



City of Lansing

OFFICE OF THE CITY ATTORNEY

Brig Smith, City Attorney

March 20, 2012

Steve Harry
3125 Tecumseh River Rd.
Lansing, MI 48906

Via e-mail to: stevenharry@gmail.com

RE: Freedom of Information Act (FOIA) Request
Lansing Police & Fire Retirement Board records

Dear Mr. Harry:

In response to your request referenced above, received by this office on March 12, 2012, your request is granted in part and denied in part.

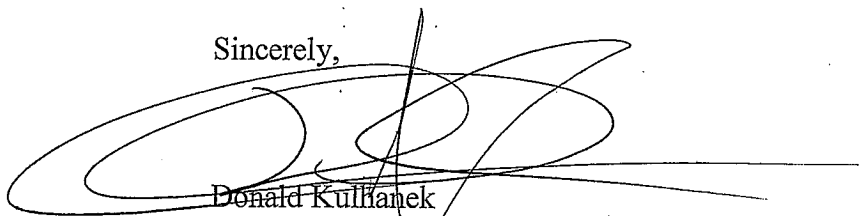
Enclosed please find a copy of the actuarial report. Please remit a check or money order payable to the City of Lansing in the amount of \$10.00 for labor, copying and mailing costs.

In regard to your request for a "20-year early retirement proposal," this part of your request is denied. This denial is based upon the FOIA exemption under MCL 15.243(1)(m), that exempts documents within a public body, of an advisory nature that are preliminary to a final determination of policy or action. Further, it is determined that in this particular instance the public interest in encouraging frank communications within the public body clearly outweighs the public interest in disclosure because disclosure would frustrate the collective bargaining process. In reaching this conclusion, I relied in part on the definition within the exemption which reads: 'As used in this subdivision, "determination of policy or action" includes a determination relating to collective bargaining.' As the document clearly relates to collective bargaining, and was produced prior to a final determination of policy or action, it is exempt.

If you disagree with this determination, you have the right to either appeal to the "head of the public body" or judicial review in Circuit Court. If you elect to appeal to the "head of the public body," you must submit a written appeal which specifically states the word "appeal" and identify the reason or reasons for reversal of the disclosure denial. If you elect the Circuit Court and the Court determines that records have been arbitrarily and capriciously denied, it may

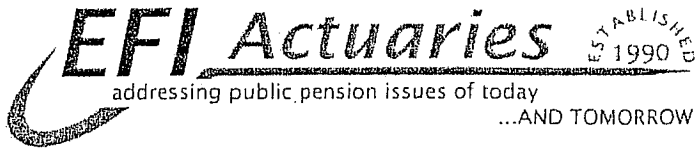
award actual or compensatory damages, punitive damages (in the amount of \$500.00), reasonable attorney fees, costs and disbursements.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Donald Kulhanek
Assistant City Attorney and
FOIA Coordinator

/mjp
Enc.



EASTERN REGION - PHILADELPHIA
200 W. Baltimore Avenue, 2nd Floor
Media, PA 19063

GREGORY M. STUMP, FSA | *Senior Vice President*
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gstump@efi-actuaries.com

December 8, 2011

Mr. Jerry Ambrose
Finance Director, City of Lansing
124 W. Michigan Ave., 8th Floor
Lansing, MI 48933

Re: Final Analysis of Early Retirement Window for Firefighters

Dear Jerry,

The purpose of this letter is to describe the results of our analysis of the potential Early Retirement Window (the Window) for Fire members of the City's Police and Fire Retirement System (the Plan). We have assumed that the window will be available during the first few months of 2012.

While it is impossible to achieve a cost-neutral benefit arrangement, we have based our calculations on a minimal expected impact on the Plan's current funding. In brief, the ability of Fire members to retire and collect a benefit prior to meeting the Plan's eligibility requirements is offset by a reduced lifetime benefit amount.

Eligibility

The Fire Union (Local 421) determined the criteria for Window eligibility as twenty or more years of service. Using this criteria and information we received from the Union, approximately 30 members were identified as eligible for the Window. We also identified another eight from our valuations data. The average age and service of all of these members as of December 31, 2011 are 47 and 21.5 respectively.

Benefits and Costs

The operation of Plan funding involves determining a dollar amount for each participant at a given point in time, and contributing to the Fund so that these amounts will be supported by Plan assets when the members retire. The amount for an individual at a point in time is known as their Actuarial Accrued Liability (AAL).

Our objective in this analysis was to determine an approximate benefit adjustment to apply to eligible early retirees, such that there would be no increase in the AAL for the group. To this end, we computed the Actuarial Accrued Liability (AAL) for the eligible early retiree group as of December 31, 2011, based on the actuarial assumptions and methods used for the 12/31/2010 actuarial valuation. This amount was about \$20 million.

If all of these members were to retire immediately with no benefit reduction, the AAL for the group would be \$23.7 million. Therefore, an average reduction of 16% must be applied ($100\% - 20 \div 23.7$). Rather than apply one factor to each member regardless of their service level, we determined a reduction *per year of*

service prior to normal eligibility (25 years or age 55). This would mean that, for example, a member with 20 years of service would be subject to a larger benefit reduction than a member with 24 years of service.

The reduction factor we computed is 4.6% per year, so that the following reductions would apply:

Year of service (assuming 25 years is reached prior to age 55)	Reduction Percentage	Multiply Accrued Benefit ¹ by:
20	23.0%	0.770
21	18.4%	0.816
22	13.8%	0.862
23	9.2%	0.908
24	4.6%	0.954

Partial years should also be considered. For example, a member with 23.75 years of service would be subject to a 5.75% benefit reduction (4.6% x 1.25 years).

An example from above follows:

Age as of 12/31/2011: 48.0
Service as of 12/31/2011: 23.0
Final Average Salary: \$75,000

Accrued Benefit = 3.2% x \$75,000 x 23.0 = \$55,200/year

Reduction = 4.6% x (25-23) = 9.2%

Reduced benefit payable immediately under the Window = \$55,200 x 0.908 = \$50,121.60/year

Conclusions

Our conclusion is that a reduced benefit payable to each of the eligible early retirees using the 4.6% per year factor (# of years = the lesser of 25 minus service as of 12/31/2011, or 55 minus age as of 12/31/2011) will result in an AAL that is approximately equal to the Plan's baseline AAL. Therefore the expected impact on the Plan's funding status would not be material.

We were also able to obtain from the Union a list of potentially interested window retirees, which was comprised of 11 members out of the larger group. If we assume that only these 11 members will retire under the window, we conclude that the same 4.6% reduction factor is adequate. The AAL for these members is \$5.7 million on both a valuation basis and with the reduced benefits payable immediately.

A crucial caveat to this analysis is that cost neutrality is not an absolute measure. In other words, there is no possible way to ensure that a special Window program will be without cost to the Plan. This is due to the uncertain nature of the calculations themselves. Actuarial assumptions are based on estimates of future events, most notably investment returns and retiree life expectancy. All of the calculations and conclusions


¹ Accrued benefit = 3.2% of estimated Final Average Salary multiplied by years of service as of December 31, 2011.

of this study are based on our best estimates of these future events. Actual experience will differ from what we have assumed.

The City should also consider other non-pension implications such as payroll and healthcare costs, as well as other staffing and benefits issues. These are beyond the scope of our analysis, but nonetheless important to the City and its finances.

Our analysis is based on the actuarial assumptions used in the most recent valuation, and does not assume any adjustments for layoffs or other experience different than predicted by these assumptions.

Sincerely,



Gregory M. Stump

cc: Ms. Karen Williams – Lansing Retirement Office
Lansing Police and Fire Retirement System Board
Ms. Karen Earley – EFI Actuaries