

MINUTES OF THE RETIREMENT BOARD
Thursday, September 20, 2018

A meeting of the Retirement Board was held on Thursday, September 20, 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, Carol Grant, Larry Rocca, George Brumbaugh

Excused:

Mark Deldin, Matthew Murphy

Also Present:

Stephanie Dobson, Stephen Smigiel, Joe Biondo, Andy McKinnon, Tom Michaud, Mike Holycross

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:33 a.m. by Vice-Chair Santo.

2. Adoption of Agenda

Vice-Chair Santo requested to move agenda item #9 (Retirement Application Process – contract language discussion) to #6 and move all subsequent items down one spot. There were no objections.

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

3. Approval of Minutes

a. September 6, 2018

A motion was made by Trustee Grant, supported by Trustee Rocca to approve the minutes of the September 6, 2018 meeting as presented. The motion carried.

4. Approval of Invoices

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

5. Public Participation

None

6. Disability Application process – contract language discussion, Andrew McKinnon

Mr. McKinnon distributed a handout to the Board with a copy of the document that is signed when an employee enters the Deferred Retirement Option Plan (DROP) as well as a copy of the language

pertaining to the DROP from the Memorandum of Understanding (MOU) the County has with the Police Officers Labor Council (which represents the Command Officers). The language he wishes to discuss in these documents relates to participation in the DROP being “irrevocable” upon election to participate. Retirement Services recently had a member who is employed by the Sheriff’s Department come in, complete the paperwork to participate in the DROP, and then returned wanting to change his mind because his life circumstances had changed dramatically. His application was still in process, but revoking participation is not allowed by the language in the DROP paperwork and the union agreement.

Mr. McKinnon reviewed the MOU and spoke with Mr. Michaud. He requested the Board take a look at the information he passed out and noted the highlighted sentences. He believes there is some conflicting language between how the department is operating and what the MOU says. In this circumstance, Mr. Michaud suggested reviewing the application for any errors that would make it unacceptable. Mr. McKinnon said that he found that the individual did not sign his full name when he completed the DROP application, considered that to be an “error,” and rejected the application and notified the member that he would need to complete a new one if he wished to proceed with participation in the DROP.

Mr. McKinnon wanted to bring this to the Board’s attention, so they would know how it had been handled. He also intends to work on cleaning up the language in the MOU during the next round of negotiations with whichever groups it is applicable. Mr. Michaud indicated that you would typically want someone to file an application at least 30 days before their effective participation date and that participation date could be used as the deadline for revoking participation or a particular window could be specified (for example, seven days after signing) during which participation could be revoked.

A motion was made by Trustee Grant, supported by Trustee Rocca to receive and file the information provided by Mr. McKinnon. The motion carried.

7. Retirement Administrator Report

Ms. Dobson provided the activity numbers through the month of August. Her office is still hearing great feedback on the self-service online calculator. They have not received nearly as many calls for assistance as they were expecting and people seem to be finding the tool to be very user-friendly.

She also reported that four retirees have still not responded to the Annual Signature Verification and will have their pension and health benefits suspended for October. This is close to the usual number. Last year there were five individuals who did not respond prior to suspension of benefits.

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

8. EnTrustPermal portfolio update/presentation (Special Opportunities Fund IV), Gregg Hymowitz

Mr. Warren Tolman and Mr. Gregg Hymowitz joined the meeting to provide an update on the EnTrustPermal portfolio and also give a presentation on Special Opportunities Fund IV. Mr. Tolman began by advising the Board that they have a little over \$21 million dollars from the EnTrust Diversified Fund which will be coming back to them toward the beginning of next year. Special Opportunities Fund III (in which the Board allocated \$15 million) is currently in harvest mode and about 12% of capital has been returned thus far.

Mr. Hymowitz continued with a quick review of Special Opportunities Fund III. This is a global portfolio which mostly includes the U.S. and Europe. He mentioned that he feels it is too early to see opportunities in the emerging markets.

Mr. Hymowitz also reviewed the Special Opportunities Funds from a historical perspective. He stressed that their primary concern is how much money they put into an investment and how much money they get out of it when they exit. They are not concerned much about what happens in between. He also discussed the realized returns on 45 co-investments across all of the Funds.

Mr. Hymowitz examined the performance of the investments in Special Opportunities Fund IV as of July 31, 2018 and then covered performance of the Board's investment in Special Opportunities Fund III. They committed \$15 million in February 2015, all capital has been called and they are now in distribution mode. As of July 31, 2018, \$1.8 million (roughly 12%) has been returned so far with 50% more expected to be returned by 2019. This is their best guesstimate at this time and Mr. Hymowitz cautioned that changes can occur at any time.

Trustee Cutler asked what their expectations are for domestic U.S. and non-U.S. investments in Special Opportunities Fund IV. Mr. Hymowitz responded that he does not foresee it being materially different than what it has been historically (roughly 65% North America). Before departing the meeting, Mr. Hymowitz also discussed several of the books he has read recently as well as some that he will be reading soon.

A motion was made by Trustee Grant, supported by Trustee Rocca to receive and file the EnTrustPermal portfolio update/presentation (Special Opportunities Fund IV) by Mr. Hymowitz. The motion carried.

Mr. Holycross asked for a discussion about rolling the proceeds from Special Opportunities Fund III into a new investment in Special Opportunities Fund IV. He stated that AndCo believes in this product and he believes it makes a lot of sense to (at a minimum) take their \$15 million from Fund III into Fund IV. Vice-Chair Santo asked about the money coming back to them from the EnTrust Diversified Fund. Mr. Holycross said that it is not earmarked for anything specific at this point and they will look at what to do with those funds once the money is available.

A motion was made by Trustee Smith, supported by Trustee Rocca to follow Mr. Holycross' recommendation and roll the \$15 million from Special Opportunities Fund III into a new investment in Special Opportunities Fund IV.

Trustee Cutler asked Mr. Holycross to go over how EnTrust's incentive fee is paid. The way he is understanding it, the Board would be capped at a 7.50% return. Mr. Holycross explained that there is a 90/10 split, so EnTrust will get 10% on anything over 7.50 and 1.25, but it is subject to a high watermark which is good because if there is an investment later on that doesn't work, the Board gets to call back so that they are always at a 90/10 split net of expenses. Trustee Cutler asked at what point the Board starts getting money above the 7.50%. Mr. Holycross explained the "catch up" provision and said he will try to put a spreadsheet together that better explains this and send it to Trustee Cutler.

The motion carried.

9. Buck Global LLC – contract extension for actuary services, Stephen Smigiel

Mr. Smigiel reminded the Board that at the last meeting he mentioned that a contract extension was required in order for Buck to continue providing actuary services. A copy of the proposed contract extension was provided in their packets. The extension would continue until December 31, 2020. This extension will allow Buck to perform the actuarial valuations for fiscal years 2018 and 2019 as well as continue service for the online system.

Included with the contract extension is a fee schedule which reflects increases in the actuarial valuation price by \$1,000.00 per year and the annual maintenance fee by three percent. The document has been reviewed by Mr. Schapka and he has no issues with it.

Ms. Dobson inquired whether or not any of the reporting that needs to be done by the actuary is included in any of these fees. Mr. Smigiel indicated those have always been and will continue to be billed separately since it is difficult to determine what the reports will require until they need to be prepared. Ms. Dobson also inquired about whether there was going to be an increase in the EDRO calculation fee. Mr. Smigiel stated that his understanding is that all other fees are remaining the same with the exception of those specifically outlined in the fee schedule.

A motion was made by Trustee Cutler, supported by Trustee Smith to approve the Buck Global LLC contract extension for actuary services as submitted. The motion carried.

10. Unfinished Business

Mr. Holycross distributed a memo regarding AndCo's review of the Bloomfield Capital Income Fund V. Bloomfield Capital has completed AndCo's due diligence process and the investment committee has approved the investment. Since the Board had already taken action on this investment, Mr. Holycross wanted to provide this memo for their records. The only caveat is that AndCo is recommending that their client's investment in Bloomfield Capital Income Fund V not exceed 2.5% of their total plan assets.

A motion was made by Trustee Grant, supported by Trustee Rocca to receive and file the memo from AndCo regarding their review of the Bloomfield Capital Income Fund V. The motion carried.

11. New Business

None

12. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Smith to adjourn the meeting at 9:51 a.m. The motion carried.