

CITY OF FLINT EMPLOYEES’ RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, December 14, 2010

A regular meeting of the Board of Trustees of the City of Flint Employees’ Retirement System was held on Tuesday, December 14, 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 – Chair; Denise Bingaman, Mary Bland, Bryan Bond, Debra Bridges, Robert Erlenbeck, Sherry Murphy, Patricia Ramirez, Mark Stratman, Michael Townsend, Cass Wisniewski

ABSENT Gregory Eason, Duane Kelley, Scott Kincaid, Sheldon Neeley
Juliann Fairbrother (*resigned*)

ALSO PRESENT Suzi Bye, Retirement & Benefits Manager
Ivory Day, Jr., Gray & Company Consultant
John Postulka, Assistant City Attorney (for I’Lanta Robbins)
Julie Sadler, Staff Assistant to FERS

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Acting Chair Douglas Bingaman called the meeting to order at 1:07 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

Mark Kovach (Fire Dept.) addressed the Board regarding his candidacy for appointment by the Board as the Board’s Alternate for Police/Fire Representative, stating that he would appreciate the opportunity to serve in that capacity and would serve to the best of his ability.

4. APPROVAL OF AGENDA

Motion by Robert Erlenbeck, supported by Bryan Bond, 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 Mary Bland. The motion carried unanimously.

6. APPROVAL OF MINUTES – November 16, 2010 Regular Board Meeting

Motion made by Robert Erlenbeck, supported by Michael Townsend, to approve the minutes for the November 16th 2010 Regular Board Meeting, as written. The motion carried unanimously.

7. APPROVAL OF APPLICATIONS FOR VOLUNTARY RETIREMENT – See Attached

Moved/Resolved by Robert Erlenbeck, supported by Bryan Bond, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Dinona Turner and Jestina Wright 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 RETIREMENT – NONE

9. APPROVAL OF DISABILITY PENSIONS – NONE

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

A motion was made by Mark Stratman, supported by Mary Bland, to table approval of the pensions in which the over/under-payment amount has yet to be determined. Discussion followed. It was noted that, since these individuals were previously actuarially reduced due to the MERC and subsequent rulings, the pension recalculations should be

reviewed by the Actuary. A referral was also made to Legal to review the Board's Over and Under Payment Policy and how it applies to these issues and whether the Policy may need to be updated. **The motion carried unanimously.**

A motion was made by Mary Bland, supported by Bryan Bond, to approve the recalculations of the pensions previously reported for Julie Koger, Robert Schulz and Rick Warren. The motion carried unanimously.

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

A motion was made by Mark Stratman, supported by Debra Bridges, to approve the option picked by deferred retiree Candace Gawne. The motion carried unanimously.

12. INFORMATIONAL CHANGES TO PENSIONS – See Attached

Changes to retiree pensions were noted for: **John Phillips**

13. UPCOMING CONFERENCES - NONE

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

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 PLanta Robbins re: Review of GRS Contract for Actuarial Services for January, 2011. *

14.2 Lesa Keely, Letter re: Survivor Pension Error, November 15, 2010. *

14.3 Terry Lewis, Application for Alternate to Mark Stratman. *

14.4 Mark Kovach, Application for Alternate to Mark Stratman. *

14.5 MAPERS, Trustee Education Recommendation. *

14.6 Juliann Fairbrother, Memo tendering resignation as Alternate Trustee on FERS Board. *

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: December 1 Pension Payroll Transfer, November 16, 2010.
- 15.2 Suzi Bye, Correspondence re: New Alternate Appointments – Patricia Ramirez and Denise Bingaman.
- 15.3 Suzi Bye, Correspondence with Individual Retirees re: Claude Miller Class Action Lawsuit – Retirement Office Findings of Retiree Selection of Final Average Compensation (and individual responses to date).
- 15.4 Suzi Bye, Letter to Jan Mulcrone, Sr VP-HR, HMC re: FERS Board Decision (negative) regarding request to allow 27 late transfers to MERS, November 24, 2010.
- 15.5 Suzi Bye, Letter to Donna Poplar, City HR Director re: Bruce Schneder's Employment With Restrictions, November 29, 2010.
- 15.6 Suzi Bye, Letter to Jan Mulcrone, Sr VP-HR, HMC re: Terry Harris' Employment With Restrictions, November 29, 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 **CB Richard Ellis Investors**, Distribution – FERS' share \$241,853.95, November 30, 2010.
- 16.2 **ConvergEx Group**, Commission Recapture Services Trading Summary, Jan 1-Oct 31, 2010.
- 16.3 **CB Richard Ellis Investors**, Financial Statements as of September 30, 2010.
- 16.4 **Fisher Investments**, FERS' Third Quarter Foreign Equity Fund Review and Outlook.
- 16.5 **ICON** Portfolio Update, November 2010.
- 16.6 **Intercontinental Real Estate Corp.**, Reports for Quarter Ended September 30, 2010.
- 16.7 **Piedmont Investment Advisors**, Monthly Report for FERS - October 31, 2010.
- 16.8 **PNC Institutional Investments**, FERS' Fund Summary as of September 30, 2010.

16.9 **Wentworth, Hauser and Violich**, FERS’ October 2010 Investment Portfolio Appraisal.

16.10 **Wentworth, Hauser and Violich**, FERS’ 3rd Quarter Investment Portfolio Appraisal

16.11 **The Institutional Real Estate Letter for North America**, December 2010.

A motion was made by Robert Erlenbeck, supported by Bryan Bond, to receive and place on file all documents listed in Agenda Item #s 13, 14, 15 and 16. It was noted that #14.3 and #14.4 (applications for Board-appointed alternate to Mark Stratman from Terry Lewis and Mark Kovach) would be discussed later in the agenda 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	2,880
Payroll	\$66,402,468	\$64,959,885	\$63,205,866

18. GRAY & COMPANY - REPORT/RECOMMENDATIONS - Ivory Day

- ◆ **Real Estate Manager Search** – Ivory Day reviewed the five real estate money manager presentations that were made at the November Meeting. He noted that \$11.7 million is currently available for new real estate investments, per the Board’s Asset Allocation & Investment Policy. Discussion followed.

A motion was made by Robert Erlenbeck, supported by Debra Bridges, to award \$3 million to Mayfield Gentry and the remainder of the available funds allocated to new real estate investment (to bring the amount to be invested to 2.34% of the Fund) to American Realty (approximately \$11.7 million in total to the two managers). Further, that Mayfield Gentry be given twelve (12) months to raise the \$100,000,000 and make the calls and close that fund in order to receive this allocation. Further discussion followed. **The motion carried 7-1 (Mary Bland opposed).**

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing** – Reviewed/discussed.
- ◆ **3rd Quarter Performance Report & 2nd Quarter Revised Performance Report** – Mr. Day reviewed the revised 2nd Quarter Performance Report (ended June 30, 2010) and the 3rd Quarter Performance Report (ended September 30, 2010). Discussion followed.

- ◆ **Northern Trust – Drawdown Account Allocation** – Ivory Day reported that the asset allocation of the funds in the drawdown account at Northern (for paying pension payroll) should be split 50/50 between the NT Collective Daily US Market Cap Index Fund (non-lending) and the NTGI Collective Short Term Investment Fund for best investment returns. NTGI has drafted an amendment letter for approval; however, the letter should be reviewed by the attorney prior to execution. Harland Abraham and Daniel Hynes, FERS Account Manager at Northern Trust, have recommended this rebalancing of the drawdown account. Discussion followed. Mr. Bingaman and Mr. Townsend will sign the letter after it has received legal approval.

*Chairman Bingaman temporarily adjourned the meeting for a break at 2:48 p.m.
Chairman Bingaman called the meeting back to order at 3:00 p.m.*

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

A motion was made by Mary Bland, and supported by Robert Erlenbeck, to approve a transfer of \$5,088,000 for payment of the January 1, 2011 pension payroll (total estimated payroll - \$5,147,035), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES PENDING

- ◆ **2009-10 Actuarial Valuation** – *Status update* – Gabriel Roeder Smith will be presenting a draft of the FY2009 valuation at the January Board Meeting, including the preliminary contribution rates for budgeting for FY2012 (July 1, 2011 – June 30, 2012).
- ◆ **Five-year Contract with GRS** – *Review & Approval (Agenda Item #14.1)* – Board discussion. Attorney I’Lanta Robbins has expressed concerns (Item #14.1) regarding certain cancellation clauses in their proposed contract. Mr. Erlenbeck stated that he would call GRS and discuss the issues with them for possible amendment of the wording of the contract. Mr. Bingaman and Mr. Townsend are authorized to sign the contract.

21. LEGAL COUNSEL UPDATES – Attorney John Postulka (for Attorney I’Lanta Robbins)

- ◆ **Take Two Interactive Lawsuit** – *Securities Fraud Loss \$176,505* – Settlement approved – FERS has filed the necessary documents to obtain its portion of the settlement.

- ◆ **Capital BidCo** – FERS twice requested an investigation by the State of Michigan Consumer Fraud Dept., which has stated that the requests were never received. Legal Counsel for the Lansing Board of Water and Light is compiling additional documentation to send to the State of Michigan.
- ◆ **Pension Calculation Errors Lawsuits – Kelly** – Judge Farah has issued a written opinion remanding this case back to the Board for a new hearing without any input from Board members who testified at the hearing. This would eliminate Mr. Erlenbeck from participating in the new hearing. The attorneys for the Board, the City and Mr. Kelly are requesting clarification of the court’s order regarding the burden of proof. The issue was raised before the Court by Mr. Kelly’s attorney during the prior court hearing, but was not addressed in the recent court order. Therefore, Attorney Robbins has requested that the Board not schedule a hearing date until clarification is received.
- ◆ **Pension Calculation Errors Lawsuits - Burns/Wiggins/Doerr** – The cases are no longer in mediation. The retirees did not accept the Board’s proposals made in December 2009. These matters are stayed pending the outcome of the Kelly ruling. The retirees’ pensions have not been adjusted due to a court injunction issued in 2006.
- ◆ **Susan Jarema - Purchase of Time** – Ms. Jarema rejected the mediation settlement proposal. A hearing should be scheduled; however, the other hearings will take precedence over Ms. Jarema’s, due to the dates those hearings were requested. Ms. Jarema’s pension was adjusted.
- ◆ **FAC Calculation Policy** – *draft sent to the Retirement Office.*
- ◆ **Job Elimination/Early Retirement Contract Provisions** – *no report*
- ◆ **Purchase of Time - Hurley – Non-contributory** – *no report*
- ◆ **Death Pension Limitations – Police & Fire - Surviving Spouses** – *no report*
- ◆ **Hurley Request for Additional Transfers to MERS (after 2009 deadline)** – Suzi Bye sent a response letter to Jan Mulcrone at Hurley (Agenda #15.4) after discussion with the Board at the November meeting.

22. PROFESSIONAL SERVICES COMMITTEE – Meeting held December 7th, 2010

- ◆ **Cost Saving Measures**
 - ◆ **Pension Advice Mailing** – *Status update (pending)*
 - ◆ **Website** www.cityofflint.com – *Retirement Dept. – all forms now available*
- ◆ **Hurley Employee Transfers to Exempt Status & MERS** – *referred to Legal*

22.1 DISABILITY RETIREMENT APPLICATIONS - PENDING

- ◆ **Duty (2)**
- ◆ **Non-Duty (3)**

Disability Applications Report: 1) Letters were sent to the Human Resources directors at the City and Hurley (Item #15.5 & #15.6) per last month's discussions. No responses received to date. 2) One applicant has passed away; she was fully vested and entitled to an Option B Survivor Pension (will be on next month's agenda for approval). 3) An applicant from HMC who could not afford transportation was given the option of having the transportation paid for and repaying the cost over time, if approved for a pension; if not approved, she could spread repayment over one year. She has been sent a letter giving her 30 days to make a decision and informing her that her application will be withdrawn if she doesn't make arrangements for transportation or repayment for the costs. 4) An applicant from the Police Department, who will be having surgery, was placed on hold by Dr. Roth for follow up after the surgery; however, Dr. Roth has now scheduled a follow-up appointment in December because additional information was received that is sufficient for him to make a decision. 5) A new Hurley application for non-duty disability has been received.

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes** – *On hold (pending outcome of lawsuits)*

23. FINANCE/INVESTMENT COMMITTEE – NO REPORT

- ◆ **Financial Updates**
- ◆ **Portfolio Monitoring/Securities Litigation Attorney** – *Bernstein Litowitz Berger & Grossman* – *Letter of Agreement under legal review*
- ◆ **Private Equity Investments** – *Under review*
- ◆ **IRS Tax Determination Letter** – *Sent to IRS by Attorney Michael VanOverbeke*
- ◆ **Independent Audit of FERS** – *RFP in process for FY11*
- ◆ **Plante & Moran City of Flint Audit (including Retirement System)** – *Completed – Financial Statements to be issued before December 31*

24. RETIREMENT ORDINANCE REVISION COMMITTEE (of-the-Whole) – NO REPORT

- ◆ **§35-16.4 “13th Check” Issues SUBCOMMITTEE**
 - **Five-Year Rolling Average**
 - **Changes in Eligibility/Calculations: Age, Contributory/Non-contributory, Deferred, Straight Life Pension Factor, Beneficiaries**
 - **Alternative Cost of Living Option**
- ◆ **Apply IRS Regulations for Beneficiaries** –Legal, R. Erlenbeck, GRS
- ◆ **Defined Contribution/Defined Benefit Change for Exempts** –Legal
- ◆ **§35-31/31.1/32/32.1 Firefighters/Police Officers – Death in the Line of Duty** –Legal, Mark Stratman, Suzi Bye (pending - contract negotiations)

Chairman Bingaman appointed Mark Stratman as committee chair.

25. OTHER BOARD BUSINESS

- ◆ **Pending Michigan Legislation – NO REPORT**
 - **Distressed Municipal Pension System Act (SB 1239/1240 & HB 5976/5982) – Status Update - still pending in Michigan Senate Appropriations Committee (3/23/10 – 2010 SJ 26) & House Appropriations Committee (3/23/10 - 2010 HJ 29 & HJ 30) - Amends Sec. 36 of 1984 PA 427 (MCL 38.1536).**
 - **PA 314 Revision (HB 5323) – Pension Fund Investing – Hearing to be scheduled after November 30**
- ◆ **Vacancies (Ord. §35-8 & §35-10)**
 - **Alternate for Cass Wisniewski** – Appointment by Hurley President/CEO - pending
 - **Alternate for Hurley** - Board to Appoint (replacement for Juliann Fairbrother)
 - **Alternate for Mark Stratman (Police/Fire)** – Board to appoint
[See Agenda Item #14.3 & #14.4 – Terry Lewis (Police) & Mark Kovach (Fire)]

The Board discussed the applications from Terry Lewis (Police) and Mark Kovach (Fire) for appointment as Alternate for Police and Fire representative on the Board.

A motion was made by Mary Bland, supported by Debra Bridges, to appoint Mark Kovach as the Alternate for Police/Fire. The motion carried unanimously.

The Chairman asked Suzi Bye to send another mailing to eligible Hurley employees requesting applications for the HMC Alternate to replace Juliann Fairbrother.

- ◆ **Lesia Keely Letter** – *Attachment 14.2* – Board discussion. Mrs. Keely has not selected a repayment option; however, she has indicated that a settlement agreement with the City is being negotiated.

A motion was made by Robert Erlenbeck, supported by Mary Bland, that the pension payable to Mrs. Keely should be actuarially reduced in order to repay a portion of the over-payments made to her, per the Board's Over & Under-Payment Policy. Motion carried unanimously.

- ◆ **Retirement Vault – New Filing System** – Michael Townsend expressed his appreciation to Julie Sadler and Denise Bingaman for their successfully completed project of setting up a new retirement filing system in the vault.

26. ADJOURNMENT

Upcoming Board Meetings:

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

Regular Board Meeting – Tuesday, February 15, 2011, 1:00 p.m.

Regular Board Meeting – Tuesday, March 15, 2011, 1:00 p.m.

A motion was made by Robert Erlenbeck, supported by Patricia Ramirez, to adjourn the meeting at 3:31 p.m. The motion carried unanimously.

**Michael A. Townsend
Secretary**

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM - BOARD OF TRUSTEES

Approval of Pension Calculations

December 14, 2010 Board Meeting

Page 10142-A

7. APPLICATIONS FOR VOLUNTARY RETIREMENT

Last Name	First Name	Unit	Union		Accum. Contrib.	DRET (Before Tax Contrib.)	Effective Retirement Date	Service Years/ Months	Option Elected	Monthly Pension Payment	Notes
Turner	Dinona	HMC	1603	\$45,125.85	\$0.00	\$0.00	09/28/10	25 yrs, 3 mos	Option B	\$1,034.80	Non-Duty Death Pension, deceased 09-29-10
Wright	Jestina	HMC	1603	\$38,030.33	\$0.00	\$0.00	09/08/05	24 yrs, 7 mos	Straight Life	\$841.83	Never previously reported to the Board in 2005

Moved/Resolved by Robert Erlenbeck, supported by Bryan Bond, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Dinona Turner and Jestina Wright 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. APPLICATIONS FOR DEFERRED RETIREMENT - NONE

9. APPROVAL OF DISABILITY PENSIONS - NONE

10. APPROVAL OF PENSIONS PREVIOUSLY REPORTED

Last Name	First Name	Unit	Union	Revised FAC	MERC FAC Revision (if applicable)	Original FAC	Pension Over/Under-Payment	Option Elected	Retirement Date	Notes
Griffin	Charles	COF	1799	\$61,563.13	\$60,150.33	\$63,023.84	to be determined	SSRA	05/14/94	Revised for employee FAC pick per Yuille ruling
Hill	James	COF	1600	\$59,116.75	\$58,054.61	\$60,934.86	to be determined	Option B	03/19/94	Revised for employee FAC pick per Yuille ruling
Koger	Julie	COF	Exempt	\$60,828.90	n/a	\$59,916.59	\$6,128.13	Option A	08/31/01	Revised for employee FAC pick per Yuille ruling
McCann	Dennis	COF	1799	\$67,375.66	\$67,332.27	\$69,069.23	to be determined	SSRA	06/21/97	Revised for employee FAC pick per Yuille ruling
Murphy	Sherry	COF	1600	\$47,595.72	\$48,116.97	\$48,637.45	to be determined	SSRA	04/13/96	FAC only reviewed per board motion on 09-21-10 - at employee's request
Rogers Jr.	John	COF	1600	\$45,008.16	\$44,073.98	\$45,264.60	to be determined	Straight Life	02/03/96	Revised for employee FAC pick per Yuille ruling
Rutherford	Ronald	COF	Sgts	\$88,553.26	\$87,780.19	\$90,225.76	to be determined	Option B w/pop-up	09/26/97	Revised for employee FAC pick per Yuille ruling

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM - BOARD OF TRUSTEES

Approval of Pension Calculations

December 14, 2010 Board Meeting

Page 10142-A

Schulz	Robert	COF	1799	\$81,272.76	n/a	\$80,883.01	\$1,883.81	Option C w/pop-up	12/29/01	Revised for employee FAC pick per Yuille ruling
Strickert	John	COF	Sgts	\$98,730.42	\$96,836.68	\$100,466.22	to be determined	Option B w/pop-up	08/15/98	Revised for employee FAC pick per Yuille ruling
Stuart	Theron	COF	1799	\$69,285.20	\$66,091.43	\$69,372.08	to be determined	Option B w/pop-up	07/11/92	Revised for employee FAC pick per Yuille ruling
Warren	Rick	COF	Lts & Cpts	\$101,549.25	n/a	\$99,945.01	\$10,747.84	Straight Life	11/04/00	Revised for employee FAC pick per Yuille ruling

A motion was made by Mark Stratman, supported by Mary Bland, to table approval of the pensions in which the over/under-payment amount has yet to be determined. During discussion, it was noted that those individuals' pensions were being recalculated by the Actuary to ensure that applicable repayments under the MERC ruling are correctly applied. The motion carried unanimously. A motion was made by Mary Bland, supported by Bryan Bond, to approve the recalculations of the pensions previously reported for Julie Koger, Robert Schulz and Rick Warren. The motion carried unanimously.

11. OPTIONS PICKED BY DEFERRED RETIREES

Last Name	First Name	Unit	Union	Revised FAC	Original FAC	Monthly Pension	Option Elected	Retirement Date	Effective Date	Notes
Gawne	Candace	COF	1799	\$56,568.10	\$56,837.10	\$1,115.66	Option C w/pop-up	01/25/03	03/01/11	audited prior to receipt of 1st pension payment

A motion was made by Mark Stratman, supported by Debra Bridges, to approve the option picked by deferred retiree Candace Gawne. The motion carried unanimously.

12. INFORMATIONAL CHANGES TO PENSIONS

Last Name	First Name	Unit	Union	Revised Monthly Pension	Original Monthly Pension	Effective Retirement Date	Notes
Phillips	John	COF	Sgts	\$3,822.81	\$3,795.93	02/01/97	pop-up due to death of beneficiary

Page 10142-B