on the case. Other hearings are to be scheduled after a ruling has been issued.

- **William O. Kelly III** (*settlement agrmt in FAC*) - hearing scheduled for May 17, 9:00 a.m.
 - **Theron Wiggins** – *discussed in closed session*
 - **Gregory Doerr** (*settlement agreement in FAC*) – *hearing to be scheduled*
 - **Susan Jarema** (*purchase of time*) – *hearing to be scheduled*
 - **David Plewes** (*service credits/FAC*) – *hearing to be scheduled*
- ◆ **FAC Calculation Policy** – *Pending discussion with the Retirement Office for further revision*

22. PROFESSIONAL SERVICES COMMITTEE - Robert Erlenbeck, Chair (Meeting on April 12)

- ◆ **Cost Saving Measures**
- ◆ **Pension Advice Mailing** – Consent Form sent to retirees March 1 – 350+ (about 12%) have signed up to discontinue receiving a monthly statement in the mail – implementation began with April 1 pension checks. Another mailing will be sent June 1. Discussion followed.
 - ◆ **Debit Cards** - The use of debit cards will begin on July 1 for active employees and then will be available for retirees. Discussion - due to rising costs, the City is planning to issue all employee compensation via direct deposit or debit card. Question - should new retirees be required to sign up for payment only by direct deposit or debit card?
- A motion was made by Scott Kincaid, supported by Mary Bland, to consider the issue of debit cards, direct deposit, etc. for retirees at the June Regular Board Meeting. Motion carried unanimously.**
- ◆ **Pension payroll deductions & costs to administer** – Denise Bingaman is currently researching the total time and costs for processing/providing payroll deductions services, etc. for: Employee Club (85 annually), AFLAC (28 monthly), Fire Fund (68 monthly), POL Benefit (130 monthly), URGE (1457 monthly), Hurley Medical Center for health care, etc. Further discussion was postponed until June after all data is compiled and the Committee can review the information and make a recommendation.
 - ◆ **Website:** <https://cityofflint.com/epension/login.asp>
 - Forms
 - Retirement Self Service Access

- ◆ **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 - Retirement File Issue - Purchase of Time/Cost of Purchase/Service Credits** (*attachment to agenda*)

Suzi Bye reported on the issues: 1) Service credit calculation error gave 7 years and 6 months instead of 7 years and 3 months, not accounting for 3 months of Extended Sick Leave in 2000; 2) Purchase of time error - charged for 2 years, 3 months instead of 2 years, 6 months due to ESL; 3) Cost of purchase - actuarially calculated cost as if employee would collect a pension at age 55, not age 42 (when 20 years would have been attained). Original purchase cost - \$17,994.39. Corrected purchase cost for pension collection at age 42 - \$40,929.75. Difference - \$22,935.36. Or she could pay \$1,999.38 for the 3 months of ESL time and maintain retirement eligibility at age 55. Discussion followed. Actuary David Kausch stated that the numbers are consistent with the Plan.

A motion was made by Robert Erlenbeck, supported by Bryan Bond, to send Ronda Moore a letter indicating that she did not purchase enough time to be vested in the pension system at ten years and to give her the option of: 1) purchasing the additional three months and retiring at age 55; 2) paying the full amount to be able to retire at age 42; or 3) withdraw her contributions and not draw a pension from the City. The letter would explain the errors and the options. The lump sum must be paid before 2/1/13, when she would be 42. Motion carried unanimously.

- ◆ **Sherry Murphy - Use of hybrid year in recalculation pursuant to litigation – Legal opinion** (*Agenda Item #14.4*)

Llanta Robbins reviewed her legal opinion with the Board. Discussion followed.

A motion was made by Robert Erlenbeck, supported by Mary Bland, to have the Retirement Office: 1) reaffirm Ms. Murphy's recalculations that two 26-pay years and one 27-pay year, in consecutive 365-day periods, and all of the last five years, were used in her pension calculations; and 2) move forward with the process of sending a letter to Ms. Murphy outlining her repayment options (and a 30-day repayment period for selection of option), per ordinance and procedure. Motion carried unanimously.

- ◆ **Peter Perez - He has paid the \$15.39 additional amount owed**

22.1 DISABILITY RETIREMENT APPLICATIONS

- ◆ **Duty** – 1 outstanding (City)
- ◆ **Non-Duty** -
 - Hurley Medical Center - 1 outstanding
 - City of Flint - 2 outstanding
- ◆ **Responses received from Dr. Roth** -
 - **Marilyn Rembert, Hurley Medical Center - Non-duty disability**
Dr. Roth's report recommended that a non-duty disability retirement be granted to Marilyn Rembert. The Professional Services Committee concurs with his recommendation.
A motion was made by Scott Kincaid, supported by Cass Wisniewski, to concur with Dr. Roth's recommendation that Marilyn Rembert is totally and permanently disabled and should be granted a non-duty disability retirement pension. The motion carried unanimously.

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **Dennis McCann** – *Repayment option of two years selected (Agenda Item #14.1)*
A motion was made by Mary Bland, supported by Robert Erlenbeck, to accept the letter from Dennis McCann and his selection of a repayment option. Motion carried unanimously.

23. FINANCE/INVESTMENT COMMITTEE – NO REPORT

- ◆ **Financial Updates**
- ◆ **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*
- ◆ **Defined Contribution/Defined Benefit Change for Exempts** – Attorney Robbins is working with staff to clarify issues regarding a selection "window" and draft 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) – Pending Revisions**

- ◆ **Vacancies (Ord. §35-8 & §35-10)**
 - ◆ **Alternate for Cass Wisniewski – Pending appointment by Hurley President/CEO - should another letter be sent?**
 - ◆ **Alternate for Hurley - Board to Appoint – Two applications received and discussed:**
 - Shaunise Darden (*Agenda Item #14.2*)
 - Maryann Malloy (*Agenda Item #14.3*)**A motion was made by Mary Bland, supported by Mark Stratman, to appoint Maryann Malloy as an Alternate Board Member representing the Hurley Medical Center members of the Retirement System. The motion carried by a vote of 7 to 1.**

Attorney Robbins was asked to review the legal issues regarding absentee Board Members and make recommendations to the Board.

- ◆ **Pension System - Costs to Administer - Payroll, etc. -** Mary Bland asked that this item be placed on future agendas for discussion. Chairman Bingaman assigned the issue to the Professional Services Committee for review and recommendations.

26. ADJOURNMENT

Upcoming Board Meetings:

Hearing – Oz Kelly - Tuesday, May 17, 2011, 9:00 a.m. (CANCELLED 5-3-11)

Regular Board Meeting – Tuesday, May 17, 2011, 1:00 p.m.

Regular Board Meeting – Tuesday, June 21, 2011, 1:00 p.m.

A motion was made by Mark Stratman, supported by Mary Bland, to adjourn the meeting at 3:15 p.m. The motion carried unanimously.

Michael A. Townsend
Secretary