

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES SPECIAL MEETING

A special meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, October 9, 2007 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 Daniel Hall – Chairperson, Douglas Bingaman, Mary Bland, Peter Dobrzeniecki, Robert Erlenbeck, Ehren Gonzales, Janice Kehoe, Michelle Kirkwood, Amy Lindman, Robert Rosenberger, Cass Wisniewski

ABSENT John Balsler, Peggy Cook, Kerry Nelson

ALSO PRESENT Denise Bingaman, Retirement Staff
Suzi Bye, Retirement Supervisor
I'Lanta Robbins, Assistant City Attorney/Attorney for the Board
Trachelle Young, City Attorney/Attorney for Retirement Board
Julie Sadler, Recording Secretary

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Chairman Daniel Hall called the meeting to order at 1:06 p.m. and stated that the purpose of the Special Retirement Board Meeting was to discuss the “13th Check” and the relevant Ordinance language in §35-16.4 – Additional Annual Payment; Determination and Distribution Thereof; Eligible Retirants.

2. MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE BOARD

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

3. DISCUSSION AND INTERPRETATION OF 13TH CHECK ORDINANCE

Chairman Hall asked Secretary Peter Dobrzeniecki to address the Board regarding the “13th Check.” Mr. Dobrzeniecki stated that a 13th Check will be paid out for calendar year 2006. He reviewed and discussed the Ordinance with the Board for clarification and approval as to the methodology to be used. His recommendations were as follows:

1) To establish the rate of return, the Board adopt the 11% rate of return from the Gray & Company Performance Report dated December 31, 2006, page 13.

2) “Effective date of retirement” means the date the retiree became eligible to receive a pension.

3) Specified Base Amount of \$24,852, adjusted annually by the City Council in accordance with the Consumer Price Index (CPI) - Mr. Dobrzeniecki noted that there are many different Consumer Price Indices, used for different purposes. He would like to recommend to the City Council that they use the State of Michigan CPI, which is the same one used for calculating property taxes in Michigan. Using that CPI would increase the \$24,852 base in 2004 by 2.3% in 2005 and 3.3% in 2006, giving a base amount for the 2006 13th Check of \$26,262.57.

Discussion followed. Other Ordinance provisions, as they would apply to this payment, were also discussed: \$3 million distribution; approximately 1800 eligible retirees (those who earned less than \$26,262.57 in 2006), for an average of \$1600/person; recipients must be 55 years old and have retired at least one year prior to January 1, 2007; EDROs do not affect the 13th check, which will be paid only to the retirant; 1099 taxable income will be used for calculating retirees' total pension payments in 2006; if a retiree died after December 31st, 2006, their beneficiary would receive their 13th check. A letter will be sent with the checks explaining the methodology used to calculate the checks.

In the future, there are several issues that need to be addressed by revising the 13th Check Ordinance, including:

- Inequity – Retirees who make just over the maximum amount can end up making less that year than some of those who received a 13th check.
- Calculations are currently based on actual retirement pay regardless of which option was taken (social security equated option, Option B, C, etc.), instead of on a Straight Life Pension basis, so that all have an equal chance to qualify and their 13th checks are all based on the same number.

During a discussion regarding the effect of MERS issues on 13th check payments, it was agreed that those who have retired from MERS will not receive a 13th check from FERS. However, all retirees who have retired from FERS (including approximately 38 Hurley employees who retired from FERS after July 1, 2004, before the contracts were signed changing their groups to MERS) will be eligible for a 13th check if they meet the Ordinance requirements. It was also noted that the 13th check is based on the manager performance for FERS, which has no relevance to manager performance at MERS. Attorney I'Lanta Robbins, reporting on a conversation with Attorney Trachelle Young, stated that there is currently no Ordinance change in effect to allow for a transfer to MERS and the matter is in litigation. Therefore, all retirees from FERS should be included. It is conceivable that, should those 38 retirees be transferred to MERS, their 13th check payments should be deducted from the transferred amount.

4. APPROVAL OF METHODOLOGY AND INTERPRETATIONS TO BE USED FOR THE PURPOSE OF CALCULATING AND ISSUING A 13TH CHECK

A motion was made by Ehren Gonzales, and supported by Amy Lindman, to approve the methodology concerning the “13th Check” payment for calendar year 2006, referencing Ordinance 35-16.4, as follows:

- 1) **Section (a) - Utilize the Consultant’s 12/31/06 Performance Report in order to determine the rate of investment return, which is 11%.**
- 2) **Section (c) -The distribution amount will be \$3 million.**
- 3) **Section (d) - The “effective date of retirement” will be interpreted as the date the retiree first became eligible to receive a pension.**
- 4) **Section (g)(1) - To make the recommendation to the City Council that the State Consumer Price Index be utilized to determine the base amount. Further, based upon the utilization of that CPI, it is recommended to the City Council that the base amount be \$26,262.57 for the 2006 checks.**
- 5) **Section (g)(3) - Payments are to be made to all eligible FERS retirees on record as of 12/31/06.**

Discussion followed.

Cass Wisniewski left the meeting at 2:00 p.m.

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

It was noted that the 13th Check resolution will be going before the City Council for a vote on October 22nd and, if approved, the checks would be mailed by the 26th.

5. OTHER BOARD BUSINESS

Chairman Daniel Hall noted that he has talked with John Balser, who reported that he is improving and should be able to come in to be sworn in before the next Board Meeting.

Chairman Hall will set up a 13th Check Committee to review the Ordinance language and make recommendations for changes. He asked that Mary Bland and John Balser co-chair the Committee. He also appointed himself to the Committee, along with Peter Dobrzeniecki and/or Robert Erlenbeck, and Ehren Gonzales, who chairs the Ordinance Subcommittee.

6. ADJOURNMENT

There being no further business to discuss, it was moved by Amy Lindman, and supported by Ehren Gonzales, to adjourn the meeting at 2:10 p.m. Upon being put to a vote, the motion carried unanimously.

Respectfully submitted,

Peter Dobrzeniecki, Secretary