

MINUTES OF THE RETIREMENT COMMISSION
Thursday, January 21, 2016

A meeting of the Retirement Commission was held on Thursday, January 21, 2016 at 8:30 a.m., at the Macomb County Administration Building, 9th Floor Conference Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Jerry Moffitt – Chair, Gary Cutler, Dave Flynn, Bob Hoepfner, Mark Deldin

Excused:

Matthew Murphy

Also Present:

George Brumbaugh, Stephen Smigiel, John Schapka, John Kravitz, Stephanie Dobson, Mike Holycross, Tom Michaud

1. Call to Order

There being a quorum of the committee present, the meeting was called to order at 8:28 a.m. by Chair Moffitt.

2. Adoption of Agenda

A motion was made by Trustee Flynn to approve the agenda as presented. The motion was supported by Trustee Deldin. The motion carried.

3. Public Participation

Trustee Flynn introduced Michael Keys a part-time Project Coordinator who began working in the Board of Commissioners office this week. Mr. Keys is observing the meeting today.

4. Approval of Minutes

A motion was made by Trustee Hoepfner, supported by Trustee Flynn to approve the minutes of the January 7, 2016 meeting as presented. The motion carried.

5. Approval of Invoices

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

6. Disability Retirement

-- Elizabeth Baumann (Appeal)

Ms. Dobson provided the background regarding Ms. Baumann's application and previous denial. She indicated that Ms. Baumann is working on gathering some additional documentation. The Board agreed to have MMRO proceed with their standard protocol when an appeal is requested. MMRO will assign Ms. Baumann's previous medical information and new medical information to another case manager who will review it and determine if another IME is warranted.

-- Cherie Marker-Gray (Re-exam Opinion)

-- Sophie Dewalt (Re-exam Opinion)

-- Joey Harrell (Re-exam Opinion)

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examinations of Cherie Marker-Gray, Sophie Dewalt and Joey Harrell. The Medical Director has concluded, based on the re-exams, that their disability retirements should be continued.

A motion was made by Trustee Flynn, supported by Trustee Deldin that based on the Medical Director's opinion, to continue the disability retirements of Cherie Marker-Gray, Sophie Dewalt and Joey Harrell and adopt the following resolutions:

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, Cherie Marker-Gray was granted a disability retirement on August 14, 2014 after a finding by the Retirement Commission that the requirements of the Retirement System have been met,

WHEREAS, in accordance with Section 32 of the Retirement System, at least once per year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retireant to undergo a medical examination by or under the direction of the Board's Medical Director,

WHEREAS, the Board designated Dr. Joseph Salama, M.D. to conduct or direct the re-examination of Cherie Marker-Gray, and

WHEREAS, the Board is in receipt of a Medical Report from its Medical Director, dated December 16, 2015 which states that Cherie Marker-Gray is not able and capable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Board has discussed this matter, therefore be it

RESOLVED, that the Retirement Commission hereby acknowledges receipt of the Medical Report and Certification of its Medical Director, dated December 16, 2015, and concurs in the findings regarding the re-examination of Cherie Marker-Gray, and further

RESOLVED, that Cherie Marker-Gray's disability status shall be continued, and further

RESOLVED, that a copy of this resolution shall be forwarded to Cherie Marker-Gray and the appropriate County representatives.

and

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, Sophie Dewalt was granted a disability retirement on February 25, 2005 after a finding by the Retirement Commission that the requirements of the Retirement System have been met,

WHEREAS, in accordance with Section 32 of the Retirement System, at least once per year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retiree to undergo a medical examination by or under the direction of the Board's Medical Director,

WHEREAS, the Board designated Dr. Inocencio Cuesta, M.D. to conduct or direct the re-examination of Sophie Dewalt, and

WHEREAS, the Board is in receipt of a Medical Report from its Medical Director, dated December 14, 2015 which states that Sophie Dewalt is not able and capable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Board has discussed this matter, therefore be it

RESOLVED, that the Retirement Commission hereby acknowledges receipt of the Medical Report and Certification of its Medical Director, dated December 14, 2015, and concurs in the findings regarding the re-examination of Sophie Dewalt, and further

RESOLVED, that Sophie Dewalt's disability status shall be continued, and further

RESOLVED, that a copy of this resolution shall be forwarded to Sophie Dewalt and the appropriate County representatives.

and

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, Joey Harrell was granted a disability retirement on April 24, 2014 after a finding by the Retirement Commission that the requirements of the Retirement System have been met,

WHEREAS, in accordance with Section 32 of the Retirement System, at least once per year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retiree to undergo a medical examination by or under the direction of the Board's Medical Director,

WHEREAS, the Board designated Dr. Cheryl Lerchin, M.D. to conduct or direct the re-examination of Joey Harrell, and

WHEREAS, the Board is in receipt of a Medical Report from its Medical Director, dated December 18, 2015 which states that Joey Harrell is not able and capable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Board has discussed this matter, therefore be it

RESOLVED, that the Retirement Commission hereby acknowledges receipt of the Medical Report and Certification of its Medical Director, dated December 18, 2015, and concurs in the findings regarding the re-examination of Joey Harrell, and further

RESOLVED, that Joey Harrell's disability status shall be continued, and further

RESOLVED, that a copy of this resolution shall be forwarded to Joey Harrell and the appropriate County representatives.

The motion carried.

-- **Deborah Brune (Permanent Waiver Recommendation)**

-- **Ted Dumas (Permanent Waiver Recommendation)**

The Medical Director has recommended these individuals be granted permanent waivers for re-examinations. This recommendation is based on their opinion and information that concludes there is little likelihood of improvement in either of these individual's medical conditions. Documentation confirming same was provided to the Board for their review.

Trustee Flynn's prior motion, supported by Trustee Deldin also included accepting the permanent waiver recommendations for Deborah Brune and Ted Dumas. These two individuals will no longer require disability retirement re-examinations. The motion carried.

7. Re-examination Resolution 2016

Ms. Dobson provided a draft resolution for the 2016 disability retirement re-examinations.

A motion was made by Trustee Cutler, supported by Trustee Hoepfner to adopt the following resolution and begin scheduling appointments for the six employees listed for disability re-examination:

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retiree to undergo a medical examination by or under the direction of the Retirement Commission's physician, and

WHEREAS, the Retirement Commission has determined that the month of April of each year be the month that medical re-examinations are conducted by the Retirement Commission's authorized physician, and

WHEREAS, it is the policy of the Retirement Commission that all disability retirees be required to undergo annual re-examinations for purposes of determining continued eligibility to receive disability retirement benefits, unless otherwise determined by the Retirement Commission based on reasons that support a disability retiree's exclusion from the re-examination requirement, and

WHEREAS, the Retirement Commission has reviewed the files of all disability retirees to determine what disability retirees must undergo medical re-examination, therefore be it

RESOLVED, the following disability retirees be re-examined pursuant to Retirement System provisions:

Lennice Bursey
Lisa Gusmano
Lori Kellie
Vicki Porchia
Eric Pugh
Arin White

and further

RESOLVED, that the Retirement Commission's Medical Director is designated to conduct or direct said examinations, and further

RESOLVED, that any member who refuses or fails to submit to said re-examination shall be subject to suspension or termination of disability retirement benefits, and further

RESOLVED, that a copy of this resolution and the appropriate letters be sent to said retirants and said physician consistent with this resolution.

The motion carried.

8. Beneficiary elections of contributions

Mr. Michaud provided a memo to the Board illustrating two possible for scenarios for discussion. Once a member obtains 10 years of service credit, they have the ability to designate an option beneficiary and in the event the member passes away, the beneficiary would receive a 100% survivor benefit (also known as Option A). In the event a member does not select an Option A beneficiary, there is an automatic surviving spouse benefit (which is the equivalent of an Option A selection). Sections 24 (non-spousal benefit) and 25 (automatic surviving spouse benefit) of the Retirement Ordinance apply to these situations. Section 34 of the Retirement Ordinance addresses the refund of contributions in the event a member has not attained 10 years of service credit.

Mr. Michaud also provided copies of the forms currently being used by the system for designation of these beneficiaries. The question posed to the Board is what should happen when a member passes away with more than 10 years of service credit, but has not nominated an Option A beneficiary (but is married) and has nominated someone for a refund of accumulated contributions. His recommendation is even though the member may have nominated someone as the beneficiary for the refund of contributions, the spouse should get the benefit as though the member had retired the day before they passed away.

Legal counsel is recommending the Board establish a written policy which addresses the following:

1. Adoption of a procedure regarding the administration of pre-retirement death benefits.
2. Re-adoption of beneficiary forms.
3. Adoption of a standard for determining dependency of a nominated beneficiary.

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to adopt the recommendations of legal counsel and refer this matter to the Administrative Policy Committee for further follow-up. The motion carried.

9. Investment Consultant

-- Wilton Private Equity Fund – Member Consent to Amendment and Assignment

Mr. Holycross explained that due to a change in merchant banking rules, State Street must step down as a partner within Wilton. Dupont will remain as the investment manager. There is no change from an investment standpoint.

A motion was made by Trustee Hoepfner, supported by Trustee Cutler to receive and file the Investment Consultant's report. The motion carried.

10. 2014 Actuarial Valuation

Mr. Smigiel advised that the 2014 Actuarial Valuation had finally been received from GRS. He had not yet had an opportunity to examine it thoroughly, but noted some significant changes with the Roads and Sheriff's departments as well as Martha T. Berry. He has reached out to Ms. Louise Gates from GRS to invite her to make a presentation at the February 18th Board meeting. Trustee Cutler expressed some concern about the accuracy of the valuation and a brief discussion was held examining those concerns. The Board will hold off on adopting the valuation until GRS has made their presentation.

Trustee Flynn inquired about how Buck will be able to correlate the data that GRS is using and revalidate it to ensure that it is accurate. Mr. Smigiel reported that Buck has been forwarded all of the same data that was given to GRS and they are currently in the process of replicating the GRS report. He spoke to Mr. Larry Langer at Buck last week and was assured that they are still on target to complete the necessary GASB reports in time for the audit and that they are working diligently on the replication of the valuation. Mr. Smigiel will be in contact with Mr. Langer every week from this point forward to ensure that the timeline for the GASB reports is still on track.

Trustee Cutler questioned why the change to the Roads department's benefits was included in the 2014 valuation when it did not take place in 2014. The change took place in 2015. It was explained by GRS that because it was a known change that affected employer contributions, it was included in the 2014 valuation. He is concerned that this report is supposed to be a "snapshot in time" and feels that including a change that was not made during that time is not appropriate. Mr. Smigiel reported that something similar was done on the Retiree Health Care side and that this valuation was done consistent with previous reports.

11. Authorize Plante Moran to certify the 2016 Special Employee Representative Election

Trustee Flynn made the motion, supported by Trustee Deldin to authorize Plante Moran to certify the 2016 Special Employee Representative Election. The motion carried.

12. LS Investment Advisors

Mr. William Camp and Mr. David Jones joined the meeting to provide an investment update and review the dividend strategy that they manage for the Board. The initial investment of \$40 million was made in June 2012 and Mr. Camp expressed appreciation to the Board for being one of the first Michigan municipalities to hire them.

The Board's investments are in the S&P 500 Dividend Aristocrats Index which is made up of large cap, blue chip companies within the S&P 500 Index that have increased their dividends every year for at least 25 consecutive years. There is exposure to all 10 sectors and there were 52 names on the list for 2015. There has been an annual rate of return of 15.5% over the last few years.

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to receive and file the investment update from LS Investment Advisors. The motion carried.

13. World Asset Management

Mr. Ted Miller, Mr. Eric Lesnau and Mr. Gary Bender joined the meeting to give an update on the World Asset Management portfolio. Mr. Miller advised that the firm has moved to downtown Detroit. There have been no issues as a result of the move and they have added two new employees, but the portfolio managers have remained the same. As of September 30, 2015, they had approximately \$11.3 billion in assets under management.

Mr. Lesnau gave a domestic product review and noted that performance is in line with the benchmarks. Approximately 2-3% of the fund is kept in cash to help deal with the daily inflows and outflows of cash for the funds he manages.

Mr. Bender gave a fixed asset review and noted their low, competitive fee schedule. The Board's investment is allocated approximately 57% in domestic equities, 35% in the international equity fund and about 7% in the bond index fund.

Mr. Lesnau then provided some information related to new products including a low volatility index. It is a 100 stock index that looks at the standard deviation of returns of each company within the S&P 500 and the lowest standard deviation returns is the highest weighted security within the index. In times of high volatility and a lot of movement on the markets, on up days the index is not going up as much as the S&P 500, but on down days it is not going down quite as much as the market. He looked at the index versus the S&P 500 last night and it is outperforming the S&P 500 by about 300 basis points for the month. Over time, it has shown to outperform the S&P 500. It is something that is gaining some interest amongst their clients and they've opened up quite a few portfolios for that index this year.

A motion was made by Trustee Hoepfner, supported by Trustee Flynn to receive and file the investment update from World Asset Management. The motion carried.

14. Other Business

Chair Moffitt noted there is a one-day MAPERS seminar scheduled for March in Troy. He advised that if any Board members or staff would like to attend, they should let Ms. Schave know.

Mr. Holycross informed the Board of a change at Cramer Rosenthal McGlynn (CRM). One of their portfolio managers (Michael Caputo) has left the firm and Mr. Holycross advised that at this time, the firm does not intend to replace him. His duties will be absorbed by the other portfolio managers. He does not see an issue with this change because of the structure of CRM. They have a team of 12 research analysts who all do research across sectors and the stocks they choose within those sectors are reviewed across all portfolios. Decisions are not left to just one individual. Mr. Holycross will plan to bring CRM in for a presentation sooner rather than later (possibly at the February meeting).

Mr. Holycross also reported that Richard Hirayama announced his retirement from WHV International last week.

15. Adjournment

There being no further business before the Board, a motion was made by Trustee Hoepfner, supported by Trustee Cutler to adjourn the meeting at 9:42 a.m. The motion carried.