

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

Regular Meeting

July 17, 2012

Council Conference Room

Tuesday, 8:30 a.m.

10th Floor, City Hall

Lansing, MI

The Board was called to order at 8:35 a.m.

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

Absent: Trustee Bernero

Others: Karen E. Williams, Finance Department; Greg Stump, EFI Actuaries, Attorney Ken Lane, Clark Hill Law Office (representing the Law Department); Chris Lake, IAFF, Steve Harry, citizen.

It was moved by Trustee Wood and supported by Trustee Hecksel to approve the Official Minutes of the Police and Fire Retirement Board Meeting of June 21, 2012.

Adopted by the following vote: 7- 0

The Police and Fire Board reviewed the Official Joint Minutes of the Employees Retirement System and the Police and Fire Retirement System Meeting of June 21, 2012.

Trustee Wood stated that she made a statement regarding her concern how the reimbursement to City was handled that she would like reflected in the minutes. Trustee Wood will confer with Karen Williams of the Retirement Office. Trustee St. Aubin stated that the Joint minutes will be placed on the agenda for next month.

Mr. Chris Lake, IAFF, requested to make public comments regarding the Police and Fire Retirement Board's request for documentation letter that are given to disability applicants. Mr. Lake stated that he requested information for two members who were considering applying for duty disability. He spoke with the members and reviewed the policies that he had at the time. The two applicants applied to the Board for duty disability and received a letter requesting documentation. Mr. Lake requested clarification for the documentation from the Trustee Oleson. Mr. Lake asked the Police and Fire Board for additional clarification because he did not understand the relevance of the some of the items requested. Mr. Lake stated that it was his understanding that the members had been approved to see the doctor and wondered why some of the documentation was needed. Mr. Lake requested a policy regarding the letter requesting information.

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Trustee Hecksel stated the approval to see the doctor was contingent upon the Board receiving the information requested.

Attorney Lane opined that past practice of the Police and Fire Retirement Board and consultation with Dr. Roth who requested additional information that would be helpful in his evaluation. Attorney Lane reviewed that the Police and Fire Board decided to have all applicants provide the same information.

Trustee Kraus indicated that the Police and Fire Board deal with the member not the union. Trustee Kraus did not feel it was appropriate to give information directly to the union. Trustee Kraus further indicated that it is not the Board's position to determine what may or may not be relevant to the Medical Director.

Trustee Hecksel stated that as a fiduciary, he wants to feel comfortable that all the information that the Medical Doctor requests is provided to him, not just the information that support the claim.

Trustee Oleson asked when the letter of request will be added to the policy.

#### Secretary's Report.

0 new fire member(s), 0 new police members, 0 reinstatement(s), 1 refund(s), 0 transfers, 2 retired. Total: Active membership: 350. 0 death(s) Refunds made since the last regular meeting amounted to \$11,854.97. Retirement allowances paid for the month of June, 2012 amounted to \$2,103,533.75. Total retirement checks printed for the P&F System: 674. Total retirement checks printed for both systems: 1529. Domestic relations order received: 0 Domestic relations orders pending: 0. Eligible domestic relations orders certified: 0.

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

Bruce F. Barrons, Fire Department, 26 years, 9 months of service credit, age 50, effective June 16, 2012.

Adopted by the following vote: 7 - 0

Ms. Williams reported that three requests for duty disability, Applicant #2012-P0619; Applicant #2012-F0620; Applicant #2012-F0621, were pending waiting for information requested from applicants.

There were no requests for Non Duty Disability Retirements.

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Ms. Williams reported that there was one request for refund of accumulated contribution from Mr. Daryl McCulloch, Police Department for \$7,143.75.

It was moved by Trustee Fabus and supported by Trustee Wood to approve the Request for Refund of Accumulated Contributions of Mr. Daryl McCulloch, Police Department for \$7,143.75.

Adopted by the following vote: 7 – 0.

Karen Williams reminded that the MAPERS Fall Conference will be held, September 9 through September 11, 2012.

Mr. Steve Harry inquired to the Police and Fire Board if service is limited to twenty-five years for the purposes of calculating pensions.

Trustee St. Aubin responded that there was no benefit for pension calculation beyond twenty-five years. The change was made through collective bargaining.

Attorney Kenneth Lane provided an updated Duty Disability Application policy draft that adds a request for Documentation letter to the disability application process. Attorney Lane reviewed the items that were being requested. The trustees provided amendments to the language of the letter.

Trustee Hecksel wanted to confirm that the letter stated that the medical records should go from doctor to doctor.

Attorney Lane confirmed that modifications can be made to the letter at a later date.

It was moved by Trustee Kraus and supported by Trustee Hecksel to approve the new Police and Fire Retirement System Duty Disability Application Policy and that it supersedes any previous duty disability application policy. The new policy will be added to the Trustee Handbook.

Adopted by the following vote: 7- 0.

Attorney Lane requested direction from the Board regarding coordinating its disability process with Worker's Compensation. Attorney Lane informed the Board that he had a meeting with the City Attorney's Office, Police Department and Worker's Compensation staff.

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Attorney Lane reviewed a situation where a member was approved for duty disability by the Medical Director, but not approved for Worker's Compensation. Attorney Lane and Attorney Jack Roberts explained the Police and Fire Retirement Ordinance and current duty disability application process. Attorney Lane stated that he was asked if to bring to the Board, if it would be beneficial to for the doctors to share information.

The Board agreed to continue its current process.

Attorney Lane provided a draft for the Repayment off Accumulated Contributions form and notice. Trustee St. Aubin stated that he contacted the City regarding installment payments for accumulated contributions repayment. Trustee St. Aubin stated that the City preferred lump sum payments. Trustee St. Aubin requested that Attorney Lane verify if members would be allowed to pay with installments before the forms and notices are approved.

Trustee St. Aubin requested that items be added to agenda regarding the City Reimbursement request.

Trustee Oleson expressed his concern regarding the process of \$4.2 reimbursement request from the City.

It was moved by Trustee Oleson and supported by Trustee Wood to request an audit of the City Reimbursement from 2010 through the current request.

Trustee Wood expressed concern that the Police and Fire Retirement Board was not asked to make quarterly withdrawals to cover all the expenses. Trustee Wood expressed concerned how the request was presented. Trustee Wood explained that the initial memo requested withdrawals for management fees. It was later determined and explained that the request also consisted of payroll liabilities that included federal and state income taxes. Trustee Wood stated that we have made quarterly withdrawals but nothing was mention regarding income.

Trustee Oleson wanted a second opinion from an outside source regarding the amounts that were reimbursed.

Trustee Kraus explained at the last meeting the Board received an itemized list of the expenses paid. Trustee Kraus agreed that the concern was how it was presented. She believed it was more of an accounting issue than a payment issue. Trustee Kraus believed that the bigger issue is how the Board would proceed moving forward. Trustee Kraus suggested that the Board should have to make this agenda issue to discuss with Karen Williams on how best to report the expenses paid on behalf of the Retirement Board.

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Greg Stump stated that he found it unusual that the tax liabilities and expenses were paid from the Retirement System to the City.

Trustee Kraus explained that payroll, tax liabilities, and Retirement System expenses are paid from portfolio to reimburse the City.

Trustee Hecksel stated that he would be comfortable if the Retirement Office could provide an accounting of expenses paid by the general fund to the Police and Fire Board.

Trustee Wood wanted to ensure that when quarterly withdrawals are done, the monies are for the gross amount of expenses.

Trustee Fabus expressed concern about the costs of an outside audit. Trustee Fabus also added that the timing of the reimbursement, whether year end or quarterly is important for investment purposes.

The Board agreed to postpone the motion until next month.

Trustee Wood suggested that the motion be tabled. Trustee Oleson will contact the Retirement Office to have an itemized list for the previous years.

Attorney Lane opined that the motion can be postponed or withdrawn.

Trustee Hecksel reviewed the itemized list provided by the Accounting department and noticed that two retirees missed their appointments with the Medical Director and the Board was charged a late fee of \$150.

It was moved by Trustee Hecksel and supported by Trustee Oleson to withhold \$150 from the Mr. Lane and Ms. Norton's checks to reimburse the city. Trustee Wood provided a friendly amendment that was accepted by Trustee Oleson to have the members invoiced first and then if the bill is not paid, the \$150 would be withheld.

Attorney Lane suggested that the late fee reimbursement be included in the Duty Disability Policy.

Adopted by the following vote: 7 – 0.

Karen Williams reported that one retiree's duty disability income would need to be modified in accordance with the Police and Fire Retirement Ordinance and Board policy due to excess outside income.

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It was moved by Trustee Hecksel and supported by Trustee Wood to modify the duty disability retiree's pension due to excess outside income.

Adopted by the following vote: 7 – 0.

Mr. Greg Stump reviewed the finalized Experience Study and suggested a contribution and funding policy for the Police and Fire Board's consideration. Mr. Stump described the implications of the assumption recommendation for the Police and Fire Retirement System. Mr. Stump estimated the total impact would be \$1.8 million for 2012.

Ms. Kraus requested an explanation regarding the financial impact of changing from Open to Closed amortization. Mr. Stump stated that although there would be no immediate impact, there would be an impact in later year.

Mr. Stump reviewed the Police and Fire Board's decision to phase in the interest rate and inflation rate over a five year period, starting in 2014. Mr. Stump disagreed with the implementation. He suggested that the Police and Fire Board should accept the assumption recommendation and adopt a contribution policy and funding policy for this year. The funding policy would increase the City's annual contribution by 10% each year.

Trustee Benson inquired if Mr. Stump's recommendations take into account the economic conditions, such as the recent recession, fluctuations in payroll.

Mr. Stump stated that his recommendation does not take into account the conditions and fluctuations in payroll. However, EFI can provide projection that take differing variables in effect.

Trustee Hecksel expressed concern about Mr. Stump's suggested policy. Trustee Hecksel stated that the Board's attention was to provide an incremental predictable contribution increase for the City. The Board's intention was also to provide the City some time to budget the additional monies needed to implement the recommended changes.

Mr. Stump stated that the Retirement System portfolio is still recognizing losses from 2008 and 2011. Mr. Stump stated that inflation remains low. His recommended funding and contributions policy would allow the City to catch-up to the actuarial cost. Mr. Stump advised that 10% is the least amount that he would recommend.

Mr. Stump agreed to provide a letter detailing and comparing strategies for the recommended contribution and funding policy for the Police and Fire Retirement Board's consideration.

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Trustee Kraus stated that the Police and Fire Retirement Board decision would affect the City's General Fund.

Trustee Fabus expressed concern that the funded amount would less than the actuarially calculated amount.

Trust Wood requested that Attorney Lane review the Police and Fire Retirement Ordinance to determine if funding the system with an amount less than what is actuarially calculated is a violation of the Ordinance.

It was moved by Trustee Kraus and supported by Trustee Hecksel to accept the finalized Experience Study and approval is contingent upon Board review of Actuarial recommendation. Trustee Benson provided a friendly amendment that was accepted by Trustee Kraus to receive the report instead of accept.

Adopted by the following vote: 6 – 0.

The Actuarial Experience Study presented by EFI Actuaries was received by Police and Fire Retirement Board.

Attorney Kenneth Lane updated the Police and Fire Retirement Board that contracts negotiation for pension software had been completed and final contracts were available to be signed.

Karen Williams contacted Gabriel, Roeder Smith to locate a copy of the letter regarding the special treatment of Military Service Credits.

Attorney Ken Lane updated the Police and Fire Retirement Board regarding security lending issues presented by Attorney Novak. Attorney Lane stated that he would provide a letter of direction to the Retirement Office to escrow funds for K-12. Attorney Lane reported that the City Attorney's Office had no issue with the movement of shares.

Karen Williams reviewed the June Investment and Securities Lending Report.

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

Adopted by the following vote: 7 – 0

The meeting adjourned at 10:43 am.

Minutes approved on \_\_\_\_\_

Brad St. Aubin, Chairperson  
Police & Fire Retirement System

Angela Bennett, Secretary  
Police & Fire Retirement System