

PENSION FUNDaamentals®

Trustee Development Seminar VI

Fundamentals of Retirement System Administration

MAPERS

Fall 2013 Conference

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Objective for Trustee Development Seminar VI

To provide Retirement System Trustees and Plan Administrators with a general overview of many of the basic policies and procedures necessary for the proper administration, management and operation of the Retirement System.

When is it appropriate to adopt policies?

Answer: NOW

**Boards should be proactive in
adopting policies & procedures,
not reactionary.**

Importance of Policies

- **Facilitates answering questions**
 - **Provides members, retirees, trustees and staff information necessary to make informed decisions**
- **Establishes past practice – Consistency**
- **Protection of the Plan**
 - **Insurance against arbitrary & capricious action**

Good Policy Practice

- **Identify Administrative Issues**
- **Work with Interested Parties**
- **Review with Board, Employer, Unions, Professionals and Staff**
- **Adopt Written Policies**
- **Implement**
- **Follow**
- **Monitor / Update**

Service Retirement Policy

- **Intended to provide guidance on filing for retirement to ensure timely and accurate processing of benefits.**
- **Policy should include procedures and forms necessary for retirement and designate individuals responsible to provide / process information required for retirement.**

Service Retirement Policy

- **Written application must be submitted in advance**
 - **Birth certificate(s), marriage license, divorce orders**
- **Review for accuracy, provide estimate, discuss optional forms of benefits**
- **Upon separation, final benefits calculated and approved by Board**

Service Retirement Policy

- **Advise member of commencement of benefit payments**
- **If lump sum payment, provide IRC § 402 Notice**
- **Policy should ensure that retirement file is well-documented and reflects that benefits were accurately determined and member was properly advised of benefit options.**

Disability Retirement Policy

- **Written application which details nature and cause of disability**
 - **Date/ time of injury, witnesses, extent of injury, medical treatment, examining physicians, etc.**
- **Medical record release signed by applicant**
- **Board designates independent physician as medical advisor**
- **Board notifies examining physician of standard of review**

Disability Retirement Policy

- **Medical advisor submits specific findings**
- **Member should be provided proper notice**
- **Board should provide appeal process**
- **Arbitrary and capricious standard of review**

Disability Re-examination Policy

- **Regular review schedule**
 - **See plan document for frequency & duration**
- **Well-documented & administered consistently**
- **Medical record release**
- **Independent physician to serve as medical advisor**
- **Standard of review**
- **Medical advisor submits specific findings and detailed reports to Board**

Disability Re-examination Policy

- **Board should obtain all information necessary to make informed decision**
- **Member should be provided with proper notice**
- **Also address:**
 - **Action for failure to comply**
 - **Physical improvement / return to employment**
 - **Service credit**
- **Arbitrary and capricious standard of review**

Disability Retirement Offset Policy

- **Types of benefits which will be offset**
- **Period of time offset is in effect**
- **Limitations on income or benefits**
- **Method of income verification**
- **Action for failure to comply**
- **Confidentiality of financial information**
- **Workers Compensation Redemptions**

Service Credit Purchase Policy

- **Who is eligible to purchase service credit?**
- **What types of service may be purchased?**
- **What is the cost to purchase service?**
- **What is the method and period of payments?**
- **Tax issues**
- **Amount of service available to be purchased?**
- **Verifying prior service**
- **Coordination of time with other retirement systems**

Credit Card Policy

- Who is authorized?
- What purposes the card may be used for?
- Who is responsible for safekeeping?
- Who monitors use?
- Who pays invoices?
- Who obtains the card?
- How should expenses be documented?
- What is the credit limit?

Record Retention Policy

- **What is a “record”?**
- **Establish an inventory of all existing records**
- **Establish retention periods**
- **Submit to legal counsel for review**
- **Board should approve Record Retention and Disposal Schedule**
- **All records to be managed in accordance with FOIA**

Freedom of Information Act Policy

- **Appointment of a FOIA Coordinator**
- **Procedures for Receiving FOIA Requests**
- **Appeals to the Retirement Board**
- **Costs**

Administrative Review Policy

- **Subject to Review by Circuit Court under arbitrary and capricious standard**
- **Time period for Board to notify individual of decision**
- **Notification in writing containing the reason for the Board's decision**
- **Individual should be given reasonable time to file written objection**
- **Establishment of an administrative review panel**

Domestic Relations Orders Policy

- **Sample Orders**
- **Member's right to privacy**
- **Proposed orders should be reviewed prior to entry by Court**
- **Costs**
- **Acknowledge receipt of all orders**
- **Legal counsel reviews all orders**
- **Board resolution acknowledging receipt of an approved order**
- **Requests for estimates and calculations**
- **Benefit commencement dates**

Benefit Estimate Policy

- **What types of estimates will be provided?**
- **Frequency**
- **Costs**
- **Who calculates the estimates?**
 - **Staff or actuary**
- **To whom will estimates be provided**
- **Estimates are only guides to assist in decision making (non-binding)**

AFC and Service Credit Policy

- **What is “compensation” for retirement purposes?**
- **Who calculates AFC?**
- **What is considered a “year”?**
- **Do years need to be consecutive?**
- **What items are used for determining employee contributions?**
- **How is service credit calculated?**

Verification of Retiree / Beneficiary Data Policy

- **How often are records updated?**
- **Who is responsible for monitoring?**
- **How is information stored and updated?**
- **What verification methods are used?**
- **What action will Board take for failure to comply?**

Election Policy

- **When, where and how frequently?**
- **Nominations**
- **Petition preparation**
- **Ballot preparation**
- **Determination of eligible voters**
- **Ballot collection**
- **Ballot tabulation**
- **Resolution of ties**

Education Policy

- **Travel request submission and approval**
- **Documentation required for requests / reimbursement**
- **Limitations on frequency and/or location**
- **Expenses eligible for reimbursement**
- **Responsibility for reservations / travel arrangements**

Code of Conduct (Ethics) Policy

- **Acceptance of gifts, favors, services, etc. in official capacity**
- **Business or professional activities in which a trustee may participate**
- **Restrictions on personal investments**
- **Disclosure of personal or financial information**

Actuarial Policy

- **Economic assumptions**
- **Demographic assumptions**
- **Period of review**
- **Experience studies**
- **Actuarial audits**
- **Actuarial supplemental studies**
- **Costs**
- **Summary Annual Reports**

Investment Policy

- Purpose of the policy
- Who is responsible for what duties?
- Set investment management objectives and goals
- Establish specific risk, return and liquidity guidelines

Investment Policy

- **Detail allowable or prohibited investments**
- **Establish asset allocation guidelines and benchmarks**
- **Set procedural guidelines**
- **Address selection and monitoring of investment managers**

Securities Litigation Policy

- Monitor securities litigation claims filed and proceeds recovered
- Review past and present holdings to determine losses and potential claims
- Assess the merits of the claims to determine whether to pursue as lead plaintiff or class member, or to opt-out and pursue individual action

Proxy Voting / Good Corporate Governance Policy

- **Proxy votes are an asset of the retirement system**
- **Ensure that all proxies are being reviewed and filed timely**
- **Votes are made in the best interest of the Retirement System's members and beneficiaries**

DUE DILIGENCE POLICY

Essential and appropriate to conduct due diligence of Retirement System professional advisors.

Formalize advisor review procedures by developing a regular review schedule and procedure which may address:

- Schedule of Review**
- Services to Reviewed**
- Level of Review**
- Review Process**

Question / Comments

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IMPORTANT NOTE: This summary is intended to be informational only and this session is intended to provide a general overview of the subject matter covered. This information should not be considered the rendering of legal, accounting, or other professional services and should not be used as a substitute for consultation with professional advisers.

Retirement Communications

- **Annual Reports**
- **Member Financial Reports**
- **Member Handbooks**
- **Annual / Special Meetings**
- **Seminars / Workshops**
- **Newsletters**

Retirement Communications

- **Calendars**
- **Pre-membership Interviews**
- **Exit Interviews**
- **Web site**
- **Promote meeting attendance**