

**OFFICIAL PROCEEDINGS OF THE BOARD OF
TRUSTEES
CITY OF LANSING
EMPLOYEES' RETIREMENT SYSTEM**

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

October 17, 2019
Thursday, 8:30 a.m.

The Board met in regular session and was called to order at 8:31 a.m.

Present: Bahr, Dedic, Kehler, Kraus, M. Parker, Sanchez-Gazella, Schor, Washington – 8

Absent: Trustee Dennis Parker (excused)

Others: Karen E. Williams, Human Resources Department; Shelbi Frayer, Finance Department; Attorney Ken Lane, Clark Hill (representing the City Attorney's Office).

Trustee Mark Parker presided.

Trustee Linda Sanchez-Gazella requested to be listed as excused in the September meeting.

It was moved by Trustee Dedic and supported by Trustee Kraus to excuse Trustee Linda Sanchez-Gazella from the September Employees Retirement System meeting.

Adopted by the following vote: 8 – 0.

It was moved by Trustee Dedic and supported by Trustee Kraus to approve the Official amended Minutes of the Employees' Retirement System Board Regular Meeting of September 19, 2019.

Adopted by the following vote: 8 – 0.

There were no public comments.

8 new member(s), 0 reinstatement(s), 0 refund(s), 0 transfers, 7 retired. Total active membership: 460. Total deferred: 78. 2 death(s), William D. Jacobs (retired 8/17/1991 – Teamsters 243), died 8/26/2019, age 79, beneficiary to receive 100%; Victor Lootens (retired 4/21/2007 – UAW), died 9/24/2019, age 75, no surviving beneficiary. Refunds made since the last regular meeting mounted to \$0.00. Retirement allowances paid for the month of September 2019, amounted to \$1,990,454.32. Total retirement checks printed for the ERS System: 937. Total Retirement checks printed for both systems: 1693. Eligible domestic relations orders received: 0. Domestic relations orders pending: 0. Eligible domestic relations orders certified: 0.

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It was moved by Trustee Dedic and supported by Trustee Bahr to approve the following requests for regular age & service retirements:

Mark Parker (Public Service –UAW), 25 years of service credits, age 53, effective 11/22/2019 (with the purchase of 2 months of universal service credits)

Robin Wright (Finance – Teamsters 243), 19 years, 6 months of service credits, age 62, effective 11/1/2019

Adopted by the following vote: 8 - 0

Karen Williams reported that the Retirement Office received a request for duty disability from Applicant #2019-E0919.

The request for duty disability was referred to the disability subcommittee.

It was moved by Trustee Kehler and supported by Trustee Dedic to allow the disability subcommittee to meet to consider the request from Applicant #2019-E0919.

Adopted by the following vote: 8 - 0

The meeting recessed at 8:37 a.m.

The meeting resumed at 8:44 a.m.

It was moved by Trustee Kraus and supported by Trustee Sanchez-Gazella to send Applicant #2019-E0919 to the medical director for duty disability evaluation.

Adopted by the following vote: 8 - 0

There were request for non-duty disability retirements.

Karen Williams reported that the Retirement Office received a request for the refund of accumulated contributions for Laura Dixon, Police (Civilian), not vested, \$7337.18.

It was moved by Trustee Dedic and supported by Trustee Kraus to approve the following request for refund of accumulated contributions:

Laura Dixon, Police (Civilian), not vested, \$7,337.18

Adopted by the following vote: 8 - 0

Karen Williams reported that Trustee Dennis Parker contacted the Retirement Office and requested to be excused due to a family emergency.

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It was moved by Trustee Washington and supported by Trustee Schor to excused Trustee Dennis Parker from the October Employees' Retirement System Board meeting.

Adopted by the following vote: 8 - 0

Trustee Kraus provided an oral report for her attendance at the MAPERS Fall Conference. Trustee Kraus stated that the theme of the conference was "Late Cycle." This term was used to describe what was happening in the economy. The keynote speaker discussed Gross Domestic Product (GDP) and indicators that caused previous recessions. Trustee Kraus also attended workshops regarding unfunded liability. She remarked that the Lansing retirement boards with the advice of its actuary Boomershine had already adopted some of the suggestions that were discussed in the workshop, such as capping the amortization. Trustee Kraus also discussed PA202 and the mandate for an actuarial audit, and other topics such as a variable benefit defined benefit plan. Trustee Kraus discussed the Defined Benefit/Defined Contribution plan and how these hybrids may not be the best option for employees who are not investment savvy.

Trustee Bahr provided his oral report of the MAPERS Fall Conference. Trustee Bahr focused on trustee development, learning the differences of a qualified plan, defined contributions and defined benefit plans. He also discussed the importance of actuarial valuations.

Trustee Kraus discussed the Michigan Institutional Forum. Trustee Kraus discussed the importance of having a long-term investment plan. She reviewing the growth of machine and data investing. Many of the analysts of math, physics, and scientist that take a high-level analysis of the data. Trustee Kraus indicated that there are eight terabytes of data collected daily. Trustee Kraus indicated that there was a workshop on investment in Gold. Trustee Kraus discussed mitigating portfolio risk and to use caution when determining the source for making capital calls. Trustee Kraus reviewed the State of Kentucky pension system that was 13% funded. Kentucky is experiencing zero percent interest rates, and its pension system has a negative cash flow.

Karen Williams reminded members of the upcoming International Federation of Education, Benefit Plans (I.F.E.B.P.) Annual Conference.

There were no public comments for items not on the agenda.

Attorney Ken Lane provided sections of the Employees Retirement System Ordinance

that had been updated by the various collective bargaining changes. Attorney Lane recommended reviewing 292.01 (establishment of the plan) and 292.02 (definition section) and 292.14 (membership). He also discussed the 2019 recodification of the plan and deleting obsolete information.

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Attorney Lane will amend the updated Frequently Asked Question Document.

Karen Williams reported the Retirement Office received a request that an employee who was ready to retire wished to nominate a fiancée as beneficiary. Ms. Williams contacted legal counsel for a definition of who could be nominated as a pension beneficiary.

Trustee Mark Park disclosed that he was the employee who made the request to the retirement office.

Attorney Ken Lane provided a legal opinion of the definition of “insurable interest” as used in the General Employees’ Retirement System Ordinance, specifically under option A and B. Attorney Lane reviewed the City Attorney’s opinion from 1993. The definition is from insurance law and case law does allow a fiancée as a beneficiary. Attorney Lane indicated the difference between the insurance and the pension is that the pension beneficiary is irrevocable.

Trustee Schor expressed concern with designating a fiancée as a beneficiary.

Trustee Kraus explained for employees who choose a straight life, the accumulated contributions can go to an heir not the pension benefit. Trustee Kraus explained the pension benefit options are determined by actuary mortality tables.

Attorney Lane opined that he agreed with the City Attorney’s opinion that a member of the ERS can choose a fiancée as a beneficiary and does meet the definition of insurable interest. The ERS Ordinance broadly defines a beneficiary.

Trustee Dedic inquired if the ERS Ordinance definition of beneficiary also covers domestic partners.

Attorney Lane stated that an employee could legally marry his or her partner.

Trustee Washington expressed concern that there is a difference between fiancée and spouse. Trustee Washington feel that it is a slippery slope.

Attorney Lane opined that the ERS Board does not have legal authority to deny a fiancée as a beneficiary or amend the Retirement Ordinance.

Trustee Schor agreed that until there is an Ordinance change, employees could choose this option.

It was moved by Trustee Schor and supported by Trustee Kehler to order attorney to draft language that would only allow spouse, blood relative, or match what Police and Fire Ordinance.

Adopted by the following vote: 8 - 0

Attorney Ken Lane will research to determine if the change can be done by policy or if the change would need an Ordinance amendment. He will bring sample language to the next meeting.

Karen Williams reported that the Retirement Office had received seven proposals for the Legal Services Request for proposal (RFPQ) process.

Trustee Mark Parker referred the RFPQs to the Special Projects subcommittee: Trustee Kraus, Trustee Washington and Trustee Dennis Parker or his designee.

Ms. Williams presented Monthly Investment and the Securities Lending Report for the month of October 2019.

Trustee Mark Parker reviewed the monthly investment report and discussed how the portfolio is structure to participate in the up market but provide downside protection.

It was moved by Trustee Dedic and supported by Trustee Kraus to adjourn the Employees Retirement System Board September meeting.

Adopted by the following vote: 6 – 0.

The meeting adjourned at 9:43 a.m.

Minutes approved on _____

Shelbi Frayer, Secretary
Employees Retirement System

Dennis R. Parker, Chairperson
Employees' Retirement System