

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

Board of Trustees Regular Meeting Minutes

Tuesday, February 16, 2010

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on **Tuesday, February 16, 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 – Interim Chairperson, Denise Bingaman, Mary Bland, Debra Bridges, Robert Erlenbeck, Juliann Fairbrother, Scott Kincaid, Michelle Kirkwood, Mark Stratman, Michael Townsend, Cass Wisniewski

ABSENT Gregory Eason, John Erwin, Janice Kehoe, Duane Kelley, Sherry Murphy, Sheldon Neeley

ALSO PRESENT Suzi Bye, Retirement & Benefits Manager
Julie Sadler, Assistant to FERS
John Postulka, Assistant City Attorney (for I'Lanta Robbins)
Christopher Kuhn, Gray & Company
Harland Abraham, Northern Trust

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Interim Chair Douglas Bingaman called the meeting to order at 1:05 p.m.

2. ROLL CALL (Attendance)

Roll was called and members were present or absent as noted above.

3. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Larry Langer, from Buck Consultants, addressed the Board briefly regarding the presentation by representatives from Buck Consultants at the January meeting, in response to the Board's RFP for an actuary. He noted that he would be part of the actuarial team, if Buck is selected by the Board as the System's new actuary, and that he had experience with FERS when he was an actuary at Gabriel Roeder Smith & Company some time ago.

4. APPROVAL OF AGENDA

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

5. APPOINTMENT OF PERMANENT BOARD CHAIR & VICE CHAIR

Motion by Mary Bland, supported by Cass Wisniewski, to table the issue of appointing a permanent Chair or Vice Chair. The motion carried unanimously.

6. APPROVAL OF MINUTES - January 19, 2010 Regular Board Meeting

Motion made by Robert Erlenbeck, supported by Scott Kincaid, to approve the minutes for the January 19th Regular Board Meeting, as presented. Motion carried unanimously.

7. APPLICATIONS FOR VOLUNTARY RETIREMENT – *See Attached*

Motion made by Cass Wisniewski, supported by Juliann Fairbrother, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Reginald Baker, Linda Jones, Matthew Kirk, Phyllis Magby, Lorna Payton, and Ronald Williams, 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 Board discussed the steps in the retirement process, including application and estimate, audit, Board approval and payment procedures. It was noted that the calculations for final average compensation are more accurate than in the past, due to the use of a specialized computer program. The motion carried unanimously.

8. APPLICATIONS FOR DEFERRED RETIREMENT – *See Attached*

A motion was made by Cass Wisniewski, supported by Michael Townsend, to approve the Applications for Deferred Retirement for Stephen Mayfield, Thomas O'Brien, and Kenneth Rush. Motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS – *None*

10. APPROVAL OF PENSIONS PREVIOUSLY REPORTED – See Attached

A motion was made by Mary Bland, supported by Debra Bridges, to approve the pension previously reported for Nota P. Sidiropoulos. It was noted that the reason her pension had been lowered was that, due to an error, this non-contributory Hurley employee had been given a 1.7 multiplier for her entire 32 years of service. Per the Ordinance, her service over 25 years should have been calculated with a 1.5 multiplier. It was also noted that an individual's pension cannot be approved by the Board until after the individual has retired; however, he/she is not officially retired until the Board approves the pension. **The motion carried unanimously.**

11. OPTIONS PICKED BY DEFERRED RETIREMENTS – See Attached

A motion was made by Michael Townsend, supported by Mark Stratman, to approve the option picked by deferred retiree Stephen Mayfield. Motion carried unanimously.

12. INFORMATIONAL CHANGES TO PENSIONS – See Attached – For Information Only

13. UPCOMING CONFERENCES

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

13.1 International Foundation, Benefits Conference for Public Employees, April 19-20, 2010, Phoenix, Arizona.

13.2 National Conference on Public Employee Retirement Systems, 2010 Annual Conference, May 1-6, 2010, Las Vegas, Nevada.

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 Larry Langer, Buck Consultants, re: Actuarial Services Proposal and change in lead consulting actuary, February 8, 2010. *

14.1 Patrick Wardell, CEO, Hurley Medical Center, Letter to FERS Board re: Open Retirement Board Alternate Position – Appointment of Juliann Fairbrother, Jan 25, 2010. *

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 Feb 1, January 22, 2010.

15.2 Bingaman/Townsend, Letters to Northern Trust and Money Managers re: Rebalancing of Fund and Transfers to Drawdown Account (\$34,644,834), January/February 2010.

15.3 Bingaman/Townsend, Letter to Northern Trust re: Debit for Securities Lending Payment, January 19, 2010.

15.4 Lansing Bd of Water & Light/FERS et al, Letter to Steve Sandstedt from Investors and Shareholders, The Capital Fund, Inc./Capital Bidco re: Request for Financial Information, February 1, 2010. *

15.5 Planta Robbins, Letter to Tony Golden re: Hearing Scheduled on March 16, 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 PNC Institutional Investments (Allegiant), FERS Fourth Quarter Economic Review and Performance Summary.

16.2 BNY ConvergeX Group/LJR Recapture Services, 2009 FERS Trading Summary.

16.3 Dodge & Cox, FERS 4th Quarter Brokerage Commission Report.

16.4 Dodge & Cox, FERS 4th Quarter Investment Report.

16.5 Dodge & Cox., 4th Quarter Proxy Voting Report & Proxy Voting Policies and Procedures.

16.6 Gabriel Roeder Smith & Company, GRS News Scan, January 2010. *

16.7 Globalt Investments, FERS 4th Quarter Performance and Investment Summaries.

16.8 Keeley Asset Management Corp., FERS 4th Quarter Report.

16.9 Wellington Management, FERS 4th Quarter Investment Review.

16.10 Wentworth, Hauser and Violich, FERS 4th Quarter Investment Portfolio Appraisal.

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

Chairman Bingaman introduced Juliann Fairbrother, the new alternate appointed by Hurley Medical Center to fill the vacant alternate position that was not filled in the election held in 2009 (representing #1603 and exempts).

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

	<u>2008</u>	<u>2009</u>	<u>2010 YTD</u>
Number Retired	3,065	2,849	2,844
Payroll	\$66,402,468	\$64,959,885	\$10,378,688

18. GRAY & COMPANY - REPORT/RECOMMENDATIONS

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing** – Chris Kuhn, from Gray & Company, presented and reviewed the investment performance report. Discussion followed.
- ◆ **4th Quarter Performance Report – December 31, 2009** – Chris Kuhn presented and reviewed the quarterly/year end performance report. Discussion followed.
- ◆ **Rebalancing/Replenishing Drawdown Fund – \$34,644,834** *(completed Feb 9, 2010)*
- ◆ **Securities Lending Presentation** – Harland Abraham, Northern Trust, distributed and reviewed performance reports regarding Northern’s securities lending program. He also noted that “Passport” training is available through Northern’s Chicago office. This system allows Board members to learn the computer system that allows access to FERS’ investment information. Chris Kuhn stated that Gray & Company recommends that the Board review the policy of securities lending: what it is, what the risks are, whether the practice should be continued and, if so, the investment options available from Northern Trust.

19. APPROVAL OF THE MARCH 1, 2010 PENSION PAYROLL TRANSFER

A motion was made by Mary Bland, and supported by Cass Wisniewski, to approve a transfer of \$3,441,900 for payment of the March 1, 2010 pension payroll (total estimated payroll - \$5,012,232), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES

- ◆ **Acceptance of GRS FY 2008 Actuarial Valuation** (*Presented at Jan Bd Mtg*) – The Board discussed the valuation and the need for further information regarding alternatives available to improve contribution rates. The valuation indicates that the FY11 contribution rate for General City employees should increase to 50% from the FY10 rate of 34%. Contributing factors were the market losses in the past couple of years and the fact that the defined benefit plan has been closed to general employees since October 2003. It is projected that the FY 2009 valuation will indicate that the FY12 contribution rate should be 63%. Discussion followed. Mr. Townsend stated that the projected increases in contribution rates would be very detrimental to the City's financial condition. The Administration may consider reopening the defined benefit plan for newly hired general City employees. Further study and discussion with the actuary is needed to evaluate options. If other options are implemented, the valuation would need to be revised.

Motion made by Scott Kincaid, supported by Robert Erlenbeck, to postpone accepting the GRS FY 2008 Actuarial Valuation. Motion carried unanimously.

Chairman Bingaman and Secretary/Administrator Townsend stated that they will contact GRS to express their concerns and request that a representative(s) from GRS attend the next Board Meeting to review and discuss issues regarding contribution rates.

- ◆ **Discussion of Contribution Rates for Fiscal Year 2011 (beginning July 1, 2010)**
- ◆ **Actuarial RFPs – Discussion of Presentations** – *GRS, Nyhart, Buck, Rodwan* (*ref. Agenda Items #14.1 & #20*)

Motion made by Scott Kincaid, supported by Robert Erlenbeck, to postpone the adoption of contribution rates for Fiscal Year 2011 and to postpone entering into a contract with a new actuary at this time. Motion carried unanimously.

During further discussion, it was noted that the Secretary's office will contact the actuaries (that responded to the RFP) regarding the postponement of the decision to select an actuary.

21. LEGAL COUNSEL UPDATES

In the absence of Attorney I'Lanta Robbins, Assistant City Attorney John Postulka reported on the following pending legal issues:

- ◆ **Take Two Interactive Lawsuit** – *Written update requested from Attorney George Peck*
- ◆ **FAC Calculation Policy** – *Pending*

- ◆ **Capital BidCo – Financial Information requested (Item #15.4)** – Attorneys sent a letter on behalf of the stockholders requesting further financial information. It was noted that FERS is the 51% shareholder. Capital BidCo CEO Steven Sandstedt has asked the shareholders for a resolution authorizing the liquidation of the company. The shareholders have agreed not to approve the liquidation resolution until the financial information has been provided and reviewed.

- ◆ **Pension Calculation Errors Lawsuits – Cherwinski/Tereau/Kelly** - *Mediation*
- ◆ **Pension Calculation Errors Lawsuits - Burns/Wiggins/Doerr** - *Mediation*
- ◆ **Susan Jarema - Purchase of Time** – *Mediation*

- ◆ **Linda Winfrey – Settlement Agreement** – *Verbal Legal Opinion given from Attorney Robbins that Ms. Winfrey's FAC should remain unchanged.*
- ◆ **Harland Verrill – Overpayment** – *Pending legal review.*

22. PROFESSIONAL SERVICES COMMITTEE

- ◆ **Cost Saving Measures - Pension Advice Mailing** – *under review in the Finance Dept.*

- ◆ **Claude Miller Pension Revisions – Requests for Review per Judge Yuille's Order**
 - ◆ **Full Review or FAC Review only?**

The Board discussed various errors that have been found during reviews, including wrong multipliers, final average compensation years that include more than 27 pays, mathematical errors in calculating final average compensation, etc.

Motion made by Robert Erlenbeck, supported by Scott Kincaid, that staff is authorized to review all information that affects Final Average Compensation only, as well as checking to ensure that the correct multiplier has been used, when reviewing retirees' pension files in response to the Miller lawsuit. Motion carried unanimously.

- ◆ **Auditing “Pop-Ups” – Known Errors** – *Under review*
- ◆ **Hurley #1603 - Vacation Fold-Ins to FAC** – *Janice Kehoe/Debra Bridges researching*
During discussion, it was noted that the union contract does not address this issue. In that case, the Ordinance is the Plan Document and must be enforced in the absence of any superseding contract language.

A motion was made by Robert Erlenbeck, supported by Scott Kincaid, to table the issue of #1603’s vacation fold-ins into FAC until further information can be provided to the Board and to give Hurley Medical Center an opportunity to clarify the issue. Discussion followed. **The motion carried unanimously.**

- ◆ **David Williams – Deceased Police Officer** – *Pending Court Ruling re Beneficiary*
- ◆ **Tony Golden – Request for Hearing** – *March 16, 2010 - 10:00 a.m. (Item #15.5)*
Attorney Robbins is requesting a letter from Mr. Golden outlining the issues he wants to discuss at his hearing.

22.1 DISABILITY RETIREMENT APPLICATIONS

- ◆ **Duty** – *No applications pending*
- ◆ **Non-Duty** – *Five (5) applications pending*

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes** – Mr. Plewes was allowed to purchase more than the maximum (five years) amount of time towards his retirement. Discussion followed. The issue was referred to Legal Counsel for review and recommendations.

The Board recessed for a break at 3:10 p.m.

Acting Chair Douglas Bingaman called the meeting back to order at 3:20 p.m.

23. FINANCE/INVESTMENT COMMITTEE

- ◆ **IRS Tax Determination Letter** - *Pending w/Attorney Michael VanOverbeke*

The Chair asked Legal Counsel to contact Attorney VanOverbeke for a status report.

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

- ◆ **§35-16.4 “13th Check” Issues SUBCOMMITTEE – Michelle Kirkwood, Chair**
 - **Percentage Funded – Resolution pending to submit to City Council**
 - **Five-Year Rolling Average**
 - **Age Requirements**
 - **Contributory/Non-contributory**
 - **Deferred**
 - **Straight Life Pension Factor**
 - **Beneficiaries – Spouses, Parents, Children, Others**
 - **Alternative Option; i.e., Cost of Living, etc.**
 - **Other Retirement Systems**

The Board discussed their concerns that, even though the Retirement System is considerably under-funded, the System could, at some point, be put into a position of paying a “13th Check” in spite of the fact that, due to the severe market downturns, any gains to the System would be more than offset by the substantial losses sustained in the past few years.

A motion was made by Denise Bingaman, supported by Robert Erlenbeck, that a revision to the 13th Check Ordinance language be sent to City Council for approval:

§35-16.4 Additional Annual Payment; Determination and Distribution Thereof; Eligible Retirants. (a) At the end of each calendar year, effective with the year 1984, and every year thereafter, the Finance Department THE CONSULTANT shall determine the rate of investment return earned on retirement system assets during the calendar year based upon methods established by the Board of Trustees. IF THE RETIREMENT SYSTEM IS A MINIMUM OF 90% FUNDED, AS DETERMINED BY THE ACTUARY, THE FOLLOWING SECTIONS SHALL BE APPLICABLE.

Upon being put to a vote, the motion carried unanimously.

- ◆ **§35-8 Alternates - Language & letter of recommendation will be sent to City Council (previously approved)**
- ◆ **§35-10 Alternates Ascending to Trustee Position when Vacated –**
The Board discussed proposed Ordinance language, as written by Attorney I’Lanta Robbins, to allow alternates to ascend to vacant trustee positions and provide a procedure for the Board to fill vacancies in the alternate positions.

A motion was made by Robert Erlenbeck, supported by Scott Kincaid, to send the proposed language changing §35-10 Alternates Ascending to Trustee Position when Vacated to City Council. Motion carried unanimously.

◆ **§35-31/31.1/32/32.1 Firefighters/Police Officers** – *Under legal review*

◆ **§35-26(a)(1) Option “A”** -

The Board discussed proposed Ordinance language, as written by Attorneys I’Lanta Robbins and Michael VanOverbeke, to provide for a survivor beneficiary for a designated beneficiary when an Option A pension is selected.

A motion was made by Robert Erlenbeck, supported by Scott Kincaid, to send the proposed language changing §35-26(a)(1) Option “A” to City Council. Motion carried unanimously.

25. OTHER BOARD BUSINESS

◆ **New Recording/Transcription Equipment** – *on order*

◆ Mary Bland asked that the Board be brought up to date and receive regular reports of income, expenses, administrative costs, etc. for the Retirement System. Chairman Bingaman asked Mr. Townsend to provide the requested information to the Board.

◆ Suzi Bye noted that there is an issue with an error involving an overpayment to a former firefighter, Stephen Colonna. The firefighters’ contract contains “correction of errors” language that must be considered. Chairman Bingaman referred the issue to Legal.

26. ADJOURNMENT

A motion was made to adjourn at 3:48 p.m. by Robert Erlenbeck, supported by Cass Wisniewski. The motion carried unanimously.

**Michael A. Townsend
Secretary**

Approval of Pension Calculations

February 16, 2010 Board Meeting

7. APPLICATIONS FOR VOLUNTARY RETIREMENT

Last Name	First Name	Unit	Union	Final Avg. Comp. (FAC)	Accum. Contrib.	DRET (Before Tax Contrib.)	Effective Retirement Date	Service Years/ Months	Option Elected	Monthly Pension Payment	Notes
Baker	Reginald	HMC	Exempt	\$66,426.15	\$0.00	\$0.00	01/09/10	31 years, 4 months	Option B	\$2,271.68	
Jones	Linda	COF	1799	\$61,460.35	\$31,697.68	\$13,568.42	01/03/10	26 years, 1 month	Straight Life	\$3,207.03	
Kirk	Matthew	COF	1799	\$60,886.15	\$26,680.57	\$14,363.03	01/22/10	23 years, 3 months	Straight Life	\$2,848.97	includes 3 years prior military
Magby	Phyllis	HMC	1603	\$40,612.52	\$0.00	\$0.00	01/24/10	38 years, 2 months	Straight Life	\$2,106.78	
Payton	Lorna	HMC	Exempt	\$91,610.68	\$57,806.84	\$49,607.54	01/02/10	32 years, 0 months	Straight Life	\$4,885.90	
Williams	Ronald	COF	Fire	\$64,473.06	\$15,570.70	\$51,727.22	01/08/10	25 years, 0 months	Straight Life	\$3,492.29	

Motion made by Cass Wisniewski, supported by Juliann Fairbrother, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Reginald Baker, Linda Jones, Matthew Kirk, Phyllis Magby, Lorna Payton, and Ronald Williams, 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

Last Name	First Name	Unit	Union	Final Avg. Comp. (FAC)	Accum. Contrib.	DRET (Before Tax Contrib.)	Effective Retirement Date	Service Years/ Months	Option to be Elected by (date)	Notes
Mayfield	Stephen	COF	FPOA	\$72,787.51	\$7,370.62	\$46,048.37	12/26/09	22 years, 8 months	05/01/10	
O'Brien	Thomas	COF	Exempt	\$68,655.07	\$40,713.20	\$0.00	01/06/10	24 years, 7 months	06/01/10	
Rush	Kenneth	HMC	Exempt	\$50,463.96	\$0.00	\$0.00	12/30/09	10 years, 1 month	08/01/29	

A motion was made by Cass Wisniewski, supported by Michael Townsend, to approve the Applications for Deferred Retirement for Stephen Mayfield, Thomas O'Brien, and Kenneth Rush. Motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS - NONE**10. APPROVAL OF PENSIONS PREVIOUSLY REPORTED**

Last Name	First Name	Unit	Union	Revised FAC	Original FAC	Revised Monthly Pension	Original Monthly Pension	Pension Over/Under-Payment	Option Elected	Retirement Date	Notes
Sidiropoulos	Nota P.	HMC	Exempt	\$79,459.47	\$79,459.47	\$3,426.69	\$3,508.36	\$245.10	Straight Life	11/01/09	Revised to correct multiplier

A motion was made by Mary Bland, supported by Debra Bridges, to approve the pension previously reported for Nota P. Sidiropoulos. 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
Mayfield	Stephen	COF	FPOA	\$72,787.51	\$72,787.51	\$3,169.95	Option B	12-26-09	05/01/10	

A motion was made by Michael Townsend, supported by Mark Stratman, to approve the option picked by deferred retiree Stephen Mayfield. Motion carried unanimously.

12. INFORMATIONAL CHANGES TO PENSIONS

Last Name	First Name	Unit	Union	Revised Monthly Pension	Original Monthly Pension	Effective Retirement Date	Notes
Edwards	Joyce	COF	1600	\$2,032.96	\$1,915.92	05/14/94	Pop-up due to death of beneficiary