

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
MAY 4, 2013**

A special meeting of the Board of Trustees was held on Saturday, May 4, 2013 at the Retirement Office located at 2201 Auburn Road, Suite B, Auburn Hills, MI 48326. The meeting was called to order at 3:00 p.m.

TRUSTEES PRESENT

Shirley Barnett
Koné Bowman
Jan Gaffney
Charlie Harrison, Chairman
Walter Moore
Kevin Williams

OTHERS PRESENT

Cynthia Billings, Sullivan, Ward, Asher & Patton
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant
Steve Manning, Retiree
Larry Marshall, Retiree (*arrived at 3:05 p.m.*)
Billie Swazer, Retiree
Stacia Watkins, Def. Retiree (*arrived at 3:22 p.m.*)
Linda Watson, Retiree

TRUSTEES ABSENT

Robert Giddings (*excused*)
Leon Jukowski (*excused*)
John Naglick (*excused*)
Sheryl Stubblefield (*excused*)
Patrice Waterman (*excused*)

RETIREE HEALTHCARE

Chairman Harrison indicated that in light of what is going on with regard to retiree healthcare and maintaining the Fund, he would like to introduce a proposal to allow the attorney to proceed with exploring the details of a 420 Transfer.

Ms. Billings reported that at the last meeting the Board authorized sending the letter drafted by Chairman Harrison, to the Emergency Manager to extend an olive branch and offer assistance with retiree healthcare.

She explained that last fall, she and Chairman Harrison had several meetings with John Naglick, the Mayor and members of Council's Finance Committee to discuss presenting the idea of a 420 Transfer to the Retirement Board. The Emergency Manager however, wanted to explore the idea of "de-risking" and when the Board voted down his idea, he attempted to change the composition of the Board. Now we are back to exploring the possibility of a 420 transfer.

Fred Leeb was the first Emergency Manager to approach the Board regarding a 420 Transfer, as did Emergency Manager, Michael Stampfler. However, back then there was concern that the assets would go into a black hole and deplete the Pension System because the City had so many issues and there was no plan in place to get the City out of debt. Retirees were concerned that they could jeopardize not only healthcare, but also their pension. Now that there are safety nets in place, a 420 Transfer is a viable option.

She described the process and specifications of a 420 Transfer. The Pension System has to be more than 125% funded to make a one-time transfer of assets to pay for retiree healthcare. Currently, the City pays \$6 million annually for retiree healthcare.

The Pension Protection Act will allow a plan to make a one-time transfer to fund up to ten years of retiree healthcare expenses if the plan is 120% funded. There are stipulations which include 100% vesting in the System for everyone and healthcare benefits cannot be reduced for a period of five years from the day of the transfer. The unions were against it before

She has provided a legal opinion for the trustees outlining the details of how a municipal pension fund can fund retiree healthcare costs with excess pension assets using a 420 Transfer and under Michigan Public Act 28 of 2006.

There was discussion with regard to the assets of the System falling below 125% or 120% funded.

Trustee Bowman asked how the City would repay the contributions if the System fell below 120% or 125% funded since they do not have any money.

Ms. Billings stated that under state law, only 50% of the System's earnings in the prior year can be used. The Attorney General's Opinion indicates that only 50% of the earnings over the actuarial rate of return of 7.5% can be used and the funding ratio of 120%/125% must also be maintained under federal law.

Trustee Moore asked if this is on an annual basis.

Ms. Billings replied that this is on an annual basis.

She explained that the actuary would prepare a new valuation based on IRS required assumptions. In addition, the consultant will need to advise regarding the actual earnings for state law compliance; the System would need to take the lesser amount to be compliant with both state and federal law.

She requested that the Board authorize her to submit a Letter of Determination to the IRS for a 420 Transfer. The actuary will have to complete a valuation based on the IRS specifications. The IRS uses stricter options.

No contributions are being provided by the City and there is no cost for benefits earned by the employees. There is no unfunded actuarial accrued liability. The City has no active employees so there is no normal cost. There are no employees earning benefits. If investments go down they have to maintain a 120% to 125% funding ratio. This is another safety net.

Trustee Bowman asked if the System's funding ratio falls below 80% whether the System will have to go to MERS.

Chairman Harrison stated that at that time his assumption is that the Mayor or Council would be making that decision.

Trustee Bowman asked who would make up the contributions.

Ms. Billings stated that the underfunding would be put on the tax rolls and the community would be responsible.

Trustee Moore asked if Obamacare could provide for any of the retiree healthcare obligations. It would be good to know the provisions.

Ms. Zimmermann stated that there is training being offered on Obamacare and she is willing to attend.

Trustee Moore indicated that the Board has to look down the road and make a decision knowing all the provisions.

Trustee Moore and Ms. Billings indicated that they would be interested in attending the training.

The Board agreed to move ahead and determine whether a 420 Transfer is a viable option.

RESOLUTION 13-035 By Moore, Supported by Bowman
Resolved, That the Board direct legal counsel to obtain an Attorney General Opinion on State Law; an IRS Letter of Determination and an actuarial valuation based on the IRS assumptions required for a 420 Transfer.

Yeas: 6 – Nays: 0

RESOLUTION 13-036 By Moore, Supported by Williams
Resolved, That the Board authorize training for trustees and staff for Obamacare.

Yeas: 6 – Nays: 0

Ms. Watson indicated that Michigan will be implementing Obamacare starting in October, 2013.

Ms. Billings requested that the Board move to closed session to discuss pending litigation.

RESOLUTION 13-037 By Gaffney, Supported by Bowman
Resolved, That the Board move to closed session to discuss pending litigation.

Roll Call:

Trustee Barnett – yea	Chairman Harrison – yea
Trustee Bowman – yea	Trustee Moore – yea
Trustee Gaffney – yea	Trustee Williams - yea

The Board moved to closed session at 3:17 p.m.

Ms. Arndt, Mr. Manning, Mr. Marshall, Ms. Swazer, Ms. Watkins & Ms. Watson left at 3:17 p.m.

The Board returned from closed session at 3:31 p.m.

Ms. Arndt, Mr. Manning, Mr. Marshall, Ms. Swazer, Ms. Watkins & Ms. Watson returned at 3:31 p.m.

RESOLUTION 13-038 By Gaffney, Supported by Bowman

Resolved, That the Board approved to accept the settlement with Erica Robertson in the Onyx litigation.

Yeas: 6 – Nays: 0

RESOLUTION 13-039 By Williams, Supported by Bowman

Resolved, That the Board authorizes Sullivan, Ward, Asher & Patton, P.C. to file intervening action in the event the Emergency Manager attempts to reconstitute the Board or take any other action against the System or Board.

Yeas: 6 – Nays: 0

Ms. Zimmermann questioned whether the Board would like to change the start time for their monthly meeting to an earlier time on a regular basis. This would give them more time to cover each agenda item.

RESOLUTION 13-040 By Moore, Supported by Barnett

Resolved, That the Board approved changing the meeting start time for the monthly Board Meeting from 1:30 p.m. to 10:00 a.m. going forward.

Yeas: 6 – Nays: 0

Trustee Moore indicated that he would like to schedule another working session.

Chairman Harrison thanked all the trustees for taking time to attend the meeting. He specifically thanked Trustees Barnett, Bowman and Gaffney for coming. Trustee Barnett has been ill and Trustees Bowman and Gaffney had to change their schedules.

SCHEDULING OF NEXT MEETING / ADJOURNMENT

Regular Meeting: May 29, 2013 at 10:00 a.m. – Retirement Office, 2201 Auburn Road, Suite B, Auburn Hills, Michigan 48326

RESOLUTION 13-041 By Moore, Supported by Gaffney

Resolved, That the meeting be adjourned at 3:34 p.m.

Yeas: 6 – Nays: 0

As recorded by Jane Arndt