

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, October 19, 2010

A regular meeting of the Board of Trustees of the City of Flint Employees' Retirement System was held on Tuesday, October 19, 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 – Acting Chair, Denise Bingaman, Mary Bland, Debra Bridges, Robert Erlenbeck, John Erwin, Juliann Fairbrother, Scott Kincaid, Sherry Murphy, Mark Stratman, Michael Townsend, Cass Wisniewski

ABSENT Gregory Eason, Duane Kelley, Michelle Kirkwood, Sheldon Neeley

ALSO PRESENT Suzi Bye, Retirement & Benefits Manager
I'Lanta Robbins, Assistant City Attorney/Attorney for the Retirement Board
Julie Sadler, Staff Assistant to FERS
Bryan Bond, Trustee-Elect
Gerald Silk, Bernstein Litowitz Berger & Grossman

1. CHAIRPERSON CALLS THE MEETING TO ORDER

Acting Chair Douglas Bingaman called the meeting to order at 1:06 p.m.

2. ROLL CALL (Attendance)

Roll was called and members were present or absent as recorded 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 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 Mary Bland. The motion carried unanimously.

6. APPROVAL OF MINUTES – *September 21, 2010 Regular Board Meeting*

Motion made by Robert Erlenbeck, supported by Michael Townsend, to approve the minutes for the September 21st 2010 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 Cass Wisniewski, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Gayle Flynn, Leona Husemann, David Porter, Darwyn Sparks, and Bethany Whaley 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 – *None*

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

A motion was made by Michael Townsend, supported by Debra Bridges, to approve the changes to the pension previously reported for Donn Miron. Motion carried unanimously.

11. APPROVAL OF OPTIONS PICKED BY DEFERRED RETIREMENTS – See Attached

A motion was made by Michael Townsend, supported by Robert Erlenbeck, to approve the Options Picked by Deferred Retirees Gina Middleton and Danny Singleton. 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 The 15th Annual Super Bowl of Indexing, December 5-8, 2010, Phoenix, Arizona.

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 Attorney I'Lanta Robbins, Notice of Adjournment – David Plewes' Hearing scheduled October 19, 2010, September 23, 2010.

14.2 Settlement Agreement for Deborah Cherwinski (fully executed), September 23, 2010.

14.3 Settlement Agreement for Kay Tereau (fully executed), September 23, 2010.

14.4 Jan Mulcrone, Sr. VP for Human Resources, Hurley Medical Center, Letter to Suzi Bye re: Request to allow 26 individuals to transfer from FERS to MERS, October 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: October 1 Pension Payroll Transfer, September 21, 2010.

15.2 Bingaman/Townsend, Letter to Larry Langer, Buck Consultants re: Actuary Selected, September 30, 2010.

15.3 Bingaman/Townsend, Letter to David Kausch, Gabriel Roeder Smith & Company, re: GRS Selected as Actuary, September 30, 2010.

- 15.4 Suzi Bye, Memo to Hurley Exempt & Local #1603 re: Open Position – HMC Alternate for Board of Trustees, October 5, 2010. *
- 15.5 Bingaman/Townsend, Letter to Money Managers re: Manager Withdrawal/Rebalancing, October 12, 2010.
- 15.6 Bingaman/Townsend, Letter to Northern Trust re: Execution of Trades for Rebalancing, October 12, 2010.
- 15.7 Bingaman/Townsend, Letter to Northern Trust, Custodian, re: Money Manager Withdrawals/Rebalancing, October 12, 2010.
- 15.8 Townsend, Letter to Patrick Wardell, CEO, Hurley Medical Center re: Appointment of Alternate for CEO's Designee to Retirement Board of Trustees, October 19, 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 Gabriel Roeder Smith & Company, NewsScan – August/September 2010. *
- 16.2 BNY ConvergEx Group, FERS Commission Recapture Services Report, January 1 - August 31, 2010.
- 16.3 Dodge & Cox, FERS Brokerage Commission Report, July 1-September 30, 2010.
- 16.4 Wentworth, Hauser and Violich, FERS August 2010 Statements.
- 16.5 Michigan Venture Capital Association, Third Annual (2009) Michigan Venture Capital Research Report,

A motion was made by Robert Erlenbeck, supported by Cass Wisniewski, to receive and place on file all documents listed in Agenda Item #s 13, 14, 15 and 16. (Item #14.4 will be discussed later 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	2884
Payroll	\$66,402,468	\$64,959,885	\$52,549,871

PRESENTATION/Q&A - Attorney Gerald Silk, Bernstein Litowitz Berger & Grossman
Portfolio monitoring and securities litigation services.

DISCUSSION – Letter from Hurley Medical Center (Item #14.4) – A letter was sent to Suzi Bye from Jan Mulcrone, Sr. VP for Human Resources, requesting that 26 individuals be allowed to transfer to MERS subsequent to the deadline of May 1, 2009. Attorney Robbins stated that, during the course of the “FERS to MERS” lawsuit, an Ordinance was drafted which was based on the settlement agreements and transition agreements and the time frames and procedures those documents established. No exceptions were provided for. She does not believe the Board has the authority or the desire to “open another window.” Suzi Bye was asked to write a response indicating that all procedures and guidelines have been followed and the Board does not wish to reopen the agreements.

18. GRAY & COMPANY - REPORT/RECOMMENDATIONS

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing** – *Reviewed*
- ◆ **Update on Rebalancing - In progress – to be completed by October 22, 2010**
(Agenda #s15.5, 15.6, 15.7) – approx. \$30 million transferred into the drawdown account
- ◆ **Real Estate Manager Search** – *Reviewed presentations agenda for November Meeting*

19. APPROVAL OF THE NOVEMBER 1 PENSION PAYROLL TRANSFER

A motion was made by Scott Kincaid, and supported by Mary Bland, to approve a transfer of \$3,246,800 for payment of the November 1, 2010 pension payroll (total estimated payroll - \$5,123,941), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES PENDING

- ◆ **2009-10 “Consolidated” Actuarial Valuation** – *Status Report* – GRS has requested necessary information for the report; staff will begin providing information after the contract is approved. This Valuation will include the calculation of the contribution rates for the Fiscal Year 2012 Budget.
- ◆ **Five-year Contract with GRS** – Under review by Attorney I’Lanta Robbins

21. LEGAL COUNSEL UPDATES

Attorney I’Lanta Robbins reported on pending legal issues:

- ◆ **Take Two Interactive Lawsuit** – *Settlement pending* – Loss \$ 176,505 – *Labaton Sucharow & George Peck, Special Counsel*
- ◆ **Capital BidCo** – *Waiting for State of Michigan investigation (General Counsel for Lansing Board of Water & Light filed a complaint with the State, which has been lost and must be resubmitted)*
- ◆ **Pension Calculation Errors Lawsuits – Tereau & Cherwinski** – *Agreements have been signed and pensions adjusted; cases have been dismissed by Judge Farah (Item #s 14.2 & #14.3)*
- ◆ **Pension Calculation Errors Lawsuits – Kelly** – *Mediation/Judge Farah*
- ◆ **Pension Calculation Errors Lawsuits - Burns/Wiggins/Doerr** – *Mediation pending outcome of previous cases*
- ◆ **Susan Jarema - Purchase of Time Error** – *Mediation pending outcome of other cases*
- ◆ **Job Elimination/Early Retirement Contract Provisions**
- ◆ **FAC Calculation Policy** - *pending*
- ◆ **Purchase of Time - Hurley – Non-contributory** - *pending*
- ◆ **Death Pension Limitations – Police & Fire - Surviving Spouses** - *pending*
- ◆ **Hurley Request for Transfers to MERS (Ref: Item #14.4)** – *previously discussed*

22. PROFESSIONAL SERVICES COMMITTEE

Robert Erlenbeck reported that the Committee met on October 12th and discussed the following:

- ◆ **Reports/Recommendations**

- **Life Insurance Policy - Johnny Rogers** - A policy was purchased (and premiums paid) by retiree Johnny Rogers (now age 85) in 1999 to cover the payback of his pension overpayment/correction of an error caused when his pension payment was not reduced at age 65 under the Social Security Equated Option. The policy's dividends have always been applied as an offset towards the cost of the premiums on the policy (currently \$1800/year). Mr. Rogers chose to purchase a life insurance policy rather than have his pension actuarially reduced to reimburse the Retirement System. Mr. Rogers has now requested that the dividends be paid to him. The insurance company has requested the Board's approval or denial of Mr. Rogers' request. The Committee recommends that the dividends continue to be applied to the premiums. Discussion followed. Per Board direction, Chairman Bingaman will contact the insurance company with instructions to continue to apply the dividends to the cost of the premiums.

- **Recalculation of death-in-the-line-of-duty pension to Officer Keeley's survivors** – Ongoing survivor pension payments were made to both his spouse and dependent children. Those monthly payments in total exceeded the maximum limitation in the contract, which would have provided for payments only to the spouse to reach the maximum allowable amount. As a result, the dependent child's pension payments will be discontinued; however, the overpayment is non-recoverable since the pension will now be reduced to zero. Those funds cannot be recouped from the surviving spouse/parent's payments. Per the correction of errors ordinance language, the pension payments to the spouse must be reduced to recoup the amount of one year of overpayments to her. The Committee recommends recalculation and reduction of her payments beginning with the November 1 payment. Chairman Bingaman asked Suzi Bye to send a letter to the family as soon as possible to inform them of the errors and the corrected payment amounts, which will take effect on November 1.

- ◆ **Cost Saving Measures – Denise Bingaman**
 - **Website** www.cityofflint.com – Retirement Dept. – all forms are now available online (address changes, direct deposit changes, W-4P); individual contact information will be available soon to allow retirees to securely look up their advice statements.

 - **Pension Advice Mailing** – After website access is available, retirees will be contacted and given the option of accessing their advice statements online instead of receiving them through the mail; this which would save paper, postage and time.

- ◆ **Election – General City (#1600, #1799, Exempt)**
 - **Motion to Certify Bryan Bond as Trustee** (*in lieu of election*)

A motion was made by Scott Kincaid, supported by Debra Bridges, to certify Bryan Bond as the Trustee representing General City Employees, in lieu of an election and as the only individual to submit a petition for the election. Further, the motion would authorize the Board to proceed with a search for an Alternate. The motion carried unanimously.

Chairman Bingaman introduced Bryan Bond to the Board and thanked outgoing Trustee Denise Bingaman for her service to the Board. Staff will work with the City Clerk's office to ensure that Mr. Bond is sworn in before the November Board Meeting.

- **General City Alternate Vacancy - Notification** – employees will be contacted via e-mail by Suzi Bye

- ◆ **Pension Calculation Review – Sherry Murphy** – The Committee recommends that the Actuary, Gabriel Roeder Smith & Co., recalculate Ms. Murphy's pension payments (to correct errors found) due to her original selection of the Social Security Equated 65 Option. This would ensure that the same factors and Social Security rules are applied for this option as those used in the original calculations. Suzi Bye has already recalculated the Final Average Compensation/Service Credits. (Such recalculations are included in the GRS contract.)

Motion made by Mark Stratman, supported by Michael Townsend, to send the recalculation of Sherry Murphy's pension to the Actuary, Gabriel Roeder Smith & Company for review and correction with the application of the Social Security Equated 65 Option. Discussion followed. **Motion carried unanimously.**

22.1 DISABILITY RETIREMENT APPLICATIONS

- ◆ **Duty** – *no applications pending*
- ◆ **Non-Duty** – *7 applications pending (2 Hurley Medical Center & 5 City of Flint)*

Mr. Erlenbeck noted that, at the last Board Meeting, the Board voted to send a non-duty disability pension applicant for an additional evaluation by a specialist. The applicant failed to attend the appointment and the Board was billed a \$125 missed appointment fee. The current paperwork does not state that an individual is responsible for paying any fees for missed appointments. The paperwork needs to be updated to require that those fees be paid by the disability applicants when they fail to show up for their appointments. In this case, since Dr. Roth had recommended that the individual should not be granted a disability retirement, should the file be closed or the appointment rescheduled? Discussion followed. Chairman Bingaman stated that the individual has come back to work; therefore, the file can

be closed at this time, with an option to reopen if there is a request from Human Resources. Mr. Erlenbeck reported that Dr. Roth has recommended that a non-duty disability pension be granted to John Erwin. Mr. Erwin excused himself from the Board table and Mark Stratman took his place as a voting Trustee.

A motion was made by Mark Stratman, supported by Michael Townsend, to concur with Dr. Roth's recommendation that John Erwin is totally and permanently disabled and should be granted a non-duty disability retirement. Motion carried unanimously.

Mr. Erwin noted that he has enjoyed his time serving on the Board. On behalf of the Board, Chairman Bingaman thanked him for his service. Mr. Erwin left the meeting.

Mr. Erlenbeck reported that Dr. Roth has certified that LaVelle Moore is not totally and permanently disabled and recommended that a non-duty disability pension be denied.

A motion was made by Robert Erlenbeck, supported by Mary Bland, to concur with Dr. Roth's recommendation that LaVelle Moore is not totally and permanently disabled and should be denied a non-duty disability retirement. Motion carried unanimously.

Chairman Bingaman appointed Bryan Bond as a replacement for Denise Bingaman on the Professional Services Committee.

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes** – Attorneys Gibbs and Robbins have agreed to stay proceedings pending rulings on procedural issues and outcomes of other cases involving pension calculation errors that are currently before Judge Farah.

23. FINANCE/INVESTMENT COMMITTEE

Committee Chair Douglas Bingaman reported that the Committee did not meet, but will be meeting to review the portfolio monitoring presentations. He asked Attorney Robbins to contact Attorney VanOverbeke for an update on the status of the IRS Tax Determination Letter; Attorney Robbins noted that it has been submitted to the IRS. Chairman Bingaman appointed Mark Stratman to replace John Erwin on the Finance/Investment Committee.

- ◆ **Financial Information** – *Position Descriptions available for review or copies upon request*
- ◆ **Independent Audit of FERS** – *RFP in process for FY11*

- ◆ **Portfolio Monitoring/Securities Litigation Attorney**
 - Presentation made by Attorney Thomas Dubbs, Labaton Sucharow (Sept Bd Mtg)
 - Presentation by Attorney Gerald Silk, Bernstein Litowitz Berger & Grossman
- ◆ **Michigan Film Tax Credits** – *Under review*
- ◆ **Private Equity Investments** – *Under review*
- ◆ **IRS Tax Determination Letter** - *Pending w/Attorney Michael VanOverbeke*

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

- ◆ **§35-16.4 “13th Check” Issues SUBCOMMITTEE** – *need new 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** – *Legal, Bob Erlenbeck* – It was noted that Attorney Heckemeyer at Keller Thoma previously worked on this issue, which involves selecting the survivorship option and naming a significantly younger beneficiary. The IRS does not allow a 100% survivorship pension for life in those circumstances, but requires that the pension should be adjusted for the beneficiary’s age. Chairman Bingaman asked Mr. Erlenbeck to obtain information from Gabriel Roeder Smith & Co.
- ◆ **Defined Contribution/Defined Benefit Change for Exempts** – Attorney Robbins stated that she has drafted language for this Ordinance change, which is currently under review by Mr. Townsend and Mr. Bingaman.
- ◆ **§35-31/31.1/32/32.1 Firefighters/Police Officers – Death in the Line of Duty** – *Legal, Mark Stratman, Suzi Bye*

Chairman Bingaman asked Board Members to notify him if they are aware of any other issues that should be addressed by updating the Retirement Ordinance.

25. OTHER BOARD BUSINESS

- ◆ **Pending Michigan Legislation**

- **Distressed Municipal Pension System Act – Status Update (none)**

◆ **Vacancies**

- **Alternate for Hurley - Board to Appoint (Ord. §35-10) – Agenda Item # 15.4 – e-mail sent**
- **Alternate for Cass Wisniewski – Appointment by Hurley President/CEO (Ord. §35-8) - Agenda Item #15.8 – letter sent**
- **Alternate for Bryan Bond (General City) – Board to appoint – e-mail to be sent by Suzi Bye**
- **Alternate needed for Mark Stratman (Police/Fire) – e-mail to be sent by Suzi Bye**

26. ADJOURNMENT

Upcoming Board Meetings:

Regular Board Meeting – Tuesday, November 16, 2010, 1:00 p.m.

Regular Board Meeting – Tuesday, December 14, 2010, 1:00 p.m.

A motion was made by Robert Erlenbeck, supported by Mary Bland, to adjourn the meeting at 2:42 p.m. The motion carried unanimously.

Michael A. Townsend
Secretary

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM - BOARD OF TRUSTEES

Approval of Pension Calculations

October 19, 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
Flynn	Gayle	HMC	1603	\$46,351.30	\$4,472.54	\$34,746.35	08/28/10	19 years, 1 month	Straight Life	\$1,653.19
Husemann	Leona	HMC	1603	\$61,853.37	\$0.00	\$47,839.97	09/06/10	13 years, 6 months	Straight Life	\$1,530.87
Porter	David	COF	Lt & Cpt	\$85,676.50	\$103,533.47	\$5,297.93	09/15/10	23 years, 0 months	Option B w/pop-up	\$3,780.30
Sparks	Darwyn	COF	Lt & Cpt	\$91,055.11	\$100,664.38	\$13,521.19	09/11/10	25 years, 10 months	Option C w/pop-up	\$4,795.24
Whaley	Bethany	COF	Lt & Cpt	\$77,791.51	\$89,906.40	\$12,443.76	09/15/10	23 years, 0 months	Option C	\$3,734.96

A motion was made by Robert Erlenbeck, supported by Cass Wisniewski, that the Service, Final Average Compensation, Accumulate Date of Retirement for the Applications for Voluntary Retirement for Gayle Flynn, Leona Husemann, David Porter, Darwyn Sparks approved and the Treasurer of the City of Flint Employees' Retirement System be authorized and directed to pay a monthly pension, chosen option shall require. The motion carried unanimously.

8. APPLICATIONS FOR DEFERRED RETIREMENT - NONE

9. APPROVAL OF DISABILITY PENSIONS - NONE

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM - BOARD OF TRUSTEES

Approval of Pension Calculations

October 19, 2010 Board Meeting

10. APPROVAL OF PENSIONS PREVIOUSLY REPORTED

Last Name	First Name	Unit	Union	Revised FAC	Original FAC	Revised Service Credit	Original Service Credit	Pension Over/Under-Payment	Option Elected	Retirement Date
Miron	Donn	COF	Fire	\$51,278.88	\$50,642.41	28 years, 2 months	19 years, 9 months	\$2,618.40	Option B w/pop-up	04/23/02

A motion to approved the pension previously reported for Donn Miron was made by Michael Townsend and supported by Debra Bri 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	
Middleton	Gina	HMC	1603	\$35,498.04	\$36,522.67	\$495.44	Straight Life	04/01/06	11/01/10	Audited prior to
Singleton	Danny	COF	1600	\$53,681.29	\$52,818.74	\$1,177.78	Option C w/pop-up	01/25/03	10/01/10	Audited prior to

A motion to approve the option picked by deferred retirees Gina Middleton and Danny Singleton was made by Michael Townsend and Erlenbeck. The motion carried unanimously.

12. INFORMATIONAL CHANGES TO PENSIONS - NONE

Notes

Includes purchase of 1 year, 6 months
"generic" time per settlement
agreement

Includes prior military purchase of 2
yrs, 10 mos & 1 yr, 6 mos per
settlement agreement

Includes purchase of 1 year, 6 months
"generic" time per settlement
agreement

**d Contributions and Effective
and Bethany Whaley be
as indicated, for life or until such**

Notes

Audited upon age 55 per Fire contract (disability retirement), revised for service credit & FAC

ages. The motion carried

Notes

o receipt of 1st pension payment

o receipt of 1st pension payment

d supported by Robert