

**MINUTES OF THE RETIREMENT BOARD**  
**Thursday, December 14, 2017**

A meeting of the Retirement Board was held on Thursday, December 14, 2017 at 8:30 a.m., in the Administration Building, 9<sup>th</sup> 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:

Stephen Smigiel, Joe Biondo, Larry Lee, Karen Bathanti, Tom Michaud, Mike Holycross

**1. Call to Order**

There being a quorum of the Board present, the meeting was called to order at 8:35 a.m. by Chair Deldin.

**2. Adoption of Revised Agenda**

*A motion was made by Trustee Grant, supported by Trustee Rocca to approve the revised agenda as presented. The motion carried.*

**3. Approval of Minutes**

**a. November 30, 2017**

*A motion was made by Trustee Santo, supported by Trustee Smith to approve the minutes of November 30, 2017 as presented. The motion carried.*

**4. Approval of Invoices**

*A motion was made by Vice-Chair Cutler, supported by Trustee Grant to approve the invoices as presented. The motion carried.*

**5. Public Participation**

Trustee Brumbaugh asked for a moment to speak as a President of the Retirees Association. He wished to thank Ms. Dobson, all of her staff and the Human Resources Department for helping to make the Retiree Luncheon a wonderful event. They did a great job.

**6. McMorgan Infrastructure Update**

The presenters from McMorgan were unable to make the trip due to the snowstorm. Mr. Holycross will reschedule them for a future meeting.

**7. Retirement Administrator Report**

Chair Deldin advised the Board that there would be no Retirement Administrator Report today as Ms. Dobson was not in attendance due to the unexpected passing of father the day before. He noted that each member received a gift from Ms. Dobson for the holiday and asked that everyone keep her and her family in their thoughts and prayers. Mr. Michaud requested a moment of silence be observed.

**8. Disability Retirement**

**a. Brian Vanderhorst (Re-examination Opinion)**

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

*A motion was made by Vice-Chair Cutler, supported by Trustee Murphy that based on the Medical Director's opinion, the disability retirement of Brian Vanderhorst should be continued and the following resolution should be adopted:*

**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**, Brian Vanderhorst was granted a disability retirement on November 10, 2006, 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 Brian Vanderhorst to be re-examined and to advise the Medical Director of their responsibilities, and

**WHEREAS**, the Retirement Board is in receipt of a certification from the Medical Director, dated December 12, 2017, which states that Brian Vanderhorst 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 Brian Vanderhorst 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 Brian Vanderhorst 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 Brian Vanderhorst and all other appropriate parties.

*The motion carried.*

## **9. Alidade Capital Update**

Mr. Geoff Langdon and Mr. Jerry Moffitt joined the meeting to provide an update to the Board on their investment with Alidade Capital. Mr. Langdon provided a performance update on Funds I, II, III and IV. He reviewed the Board's account summary and the status of the portfolio. He also provided some background on several transactions and properties within each fund. Mr. Langdon also discussed the status of Fund IV and how much has been committed thus far. Fund raising will continue through approximately April 2018.

*A motion was made by Trustee Grant, supported by Trustee Murphy to receive and file the Alidade Capital Update. The motion carried.*

## **10. Morgan Stanley 3<sup>rd</sup> Quarter Performance Report**

Mr. Holycross distributed a handout that included a market value update through November 30, 2017. He advised that his office has received a spreadsheet from Morgan Stanley with the last 20 years of investment data and they are in the process of auditing that information. It will take some time to go through each item line by line. He will keep the Board updated on their progress, but they are anticipating a 4<sup>th</sup> Quarter Performance Report will likely not be available until mid-February or early March.

Mr. Holycross reviewed the Morgan Stanley 3<sup>rd</sup> Quarter Performance Report. The report data is as of September 30, 2017. Total fund performance year-to-date is up 12.36%. The fund has crossed over \$1 billion as of September 30<sup>th</sup>. He also discussed the performance of several of the individual managers including Edgewood, Loomis (who has underperformed seven of the last 12 quarters), World Asset Management, Clarkston Capital (who is still holding about 28% cash), Reinhart Partners, Cramer Rosenthal McGlynn, EARNEST Partners, and HGK.

*A motion was made by Trustee Murphy, supported by Trustee Santo to receive and file the Morgan Stanley 3<sup>rd</sup> Quarter Performance Report. The motion carried.*

**11. Summary Annual Financial Report for 2016**

Mr. Smigiel provided the Board with a copy of this report. It is required by state statute and essentially has a balance sheet, an income statement, the current year budget and a number of footnotes that reflect various things about the pension plan (actuarial assumptions, funding status, etc.).

The numbers in the report, with the exception of the 2017 budget, were all taken from the County's annual audited financial statements, so while this individual report was not audited, all of the information it contains has been audited (again with the exception of the 2017 budget). At the end of 2016, the fund balance reported was just shy of \$929 million and for financial statement reporting purposes, the fund showed net income of \$43.3 million for 2016.

*A motion was made by Trustee Grant, supported by Vice-Chair Cutler to receive and file the Summary Annual Financial Report for 2016. The motion carried.*

**12. 2018 Retirement System Budget**

Mr. Smigiel presented the Board with a budget for 2018 for their consideration. He provided some additional detail on some of the line items.

*A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to adopt the 2018 Retirement System Budget. The motion carried.*

**13. EnTrustPermal Investment Summit**

The information related to the February EnTrustPermal Investment Summit was presented to the Board for their review.

*A motion was made by Vice-Chair Cutler, supported by Trustee Grant to approve Board member attendance at the EnTrustPermal Investment Summit. The motion carried.*

**14. Unfinished Business**

**a. Proposed Meeting Dates for 2018**

The Board had been previously provided with the proposed meeting dates for 2018. Ms. Schave indicated only a couple of members had conflicts on various dates, but there were no issues with a quorum not being available.

*A motion was made by Trustee Smith, supported by Trustee Santo to adopt the proposed meeting dates for 2018. The motion carried.*

#### **b. Legislative Update**

Mr. Michaud provided the Board with an update on the legislation that has been pending for quite some time. He reported that the bills were consolidated yesterday and will likely be signed into law before the end of the year. The legislation is the complete opposite of what was proposed a year ago. The new law will, in essence, reflect what the task force had initially recommended to begin with. There will be some more reporting to the state required by all systems (both pension and health care). Ultimately, the law will create a type of “warning system” with a mechanism to identify the systems that have some sort of financial challenges. A three member board (all appointed by the state - one person at the state level, one at the local level and one representing the employees/retirees) would also be created. That board would take a closer look at individual systems more in depth. Through that review process, they would work with those systems to come up with a comprehensive strategy to improve those systems.

Mr. Michaud noted, however, that there really is no enforcement mechanism. He does not anticipate that this will be the end of the process, but at this time it’s a good resolution that comes with a certain degree of structure. His firm will continue to monitor the progress of this soon-to-be law, but they do feel it is a good resolution to an otherwise challenging situation.

Chair Deldin remarked that passage of this legislation should serve as a warning to municipalities that have ignored their unfunded liability. He said that Governor Snyder has talked about unfunded liability at the state level virtually since he took office seven years ago. Trustee Murphy observed, however, that the legislation excludes the state employees. Mr. Michaud noted the irony. Trustee Santo asked what the thresholds are for funding. Mr. Michaud indicated they are 60% for retirement systems and 40% for retiree health care. He expects that once the bill has been signed into law, his office will be generating another memo for the Board explaining the details more thoroughly. He anticipates having that for the Board’s January meeting.

Mr. Michaud answered some questions from Trustee Brumbaugh related to the last memo that his office had distributed. Trustee Brumbaugh thanked him for the clarifications and said he appreciated the memos and the extra work that Mr. Michaud’s firm was doing to keep them updated on this legislation.

#### **15. New Business**

Trustee Rocca requested the details for the arrangements for Ms. Dobson’s father be passed on to the Board members as soon as they are finalized. Chair Deldin requested Ms. Bathanti email those to Ms. Schave so she could forward them to the Board members. Ms. Bathanti indicated she would pass the information on as soon as she had the details.

**16. Adjournment**

*There being no further business before the Board, a motion was made by Trustee Grant, supported by Trustee Rocca to adjourn the meeting at 9:53 a.m. The motion carried.*