

CITY OF FLINT EMPLOYEES’ RETIREMENT SYSTEM
Board of Trustees Regular Meeting Minutes
Tuesday, September 21, 2010

A regular meeting of the Board of Trustees of the City of Flint Employees’ Retirement System was held on Tuesday, September 21, 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:

<i>TRUSTEES & ALTERNATES</i>	Douglas Bingaman – Acting Chair, Denise Bingaman, Robert Erlenbeck, Juliann Fairbrother, Sherry Murphy, Mark Stratman, Michael Townsend, Cass Wisniewski
<i>ABSENT</i>	Mary Bland, Debra Bridges, Gregory Eason, Duane Kelley, Scott Kincaid, Michelle Kirkwood, Sheldon Neeley
<i>ALSO PRESENT</i>	Harland Abraham, Northern Trust (Custodial Bank) Suzi Bye, Retirement & Benefits Manager Ivory Day, Consultant, Gray & Company Christopher Kuhn, Consultant, Gray & Company I’Lanta Robbins, Assistant City Attorney/Attorney for the Retirement Board Julie Sadler, Staff Assistant to FERS

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 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 Robert Erlenbeck, supported by Mark Stratman, 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 Michael Townsend. The motion carried unanimously.

6. APPROVAL OF MINUTES – *August 24, 2010 Regular Board Meeting*

Motion made by Robert Erlenbeck, supported by Juliann Fairbrother, to approve the minutes for the August 24th 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 Denise Bingaman, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Douglas Fournier, Elizabeth Perkins-Harbin, and Robert Wickware 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 – *See Attached*

A motion was made by Robert Erlenbeck, supported by Michael Townsend, to approve the Applications for Deferred Retirement for Beatrice Davis, Cheryl Murphy, and Colleen Soto. Motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS – *None*

10. APPROVAL OF CHANGES TO PENSIONS PREVIOUSLY REPORTED – *None*

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

A motion was made by Michael Townsend, supported by Robert Erlenbeck, to approve the Options Picked by Deferred Retirees Remonia Hawkins and Denise Marks. 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 Northern Trust, 2010 Institutional Client Conference, October 27-29, 2010, Chicago, Illinois.

13.2 Institute for International Research, Public Fund Boards Forum/Guns & Hoses, December 11-14, 2010, San Francisco, California.

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, Legal Opinion – Retirement Board Purchasing Requirements, August 27, 2010. *

14.2 Gabriel Roeder Smith & Co., Re: Pension Management Software w/copy of November 13, 2008 Proposal for Benefit Calculator, September 3, 2010. *

14.3 Rodwan Cons. Co., Re: Withdrawal of Proposal for Actuarial Services, September 15, 2010. *

14.4 Buck Consultants, Re: Responses to Proposal Questions, September 16, 2010. *

14.5 Gabriel Roeder Smith & Company, Re: Responses to Proposal Questions, September 16, 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: September 1 Pension Payroll Transfer, August 24, 2010.

- 15.2 Erlenbeck/PS Comm, Letter to David Kausch, GRS re: Proposal Follow-up Questions, September 13, 2010. *
- 15.3 Erlenbeck/PS Comm, Letter to Larry Langer, Buck Consultants re: Proposal Follow-up Questions, September 13, 2010. *
- 15.4 Erlenbeck/PS Comm, Letter to Randy Gomez, Nyhart re: Proposal Follow-up Questions, September 13, 2010. *
- 15.5 Erlenbeck/PS Comm, Letter to Sandra Rodwan, Rodwan Consulting Company re: Proposal Follow-up Questions, September 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 Gray & Company, FERS Core Real Estate Manager Search, August 2010.
- 16.2 Gray & Company, FERS Quarterly Performance Report, June 30, 2010.
- 16.3 Fisher Investments, FERS Foreign Equity Fund, Second Quarter 2010.
- 16.4 Intercontinental Real Estate Corporation, FERS Intercontinental Real Estate Investment Fund III ("IREIF III") & Net Asset Value, June 30, 2010.
- 16.5 Piedmont Investment Advisors, FERS Portfolio Appraisal, Transaction Summary, Income & Expense Report, Performance Information, July 31, 2010.
- 16.6 Wentworth, Hauser and Violich, FERS Appraisal Summary & Statement of Assets, July 2010.
- 16.7 Ariel Investments, The Patient Investor, June 30, 2010 Quarterly Report.
- 16.8 The Institutional Real Estate Letter – North America, September 2010.
- 16.9 PNC Institutional Investments, FERS Account Performance Summary, June 30, 2010.
- 16.10 Seizert Capital Partners, PSN Rankings of Equity Portfolio for "Invest in Michigan", August 25, 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	2,880
Payroll	\$66,402,468	\$64,959,885	\$47,238,666

18. GRAY & COMPANY - REPORTS/RECOMMENDATIONS

Presentations were made by Ivory Day and Christopher Kuhn:

- ◆ **Schedule of Asset Classes, Manager Allocation & Re-Balancing**
- ◆ **Executive Summary Performance Grading Chart**
- ◆ **Total Investment Performance (Gross) vs. Actuarial Return Assumption (8.0%) Benchmark**
- ◆ **Quantitative Asset Allocation Analysis / Asset Allocation & Performance Measurements**
- ◆ **2nd Quarter (Ended June 30, 2010) Performance Report**
- ◆ **Capital Market Review**
- ◆ **Core Real Estate Manager Search – Five “Finalists”**

Board discussion followed. The Board asked Mr. Day to schedule the five recommended real estate manager “finalists” for 15-minute presentations at the regularly scheduled Board Meeting on November 16th.

Mr. Day stated that there is a need to rebalance the Fund by transferring approximately \$26,000,000 from money managers that are over weighted to replenish the drawdown account. **A motion was made by Sherry Murphy, supported by Mark Stratman, to move funds from selected money managers into the drawdown account, as recommended by the Consultant.** Discussion followed. **The motion carried unanimously.**

19. APPROVAL OF THE OCTOBER 1 PENSION PAYROLL TRANSFER

A motion was made by Mark Stratman, and supported by Cass Wisniewski, to approve a transfer of \$5,149,300 for payment of the October 1, 2010 pension payroll (total estimated payroll - \$5,170,388), from the Northern Trust Flint – Drawdown Account #26-19617 to Citizens Bank. The motion carried unanimously.

20. ACTUARIAL ISSUES PENDING

- ◆ **RFPs – Selection of Actuary** – The Professional Services Committee sent letters to Gabriel Roeder Smith & Co. (GRS), Rodwan Consulting Company, Buck Consultants and Nyhart requesting their responses to pricing and service questions: Nyhart and Rodwan withdrew their bids. Buck and GRS provided good alternatives in response to the inquiries. Based upon these responses, and a comparison of the proposals, the Professional Services Committee recommended that the Board enter into a five-year contract with GRS. Discussion followed. It was noted that, by requesting proposals and negotiating costs for actuarial services, the Retirement System will save more than \$60,000 over the next five years. The Board also discussed the possibility of soliciting proposals in the future for new software to be used to calculate retirement benefits.

A motion was made by Sherry Murphy, supported by Michael Townsend, to enter into a five-year contract with GRS. The motion carried unanimously.

21. LEGAL COUNSEL UPDATES

Attorney Robbins reported on current and pending legal issues:

- ◆ **Take Two Interactive Lawsuit** – *Settlement pending – Loss \$ 176,505*
Labaton Sucharow & George Peck, Special Counsel
- ◆ **FAC Calculation Policy** – *Pending*
- ◆ **Capital BidCo** – Chairman Bingaman noted that Capital BidCo has fully liquidated all assets and issued the final checks from the fund to the shareholders. Attorney Robbins stated that the Board can file an action in Circuit Court, since the shareholders were not consulted or kept informed about the liquidation, or await the State of Michigan's investigation determination. The other investors have decided not to pursue any action in Court. The Board's Investment Committee recommends that the Board allow the State to proceed with their investigation and await the results.

- ◆ **Pension Calculation Errors Lawsuits – Cherwinski/Tereau** – These Settlement Agreements were previously approved by the Board. Ms. Tereau’s agreement has now been signed by all parties. Ms. Cherwinski requested a review by a second attorney prior to signing her proposed agreement.
- ◆ **Pension Calculation Errors Lawsuits – Kelly** – *Mediation*
- ◆ **Pension Calculation Errors Lawsuits - Burns/Wiggins/Doerr** - *Mediation*
- ◆ **Susan Jarema - Purchase of Time** – *Mediation*

- ◆ **Job Elimination/Early Retirement Contract Provisions** – *Review pending*
- ◆ **Purchase of Time - Hurley – Non-contributory** – *Under review*
- ◆ **Death Pension Limitations – Police & Fire - Surviving Spouses** – *Review pending*

22. PROFESSIONAL SERVICES COMMITTEE

Committee Chair Robert Erlenbeck reported on the following issues:

- ◆ **Cost Saving Measures - Pension Advice Mailing** – Pension payroll is working with Information Services to make the web page more user-friendly for the retirees.
- ◆ **Hurley Purchase of Time - GRS Actuarial Tables** – Completed. The tables have been received and the purchase of time calculated for the individual who was waiting.
- ◆ **Election – General City (#1600, #1799, Exempt) Trustee & Alternate** - Suzi Bye reported that only one valid petition was turned in, by Bryan Bond. Per the Board’s policy, no election will be held. A notice needs to be sent to these employee groups by e-mail or payroll attachment inquiring about interest in serving as the Board-selected Alternate.
- ◆ **Pension Calculation Review – Sherry Murphy** – Discussion. It was noted that the affidavit signed by Ms. Murphy indicated that “The City of Flint Retirement Office will review the retirement file.”

A motion was made by Michael Townsend, supported by Juliann Fairbrother, that an error was found in the review of the pension calculations for Sherry Murphy, which must be corrected per the Ordinance. Also, that only her Final Average Compensation calculations, and no other aspects of her file, are to be reviewed and used for determining the amount of overpayment. The motion carried unanimously (abstention by Sherry Murphy).

22.1 DISABILITY RETIREMENT APPLICATIONS

- ◆ **Duty** – 1 application pending
- ◆ **Non-Duty** – 5 applications pending (2 Hurley; 3 City)
- ◆ **Disability Reports Received** – A report was received from Dr. Roth, the Medical Director, recommending that a particular individual should not be granted a disability retirement because he believes the individual has a treatable condition. However, the Board was informed that the Professional Services Committee has discussed this situation at length and, based upon personal information, input from the individual’s supervisor, and a notification from the City’s Human Resources Department stating that there is no position available for the individual, the Committee is recommending that a non-duty disability pension be granted. It was noted that disability pensions for both Hurley and the City have been granted by the Board previously, even in cases of the Medical Director’s recommendation for denial, when the employer has determined that there is no position available for the individual. Discussion followed.

A motion was made by Mark Stratman, supported by Sherry Murphy, to direct Dr. Roth to send the individual for a psychiatric evaluation, with the report to be submitted to Dr. Roth for final review and recommendation. The motion carried unanimously.

22.2 STATUS OF RETIREE SELECTION OF CORRECTION OPTION FOR OVERPAYMENT

- ◆ **David Plewes/Claude Miller Pension Revision** – After Board discussion, and per his attorney’s request, the Board set a hearing date/time of October 19th (the next Regular Board Meeting date) at 9:00 a.m.

23. FINANCE/INVESTMENT COMMITTEE

- ◆ **Portfolio Monitoring/Securities Litigation Attorneys - Presentation**
 - Attorneys Thomas A. Dubbs & David J. Goldsmith, Labaton Sucharow
 - Question & Answer Session w/Board
 - Attorney Gerald Silk, Bernstein Litowitz Berger & Grossman (*October Meeting*)
- ◆ **Financial Information** – *Position Descriptions available for review or copies upon request*
- ◆ **Independent Audit of FERS** – *RFP in process for FY11*
- ◆ **Michigan Film Tax Credits** – *under review*

- ◆ **Real Estate Investments** – *under review*
- ◆ **Private Equity Investments** – *under review*
- ◆ **IRS Tax Determination Letter** - *Pending w/Attorney Michael VanOverbeke*

24. RETIREMENT ORDINANCE REVISION COMMITTEE (of-the-Whole) (No Meeting)

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

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)** – Hurley will contact employees this week to determine interest.
 - **Alternate for Cass Wisniewski – Appointment by Hurley President/CEO (Ord. §35-8)** – The Secretary can send a letter of request addressed to Patrick Wardell, CEO in care of his assistant, Patricia Uhde.
 - **Alternate for Mark Stratman, Police/Fire – Board to Appoint (Ord. §35-10)** – John Erwin has been restored to “employee status” at the City through November, allowing him to resume his position as Trustee, with Mark Stratman as the Alternate until Mr. Erwin’s status changes.
 - **Alternate for General City of Flint** – The Retirement Office will send e-mail notifications and/or payroll attachments (no mailings) requesting that any interested parties contact the office.

- ◆ **Retiree Files in Vault** – Denise Bingaman reported that there is a critical need to replace the worn-out files/filing system for retirees' records in the vault. Discussion followed.

A motion was made by Robert Erlenbeck, supported by Juliann Fairbrother, to authorize the purchase of a new hanging file system for retirees' records in the vault, in an amount not to exceed \$20,000. The motion carried unanimously.

- ◆ **Northern Trust Conference in Chicago** – The Board agreed to send one trustee (Cass Wisniewski).

26. ADJOURNMENT

Upcoming Board Meetings:

Regular Board Meeting – Tuesday, October 19, 2010, 1:00 p.m.

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 Mark Stratman, to adjourn the meeting at 5:18 p.m. The motion carried unanimously.

**Michael A. Townsend
Secretary**

CITY OF FLINT EMPLOYEES' RETIREMENT SYSTEM - BOARD OF TRUSTEES

Approval of Pension Calculations

September 21, 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
Fournier	Douglas	HMC	1603	\$40,151.18	\$0.00	\$0.00	07/26/10	33 yrs, 9 mos	Straight Life	\$1,861.17	
Perkins-Harbin	Elizabeth	HMC	1603	\$31,779.01	\$0.00	\$0.00	07/17/10	18 yrs, 10 mos	Straight Life	\$743.68	
Wickware	Robert	HMC	1603	\$45,472.06	\$0.00	\$0.00	08/15/10	40 yrs, 5 mos	Straight Life	\$2,214.46	

Motion made by Robert Erlenbeck, supported by Denise Bingaman, that the Service, Final Average Compensation, Accumulated Contributions and Effective Date of Retirement for the Applications for Voluntary Retirement of Douglas Fournier, Elizabeth Perkins-Harbin, and Robert Wickware 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

Last Name	First Name	Unit	Union	Final Avg. Comp. (FAC)	Accum. Contrib.	DRET (Before Tax Contrib.)	Effective Retirement Date	Service Years/ Months	Option to be Elected by (date)	Notes
Davis	Beatrice	HMC	1603	\$17,261.93	\$0.00	\$0.00	06/15/10	16 yrs, 3 mos	06/01/11	
Murphy	Cheryl	COF	1600	\$32,970.07	\$8,191.45	\$3,753.84	08/14/10	10 yrs, 5 mos	08/01/16	
Soto	Colleen	HMC	Exempt	\$82,948.57	\$17,989.41	\$47,568.17	08/14/10	22 yrs, 0 mos	08/01/13	

A motion was made by Robert Erlenbeck, supported by Michael Townsend, to approve the Applications for Deferred Retirement for Beatrice Davis, Cheryl Murphy, and Colleen Soto. Motion carried unanimously.

9. APPROVAL OF DISABILITY PENSIONS - NONE

