

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES REGULAR MEETING

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, June 17, 2008 at 1:00 p.m. in the New Committee-of-the-Whole Room, 3rd Floor, City Council Chambers, at City Hall, with the following in attendance:

TRUSTEES & ALTERNATES Daniel Hall – Chairperson, John Balsler, Denise Bingaman, Mary Bland, Darryl Buchanan, Peter Dobrzeniecki, Robert Erlenbeck, Ehren Gonzales, Janice Kehoe, Michelle Kirkwood, Amy Lindman, Cass Wisniewski

ABSENT Douglas Bingaman, Kerry Nelson

ALSO PRESENT Harland Abraham, Northern Trust
Suzi Bye, Retirement Supervisor
Ivory Day, Gray & Company
I'Lanta Robbins, Assistant City Attorney/Attorney for Retirement Board
Julie Sadler, Recording Secretary
Michael VanOverbeke, Special Counsel for Retirement Board
Trachelle Young, City Attorney/Attorney for Retirement Board

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:12 p.m. He noted that two money managers, Globalt and ICON Financial (in place of Dodge & Cox), would be making presentations later in the meeting.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

Mark Simpson, recent City of Flint Fire Department retiree, stated that his final payout of sick and annual compensation was miscalculated and he received less than he should have.

Ronald Stamps, recent City of Flint Fire Department retiree, also stated that his final payout of sick and annual compensation was miscalculated and he received less than he should have.

Robert Erlenbeck noted that a distinction must be made between retirement issues and final payout issues. Final payouts involve the Human Resources and Payroll departments.

There is no issue for the Retirement Office or Retirement Board *unless* the payout is to be folded into the retiree’s Final Average Compensation. (This was discussed under #7.4.)

Mr. Stamps asked whether cashing his “partial” payment check would have the legal ramification that he was accepting the amount paid and, thereby, agreeing that he was not entitled to any additional sick and annual pay.

Attorney Trachelle Young stated that the City would not take that position if he cashed the check.

Attorney Larry Schiller, representing Daniel Coffield and Daniel George, asked for a hearing on July 22nd to resolve further issues regarding Mr. Coffield’s pension calculations. He also asked the Board to immediately authorize Mr. Coffield’s pension payment to be based on the actuary’s calculations once they are received, rather than waiting for the numbers before approving his pension payments. Mr. Schiller noted that Daniel George has not received any pension payments, although he retired on January 1st. There are issues regarding a high FAC with his pension also. Mr. Coffield has received pension payments since his retirement and they have been increased as issues were resolved.

Chairman Hall stated that there are pending issues that cannot be resolved at this meeting. He asked staff to investigate Attorney Schiller’s concerns.

Suzi Bye reported that Mr. George also falls under the IRS 415(a) limits and his pension has been sent to the Actuary for recalculation. Discussion followed.

3. APPLICATIONS FOR VOLUNTARY RETIREMENT

Alan Edwards / Police/Sgts

Final Average Compensation:	\$ 107,414.22
Accumulated Contributions:	69,967.37
DRET:	14,119.93
Effective Date of Retirement	05/03/2008

Service: 30 Years, 0 Months

The retiree elected the Option C w/pop-up in the amount of \$6,323.32.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Alan Edwards be approved and the Treasurer of the City of Flint Employees’ Retirement System be authorized and directed to pay a monthly pension under the Option C w/pop-up in the amount of \$6,323.32, for as long as he lives.

Karen Price / Fire/911

Final Average Compensation:	\$ 67,830.56
Accumulated Contributions:	16,034.74
DRET:	46,604.11
Effective Date of Retirement	05/15/2008

Service: 26 Years, 4 Months

The retiree elected Straight Life in the amount of \$3,870.11.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Karen Price be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option Straight Life in the amount of \$3,870.11, for as long as she lives.

Robert Rosenberger / DPW/1799

Final Average Compensation:	\$ 61,892.36
Accumulated Contributions:	31,807.13
DRET:	10,002.32
Effective Date of Retirement	05/14/2008

Service: 25 Years, 0 Months

The retiree elected the Option B w/pop-up in the amount of \$2,656.33.

RESOLVED, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for Robert Rosenberger be approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension under the Option B w/pop-up in the amount of \$2,656.33, for as long as he lives.

It was moved by Ehren Gonzales, and supported by John Balsler, to approve the Applications for Voluntary Retirement for the following persons (with monthly pensions as noted):

Alan Edwards - Option C w/pop-up - \$6,323.32
Karen Price - Option Straight Life - \$3,870.11
Robert Rosenberger - Option B w/pop-up - \$2,656.33

Upon being put to a vote, the motion carried by a vote of 8 to 1.

4. OPTIONS PICKED BY DEFERRED RETIREMENT

LaFonda Hayter/1603	Option B w/pop-up \$325.18
File Audit – FAC \$31,879.00	Retirement Date: 5-01-07

Opted to start drawing before age 60.

A motion was made by Ehren Gonzales, and supported by Amy Lindman, to approve the option picked by deferred retiree LaFonda Hayter.

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

5. APPROVAL OF PENSIONS PREVIOUSLY REPORTED

Virginia Billups/1603	Option Straight Life \$1,421.16
File Audit – FAC \$38,431.47	Original - \$ 1,411.64
Original \$38,173.91	Retirement Date: Feb. 1, 2008
Pension Underpayment \$38.03	
Recalculated for additional payroll information	

Lynne Hawkins/1799	Option Straight Life \$1,712.36
Revised option due to pop-up - divorce.	

REVISED PER JUDGE YUILLE RULING

Deborah Plewes/1600	Option Straight Life \$2,097.15
File Audit – FAC \$40,211.78	Original - \$1,994.25
Original \$38,238.64	Retirement Date – Jan 13, 2001
Pension Underpayment \$	

A motion was made by Ehren Gonzales, and supported by John Balsler, to approve the revisions to the pensions previously reported.

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

6. UPCOMING CONFERENCES *(Placed on file in the Retirement Office)*

- 6.1 Trustee Educational Conferences & Seminars, “Making Horse Sense of the Market,” August 25-28, 2008, Saratoga Springs, NY

A motion was made by Ehren Gonzales, and supported by John Balser, to receive and approve all information/documents listed under Agenda Items #6, #7, #8, and #9, and place all documents on file, separating Item #7.4 for discussion purposes.

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

The Board discussed Item #7.4 regarding sick leave payout miscalculations for Raymond Barton. City Administrator/Trustee Darryl Buchanan asked that the appropriate staff research the issues and the questioned calculations and report back to him. Chairman Hall asked that Mr. Erlenbeck and Ms. Bye investigate and report to the Board at the next meeting.

A motion was made by Amy Lindman, and supported by John Balser, to accept Agenda Item #7.4 and investigate same.

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

7. COMMUNICATIONS RECEIVED *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members’ agenda packets also.)*

- 7.1 ICON Advisors, Investment Options from ICON, May 16, 2008.
- 7.2 The Institutional Real Estate Letter, Magazine, June 2008.
- 7.3 Hurley Medical Center, Exempt Employee Handbook, June 2008.
- 7.4 Letter to Daniel Hall from Raymond Barton, re: Sick Leave, June 10, 2008. *(Enclosed)*

8. COMMUNICATIONS SENT *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members’ agenda packets also.)*

- 8.1 Letter to Northern Trust from Daniel Hall re: June 1, 2008 Pension transfer, March 18, 2008.

9. REPORTS RECEIVED *(All items were placed on file in the Retirement Office; if noted, a copy was enclosed in the Board Members' agenda packets also.)*

- 9.1 Ariel Investment, The Patient Investor Semi-Annual Report, March 31, 2008.
- 9.2 Northern Trust Securities Lending Division, Earnings Statement, April 2008.
- 9.3 Northern Trust Global Investments, Strategy, June 2008.
- 9.4 Wentworth Hauser and Violich, Appraisal Summary, March 31, 2008.
- 9.5 Dodge & Cox, Investment Report, March 31, 2008.
- 9.6 Intercontinental Real Estate Corp., IREIF III Report, March 31, 2008.
- 9.7 Fidelity Real Estate Growth Fund, Investment Management Review, 1st Quarter 2008.
- 9.8 Northern Trust Reports – March & April 2008

18. LEGAL COUNSEL UPDATES – FERS TO MERS LITIGATION

Chairman Daniel Hall stated that he was rearranging the agenda to accommodate a report from Attorneys I'Lanta Robbins and Michael VanOverbeke regarding the FERS to MERS pending litigation.

Attorney Robbins requested an Executive Session regarding the FERS to MERS litigation - Case #0786123 – Registered Nurses and Other Union Members of Hurley Medical Center vs. the City of Flint Retirement Board of Trustees, Hurley Hospital Board of Managers, and other individuals – for the purpose of consulting with the Board regarding trial and settlement strategy in connection with the pending litigation, since an open meeting would have a detrimental financial effect on the litigating or settlement position of the Board.

A motion was made by Ehren Gonzales, and supported by Amy Lindman, to move into Executive Session for the purpose of discussing the FERS to MERS litigation.

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

Chairman Hall declared that the Board was in closed session at 1:30 p.m.

A motion was made by John Balsler, and supported by Ehren Gonzales, to end the Executive Session.

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

The Board came out of Executive Session at 2:45 p.m.

Attorney Michael VanOverbeke stated that the Board had previously authorized signatories for the MERS documents. Since the Board has received and reviewed the proposed settlement documents, if the Board believes that it is in the best interest of the Plan's members and beneficiaries to enter into a settlement of the litigation, they need to authorize any two of the three named signers on behalf of the Board to actually execute the documents, with the further resolve that the effectiveness of the Board's signatories is conditioned upon City Council approval of the settlement documents. Also, the Board needs to authorize the Actuary to complete a P.A. 728 actuarial analysis of the FERS to MERS transition on a timely basis, with the cost to be reimbursed by Hurley Medical Center.

A motion was made by Ehren Gonzales, and supported by Amy Lindman, to approve the resolution as presented by Legal Counsel with regards to the FERS to MERS transition, with the additional resolve that the effectiveness of the signatures of the Board's designated signatories on the FERS to MERS settlement documents are subject to City Council approval of those documents also.

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

A motion was made by Ehren Gonzales, and supported by Amy Lindman, that Public Act 728 is applicable to the FERS to MERS transition and, therefore, the actuarial firm of Gabriel, Roeder, Smith & Company will be directed to perform the actuarial calculations, in a timely manner, to comply with Public Act 728, with all expenses to be paid by Hurley Medical Center.

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

**The Board recessed for a break at 2:47 p.m.
Ehren Gonzales left the meeting during the break.**

Chairman Hall called the meeting back to order at 2:57 p.m.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number Retired	3,027	3,002	3,001
Annualized Payroll	\$ 64,850,497	\$ 65,084,806	\$ 65,031,542

11. APPROVAL OF THE JULY 1, 2008 PENSION PAYROLL TRANSFER

Chairman Daniel Hall reported that a transfer of \$4,909,200 was needed for the payment of the July 1st, 2008 pension payroll, with funds to be taken from the Northern Trust Flint-Drawdown Account #26-19617. The balance in the Northern Trust drawdown account, as of June 13, 2008, was \$26,811,117.00.

A motion to approve the transfer of \$4,909,200 for payment of the July 1st, 2008 pension payroll, from the Northern Trust Flint - Drawdown Account #26-19617 to Citizens Bank, was made by Amy Lindman, and supported by John Balsler.

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

12. 13th CHECK COMMITTEE

Chairman Hall noted that, per the earlier discussion on MERS, the 13th Check cap and percentages will need to be adjusted in the Ordinance after the MERS transfer takes place.
Committee Members: Bob Erlenbeck or Peter Dobrzeniecki, Cass Wisniewski, John Balsler or Mary Bland.

13. TRUSTEE APPOINTMENT

Chairman Hall asked for an opinion from Attorney Michael VanOverbeke, through Legal, regarding alternate and trustee positions. Chairman Hall also stated that it has come to his attention that, since he is no longer an employee at HMC, there is a legal opinion that he cannot continue to chair the meetings. Therefore, the Board needs to be elect/appoint a Chair for the July meeting.

14. FINANCE/INVESTMENT COMMITTEE

No meeting held. Peter Dobrzeniecki is Committee Chair.

19. DB/DC CONVERSION

Robert Erlenbeck reported on the status of the DB/DC conversion, which was originally negotiated between the City and the unions in 1997 and then modified in 2001 (prior to P.A. 728 being passed). Mr. Erlenbeck reported that the actuarial numbers were received this week. The maximum potential exposure to the System, if all eligible employees (just under 500) transferred out of FERS, would be \$36,370,805. Based on ICMA's past experience w/DB to DC conversions, approximately 30% of eligible people will take advantage of the transfer, which would be \$10,911,241.50. Therefore, the Board needs to plan for the possibility of moving about \$11 million in order to have funds available for those individuals. A probable transfer date would be September 1st. Ivory Day can recommend where the funds should come from and they would be transferred into an account for the conversion. The City will open a window during which presentations will be made by ICMA, there will be meetings with interested employees to review their information and irrevocable decisions will be signed by those who choose to make the transfer. After the window closes, the transfers would take place. Chairman Hall asked Mr. Erlenbeck to keep Harland Abraham and Ivory Day informed by sending them the actuarial information, timeline, etc.

Amy Lindman asked Bob Erlenbeck about the status of the Trustee Election for Police & Fire. Mr. Erlenbeck replied that, because of the upcoming budget cuts and layoffs that are effective on July 1st, they are waiting until after that date to proceed. They will be sending the letter regarding nominating petitions shortly; the letter will provide for a 30 day window for the return of those petitions. Discussion followed.

15. PROFESSIONAL SERVICES COMMITTEE REPORT

No meeting held. Pending issues were discussed.

Kathleen Robinson – Suzi Bye reported that a letter was sent to her in March indicating that there must be a change in her condition in order to reapply for disability. No further correspondence has been received.

26/27 Pays Class Action Lawsuits – Suzi Bye and Denise Bingaman reported that they have been recalculating and auditing the "list of 42," in alphabetical order, and are currently through the "Ps." Others, who are not on that list, have been calling about their calculations and are being told that they need to request their payroll information so that they can select their own weeks for their FAC. The Court gave them the right to pick their own time periods for their FAC and compare them to the City's calculations. Discussion followed. The lawsuit covers all individuals who retired during a particular

time period, unless an individual opted out. The “list of 42” resulted from retirees who sent letters of protest indicating their belief that they should have received FAC of three 27-week years, but they actually received three 26-week years. Many errors have been found, some of which are not in favor of the retiree.

Overpayment & Underpayment Policy – Attorney I’Lanta Robbins has a draft of the policy currently under review by the Professional Services Committee, who will make a recommendation to the Board. Discussion followed regarding errors being found that result in overpayments to retirees. Issues to be addressed in the policy, based on the Ordinance, include the interpretation and definition of errors and non-errors, reimbursing the System, appeals/hearings, etc.; also, whether Ordinance changes should be made to better address some of the issues that have been found. It was noted that pensions cannot be changed to match audit recalculations until the changes are approved by the Board.

16. RETIREMENT ORDINANCE REVISION COMMITTEE

Chairman Daniel Hall – Ehren Gonzales, Chair and Committee will be working with Legal.

18. LEGAL COUNSEL UPDATES

Attorney I’Lanta Robbins reported on pending legal issues:

Claude Miller Update (26/27 pays) – Nothing new to report.

Take Two Interactive – Nothing new to report. An update will be requested from Attorney George Peck.

Status of Four Hearings for Pension Calculation Errors – Judge Farrah – A motion was recently filed by the plaintiffs’ attorney requesting the court issue a scheduling order. This would allow the case to move forward, information from the hearings to be given to the Judge, and arguments to be scheduled before the Judge.

FERS to MERS Transition – The pending litigation was discussed earlier in closed session with Attorney Michael VanOverbeke.

Daniel Coffield – Waiting for the actuary to provide information regarding his revised FAC (which should be available by the July meeting). The Board is obligated up to IRS 415 limitations. Attorney Robbins advised that the Board should wait to approve the revised calculation amount until after the final numbers are received from the Actuary. His attorney

has requested a hearing with the Board on July 22nd at 11:00 a.m. Chairman Hall noted that all relevant documents must be in the agenda packets for prior review before the hearing date. Attorney Robbins will contact the attorney and ensure that he has a copy of the Board's Rules of Procedures and inform him that the Board must receive his documents for the hearing by July 15th in order to include the information in the packets and hold the hearing on the 22nd. She also noted that she has received from Hurley a copy of their Trust Agreement for the 415 Excess Plan, has discussed that issue with Attorney Schiller, and is contacting HMC general counsel Mr. Smith.

Burns/Wiggins/Doerr Pending Hearings – The plaintiffs and their attorneys are waiting for Judge Farrah to rule on the previous hearings.

Daniel George – His pension is under review by the Professional Services Committee.

Robert Erlenbeck and Peter Dobrzeniecki left the meeting at 3:27 p.m.

17. **GRAY & COMPANY**

Ivory Day presented and reviewed FERS' current asset allocation and performance data.

ICON Advisers

Dr. Craig T. Callahan, President & Founder of ICON Advisers, presented ICON's Domestic Core Equity Portfolio Review. A question and answer session and discussion followed by the Board.

Globalt Investments

Gary Fullam, Chief Investment Officer, and William Roach, President & CEO of Globalt, reviewed FERS' account performance with Globalt, including an organizational update, performance analysis, and portfolio review. A question and answer session and discussion followed by the Board.

20. **OTHER BOARD BUSINESS**

Attorney I'Lanta Robbins stated that, since there is no Chair or Vice Chair, she recommends that the Board appoint a Chair and Vice Chair for the interim until the Board can have an election for those two positions. Under the Board's Rules of Procedures, the Board must be notified at least two meetings prior to the actual election of officers; therefore, the election would be held in September. After discussion, the Board decided

to appoint an interim Chair and Vice Chair at the July Meeting as the first item on the agenda. Ms. Robbins stated that Peter Dobrzeniecki, as Secretary, should Chair that meeting until the appointments are made.

21. ADJOURNED

There being no further business to discuss, it was moved by Amy Lindman, and supported by Cass Wisniewski, to adjourn the meeting at 4:52 p.m.

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

Respectfully submitted,

Peter Dobrzeniecki, Secretary