

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

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

March 15, 2011
Tuesday, 8:30 a.m.

The Board was called to order at 8:30 a.m.

Present: Trustees Benson, Hecksel, Kraus, Oleson, St. Aubin, Wood – 7.
Absent: Trustee Bernero, Fabus

Others: Karen E. Williams, Finance Department; Attorney Ken Lane, Clark Hill Law Office (representing the Law Department).

It was moved by Trustee Kraus and supported by Trustee Oleson to approve the Official Minutes of the Police and Fire Retirement System Board Meeting of February 15, 2011 with corrections.

Adopted by the following vote: 6 – 0.

It was moved by Trustee Kraus and supported by Trustee Hecksel to approve the Official Joint Minutes of the Police and Fire Retirement System Board and the Employees Retirement System Board meeting of February 15, 2011.

Adopted by the following vote: 6 – 0.

Secretary's Report.

0 new fire member(s), 0 new police members, 0 reinstatement(s), 0 refund(s), 0 transfers, 2 retired. Total: Active membership: 440. 2 death(s) Barbara Rairigh, Fire, died 12/21/2010, age 83, spouse of retiree; Ursula Finney, Fire, died 2/17/2011, age 82, spouse of retiree. Refunds made since the last regular meeting amounted to \$0.00. Retirement allowances paid for the month of February, 2011 amounted to \$1,976,446.83. Total retirement checks printed for the P&F System: 661. Total retirement checks printed for both systems: 1506. Domestic relations order received: 0. Domestic relations orders pending: 0. Eligible domestic relations orders certified: 0.

2011 MAR 25 AM 9:51
LANSING CITY CLERK

RECEIVED

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Two

Attorney Ken Lane updated the Board regarding Ms. Ursula Finney. Ms. Finney received an overpayment \$17,846.46 because she did not report her husband's death and continued to collect his full pension. Ms. Finney's balance was \$8,894.18. Ms. Finney entered into an agreement with the Board to repay the monies. Attorney Lane reported that when he spoke Ms. Finney, she was considering selling properties to make payment. Attorney Lane reviewed the option to collect from the Estate. He provided an estimate of \$10,000 to file a claim in Probate Court to collect on the debt. Attorney Lane will contact the Probate Court and then contact the chairperson regarding the process and the costs for filing a claim. At that time, the Board can decide if its wishes to move forward.

It was moved by Trustee Hecksel and supported by Trustee Kraus to approve the following Applications for Regular Age and Service Retirement:

William M. Barnes, Police Department, 25 years of service credits, age 52, effective March 11, 2011.

David S. Blackman, Police Department, 25 years, 1 mo. of service credits, age 48, effective March 11, 2011.

Frank J. Medrano, Police Department, 25 years of service credits, age 46, effective March 21, 2011.

Adopted by the following vote: 6 - 0

Karen Williams reported that Case #2010-F1109 applicant is scheduled to see the Medical Director for evaluation.

There were no requests for Non Duty Disability Retirement.

There were no requests for Refund of Accumulated Contribution.

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Three

It was moved by Trustee Hecksel and supported by Trustee Oleson to excuse Trustee Fabus from the March Official Police and Fire Retirement Meeting due to Training in Ann Arbor.

Adopted by the following vote: 6 – 0.

Karen Williams announced that members should have received their registration material for the Spring MAPERS that will be held May 1 – 3, to the City of Lansing Retirement Office. Ms. Williams was waiting for information for hotel registration.

Karen Williams also announced that members should contact the Retirement Office if they plan to attend the International Conference in October. Trustee Oleson stated that he is reviewing flight information.

Attorney Ken Lane reviewed the provisions of the Police and Fire Retirement Board's proposed policies on Ethics Code of Conduct, Record Retention and the Investment Policy.

It was moved by Trustee Oleson and supported by Trustee Hecksel to adopt the Police and Fire Ethics Code of Conduct Policy and that it supersedes all other Ethics Code of Conduct Policies. This policy shall be attached to the minutes and also filed in the policy book with the date of this motion of adoption shown thereon.

Adopted by the following vote: 6 – 0.

It was moved by Trustee Wood and supported by Trustee Hecksel to adopt the Record Retention Policy and that it supersedes all other Record Retention Policies. This policy shall be attached to the minutes and also filed in the policy book with the date of this motion of adoption shown thereon.

Adopted by the following vote: 6 – 0.

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Four

Attorney Ken Lane reviewed the Investment Policy Statement Modifications. Attorney Lane discussed that John Jackson of Asset Consulting Group suggested the following modifications of the Investment Policy statements:

- Delete reference to small cap to reflect hiring of William Blair to replace NorthPointe.
- Change "semi-annually" to "annual meetings" in accordance with current practice.
- Modify language describing participation in securities lending
- Place modifications list on last page of the document.

The Board discussed the securities lending with Northern Trust. Mr. John Jackson at the annual policy training viewed how securities lending operates. The Board agreed to have Northern Trust come to the Joint Meeting in May to discuss securities lending.

It was moved by Trustee Oleson and supported by Trustee Hecksel to adopt the Investment Policy and that is supersedes all other Investment Policies. This policy shall be attached to the minutes and also filed in the policy book with the date of this motion of adoption shown thereon.

Adopted by the following vote: 6 – 0.

Attorney Ken Lane updated that Board regarding the derivative claim regarding Invacare. Attorney Lane reviewed a letter sent by Milberg to Invacare giving the company 45 days to correct their processes or face litigation.

Attorney Ken Lane also updated the Board that the City Attorney intends to move forward with contracting with Barrack, Rodos and Racine. Trustee Oleson expressed concern that the City Attorney can bypass the Board with Fraud Monitoring litigation.

Attorney Ken Lane explained that City Attorney has legal authority to hire Barrack, Rodos and Racine. However, the Board is not compelled to enter into a contract with the firm.

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Five

Attorney Ken Lane explained how the process for Fraud Monitoring would operate. Once a monitoring firm brings a possible lawsuit to the Board, it will go to review by the City Attorney's Office to determine the legal aspects of the case. Attorney Ken Lane reviewed a proposed policy for Fraud Monitoring that would provide a threshold in which a firm would contact the Retirement System. Attorney Lane discussed that when a company is sue, sometimes they may file a countersuit. Therefore, the City Attorney's Office must be involved in the process. When a fraud monitoring firm brought proposed litigation to the Board, the City Attorney's Office would review the case regarding the legal aspects. The case would be brought to the Board and Asset Consulting will also review the litigation.

Trustee Hecksel inquired about the list of the pre-approved law firms and asked if the Board is obligated to file litigation brought by Barrack, Rodos and Racine.

Attorney Ken Lane explained that the City Attorney could move forward with litigation brought by Barrack, Rodos and Racine without Board approval.

Trustee Wood stated that she met with the City Attorney regarding the two firms voted on by the Board. At the time, the City Attorney was not happy that Barrack, Rodos and Bacine was not chosen and wished to add the third firm to the City Council Resolution, and stated that the Board was under no obligation to use the firm. The agreement was that at a later time, the City Attorney would come back to the Board to request that Barrack, Rodos and Bacine be added.

Attorney Ken Lane stated that the Board and the City Attorney need to work together in these cases. Attorney Lane stated that he would discuss with the City Attorney a policy that would agreeable to the Board. The Policy would deter the Board or the City Attorney's Office from changing law firms after an agreed decision to litigate has been decided.

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Six

The Board expressed concern that the City Attorney did not come to the Board regarding his decision to move forward with a third firm. The Board expressed concern that the trustees went through a review of Fraud Monitoring Firms, held interviews and made selection based upon the process. The Board discussed options regarding the City Attorney's authority to make legal decisions for the Board without their input. Board members could be liable for decisions made by the City Attorney.

Attorney Ken Lane provided a suggestion that the City Attorney can sign the Board's Policy on Fraud Monitoring, agreeing to its provisions.

Trustee Wood agreed that Attorney Ken Lane should draft the policy that would have the City Attorney, the Board and Asset Consulting Group agree to litigation before a case can move forward.

Trustee Benson inquired that does the City Attorney have the authority to disregard the Board's decision, policy and hire Barrack, Rodos and Bacine.

Attorney Ken Lane opined that the City Attorney does have the authority to hire Barrack, Rodos and Bacine.

It was moved by Trustee Benson to file a lawsuit and challenge the City Attorney's Office decision. The motion died.

Trustee Hecksel stated that the Board should wait to see if the City Attorney Office will agree to a policy provided by the Board. Legal alternatives can be pursued at a later date if needed.

Trustee Benson expressed concern that the City Attorney's Office can ignore the Board's input and make decisions that affect the Board.

It was moved by Trustee Wood and supported by Trustee Hecksel to start developing a policy for Fraud Monitoring.

Adopted by the following vote: 6 – 0.

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Seven

Attorney Ken Lane reviewed the agreement for William Blair as the new small cap investment manager. Attorney Lane has provided modifications to the agreement and Asset Consulting Group is reviewing the investment guidelines. Karen Williams distributed a letter from William Blair requesting permission to use the Police and Fire Retirement System in its marketing advertisements. The Board agreed that William Blair could use the system after the contract has been signed.

Karen Williams distributed a memo from Asset Consulting Group regarding ING Real Estate Investment Manager and a letter from ING Clarion. ING has recently announced the sale of its real estate business and entered an agreement to move its real estate division to a new company Lightyear Capital LLC.

It was moved by Trustee Hecksel and supported by Trustee Wood to give Asset Consulting Group approval to begin the search for a manager to replace ING Clarion Real Estate Investment Manager.

Adopted by the following vote: 8 – 0.

Karen Williams reported that the Duty Disability income verification letters were mailed to retirees. Their verifications are due April 30, 2011. Ms. Williams explained that duty disability retirees are required by Ordinance to report their outside income to the Retirement Board. There were two conversions to age and service retirement: Marie Wolfe and Teresa Ryder.

Trustee St. Aubin requested a list of duty disability retirees that are eligible for re-evaluation by the Medical Director. The disability subcommittee will review the list a next month's meeting.

Trustee Oleson inquired regarding the process to select duty disability retirees for re-evaluation. The selection of duty disability re-evaluation is at the discretion of the subcommittee based on the Board's policy.

Trustee St. Aubin discussed a detective from the Lansing Police Department that is required by the Ordinance to leave at age 60. The officer was concerned about not receiving his full 25 years of service.

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Eight

Attorney Ken Lane opined that he has reviewed the issue and Ordinance Section 249.02(j) is a compulsory separation from service. The Board does not have authority to extend service for Police Members. The detective does have the option to purchase the months needed to achieve his full 25 years of service. The provision is not unique to the City of Lansing. Most governments, municipalities and federal laws have a mandatory age for separation from service for public safety personnel.

Trustee St. Aubin added to items to the agenda, item g. Actuary request and item h. HB 4214 and HB 4135.

Trustee St. Aubin asked legal counsel to speak on the state legislation.

Attorney Ken Lane provided a legislative update regarding HB4214 on the Emergency Financial Manager. Attorney Lane discussed the provision that would authorize the emergency manager to reject, modify, or terminate the terms of an existing contract or a collective bargaining agreement (CBA). Additionally, Attorney Lane discussed the provision regarding that would authorize the emergency manager to assumed control of the government's pension system, set and approve actuarial assumptions and eliminate the pension's system board for local governments not funded at a level of 80% or more. The section requiring the retirement system to be sent to MERS was pulled from the legislation.

Many communities may challenge this legislation if passed. The Financial Emergency Manager could change benefits to retirees, and could operate as the Board. Attorney Lane stated there are many troubling issues regarding the legislation.

Attorney Ken Lane explained that HB 4135 was only applicable to municipalities over 500,000. The legislation would remove union involvement in the election of trustees to pension boards.

Trustee St. Aubin discussed the reduced size of workforce and how it would impact the retirement system in the future. Trustee St. Aubin requested a motion for the Board to commission its own independent actuarial evaluation.

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Nine

It was moved by Trustee Hecksel and supported by Trustee Benson to request an independent actuarial evaluation on a reduced size of workforce and its impact on the pension system.

Trustee Hecksel stated that he would gather information from the Fire Department.

Trustee Wood inquired regarding the time frame.

Trustee Oleson stated that he does support having an actuarial evaluation. However, he would like to think it through and get everything done at one time and not pay for multiple evaluations.

Trustee St. Aubin stated his intention was to have several scenarios based on the information provided to the actuary.

Trustee Oleson requested information regarding if the actuary would be done for increased contributions also. Trustee Oleson believed that this was a separate issue. He stated that an actuary evaluation on contributions has been done by the union and the administration.

Trustee Kraus stated that the Board should have its own actuary numbers to review, sooner than later.

Trustee Oleson expressed concern how much the evaluations would cost the system.

Trustee Wood stated that money has been set aside to look at things in which the Board would like to be proactive, and pay for things like education, pension software.

Trustee Oleson requested that he would like to see the numbers, the scenarios are selected and the proposed costs of the evaluations before the request to the actuary is made.

Adopted by the following vote: 6 – 0.

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

March 15, 2011
Tuesday, 8:30 a.m.

Page Ten

Karen Williams announced that the Actuary Interviews would be held on Wednesday, March 30 from 8:30 a.m. – 12noon.

Karen Williams announced that Trustee Kraus worked with Spartan Internet had redesigned the website and it is on the City website. Karen Williams will update the information.

Karen Williams also reported that the Proposals (RFPs) were received from the Software companies. The proposals were referred to the Subcommittee on Special Projects.

Trustee St. Aubin returned to Other business to add item I.

It was resolved by Trustee Wood and supported by Trustee Hecksel and

**RESOLVED BY THE BOARD OF TRUSTEES
POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF LANSING**

WHEREAS, The City of Lansing Police and Fire Retirement Board of Trustees are very pleased to present this special commendation and admiration to Kenneth P. Lane, Attorney at Law with Clark Hill, PLC. Mr. Lane has served as legal counsel to the Police and Fire Board, representing the City Attorney's Office since October 2008. He has brought to this position a truly impressive chronicle of experience and service; and

WHEREAS, Mr. Lane is well-regarded for his professionalism and courteous service. He is very responsive and knowledgeable about all aspects of the City of Lansing Retirement System. Mr. Lane continues to increase his acumen through training with the Michigan Association of Public Employees System and attending due diligence meetings; and

WHEREAS, In addition to attending Board meetings, Mr. Lane provides orientation for new trustees, reviews contracts, drafts policies, and responds to all legal issues. Mr. Lane has also distinguished himself in assisting the Board in its successful search and acquisition of Fraud Monitoring firms. He is always on-time, well-organized and offers insightful suggestions to enhance Board activities and trustee decisions; and

NOW, THEREFORE, BE IT RESOLVED that the City of Lansing Police and Fire Retirement System Board hereby confers this tribute resolution to Kenneth Lane as evidence of the Board Trustee's sincere esteem for his accomplishments. His exemplary work and significant achievements on behalf of the Board are indeed worthy of the utmost praise and respect.

Adopted by the following vote: 6 -0.

Karen Williams distributed and reviewed the Investment and Securities Lending reports for month ending February 28, 2011.

Trustee Wood asked the memo from Clark Hill regarding SAS 70 be forwarded to City Council and filed with the City Clerk's Office and attached to the external audit.

It was moved by Trustee Wood and supported by Trustee Kraus to adopt the Police and Fire Retirement System Board of Trustees Statement on Auditing Standards No. 70 ("SAS No. 70) Report Policy and that is supersedes all other Investment Policies. This policy shall be attached to the minutes and also filed in the policy book with the date of this motion of adoption shown thereon.

Adopted by the following vote: 6 – 0.

It was moved by Trustee Hecksel and supported by Trustee Oleson to adjourn the meeting.

The meeting adjourned at 10:41 am.

Minutes approved on _____

Jerry Ambrose, Secretary
Police & Fire Retirement System

Brad St. Aubin, Chairperson
Police & Fire Retirement System