

COPY

**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

November 6, 2012
Tuesday, 8:30 a.m.

The Board was called to order at 8:38 a.m.

Present: Trustees Fabus, Hecksel, Kraus, Oleson, St. Aubin, Wood – 6.

Absent: Trustee Benson, Bernero

Others: Angela Bennett, Karen E. Williams, Finance Department; Attorney Ken Lane, Clark Hill Law Office (representing the Law Department); Greg Stump, EFL Actuaries.

It was moved by Trustee Fabus and supported by Trustee Hecksel to approve the Official Minutes of the Police and Fire Retirement System Board Meeting of October 16, 2012.

Adopted by the following vote: 6 – 0

There were no comments for items on the agenda.

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: 349. 2 death(s), Michael C. Miller, Fire, died 9/7/2012, age 73, no beneficiary; Helen Kennedy, died 10/12/2012, age 95, spouse of Fire retiree. Refunds made since the last regular meeting amounted to \$0.00. Reimbursements to the System year-to-date amount to \$7,537.56. Retirement allowances paid for the month of October, 2012 amounted to \$2,125,137.48. Total retirement checks printed for the P&F System: 675. Total retirement checks printed for both systems: 1529 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 Applicant #2012-P0821. The medical director was waiting for a report from another doctor. The report has been received and the applicant has been scheduled to see the doctor.

There were no requests for non duty disability retirement.

There were no requests for refunds of accumulated contribution.

COPY

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

November 6, 2012
Tuesday, 8:30 a.m.

Page Two

It was moved by Trustee Hecksel and supported by Trustee Oleson to excuse Trustee Benson from the November Police and Fire Retirement System Board Meeting.

Adopted by the following vote: 6 -0

Ms. Williams updated the Board regarding the Arrivos Pension Software. Tegrift provided a demonstration of the Arrivos software for Board members. Trustee Hecksel discussed the Membership Portal, which would allow employees to perform retirement estimates and what-if scenarios. Trustee Wood expressed concern that the death check feature was not part of the base program. The Board discussed having the feature as an add-on to the software.

Karen Williams reported that the MAPERS Annual Membership Fees are due for renewal. The \$100 renewal fee is paid from the Securities Lending account.

It was moved by Trustee Oleson and Trustee Hecksel to renew the MAPERS Annual Membership and pay the fee from the Board's Administrative funds.

Adopted by the following vote: 6 - 0

Trustee St. Aubin informed the Board that the Military Service Credits would be discussed during the Actuarial Valuation with Mr. Greg Stump.

Mr. Greg Stump updated the Board the status of the military service credits calculations. Mr. Stump informed the Board that he met with Attorney Kenneth Lane to determine how the calculations should be prepared in accordance with legislation.

Mr. Stump stated that he did not receive an adequate response from the former actuary firm regarding how the calculations are done. However, Mr. Stump was comfortable with the legislation and his discussion with Attorney Ken Lane. Mr. Stump prepared test cases and his numbers were close to the former actuary's numbers for military service credits.

Mr. Stump recommended a written policy regarding military credit that would include calculations based upon the pay rate, contribution rate, interest rate (from the date the member is hired to the date of purchase) and number of years. Mr. Greg Stump stated that he used the current funding interest rate for the calculations. Mr. Stump provided in some cases universal time can be less expensive than military time. Mr. Stump stated that the policy can also include a provision that if universal time is less expensive, the member can choose to purchase the universal time.

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

November 6, 2012
Tuesday, 8:30 a.m.

Page Three

Attorney Lane indicated that a member who elects to claim the military service credit shall pay to the retirement system an amount together with interest equal to the annual contribution rate in effect at the time of his election multiplied by the number of years (either one or two).

Mr. Stump also recommended that the Police and Fire Board review and consider amendments to its EDRO policy.

Trustee Kraus indicated that there is a difference between how military time and universal time is used toward health care. Military time can be applied for health care; universal time cannot be used for health care.

The Board discussed the purchase of military time with deferred compensation. The Board recommended that the issue be resolved through collective bargaining.

It was moved by Trustee Fabus and supported by Trustee Hecksel accept the Military Time Calculation Policy until there is a written policy as the Pay Rate X Contribution Rate plus Interest rate (current assumption rate at time of purchase) x Years of Military Service. Trustee Wood offered a friendly amendment that was accept that the policy is accepted as recommended by EFI actuaries and contingent upon legal counsel review from the City Attorney's Office.

Trustee Wood requested that the written policy be included in the Retirement Ordinance.

Mr. Greg Stump presented the City of Lansing Police and Fire Retirement System Annual Review and Funding Policy. Mr. Stump provided an update of the actuarial valuation as of December 31, 2011 and discussed the demographic and investment experience. The 2011 Demographic Experience was favorable, but the Investment experience was unfavorable due to lower than expected returns.

Mr. Stump reviewed the assumption changes from the Experience Study. He reviewed long term funding and current costs. Mr. Greg Stump discussed his recommendation for a funding policy and moving to a close amortization schedule. Mr. Stump reviewed the difference between open and closed amortization.

Mr. Stump discussed the impact of implementing the new assumptions and provided an estimate of City Contributions to the Police and Fire Retirement System. Mr. Stump reviewed two alternate funding policies for the Board's review. His recommendation was to have a 10% increase per year (contribution amount) funding policy to implement the experience study assumptions. Mr. Stump stated that the phased in approach should catch up the actuarial cost within a reasonable time period of five years.

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

November 6, 2012
Tuesday, 8:30 a.m.

Page Four

Trustee Kraus requested input from Ms. Angela Bennett regarding the funding policy suggestion.

Ms. Angela Bennett reviewed the estimated city contributions amounts provided by EFI. Ms. Bennett agreed with the closed amortization. Ms. Bennett stated that the experience study assumptions should be phased in, taking into account the City budget challenges. Ms. Bennett had questions regarding the contributions if the experience study had not been implemented. Ms. Bennett inquired about the impact of the underfunding on the pension plan using the recommended policy. Ms. Bennett wanted to make certain that the valuation dates and the fiscal years presented were correct.

The Board discussed the EFI funding policy recommendations. Trustee Kraus expressed concern that the funding policy recommendation would be accepted as the full contribution because it would be below the actuarial cost.

Attorney Lane reviewed the proposal before the Board. Attorney Lane stated that the actuarial cost without the experience assumption changes would be \$9.2 million. If all the experience study contributions are accepted, the actuarial cost would be \$10.9 million. Attorney Lane reviewed that the funding policy recommendation would set the contribution at \$10.2 million. Attorney Lane informed the Board that he would review Public Act 314 to make certain the recommended funding policy does not violate current law.

Ms. Bennett requested that the Board delay action until she reviewed the actuarial numbers with Mr. Greg Stump regarding the valuation dates and the fiscal dates.

It was moved by Trustee Oleson and supported by Trustee Wood to accept the EFI Experience Study Assumption changes and adopt the recommended funding policy, contingent upon legal counsel review; and that it supersedes previous Police and Fire Board action regarding interest and inflation rate amendments.

Ms. Bennett expressed concern regarding the actuarial numbers provided in the presentation. Ms. Bennett would like to discuss the information with Mr. Stump to determine if the numbers correlate with the valuation dates and fiscal dates.

Adopted by the following vote: 6 – 0

Trustee Wood requested that if there were concern regarding the actuarial numbers after Ms. Bennett and EFI met, that Mr. Stump contact the chair as soon as possible.

Trustee St. Aubin reported that the 2012 Police and Fire Pension Contribution interoffice communication from Angela Bennett had been received by the Retirement Board.

It was moved by Trustee Wood and supported by Trustee Hecksel to accept the 2012 Police & Fire Pension Contribution notice that the City of Lansing contributed \$9,976,000 on November 1, 2012.

Adopted by the following vote: 6 – 0.

Attorney Ken Lane updated the Retirement Board regarding Public Act 314, immediate effect had been postponed. Attorney Lane updated the Board that there were amendments to Final Average Compensation that needed to be included in the Ordinance. Attorney Lane indicated that Wasatch did not provide all the necessary forms initially. The forms have been received and upon receiving signatures from the two chairpersons, the Wasatch investment could be funded.

Ms. Williams updated the Police and Fire Retirement Board regarding the Police Trustee Election. She informed the Board that if only one nominating petition was received, there would not be elections held.

Ms. Williams distributed the 2013 Meeting dates for the Police and Fire Retirement Boards.

Karen Williams reviewed the Quarterly Cash Flow and October Securities Lending Report.

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

Adopted by the following vote: 6 – 0

The meeting adjourned at 10:31 am.

Minutes approved on _____

Angela Bennett, Secretary
Police & Fire Retirement System

Brad St. Aubin, Chairperson
Police & Fire Retirement System