

**CITY OF LANSING
SPECIAL JOINT POLICE & FIRE and
EMPLOYEES RETIREMENT SYSTEM
MINUTES**

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

January 15, 2013
Tuesday, 8:30 a.m.

The meeting was called to order at 8:40 a.m.

A quorum of the Police and Fire Retirement Board and the Employees Retirement Board was present.

Trustees present: (Police & Fire), Benson, Fabus, Hecksel, Kraus, St. Aubin, Wood 6.

(ERS), Dedic (9:20), Kraus, McCaffery, Munroe, Parker, Rose, Wood – 7.

Other presents: Michael J. Noble, Cheiron, Karen Earley, EFI/Cheiron, Greg Stump, Boomershine; Karen Williams, Angela Bennett, Finance Department; Ken Lane Clark Hill Law Office (representing the City Attorney's Office).

Mr. Michael J. Noble, Cheiron, provided an overview of the merger between EFI and Cheiron. Mr. Noble informed that Cheiron and EFI merged as of January 1, 2013. Mr. Noble stated that the owner of EFI was retiring and looking to merge with another company. Mr. Noble provided a history of Cheiron, who have been in business for ten years. The business has grown to 90 people and offices throughout the country. Cheiron specializes in multiemployer public plans. Mr. Noble stated that Cheiron would bring more resources regarding health care, risk analysis to the Retirement Boards. Mr. Noble stated that the contract or fee that EFI has with the Board will not change.

Trustee Rose inquired about the new structure of the merged company.

Mr. Noble stated that Cheiron takes that the company does take a dual actuary approach. Mr. Noble indicated that there will be two consultants working with clients. Mr. Noble will be working with Karen Earley with the Lansing Retirement Board.

Trustee St. Aubin inquired about the timing of the merger and indicated the Board was informed of the possible merger.

Mr. Noble stated that EFI had been looking for another firm for months, but Cheiron did not begin merger discussions until late November, December. Cheiron would be the governing body.

Mr. Gregory Stump stated that he was at the Board meetings to give background and he agreed that the merger discussion with Cheiron were within the last month.

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Ms. Karen Earley discussed the Actuarial valuation as of December 31, 2011. Several changes in assumptions and methods were recommended in the Experience Study for the plans. The Boards of each system had agreed to a strategy, proposed by EFI, to increase the City's contribution to each by 10% per year until the full actuarial cost was reached. However, upon legal review it was found that this approach did not satisfy state law, which requires that no less than the actuarial cost be contributed each year.

Trustee Hecksel explained that the Retirement Boards wanted to phase-in the impact of the assumption changes for the City. Trustee Hecksel stated that the Boards wanted to make the changes as predictable and incremental as possible while still maintaining its fiduciary responsibility.

Mr. Mike Noble provided an explanation of the alternate strategy that would allow graduate implementation of the recommended assumption changes, while allowing the full actuarial cost to be contributed to each fund. The new assumed inflation rate would be 3.3% and the assumed investment return would be 7.8%.

Attorney Ken Lane reviewed the minutes of the last several Board minutes and provided a background of the Retirement Board's action. Attorney Lane stated that he believed that the City provided a partial contribution based upon the rates in place prior to the Experience Study recommendations. At this time, the Experience Study recommendations or the Actuarial valuation has not been accepted by the Board. Attorney Lane inquired about the timeline of approval of these recommendations and the actuary report.

Ms. Angela Bennett reported that the City's partial contribution was based on the prior year's actuarial valuation. The remainder of the contribution will be made upon the Board's approval of the recommendations and the actuarial valuation. The valuation is needed to build the actuarial required contribution (ARC) payment. The payment would be due before the end of the City's fiscal year in July.

Attorney Ken Lane opined that state law indicates that the City must contribute what the actuarial valuation states in the Report.

Ms. Angela Bennett inquired if the remainder of the experience study recommendations were implemented in the actuarial report.

Mr. Gregory Stump confirmed that all of the actuarial assumptions were implemented at 100% with only amendments to the assumed inflation and assumed investment return. Mr. Stump reviewed that he worked with Ms. Earley to provide an alternative that would allow the gradual implementation of the recommended assumption changes, will allowing the full actual cost to be contributed to each fund.

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Mr. Michael Noble discussed the impact of varying inflation rates and investment returns on actuarial results. The actuary report also recommended that the Retirement Boards should review the economic assumptions each year.

Ms. Karen Earley reviewed the recommendation for both Boards to approve a closed amortization for the retirement plans. Mr. Noble discussed how the closed amortization will improve funding for the plans.

It was moved by Trustee Hecksel and moved by Trustee Kraus to adopt the actuarial valuation recommendation by Cheiron/EFI to change the assumed inflation rate to 3.3%, the assumed investment return to 7.8%, and change the 30-year open amortization to 30-year closed amortization. Trustee Wood offered a friendly amendment accepted by Trustee Hecksel to also include the adoption of the remainder of the Experience Study recommendations that include termination, disability and mortality rates.

Adopted by the following vote: 6 - 0

It was moved by Trustee Rose and supported by Trustee Wood to adopt the actuarial valuation recommendation by Cheiron/EFI to change the assumed inflation rate to 3.3%, the assumed investment return to 7.8%, change the amortization from 30 year open to 30 year closed, and approve the remainder of the Experience Study recommendation as of the valuation date December 31, 2011.

Adopted by the following vote: 7 - 0.

Mr. Michael Noble discussed that Cheiron had other municipalities throughout the Midwest, but no clients in Michigan. Mr. Noble suggested that the Boards should review the new GASB changes with the Actuary in the coming months.

The Meeting adjourned at 9:53 a.m.

Minutes approved on _____

Angela Bennett, Secretary

Scott Dedic, Chairperson
Employees Retirement System

Brad St. Aubin, Chairperson
Police and Fire Retirement System