

**OFFICIAL PROCEEDINGS OF THE BOARD OF
TRUSTEES
CITY OF LANSING
POLICE AND FIRE RETIREMENT SYSTEM**

Regular Meeting
Council Conference Room
10th Floor, City Hall
Lansing, MI

October 19, 2010
Tuesday, 8:30 a.m.

The Board met in special session and was called to order at 8:36 a.m.

Present: Trustees Benson, Fabus (8:47), Hecksel, Kraus, Oleson, Wood, St. Aubin – 7.

Absent: Trustee Bernero

Others: Karen E. Williams, Finance Department; Attorney Ken Lane, Clark Hill Law Office (representing the Law Department), Mr. Bryan Epling, Chris Lake, IAFF.

It was moved by Trustee Kraus and supported by Trustee Kraus to approve the Official Minutes of the Police and Fire Retirement System Board Meeting of August 17, 2010.

Adopted by the following vote: 6 – 0.

Mr. Brian Epling, IAFF gave public comments for items on the agenda. Mr. Epling informed the Police and Fire Board that Mr. Richard Warner received his medical reports from his attorney and provided Mr. Epling with a copy. Mr. Epling requested that the Board revisit Mr. Warner's medical reports and refer him again to the Medical Director.

Mr. Brian Epling, IAFF also provided public comments regarding the purchase of military time with deferred compensation for active members, during their years of service, not just at separation from the Police and Fire Retirement System. Mr. Epling stated that the IAFF Union is also researching whether the purchase of military time can be made for in-service members.

Trustee St. Aubin noted for the minutes that he received a copy of Mr. Warner's letter from the Retirement Office and the letter would be discussed under Request for Duty Disability.

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Secretary's Report.

0 new fire member(s), 0 new police members, 0 reinstatement(s), 0 refund(s), 0 transfers, 0 retired. Total: Active membership: 443. 1 death(s). Phyllis Covey, Police, died 9/9/2010, age 68, spouse of retiree. Refunds made since the last regular meeting amounted to \$ 0.00. Retirement allowances paid for the month of September, 2010 amounted to \$1,971,390.11. Total retirement checks printed for the P&F System: 662. Total retirement checks printed for both systems: 1507. Domestic relations order received: 0. Domestic relations orders pending: 0. Eligible domestic relations orders certified: 0.

There were no applications for Regular Age & Service Retirement.

Karen Williams updated the Board regarding the requests for duty disability. Ms. Williams informed the Board the applicant #2010-F0422 has seen Dr. Margolis. Dr. Margolis will provide his evaluation to the Board.

Trustee Hecksel submitted letters of support for applicant #2010-F0422 to be forwarded to the medical director for review. Trustee Hecksel requested if the report from Dr. Margolis could be expedited for the applicant. The Retirement Office will contact Dr. Margolis regarding a timeframe.

Ms. Williams reported to the Board that Chief Cochran has submitted a request for Duty Disability for Case #2010-F1019.

It was moved by Trustee Oleson and supported by Trustee Fabus to refer Case #2010-F1019 to the Medical Director.

Adopted by the following vote: 7 – 0.

The Board acknowledged receipt of Mr. Richard Warner's letter dated October 5, 2010.

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It was moved by Trustee Oleson and supported by Trustee Hecksel to move to close session to consider and review a confidential legal opinion.

Roll Call Vote: 7 – 0.

Yeas: Benson, Fabus, Hecksel, Kraus, Oleson, St. Aubin, Wood.

No: None

The Board was in close session at 8:49 a.m.

The Board resumed open session at 10:08

Trustee Kraus inquired to legal counsel, Does the Board have the legal ground to re-consider its vote on a duty disability decision or re-open a case that has been closed.

Attorney Lane opined that the Board does not have the legal grounds to re-visit the vote. Pertaining to Mr. Warner, the Board voted on August 17, 2010 to deny duty disability that was based on the recommendation from the Medical Director and the disability subcommittee. There are no legal grounds to reconsider that vote.

Trustee Hecksel inquired to legal counsel, If the member who was denied for duty disability and has new information for consideration, can the applicant re-apply for duty disability.

Attorney Lane opined that the member can re-apply for disability with new information. Attorney Lane further opined that there is nothing that would preclude a member from re-applying without new information. However, it was suggested that if they did not have new information, it is likely they may receive the same result.

There were no requests for non-duty disability retirement.

There were no requests for refund of accumulated contributions.

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Trustee Hecksel provided a report for the MAPERS Fall Conference. Trustee Hecksel overviewed some of the sessions regarding outlook for financial markets, opportunities in emerging markets, active and passive management of funds investments, future Michigan business economic climate and networking opportunities. Trustee Hecksel stated that it was a good conference and very informative. Trustee Oleson discussed MAPERS sessions regarding topics that included election predictions, policies and procedure updates.

Trustee Oleson provided a report of the NCPERS Fall Conference. Trustee Oleson reviewed session of economic forecasts, handling and reducing stress, securities fraud monitoring, GASB information and communication with the public. Trustee Hecksel discussed a municipality that was underfunded and would run out of money in 14 years. Trustee Hecksel discussed session on DROP programs, and management of workplace stress and media communication. Trustee Kraus further discussed Omaha, Nebraska and the hostile relationship between board members, and having and defining a core media message. Trustee St. Aubin added that he was able to network with many representatives of other retirement plans and found that Lansing Police and Fire fund was well-funded.

Attorney Kenneth Lane reported that he also attended the MAPERS Conference and he distributed a legislative update for amendments to Public Act 314. Attorney Lane reviewed HB 5323, HB 5982 and SB 1240.

Attorney Lane also noted that the contract with Milberg had been signed and provided to the Retirement Office. The Retirement Office will contact Northern Trust for Milberg to receive account access. Attorney Lane mailed the contract to the Steins to be processed.

Karen Williams requested approval from the Board to pay membership dues for NCPERS (\$150), International Foundation (\$370), MAPERS (\$50).

It was moved by Trustee Wood and supported by Trustee Hecksel to pay membership dues for NCPERS (\$150), International Foundation (\$370), MAPERS (\$50) from the Securities Lending funds.

Adopted by the following vote: 7 – 0

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Trustee Oleson requested permission to attend the National Conference for NCPERS to be held in May. Permission was granted by Trustee St. Aubin.

Mr. Bryan Epling stated that he truly appreciated the Trustees' time, effort and travel to benefit the membership of the Police and Fire System.

Attorney Ken Lane distributed the Board's new litigation policy. The policy would provide a procedure to notify the Board of litigation that potentially impacts security holdings of the retirement system. Attorney Lane also reported to the Board that he contacted John Jackson, Asset Consulting Group regarding the pending City pharmacy lawsuit. Attorney Lane asked Mr. Jackson if there were any concerns regarding the Board's investment. Mr. Jackson did not indicate any concerns.

It was moved by Trustee Wood and supported by Trustee Hecksel to approve the Litigation Policy, and that this policy will supercede any litigation policies of the Employees Retirement System.

Adopted by the following vote: 7 – 0.

Attorney Kenneth Lane distributed the Board's new service credit and military time purchase review policy. The policy would provide a procedure for the review of ordinance provisions and state and federal regulations that pertain to a member's request to purchase service credits or military time.

Attorney Lane opined that the City Attorney's Office has reviewed the IRS Regulation and currently there is no provision to prohibit in-service purchase of time with deferred compensation funds. However, the Police and Fire Retirement System does not allow this type of purchase.

Trustee Oleson had concerns regarding the City Attorney's opinion of in-service purchase of military time.

Trustee Kraus stated that she would not vote for any decision that would make the Deferred Compensation Plan taxable. Trustee Kraus suggested that the Board ask the City Attorney to have Attorney Sherry Stein review IRS guidelines and the

Police and Fire Plan to determine if a member can use deferred compensation to purchase defined benefit service credits while in-service.

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Trustee Oleson requested that the service credit and military time purchase review policy be placed on next month's agenda for further discussion.

Trustee Oleson reviewed the MAPERS session that described the outline of policies and procedures presented by Michael VanOverbeke.

It was moved by Trustee Oleson and supported by Trustee Hecksel to have legal counsel review the MAPERS presentation regarding Board policies and determine what policies that the Police and Fire Retirement System should have.

Adopted by the following vote: 7 – 0.

Attorney Ken Lane reviewed the Police and Fire Retirement Booklet. Attorney Lane stated that the majority of information was current. Attorney Lane said only the Trustee Board information needed to be updated. Attorney Lane suggested that the booklet be sent to a subcommittee to be reviewed.

The Retirement Office reported a pension adjustment for Mrs. Julia Hillery's duty disability. Ms. Hillery's pension added to her reported income exceeded the current rate of compensation by \$27,325.66. The Board reviewed Mrs. Hillery's Certification of Annual Earnings Received by Disability Retirees for Year Ending December 31, 2009. The Board approved adjustment for October pension.

Karen Williams discussed an email from John Jackson, Asset Consulting Group to have a due diligence trip to New York. Mr. Jackson suggested that members leave for New York, Tuesday, December 7 to meet with MD Sass and Milberg, Weiss in the afternoon. Trustees would meet with ING Clarion and Artio Investments on Wednesday, December 8., then leave for Lansing. Trustee St. Aubin approved all members who wanted to attend the due diligence trip. Trustee St. Aubin told members who were interested to email their interest to himself or Trustee Oleson.

Trustee Oleson reported to the Board that he received an email regarding a question of his Eligible Domestic Relations Order (EDRO). The member wanted to know if the alternate payee died, would the member receive that portion of his pension. Karen Williams, the Retirement Analyst and Attorney Ken Lane explained that the member should review his EDRO and discuss his questions

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with his attorney. Ms Williams explained that members generally receive a Model EDRO from Gabriel, Roeder and Smith (GRS) for their attorneys to follow. Once the EDRO has been signed and processed by the court, the EDRO is forwarded to GRS with the appropriate fees for certification.

Trustee Kraus expressed concern regarding HB5619, mandating investment of funds with a minority-owned firms. Trustee Wood stated that the House Bill violated state law.

Trustee Kraus updated the Board that the proposals were ready for review by the subcommittee.

Karen E. Williams updated the Board that there was one nominating petition returned by Mr. Thomas Fabus.

Karen Williams distributed a list of vendors that provide pension software for the retirement system and website. Ms. Williams explained the retirement system does not have a database or calculation software. Ms. Williams explained that the current payroll system does not track service credits. As the current systems get older, data may be lost.

Trustee Kraus advocated that the Board look at comprehensive database where the Retirement System has one source of information. Trustee Kraus recommended to the Board that this project would be a large undertaking and additional staff may be needed. Trustee Kraus suggested that the City's IT Department would also need to be involved because the new system would need to be placed on the City's hardware and to migrate the old data to a new system.

It was moved by Trustee Wood and supported by Trustee Oleson suggested that the Retirement Analyst narrow the list and put together recommendations for a comprehensive database and to contact Eric Tumbarella to have someone from the City's IT Department to assist the project.

Mr. Benson expressed concern of a possible conflict of interest if Gabriel, Roeder, Smith is one of the potential vendors.

Adopted by the following vote: 7 - 0

Trustee Oleson requested that the Board approve the extra costs of meals at the NCPERS Conference.

It was move by Trustee Oleson and supported by Trustee Hecksel to approve the additional costs of meals with the appropriate receipts at the 2010 Fall NCPERS Conference.

Karen Williams distributed and reviewed the Securities Lending and Investment Monthly report for August.

Trustee Kraus inquired if Northpointe and Clarion are on the "watch list" by Asset Consulting Group. Trustee Oleson requested that John Jackson review the underperformance of Northpointe and Clarion.

Trustee Wood requested that the Retirement Office contact the City's IT Department regarding ways to safeguarding old computer data until the Board can complete its project on obtaining a comprehensive data for the Retirement system.

It was moved by Trustee Hecksel and supported by Trustee Fabus to adjourn the Police and Fire Retirement Meeting.

Adopted by the following vote: 5 – 0.

The meeting adjourned at 10:14 am.

Minutes approved on _____

Jerry Ambrose, Secretary
Police & Fire Retirement System

Brad St. Aubin, Vice Chairperson
Police & Fire Retirement System