

MINUTES OF THE RETIREMENT BOARD
Thursday, August 9, 2018

A meeting of the Retirement Board was held on Thursday, August 9, 2018 at 8:30 a.m., in the Administration Building, 9th Floor Committee Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Bryan Santo, Bob Smith, Gary Cutler, Matthew Murphy, Larry Rocca, George Brumbaugh

Excused:

Mark Deldin, Carol Grant

Also Present:

Stephanie Dobson, Stephen Smigiel, Larry Lee, John Schapka, Tom Michaud, Mike Holycross, Andrew McKinnon

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:32 a.m. by Vice-Chair Santo.

2. Adoption of Agenda

A motion was made by Trustee Smith, supported by Trustee Rocca to adopt the agenda as presented. The motion carried.

3. Approval of Minutes

a. July 26, 2018

A motion was made by Trustee Rocca, supported by Trustee Murphy to approve the minutes of the July 26, 2018 meeting as presented. The motion carried.

4. Approval of Invoices

A motion was made by Trustee Cutler, supported by Trustee Murphy to approve the invoices as presented. The motion carried.

5. Public Participation

None

6. Retirement Administrator Report

Ms. Dobson thanked the Board members for the feedback that was provided to her related to the online retirement calculator tool. They are currently targeting a release date of August 20th with notification of its availability via a countywide email to all employees.

She also provided an update on the progress of the Annual Signature Verification. At this time, there are 36 individuals who have still not returned the required documentation. She will be sending out a third notice to these individuals advising them that effective October 1st, their health care and pension benefits will be suspended until they have complied with the requirements. This number is higher than it has been the last several years even with eliminating the requirement that the document be notarized. She is expecting this third notice to go out via certified and regular mail on Monday.

Vice-Chair Santo took a moment to commend Ms. Dobson and her team on the work they have put into making the online calculator a reality. He believes this tool will eventually have a very positive impact on her department by eliminating much of the manual work she and her staff have been doing. Initial phone calls from those looking for assistance with the new tool will hopefully not be too overwhelming and should subside relatively quickly. Ms. Dobson is looking forward to seeing this finally being implemented.

A motion was made by Trustee Smith, supported by Trustee Rocca to receive and file the Retirement Administrator Report. The motion carried.

7. Pension Board Hearing – Joseph Cada

Mr. Michaud provided the Board with some background regarding the reason for Mr. Cada's appearance before them today. Mr. Cada is a former County employee who has requested that prior service time he earned while employed at Macomb Community College be credited to him (under the Reciprocal Retirement Act), so he can begin collecting his pension now. Mr. Cada's attorney (Mr. D'Onofrio) had previously supplied the Board with a considerable amount of documentation pertaining to this request and Mr. Michaud opened the topic up for questions.

Mr. D'Onofrio added some additional information related to the difficulty his office has had in getting accurate reporting information from the College. He has an "Account Summary" from the Office of Retirement Services (ORS) that shows Mr. Cada earned 3.3176 years of creditable time. Unfortunately, he has been able to obtain nothing from the College itself that actually shows the time Mr. Cada earned. At the time of his termination, Mr. Cada had obtained 23 years and 10 months of service with the Macomb County Sheriff's Department. Mr. D'Onofrio is asking the Board to consider this cumulative time under the Reciprocal Retirement Act and allow Mr. Cada to begin collecting his pension now.

Mr. Michaud explained that there are two sections of the Reciprocal Retirement Act (Public Act 88) that are in question given Mr. Cada's situation. He provided details about Sections 4 and 5 and how each would apply here.

Trustee Murphy inquired about one of the documents in the packet which was a handwritten letter from Mr. Cada that appears to request his prior service time at the College be credited to him. Trustee Murphy asked which section of the Reciprocal Retirement Act that would fall under. Mr. Michaud responded that Mr. Cada would have had to apply for service retirement before he separated from employment. Part of that application would have included submitting information supporting prior service to make him eligible for retirement before he separated from employment. Trustee Murphy indicated that it was his understanding that the handwritten request from Mr. Cada was not found in his personnel file with Human Resources and Labor Relations (HRLR), but for some reason had been held in his personnel file at the Sheriff's Department. It had also not been date stamped when it was received.

Mr. Schapka inquired about the report from the ORS. Mr. Cada did not work for the ORS, so he is wondering what the College (as the prior employer) is actually reporting for the service credit that Mr. Cada earned while he worked there. Mr. D'Onofrio acknowledged that the College afforded a much lower amount of service credit (0.52 years), but noted that in the documentation he supplied, the ORS had the ability to adjust the amount of credit earned, given that the College (according to the ORS) was underreporting the credit earned. Mr. Schapka questioned why the number provided by the ORS would be the determining factor. Mr. D'Onofrio indicated that it was because the College was underreporting the credit and that he has a letter from the ORS confirming this. Mr. Schapka pointed out that the letter from the ORS is from someone who no longer works there.

Retiree Representative Brumbaugh asked for an explanation of who exactly the ORS is. Mr. Michaud said that it is the Office of Retirement Services of the state of Michigan. He said that many municipalities participate in the state system which is administered by the ORS. To Mr. Schapka's point, Mr. Michaud confirmed that the prior employer really needs to verify what the total amount of service credit actually is because reciprocal retirement is recognized between two municipalities.

Trustee Smith questioned whether the issue is more with the fact that Mr. Cada did not request to add the service credit before he separated from employment with the County or with the amount of the service credit. He sees the issue as because Mr. Cada did not apply for retirement and request the prior service credit before separating that is why the Reciprocal Retirement Act cannot be applied.

Mr. D'Onofrio directed the Board's attention to the document that was mentioned earlier. This is a handwritten letter dated March 21, 2013 from Mr. Cada requesting his prior service credit be applied. He was terminated on March 26, 2013. At the time, this letter was given to then Undersheriff Kent Lagerquist. Mr. Michaud stated that because Retirement Services does not have an application on file for Mr. Cada or documentation requesting prior service credit before he separated employment that is the reason at this time that his request has not been approved.

Mr. D'Onofrio stated that even if Mr. Cada had applied for retirement before his separation, he would still not have been eligible because the College was underreporting his service credit. He would have essentially been in the same situation as he is right now. There has been on-going litigation with the College and Mr. D'Onofrio has been unable to get them to admit to and correct the mistake on their end. This is why he must rely on the information he has received from the ORS.

Mr. Cada stated that he had submitted the letter to the Undersheriff and then there were subsequent conversations with his union representative and Mr. Eric Herppich (the Director of HRLR at the time) regarding the issue with having the College supply verification of the service credit he earned. He maintains that he did try to request his service credit be applied so he could file for retirement benefits prior to his separation with the County.

Trustee Smith asked if there was something in the letter from the ORS stating how they came to the conclusion that the College had made an error in reporting Mr. Cada's hours. Mr. D'Onofrio responded that the ORS reviewed all of the documentation that was submitted and that their conclusion was based on how Mr. Cada was working (part-time/full-time) and going to school (part-time/full-time) during that period. Retiree Representative Brumbaugh asked if they have received anything from the College acknowledging that they made a mistake in reporting Mr. Cada's hours. Mr. D'Onofrio said that the College has refused and that the ORS made the adjustment because the College would not agree that an error was made.

Mr. Schapka inquired about the case number for the litigation that Mr. D'Onofrio had mentioned earlier that involved the College. Mr. D'Onofrio provided that case number (14-4246-PZ) and indicated that the litigation had been concluded.

Mr. Michaud asked Mr. D'Onofrio if he thought they would be able to get confirmation from the College that the letter from the ORS was an operative document. Mr. D'Onofrio said that the College has not been forthcoming and he does not feel it is likely they will be cooperative. Trustee Murphy asked if there is any documentation to indicate that the ORS has the final say on this. Mr. Michaud said that because the ORS is calculating the service credit and that the participating employers in that retirement system are funding benefits based on the ORS's determination of service credit, the Board could reasonably rely on that document for retirement purposes.

Retiree Representative Brumbaugh asked who the parties were to the litigation. Mr. D'Onofrio confirmed that it was between Mr. Cada and Macomb Community College. Retiree Representative Brumbaugh asked what the result of the litigation was. Mr. D'Onofrio responded that it was determined the case should go before an Administrative Law Judge (not the Circuit Court) and was ultimately dismissed with no judicial determination being made. That is why they have chosen to now come before this Board.

Mr. Michaud asked if Mr. D'Onofrio could contact the ORS and have them send a letter directly to Macomb County stating what Mr. Cada's service credit is. Trustee Murphy asked if it would help to have an affidavit from retired Undersheriff Lagerquist stating that he had received the letter from Mr. Cada prior to his termination. Mr. Michaud indicated that any and all documentation that could bolster their case would be beneficial. Once additional information is received, this matter will be placed on the next meeting agenda for further review and discussion.

A motion was made by Trustee Rocca, supported by Trustee Smith to receive and file the information provided today by Mr. Cada and Mr. D'Onofrio. The motion carried.

8. Blackstone update

Ms. Julie Marracino joined the meeting to provide the Board with an update on the Blackstone portfolio. She reviewed the Blackstone Tactical Opportunities Fund (BTOF) first. The fund is currently in harvest mode and has begun returning capital. The return has been about 9.5% net of fees.

Ms. Marracino also discussed some of the investments within the portfolio. Mr. Holycross asked what the team expects the ending return to be on this portfolio. She responded that they are hoping to get closer to an 11% net return and are expecting to continue returning the majority of capital across the next 2-3 years with returns tapering off during the final three years of the life of the investment.

She then reviewed the Strategic Partners fund and described the make-up of that portfolio. The fund is performing in line with where they want it to be and they are expecting it to reach about a 17% net return. The investment period should be wrapping up very soon and capital calls on this fund are done on a quarterly basis.

A motion was made by Trustee Smith, supported by Trustee Murphy to receive and file the Blackstone update. The motion carried.

9. Unfinished Business

Retiree Representative Brumbaugh asked if it would be possible for Ms. Dobson's office to share the names of the 36 retirees who had not yet responded to the annual signature verification. He thought that the Retirees' Association might be able to help reach out to some of those individuals and see if they could help her office achieve full compliance. He would be willing to see if they are members of the Association and also send out a letter notifying them of the need to comply, so their pension benefits do not get suspended. Mr. Michaud said it would be appropriate for her office provide the Association with a list of names, but not their addresses.

A motion was made by Trustee Murphy, supported by Trustee Rocca to request Ms. Dobson's office provide the names of the 36 individuals who have not responded to the annual signature verification to Retiree Representative Brumbaugh for purposes of cross-checking and possible additional notification. The motion carried.

10. New Business

Mr. Smigiel advised the Board that Mr. Troy Jaros from Conduent would be in attendance at the next meeting to present the 2017 Actuarial Valuation. Mr. Smigiel hopes to have a draft available for the Board members to review within the next day or so. He noted that preliminary results are very good and funding status overall is just shy of 98%. The general group is the lowest funded at this point at around 86%, Sheriff and Roads are around 99%, and Martha T. Berry is at 114%.

11. Adjournment

There being no further business before the Board, a motion was made by Trustee Smith, supported by Trustee Rocca to adjourn the meeting at 9:33 a.m. The motion carried.