

MINUTES OF THE RETIREMENT BOARD
Thursday, October 12, 2017

A meeting of the Retirement Board was held on Thursday, October 12, 2017 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:

Mark Deldin, Gary Cutler, Carol Grant, Matthew Murphy, Larry Rocca, Bryan Santo, Bob Smith, George Brumbaugh

Excused:

Also Present:

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

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:30 a.m. by Chair Deldin.

2. Adoption of REVISED Agenda

A motion was made by Vice-Chair Cutler, supported by Trustee Smith to approve the REVISED agenda as presented. The motion carried.

3. Approval of Invoices

Chair Deldin notified the Board that an additional invoice had been received from MMRO in the amount of \$1,335.00 for the Steven Marschke disability review. There were no objections to adding this to the approvals for today.

A motion was made by Vice-Chair Cutler, supported by Trustee Grant to approve the invoices as presented with the addition of the MMRO invoice in the amount of \$1,335.00. The motion carried.

4. Public Participation

None

5. Retirement Administrator Report

Ms. Dobson provided the activity numbers through the month of September. She noted that her office is heading into a busier than average time with employees looking to DROP or retire

before the end of the year. She also reported that one of her two Retirement Specialists (Mia) has been promoted to another position within Human Resources and she is now short one staff member. The position will be posted shortly and hopefully filled relatively quickly, but this is a challenging time of year to be training a new employee.

Trustee Murphy inquired about the timeline for the online portal. Ms. Dobson said that now that the Board has made a decision to use "date of hire" to determine benefit levels, they will be better able to make sure clean information is present in the actuary system moving forward. She stated they will now begin to work aggressively with Conduent to get the portal set-up and available for employee use. She is hopeful that it will be in place by the middle of 2018.

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

6. Disability Retirement

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examination of Cherie Marker-Gray. The Medical Director has concluded, based on the exam, that disability retirement should be continued.

A motion was made by Vice-Chair Cutler, supported by Trustee Grant that based on the Medical Director's opinion, the disability retirement of Cherie Marker-Gray shall be continued and the following resolution shall be adopted:

a. Cherie Marker-Gray (Re-examination Opinion)

WHEREAS, the Retirement Board is vested with the general administration, management and operation of the Macomb County Employees' Retirement System ("Retirement System") and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, Cherie Marker-Gray was granted a disability retirement on August 22, 2014, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set-up an appointment for Cherie Marker-Gray to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, on September 26, 2017, Dr. Gerald Levinson, D.O. conducted an independent examination and reviewed all records provided and concludes Cherie Marker-Gray is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Cherie Marker-Gray should remain retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated October 2, 2017, which states that Cherie Marker-Gray is totally and permanently incapable of resuming employment within the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Cherie Marker-Gray has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Cherie Marker-Gray and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, that a copy of this resolution shall be provided to Cherie Marker-Gray and all other appropriate parties.

The motion carried.

7. Rescind Rhonda Vermander Decision

Chair Deldin directed the Board's attention to the memo included in their packet from Ms. Dobson explaining the rationale behind the request to rescind the decision previously made in the case of Rhonda Vermander. Ms. Dobson is looking for Board action today so she can proceed with notifying Ms. Vermander that she is being reverted back to the 3.5% contribution and arrange for re-payment of the amount that she was refunded (plus interest). Due to the decision made by the Board at the October 5th meeting, Ms. Vermander will now be eligible for the 70-point plan.

Chair Deldin asked if Ms. Vermander is the only member impacted by the Board's most recent decision. Ms. Dobson responded that Ms. Vermander was the only individual a specific decision was made for previously, but that there were two other employees impacted in the same way. They will also need to be contacted with new calculations and re-payment agreements.

A motion was made by Trustee Smith, supported by Trustee Santo to rescind the Rhonda Vermander Decision. The motion carried.

8. Corbin Capital Partners update

Ms. Jessica Hornung introduced herself to the group and indicated that she is the Board's point of contact for Corbin going forward. Ms. Hornung and Mr. Craig Bergstrom will be providing an

update on the Board's portfolio. Mr. Bergstrom began the discussion by noting that as of the end of September 2017, the fund is up approximately 7.5% year-to-date. They manage about \$5.3 billion and most of their clients are pension systems. They have been growing, but at a slow incremental pace to ensure that nothing they do compromises their performance. He also covered the fund's investment principles and their investment process.

Mr. Bergstrom also highlighted their separate operational due diligence process. If there are any questions about an investment, the firm will not go forward. Lastly, he reviewed the Pinehurst portfolio characteristics and stated that he feels good about the portfolio's performance thus far year-to-date.

A motion was made by Trustee Grant, supported by Trustee Santo to receive and file the Corbin Capital Partners update. The motion carried.

9. EnTrustPermal update

Mr. Gregg Hymowitz, Mr. Warren Tolman and Mr. Paul Rosenberg joined the meeting to provide the Board with an update on the EnTrustPermal portfolio. Mr. Hymowitz began by speaking about hedge funds in general and why they belong in an institutional portfolio.

Today, EnTrustPermal manages money for about 700 institutional investors around the world. The Board is invested in two different vehicles and each has a different purpose. The first is the Diversified Fund which is a fund of many different strategies and the focus on those strategies is to produce decent risk adjusted rates of return. The other vehicle is very different from the Diversified Fund. Special Opportunities Fund III is about taking advantage of opportunities to invest in single securities. Since they are able to deploy capital very quickly they are able to negotiate much lower fees with the folks they invest in.

Mr. Hymowitz reviewed the allocation by strategy and by manager for the Diversified Fund. He also reviewed performance of this fund which shows an annualized return of about 5.6% (net of all fees). Over the life of this fund, there have been 58 months in which markets were negative and this vehicle has outperformed about 87% of the time and on average by about 240 basis points. Mr. Hymowitz also examined the drawdown recovery analysis provided in the presentation book for this fund.

He then went on to discuss the Special Opportunities Fund III a bit further. This is a vehicle with a drawdown structure. They only call the capital when they find an investment and they only make investments when they think they are going to make mid-double-digit returns. Fees are only charged when the money is invested. Performance fees are only charged when money is returned to the investors.

Mr. Hymowitz reviewed the performance of the Board's investment in the Special Opportunities Fund III. He expects that they will end up calling 100% of the capital by the end of the commitment period (January 2018). Post February 2018, money will begin to be returned to the Board. As investments come due, they start returning capital fairly rapidly. In

general, Mr. Hymowitz thinks that over the next two or three years most of the capital (80-90%) should be returned (subject to any extraneous events).

Vice-Chair Cutler asked when the newest fund (Fund IV) will be closing. Mr. Hymowitz responded that they are going to launch Fund IV in January or February of 2018 to coincide with the end of Fund III. They have been raising money for Fund IV for the last six or seven months, so they would have capital to put to work as the commitment period for Fund III ends.

Trustee Rocca inquired what impact the changing of the Fed Chairman would have on the start of Fund IV. Mr. Hymowitz responded that he believes the impact would be negligible because the market has more of an impact on rates than who is Chairman.

Vice-Chair Cutler asked for follow-up on their tail risk strategy. He stated that they used to have two investments and now it appears that there is only one. Mr. Hymowitz noted that this is listed as a single line item on the report now and there are actually four investments.

Trustee Smith stated that as a newer member on the Board he was appreciative of Mr. Hymowitz's efforts to put the information he presented into easy to understand terms.

Mr. Holycross asked Mr. Hymowitz to discuss a couple of specific investment examples. Mr. Hymowitz discussed one positive investment and one negative investment. The positive investment had generated an almost 70% return and he explained some of the details pertaining to the background of that investment. He also described the background behind the negative investment example.

Mr. Holycross' final question to Mr. Hymowitz was regarding what books he had been reading. Mr. Hymowitz provided a recommendation for "Nomadland" by Jessica Bruder. This book is by an author who penned an article Mr. Hymowitz read several years ago about people who don't have a retirement and can't make ends meet, so they live in camps and RV communities. These people are often bussed to jobs working for large distribution centers filling orders. The book is the culmination of a three-year project by the author and follows a number of individuals and their journeys through retirement age and what the future holds for society. He is hoping to include Ms. Bruder as a speaker at his investment summit next year.

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

10. Unfinished Business

None

11. New Business

Ms. Dobson advised the Board that Ms. Bathanti will be presenting the Retirement Ordinance as a change on the Board of Commissioner's Finance Committee meeting agenda on October 18, 2017.

Trustee Brumbaugh inquired about Mr. Hymowitz's education and Mr. Holycross was not sure if he was a graduate of Harvard Law or not. Chair Deldin mentioned that EnTrust is the firm that Mr. David Bonior recently retired from. Mr. Tolman is the new representative for Michigan.

12. Adjournment

There being no further business before the Board, a motion was made by Trustee Santo, supported by Trustee Murphy to adjourn the meeting at 9:50 a.m. The motion carried.