

**CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM**  
**Board of Trustees Regular Meeting Minutes**  
**Tuesday, July 20, 2010**

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, July 20, 2010, at 1:00 p.m. in the Committee-of-the-Whole Room, 3<sup>rd</sup> Floor, City Council Chambers, at City Hall, with the following in attendance:

*TRUSTEES & ALTERNATES* Michael Townsend – Vice Chairperson, Denise Bingaman, Mary Bland, Debra Bridges, Robert Erlenbeck, Juliann Fairbrother, Scott Kincaid, Michelle Kirkwood, Mark Stratman, Cass Wisniewski (1:15 p.m.)

*ABSENT* Douglas Bingaman, Gregory Eason, John Erwin, Janice Kehoe (*resigned*), Duane Kelley, Sherry Murphy, Sheldon Neeley

*ALSO PRESENT* Suzi Bye, Retirement & Benefits Manager  
Ivory Day, Consultant, Gray & Company  
Julie Sadler, Staff Assistant to FERS  
Angela Watkins, Assistant City Attorney

**1. CHAIRPERSON CALLS THE MEETING TO ORDER**

Vice Chair Michael Townsend called the meeting to order at 1:07 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**

Mary Bland, as President of URGE, requested that the Board postpone the discussion of David Plewes' pension, since URGE has recently retained Attorney Gregory Gibbs on Mr. Plewes' behalf and they need time to review and prepare.

**4. APPROVAL OF AGENDA**

**Motion by Scott Kincaid, supported by Robert Erlenbeck, 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 – *June 22, 2010 Regular Board Meeting***

**Motion made by Robert Erlenbeck, supported by Mark Stratman, to approve the minutes for the June 22<sup>nd</sup> Regular Board Meeting, as presented. The motion carried unanimously**

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

**Motion made by Robert Erlenbeck, supported by Scott Kincaid, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Patricia Beckley, Nancy Brooks, Dunnell Chaney, Karen Denstead, Conrad Holovach, Dorothy January, Sandra Lord, Linda Mahalak, Pauline Satterley, Vicki VanWormer, Janice Wheatley and Willie Woodard 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 – *None***

**9. APPROVAL OF DISABILITY PENSIONS – *See Attached***

**A motion was made by Robert Erlenbeck, supported by Mark Stratman, to approve the Disability Pension for Hope Smith. The motion carried unanimously.**

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

**A motion was made by Mary Bland, supported by Robert Erlenbeck, to approve the changes to pensions previously reported for Jess Berry, Charlotte Greenard and Shirley Hart. The motion carried unanimously.**

**11. APPROVAL OF OPTIONS PICKED BY DEFERRED RETIREMENTS** – *None*

**12. INFORMATIONAL CHANGES TO PENSIONS** – *None*

**13. UPCOMING CONFERENCES**

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

13.1 MAPERS 2010 Fall Conference, September 26-28, 2010, Boyne Falls, MI.

13.2 Mid-Sized Retirement & Pension Plan Management Conference, October 5-8, 2010, Chicago, IL.

13.3 Northern Trust, 2010 Institutional Client Conference, October 27-29, 2010, Chicago, IL.

**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 Janice Kehoe, Re: Letter of Resignation from Board of Trustees, July 12, 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: July 1 Pension Payroll Transfer, June 22, 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 BNY ConvergEx Group, FERS Commission Recapture Services Report, Jan 1-May 31, 2010.

16.2 Piedmont Investment Advisors, FERS Portfolio & Performance Reports as of May 31, 2010.

16.3 Wentworth, Hauser and Violich, FERS Portfolio & Performance Reports as of May 31, 2010.

16.4 J.P. Morgan Asset Management, Insights June 2010.

**A motion was made by Cass Wisniewski, supported by Scott Kincaid, to receive and place on file all documents listed in Agenda Item #s 13, 14, 15 and 16. (Certain items will be discussed where appropriate in the Agenda.) 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	2,871
Payroll	\$66,402,468	\$64,959,885	\$36,587,671

#### **18. GRAY & COMPANY - REPORT/RECOMMENDATIONS**

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing Reports**
- ◆ **Investment Policy Allocation/Performance Report**

Ivory Day presented the reports and the Board discussed the status of the Fund's investments and investment allocations. Mr. Day recommended that a search be conducted for an "open-ended" real estate investment manager. As the Consultant, he would guide the search process by selecting 6-8 semi-finalists through a process of quantitative and qualitative analyses, searching for the best manager for the System's needs. He and the Board would then narrow the search down to 3 finalists, who would make presentations to the Board at the following meeting. A new manager would be selected from those finalists. Mr. Day recommended that \$11 million be invested with the selected real estate manager. He explained the measures he uses during the selection process and noted that manager searches are part of his duties as the Consultant and there are no additional fees involved. Discussion followed.

**A motion was made by Scott Kincaid, supported by Cass Wisniewski, to authorize Ivory Day to begin the search process for a new real estate investment manager and bring a list of semi-finalists to the next Board Meeting. Motion carried unanimously.**

## **19. APPROVAL OF THE AUGUST 1, 2010 PENSION PAYROLL TRANSFER**

**A motion was made by Scott Kincaid, and supported by Robert Erlenbeck, to approve a transfer of \$2,490,000 for payment of the August 1, 2010 pension payroll (total estimated payroll - \$5,127,000), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.**

## **20. ACTUARIAL ISSUES PENDING**

- ◆ **FY11 Contribution Rates** – *Resolutions of Support approved by City Council on July 12<sup>th</sup>*
- ◆ **Actuarial RFPs – Selection of Actuary**

Vice Chair Michael Townsend led a discussion of issues involved in the actuary search. The following points were noted: 1) Due to budget cuts, Retirement Office (Human Resources and Finance) staffing levels have been decreased, with additional responsibilities added to each position. During this transition/training period, this situation could create delays in providing the actuarial information and/or performing daily duties. 2) There are issues/questions regarding transfer of the GRS Retirement calculation program, since licensing, maintenance and updating fees are paid by FERS to GRS. Could additional costs be incurred or a new program required if the Board selects a different actuary? 3) The Board needs to re-review the actuarial presentation information from January. 4) Would the extra time needed for a transition to a new actuary delay the processing of retirements? 5) Are price quotes comparable, since program issues, etc. may not have been included? Are there additional fees that were not included in the quotes? Is a calculation program, an actuarial data program, and associated costs included in any of the proposals? 6) The last actuarial valuation was completed for fiscal year 2008. The FY 2009 should be done as soon as an actuary is selected. 7) Are there other contract issues to consider? 8) Is it better to stay with the current actuary, at least for the time being, to allow staff to catch up, keep up, learn new duties, etc.? 9) Need answers to questions before any decisions are made. Please send questions to Julie Sadler to forward to the actuaries.

**A motion was made by Scott Kincaid, supported by Robert Erlenbeck, to postpone selection of an actuary until the August Regular Board Meeting. Motion carried unanimously.**

## 21. LEGAL COUNSEL UPDATES

Assistant City Attorney Angela Watkins (filling in for Assistant City Attorney I'Lanta Robbins) requested that the Board enter into Closed Session to discuss the matters of 0887891CK & 08068399 NZ – Tereau & Cherwinski litigation - because open discussion of this litigation could have a detrimental effect on the litigating or settlement position of the Board.

**A motion was made by Scott Kincaid, supported by Cass Wisniewski, to enter into closed/executive session to discuss litigation issues in the matters of Tereau and Cherwinski, as requested by the attorney. Upon being put to a roll call vote, the motion carried unanimously.**

The Board entered into closed session at 2:03 p.m.

**A motion was made to move out of closed/executive session by Scott Kincaid and supported by Mary Bland. Motion carried unanimously.**

**A motion was made to accept the mediation settlement agreements in the Cherwinski and Tereau litigation by Scott Kincaid, supported by Mary Bland. Motion carried unanimously.**

**A motion was made by Scott Kincaid, supported by Mark Stratman to recess for a ten-minute break. Motion carried unanimously.**

*The Board adjourned for a recess at 2:35 p.m.*

*Chairman Townsend called the meeting back to order at 2:47 p.m.*

- ◆ **Take Two Interactive Lawsuit** – *Settlement pending – Loss \$ 176,505*  
– *Labaton Sucharow & George Peck, Special Counsel*

Attorney Watkins reported that Attorney Robbins recently discussed the lawsuit with Special Counsel George Peck, who stated that the Court has approved a preliminary settlement of \$20 million, to be distributed among all class members. A Notification of Settlement will be sent within two weeks, which will provide detailed information about the case history, begin the administrative process, and include instructions for preparing and submitting claim forms. The Court is scheduled to approve the final settlement for all class members on October 12, 2010. The Judge has given preliminary approval, with no cautions or objections expressed. A history of the case was included in the agenda packets. Discussion followed.

- ◆ **FAC Calculation Policy** – *Under review*

- ◆ **Capital BidCo** – *Financial Information requested*
- ◆ **Pension Calculation Errors Lawsuits – Cherwinski/Tereau/Kelly** - *Mediation*
- ◆ **Pension Calculation Errors Lawsuits - Burns/Wiggins/Doerr** - *Mediation*
- ◆ **Susan Jarema - Purchase of Time** – *Mediation*
- ◆ **Job Elimination/Early Retirement Contract Provisions** – *Under review*

## 22. PROFESSIONAL SERVICES COMMITTEE

Denise Bingaman reported that the Committee met and discussed the following:

- ◆ **Cost Saving Measures - Pension Advice Mailing** – *Testing in process.*
- ◆ **Purchase of Time - Hurley – GRS Tables** - GRS and Suzi Bye are working to update and verify all information for the tables.
- ◆ **Death Pension Limitations** – A payment error was found with a survivorship pension that is being paid for a duty related death. Attorney Robbins is reviewing with Suzi Bye.
- ◆ **Hurley #1603 Transfers to Bargaining Units in MERS** – Attorney Robbins has given an opinion regarding administration of the bargaining agreements as they relate to the transfer to MERS. The Board is following the transfer agreement. There are individuals at Hurley who have transferred to different bargaining units, which would require transferring out of FERS. Juliann Fairbrother noted that Janice Kehoe is now Hurley's Pension Coordinator and she will be working to resolve any outstanding issues.
- ◆ **Retiree Requesting Audit for a 27<sup>th</sup> Pay** - Suzi Bye reported that a retiree asked to review her pension calculations because she is questioning whether she received a 27 week pay period, along with two 26 pay periods, when her retirement final average compensation was calculated. Judge Yuille has ruled that retirees have the right to verify this; however, a signed waiver is required by FERS from the retiree because, per the ordinance, any errors found when the pension files are reviewed must be corrected. In the process of this review, it was discovered that there were two 26-pay periods and one 27-1/2 pay period, resulting in an overpayment to the retiree. Discussion followed. Mary Bland asked to table the issue until the August meeting, when the individual can be present. Robert Erlenbeck requested a copy of the signed waiver in the agenda packets.

### 22.1 DISABILITY RETIREMENT APPLICATIONS

- ◆ **Duty** – *no applications pending*
- ◆ **Non-Duty** – *2 applications pending*

## 22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes** - Mary Bland asked to table discussion regarding Mr. Plewes to allow the URGE Attorney, Gregory Gibbs, to review the case and be prepared to present further information. It was noted that Mr. Plewes was made aware of an error on his pension in June 2009 and subsequently sent a letter requesting that he select a repayment option. Discussion followed. It was also noted that the actuary previously calculated repayment by reduction in pension; however, those calculations are now too outdated to be used.

**A motion was made by Mary Bland, supported by Scott Kincaid, to table further discussion of David Plewes until next meeting.**

**Upon being put to a roll call vote, the motion carried by a vote of 7 ayes and 2 nays:**

<b>Mary Bland – yes</b>	<b>Michael Townsend – yes</b>
<b>Cass Wisniewski – yes</b>	<b>Debra Bridges – yes</b>
<b>Scott Kincaid – yes</b>	<b>Denise Bingaman – no</b>
<b>Robert Erlenbeck – no</b>	<b>Juliann Fairbrother – yes</b>
<b>Mark Stratman - yes</b>	

## 23. FINANCE/INVESTMENT COMMITTEE

Michael Townsend reported that the Committee met on Wednesday, July 14<sup>th</sup> and discussed several issues, including the following:

- ◆ **Financial Information** – *Budget Report, Professional Service Detail & Payroll Allocations*

Mr. Townsend presented and reviewed financial reports, including: 1) Preliminary Budget Report for FERS 2009-10 amended budget and year end, with the 2010-11 adopted budget; 2) Administrative service charges for fiscal year 2011; 3) Professional services charges for fiscal year 2010. Discussion followed. Mary Bland requested monthly reports of all charges and payments from the Retirement System, as well as job descriptions for all employees whose salary and benefits, in whole or in part, are charged to the Retirement System. She also requested that the Board be informed of the specific job duties that each of those employees performs for the Retirement System and the percentage of their time that performance of those duties requires.

- ◆ **Independent Audit of FERS** – A draft Request For Proposals (RFP) has been developed and is under review. Mr. Townsend noted that, with the current low staffing levels in the Finance Department, it would be difficult to find the staff time to assist with an audit of



fiscal year 2010. The last audit was performed by Plante & Moran 5-6 years ago and cost \$28,000. The Committee plans to finalize the RFP and recommend an independent audit at the end of fiscal year 2011.

- ◆ **Portfolio Monitoring/Securities Litigation Attorney** – *Labaton Sucharow* – This firm has sent a proposal to the Board for providing these services at no cost. Milberg Weiss performed these services for the Board in 2005-06, but is no longer providing assistance to retirement boards. Discussion followed. The Committee is investigating this firm.
- ◆ **Take Two Interactive** – *Discussed previously in this meeting*
- ◆ **Michigan Film Credits** – *Proposal under review by Committee*
- ◆ **Real Estate Investments** – *Under review by Committee*
- ◆ **Private Equity Investments** – *Under review by Committee*
- ◆ **IRS Tax Determination Letter** - *Pending w/Attorney Michael VanOverbeke*

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

Committee Chair Michelle Kirkwood stated that the Committee did not meet.

- ◆ **§35-16.4 “13th Check” Issues SUBCOMMITTEE** – *Michelle Kirkwood, Chair*
  - **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** – *Under review by Legal, Bob Erlenbeck*
- ◆ **Defined Contribution/Defined Benefit Change for Exempts** – *Legal prepared resolution – under review*
- ◆ **§35-31/31.1/32/32.1 Firefighters/Police Officers – Death in the Line of Duty** – *Under review by Legal, Mark Stratman, Suzi Bye*

## 25. OTHER BOARD BUSINESS

- ◆ **Pending Michigan Legislation**
  - **Distressed Municipal Pension System Act** – *Status Update (Nothing new to report)*

- ◆ **Vacancies - Discussion**
  - **Alternate for Hurley (Janice Kehoe) - Board to Appoint (Ord. §35-10)**
  - **Alternate for Cass Wisniewski – Appointment by Hurley President/CEO (Ord. §35-8)**

The Board discussed the resignation of Janice Kehoe, effective with her promotion on June 28, 2010. It was noted that annual elections are set by Ordinance, to be held between June and September, with each elected Trustee & Alternate serving a four-year term. Currently, the regular schedule for upcoming elections is as follows: General City members - 2010; Retiree representatives - 2011; Police & Fire - 2012; Hurley (2) – 2013. Suzi Bye will begin the election process for the General City Trustee and Alternate. Per Board policy, all elections are now conducted by mail.

It was noted that Debra Bridges and Duane Kelley, who is currently on workers' compensation, were elected and are now the two Trustees, per the Ordinance. Juliann Fairbrother, who was appointed by Hurley to a vacant alternate position, is currently the only alternate. The Board will need to appoint another alternate.

- ◆ **MAPERS** – The upcoming Fall MAPERS Conference at Boyne Mountain was discussed. Mary Bland and Mark Stratman stated that they wished to attend. Discussion followed. The Board agreed that Ms. Bland and Mr. Stratman should attend and that anyone else who wished to go should contact Julie Sadler and, as long as the Travel Policy was followed, they could attend.

## **26. ADJOURNMENT**

### Upcoming Board Meetings:

*Regular Board Meeting – Tuesday, August 17, 2010, 1:00 p.m.*

*(subsequently changed to August 24<sup>th</sup>)*

*Regular Board Meeting – Tuesday, September 21, 2010, 1:00 p.m.*

**A motion was made by Mark Stratman, supported by Scott Kincaid, to adjourn the meeting at 3:32 p.m. The motion carried unanimously.**

**Michael A. Townsend**  
**Secretary**

**CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM - BOARD OF TRUSTEES**

Approval of Pension Calculations

July 20, 2010 Board Meeting

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**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
Beckley	Patricia	COF	Exempt	\$39,942.50	\$18,098.75	\$0.00	06/05/10	21 yrs, 0 mos	Option C	\$1,539.20	
Brooks	Nancy	HMC	Exempt	\$124,197.13	\$0.00	\$0.00	06/08/10	39 yrs, 6 mos	Straight Life	\$6,649.72	includes 9 yr, 7 mo redeposit
Chaney	Dunnell	COF	FPOA	\$71,651.20	\$7,525.79	\$51,609.20	06/19/10	23 yrs, 2 mos	Option B w/pop-up	\$3,159.74	includes 180 hours flex in p/e 09-06-2008
Densteadt	Karen	COF	1600	\$41,717.15	\$15,059.11	\$9,947.37	06/19/10	16 yrs, 0 mos	Straight Life	\$1,379.27	
Holovach	Conrad	HMC	1603	\$89,905.35	\$28,211.69	\$64,822.25	06/03/10	23 yrs, 1 mos	Option B	\$3,327.52	
January	Dorothy	HMC	1603	\$45,683.79	\$0.00	\$0.00	06/01/10	33 yrs, 9 mos	Option C w/pop-up	\$1,824.08	
Lord	Sandra	COF	1600	\$57,552.60	\$68,368.88	\$13,735.05	06/26/10	25 yrs, 0 mos	Straight Life	\$2,944.38	Includes 3 yr, 3 mo redeposit and purchase of 2 yrs, 6 mos generic time
Mahalak	Linda	COF	1799	\$60,452.53	\$9,656.82	\$14,979.56	06/01/10	13 yrs, 8 mos	SS Equated	\$2,407.52	
Satterley	Pauline	COF	1799	\$57,437.81	\$29,445.15	\$13,812.81	06/19/10	25 yrs, 1 mos	Option A	\$2,777.48	
VanWormer	Vicki	COF	1600	\$40,276.95	\$14,604.26	\$9,901.17	06/19/10	14 yrs, 0 mos	Straight Life	\$1,173.07	includes 6 months generic purchase
Wheatley	Janice	COF	1600	\$36,249.78	\$10,716.46	\$8,908.06	06/15/10	15 yrs, 0 mos	Straight Life	\$1,125.26	
Woodard	Willie	COF	1600	\$58,072.74	\$21,495.28	\$14,139.32	06/26/10	19 yrs, 4 mos	Straight Life	\$2,308.39	

**Motion made by Robert Erlenbeck, supported by Scott Kincaid, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Patricia Beckley, Nancy Brooks, Dunnell Chaney, Karen Densteadt, Conrad Holovach, Dorothy January, Sandra Lord, Linda Mahalak, Pauline Satterley, Vicki VanWormer, Janice Wheatley and Willie Woodard 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. APPLICATIONS FOR DEFERRED RETIREMENT - NONE**

**9. APPROVAL OF DISABILITY PENSIONS**

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
Smith	Hope	COF	1600	\$40,480.00	\$10,549.79	\$7,416.89	06/22/10	13 yrs, 3 mos	Straight Life	\$1,110.95	

A motion was made by Robert Erlenbeck, supported by Mark Stratman, to approve the Disability Pension for Hope Smith. The motion carried unanimously.

**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
Berry	Jess	COF	1799	\$53,893.25	\$53,893.25	\$3,092.42	\$3,092.42	\$0.00	Option C w/pop-up	05/11/96	Final rerun to correct bargaining unit
Greenard	Charlotte	COF	1799	\$42,388.48	\$42,388.48	\$2,324.30	\$2,324.30	\$0.00	Straight Life	03/30/96	Final rerun to correct bargaining unit
Hart	Shirley	HMC	1603	\$30,906.02	\$24,149.33	\$729.95	\$547.81	\$1,335.70	Straight Life	11/21/09	Revised FAC & retirement service credit for add'l workers' compensation information

A motion was made by Mary Bland, supported by Robert Erlenbeck, to approve the changes to pensions previously reported for Jess Berry, Charlotte Greenard and Shirley Hart. The motion carried unanimously.

**11. OPTIONS PICKED BY DEFERRED RETIREES - NONE****12. INFORMATIONAL CHANGES TO PENSIONS - NONE**