

**CITY OF FLINT EMPLOYEES’ RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, May 18, 2010**

A special educational presentation was made by Christopher Kuhn and Ivory Day (Gray & Company, Consultants) from 10:00 a.m. to 12:00 p.m. entitled “**Alternative Investments: Real Estate and Private Equity, The Risks and Rewards for Pension Plans.**” Discussion followed. Board Members in attendance were: Denise Bingaman, Douglas Bingaman, Robert Erlenbeck, Michelle Kirkwood, Sherry Murphy, Michael Townsend, Cass Wisniewski.

A regular meeting of the Board of Trustees of the City of Flint Employees’ Retirement System was held on Tuesday, May 18, 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, Robert Erlenbeck, John Erwin, Juliann Fairbrother, Janice Kehoe, Scott Kincaid, Michelle Kirkwood, Sherry Murphy, Mark Stratman, Michael Townsend, Cass Wisniewski

ABSENT Mary Bland, Debra Bridges, Gregory Eason, Duane Kelley, Sheldon Neeley

ALSO PRESENT Suzi Bye, Retirement & Benefits Manager
I’Lanta Robbins, Assistant City Attorney
Julie Sadler, Staff Assistant to FERS
Ivory Day, Gray & Company
Christopher Kuhn, Gray & Company

1. 1:00 p.m. - CHAIRPERSON CALLS THE MEETING TO ORDER

Interim 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 noted above.

3. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

There were no members of the public present who wished to address the Board.

4. APPROVAL OF AGENDA

Motion by Scott Kincaid, supported by Michael Townsend, 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 – *April 20, 2010 Regular Board Meeting*

Motion made by Scott Kincaid, supported by Robert Erlenbeck, to approve the minutes for the April 20th Regular Board Meeting, as presented. Motion carried unanimously.

7. APPLICATIONS FOR VOLUNTARY RETIREMENT – *See Attached*

Motion made by Scott Kincaid, supported by Michael Townsend, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Alan Barron, Wilfred Brown, Deborah Harvey, Kirk McQuillan, Vicki Miller, Frank Sorensen Jr., Terry Speedy, Shawn Stimac, Richard Vickrey, and Jeffrey Wheeler, 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 – *See Attached*

A motion was made by Michael Townsend, supported by Robert Erlenbeck, to approve the Disability Pension for Edith McGee. Motion carried unanimously.

10. APPROVAL OF PENSIONS PREVIOUSLY REPORTED – *None*

11. OPTIONS PICKED BY DEFERRED RETIREMENTS – *See Attached*

A motion was made by Sherry Murphy, supported by Robert Erlenbeck, to approve the Options Picked by Deferred Retirees Gayle Cook, William Parrish and Gay Towfiq. Motion carried unanimously.

12. INFORMATIONAL CHANGES TO PENSIONS – *None*

13. UPCOMING CONFERENCES

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

13.1 National Association of Securities Professionals, "Thriving in the New Economic Order" 21st Annual Pension and Financial Services Conference, Chicago, Illinois, June 16-18, 2010.

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 CB Richard Ellis Investors, Cash Distribution of \$153,014.67 (funds have been received by Northern Trust), March 29, 2010.

14.2 David Scott Plewes, Request for Appeal Hearing, April 21, 2010. *

14.3 Vance Maddocks, President, CB Richard Ellis, Senior Leadership Announcement – New CEO Matt Hourie, April 22, 2010.

14.4 Northern Trust, Statements Showing Impact of Sales of Certain Residential Mortgage Backed Securities Relating to the Funds' Collateral Pool, April 26, 2010.

14.5 Tentative Letter of Agreement between the City of Flint and AFSCME Council 25, Local #1799 re: Reopening of Defined Benefit Retirement Plan, May 12, 2010. *

14.6 Tentative Letter of Agreement between the City of Flint and AFSCME Council 25, Local #1600 re: Reopening of Defined Benefit Retirement Plan, May 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, Memo to City Council re: Requested Ordinance Language Change to §35-8, April 15, 2010.
- 15.2 Bingaman/Townsend, Memo to City Council re: Requested Ordinance Language Change to §35-10, April 15, 2010.
- 15.3 Bingaman/Townsend, Memo to City Council re: Requested Ordinance Language Change to §35-26, April 15, 2010.
- 15.4 Bingaman/Townsend, Letter to Northern Trust re: May 1 Pension Payroll Transfer, April 20, 2010.
- 15.5 Bingaman, Letter to David Plewes re: Board to consider request for appeal at May 18 Meeting, April 26, 2010.
- 15.6 Bingaman/Townsend, Power of Attorney Assignment to Attorney Michael VanOverbeke for purpose of applying for Favorable Determination Letter with IRS, April 27, 2010.
- 15.7 Suzi Bye, Letter to David Panzlau re: Insufficient Service Credits for Deferred Retirement from Hurley Medical Center, May 13, 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/LJR Recapture Services, Trading & Commission Summaries, January 1-March 31, 2010.
- 16.2 Dodge & Cox, FERS First Quarter 2010 Investment Report.
- 16.3 Globalt Investments, FERS Performance and Investment Summaries for First Quarter 2010.
- 16.4 ICON, FERS First Quarter 2010 – Quarterly Statement.
- 16.5 Keeley Asset Management Corp. (KAMCO), Small Cap Value Investment Strategy – FERS Quarterly Report as of March 31, 2010.
- 16.6 Wellington Management Company, FERS Investment Review for First Quarter 2010.

16.7 Wentworth, Hauser and Violich, FERS Quarterly Appraisal for Period Ended March 31, 2010.

16.8 Intercontinental Real Estate Investment Fund III, Partnership Form 1065 Schedule K-1.

16.9 Northern Trust Co., Securities Lending Division Summary Earnings Statement, March 2010.

A motion was made by Robert Erlenbeck, supported by Sherry Murphy, 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	2,855
Payroll	\$66,402,468	\$64,959,885	\$26,015,337

18. GRAY & COMPANY - REPORT/RECOMMENDATIONS

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing (as of May 13, 2010)** – Presented and reviewed by Ivory Day. Discussion followed.
- ◆ **First Quarter Performance Report – March 31, 2010** – Presented and reviewed by Ivory Day. Discussion followed.

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

A motion was made by John Erwin, and supported by Robert Erlenbeck, to approve a transfer of \$4,800,000 for payment of the June 1, 2010 pension payroll (total estimated payroll - \$5,070,488), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES PENDING

- ◆ **Adoption of FY2008 Actuarial Valuation**
- ◆ **Contribution Rates for Fiscal Year 2011 (Ref. Agenda Item #s 14.5 & 14.6) - David Hoffman, from Gabriel Roeder Smith & Company (GRS), the Board's consulting Actuary, joined the meeting by conference call.**

Michael Townsend stated that the City has negotiated with AFSCME Locals #1600 & #1799 to open the defined benefit program for all new hires and offer employees hired after October 2003 (who are in the defined contribution plan) the option of purchasing into the defined benefit program. The City will likely submit an Ordinance change to make the same change for exempt employees.

David Hoffman stated that these changes would reduce the contribution rates the City pays for the “General City” group, because it allows the actuary to change the method used to amortize the unfunded liability for that group back to a level percent of payroll (approximately 36-38% of pay). The new actuarial valuation, showing the updated contribution rates, can be available in time for the June Board Meeting.

Discussion followed. It was stated that this change does not impact the Police, Fire or Hurley groups. The agreements with the unions are tentative, as the membership has not yet voted on them. Therefore, the Board could vote to accept either the revised or the original valuation and contribution rates at the June meeting, depending upon the outcome of the union voting.

A motion was made by Robert Erlenbeck, supported by John Erwin, that Gabriel Roeder Smith be directed to change the 2008 valuation to take into consideration the opening of the defined benefit plan and to have the unfunded liability accrued based upon a level basis, with the new information to be made available for the June 2010 Board Meeting. Motion carried unanimously.

◆ **Actuarial RFPs – Selection of Actuary**

Motion made by Robert Erlenbeck, supported by Scott Kincaid, to table the selection of a new actuary until next month. Motion carried unanimously.

The Board discussed the issue of vacation payouts being included in the final average compensation for some union groups – was that information given to the actuary to factor into the valuations for assets transferred to MERS and/or the calculation of contribution rates to the pension system by Hurley and the City? Chairman Bingaman stated that he will discuss vacation payout issues with the actuary.

21. LEGAL COUNSEL UPDATES

Attorney L'Lanta Robbins reported on the following pending legal issues:

- ◆ **Take Two Interactive Lawsuit - Pending**
- ◆ **FAC Calculation Policy - Pending**

- ◆ **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*

Settlement agreements are in process for plaintiffs who have accepted settlement offers.

- ◆ **Claude Miller Pension Revisions / MERC Rulings** – Copies of rulings were distributed at the April meeting. The Board had no further questions/discussion.
- ◆ **Gray & Company – Renewal of Investment Consultant Contract** – Attorney Robbins has reviewed the proposed Gray & Co. investment consultant contract, which renews the previous contract for an additional five years. She noted that the new contract complies with all of the terms of the previous contract. The fees would remain the same (\$115,000/year). The contract can be signed by the Chair and Secretary, if the Board approves. Discussion followed.

A motion was made by Cass Wisniewski, supported by Michael Townsend, to enter into a five-year contract with Gray & Company to serve as FERS’ financial consultant, effective May 1, 2010 at the same annual cost (\$115,000/year) as the previous five-year contract. Motion carried unanimously.

- ◆ **Hurley #1603 - Vacation Fold-Ins** – A written opinion, confirming Attorney Robbins’ verbal opinion at the April meeting, will be completed by the June meeting.
- ◆ **Harland Verrill – Overpayment** (*Ref. Agenda Item #21*) – *Discussion*. The Professional Services Committee recommends that Mr. Verrill’s overpayment and underpayment amounts be combined and he be paid the net of \$3,406.13, with his future pension payments adjusted to the correct amount.

A motion was made by Scott Kincaid, supported by John Erwin, to concur with the Professional Services Committee’s recommendation and pay Mr. Verrill \$3,406.13, and adjust his subsequent pension payments to the correct amount. Motion carried unanimously.

22. PROFESSIONAL SERVICES COMMITTEE

- ◆ **Cost Saving Measures - Pension Advice Mailing** – *Staff testing in progress*
- ◆ **Tony Golden – Hearing** – *Cancelled by Mr. Golden*
- ◆ **Hurley Employees Transferring into #1603 (MERS members)**

The Board discussed the issue of employees transferring between the union groups that voted to transfer to MERS and Local #1603, which voted to stay in FERS. Attorney Robbins stated that, according to the signed agreements, any individual who is transferred to MERS stays in MERS, regardless of subsequent job transfers. Also, any employee transferring out of #1603 (FERS) into another bargaining unit that is in MERS must transfer into MERS permanently. Attorney Robbins will review the issues further and provide a written opinion for Hurley and the Board. It was noted that individuals are being switched back and forth between pension systems by Hurley, along with their contributions (employer and contributory employees), as they transfer between groups; however, no subsequent transfers of assets from FERS to MERS have been made. Suzi Bye reported that she has received a disability application from a Hurley employee who transferred to MERS with his union and then transferred into Local #1603. Attorney Robbins stated that his disability application should be referred to MERS.

Sherry Murphy left the meeting at 2:30 p.m.

22.1 DISABILITY RETIREMENT APPLICATIONS

- ◆ **Duty** – *No applications pending*
- ◆ **Non-Duty** – *Hurley – 1 pending / City – 3 pending*
- ◆ **Certifications** - Dr. Roth's report certifies disability & recommends approval for:
 - ◆ Connie Johnson, Police
 - ◆ Rose Martinez, Hurley

The Medical Reports and Summaries of Disability Determination from Dr. Victor Roth, Medical Director at MES Solutions, indicate that Connie Johnson (Police Dept.) and Rose Martinez (Hurley) are totally and permanently disabled and he recommends approval of their applications for non-duty disability pensions. The Professional Services Committee has reviewed the reports and concurs with Dr. Roth's recommendations and recommends approval and processing of their non-duty disability retirement applications. During discussion, it was noted that the effective date of retirement for disability retirees is the date the Board approves their disability retirement applications.

**Motion made by John Erwin, supported by Cass Wisniewski, to concur with Dr. Roth's certifications that Connie Johnson and Rose Martinez are totally and permanently disabled and should be granted non-duty disability retirements.
Motion carried unanimously.**

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes** – *Request for Hearing (Ref. Agenda Item #14.2 & 15.5)*

The Board discussed Mr. Plewes' request for a hearing, as well as scheduling conflicts for the Regular Board Meeting date of June 15th.

A motion was made by Robert Erlenbeck, supported by Scott Kincaid, that the regularly scheduled Board Meeting on June 15th be rescheduled and posted for June 22nd and a hearing for Mr. Plewes be scheduled on the morning of June 22nd at 10:00 a.m. Motion carried unanimously.

The Board also discussed the issue of the job elimination/early retirement provisions in the union contracts, noting that some of the “permanently eliminated positions” have been reinstated, such as the probation officers at 68th District Court. Should the City's Human Resources Department be notified of the Board's concerns regarding the negative effects these issues have on the Retirement System? The issue was referred to Legal Counsel to review the contract language and make a recommendation to the Board.

23. FINANCE/INVESTMENT COMMITTEE

- ◆ **IRS Tax Determination Letter** - *Pending w/Attorney Michael VanOverbeke (Item #15.6 – Power of Attorney assignment made)*
- ◆ **Audit by Plante & Moran – Comprehensive Annual Financial Report – Q&A** (*none*)
- ◆ **Independent Audit of FERS – Discussion** – Secretary Michael Townsend was asked to issue a Request for Proposals for an independent audit of the pension system for the fiscal year ending June 30, 2010.

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

- ◆ **§35-16.4 “13th Check” Issues SUBCOMMITTEE** – *Michelle Kirkwood, Chair*
 - **90% Funded** – *Ord. #3765 adopted by City Council – April 12, 2010*
 - **Five-Year Rolling Average**
 - **Changes in Eligibility/Calculations: Age, Contributory/Non-contributory, Deferred, Straight Life Pension Factor, Beneficiaries**
 - **Alternative Cost of Living Option**
- ◆ **Three Ordinance Changes to City Council** – *1st Reading on Monday, May 10, 2010 and 2nd Reading and Adoption Scheduled on Monday, May 24, 2010*
 - **§35-8 Alternates**
 - **§35-10 Alternates Ascending to Trustee Position when Vacated**
 - **§35-26(a)(1) Option “A”**

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

Chairman Bingaman asked to be notified of any other issues that should be added to the Agenda for review and consideration of possible changes to the Retirement Ordinance.

25. OTHER BOARD BUSINESS

- ◆ **Pending Litigation** – (*Ref. Agenda Item #14.1*) - *Discussion and Response* – The Chair and Secretary were authorized to send a letter to local members of the State Legislature expressing the Board’s opposition to this proposed legislation, which would allow the State to transfer local pension systems to the Municipal Employees Retirement System (MERS) under certain circumstances.
- ◆ **Administrative Review Policy** (*Recommendation from MAPERS & Michael VanOverbeke to Michigan Public Retirement Systems*) – During discussion, the Board decided not to adopt a policy setting up a separate committee for hearings at this time.

26. ADJOURNMENT

Upcoming Board Meetings:

Special Board Meeting-Administrative Hearing – Tuesday, June 22, 2010, 10:00 a.m.

Regular Board Meeting – Tuesday, June 22, 2010, 1:00 p.m.

Regular Board Meeting – Tuesday, July 20, 2010, 1:00 p.m.

A motion was made by Robert Erlenbeck, supported by Michael Townsend, to adjourn the meeting at 3:18 p.m. The motion carried unanimously.

Michael A. Townsend
Secretary

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM - BOARD OF TRUSTEES

Approval of Pension Calculations

May 18, 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
Barron	Alan	COF	FPSA	\$74,553.49	\$64,094.42	\$0.00	04/15/10	24 yrs, 9 mos	Option B w/pop-up	\$3,819.94
Brown	Wilfred	COF	1799	\$104,105.34	\$41,281.78	\$24,451.54	04/15/10	26 yrs, 9 mos	Option B w/pop-up	\$4,900.48
Harvey	Deborah	HMC	1603	\$40,955.55	\$27,743.01	\$35,382.58	04/01/10	36 yrs, 9 mos	Straight Life	\$2,346.41
McQuillan	Kirk	COF	FPOA	\$56,243.20	\$7,280.57	\$41,214.97	04/15/10	23 yrs, 0 mos	Option B w/pop-up	\$2,423.28
Miller	Vicki	COF	FPOA	\$63,177.66	\$6,790.87	\$41,725.02	04/13/10	23 yrs, 0 mos	Straight Life	\$3,148.36
Sorensen Jr.	Frank	COF	FPSA	\$78,872.63	\$100,258.83	\$6,271.36	04/15/10	26 yrs, 0 mos	Straight Life	\$4,443.16
Speedy	Terry	COF	POLC	\$106,225.85	\$60,265.67	\$13,026.98	04/18/10	23 yrs, 0 mos	Option B w/pop-up	\$4,607.75
Stimac	Shawn	COF	FPOA	\$62,890.22	\$7,905.49	\$44,895.02	04/15/10	23 yrs, 0 mos	Straight Life	\$3,134.03
Vickrey	Richard	COF	FPOA	\$64,953.32	\$7,537.56	\$44,206.51	04/15/10	23 yrs, 0 mos	Option B w/pop-up	\$2,878.55
Wheeler	Jeffrey	COF	FPOA	\$67,554.78	\$7,148.16	\$46,935.89	04/15/10	23 yrs, 0 mos	Option B w/pop-up	\$2,945.77

Motion made by Scott Kincaid, supported by Michael Townsend, that the Service, Final Average Compensation, Accumulated Contr Retirement for the Applications for Voluntary Retirement of Alan Barron, Wilfred Brown, Deborah Harvey, Kirk McQuillan, Vicki Speedy, Shawn Stimac, Richard Vickrey, and Jeffrey Wheeler, be approved and the Treasurer of the City of Flint Employees' Retire 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
McGee	Edith	COF	Fire	\$56,250.94	\$0.00	\$36,240.03	04/20/10	17 yrs, 4 mos	Straight Life	\$2,112.53
A motion was made by Michael Townsend, supported by Robert Erlenbeck, to approve the Disability Pension for Edith McGee. Mot										
10. APPROVAL OF PENSIONS PREVIOUSLY REPORTED - NONE										
11. OPTIONS PICKED BY DEFERRED RETIREES										
Last Name	First Name	Unit	Union	Revised FAC	Original FAC	Monthly Pension	Option Elected	Retirement Date	Effective Date	
Cook	Gayle	HMC	2056	\$35,842.78	\$35,968.96	\$437.58	Option B	06/03/00	05/01/10	audited prior to
Parrish	William	HMC	1603	\$35,664.54	\$35,609.68	\$658.33	Straight Life	05/16/03	06/01/10	audited prior to
Towfiq	Gay	HMC	1603	\$23,754.98	\$23,429.19	\$554.28	Straight Life	11/05/93	04/01/10	audited prior to
A motion was made by Sherry Murphy, supported by Robert Erlenbeck, to approve the Options Picked by Deferred Retirees Gayle C Towfiq. Motion carried unanimously.										
12. INFORMATIONAL CHANGES TO PENSIONS - NONE										

Notes

includes 1 yrs, 8 mos interim time per settlement agreement

includes 180 flex in FAC paid in p/e 03-08-08

includes purchase of 3 yrs military service credit

includes 180 flex time in FAC

includes 176.3 flex hours in FAC

includes 178.7 hours of flex time in FAC

includes 177 hrs flex in p/e 08-23-08 and 3 hrs from FCO on p/e 04-17-10

Contributions and Effective Date of Miller, Frank Sorensen Jr., Terry Retirement System be authorized and

Notes

ion carried unanimously.

Notes

receipt of 1st pension payment

receipt of 1st pension payment

receipt of 1st pension payment

Cook, William Parrish and Gail