

MINUTES OF THE RETIREMENT COMMISSION
Thursday, April 7, 2016

A meeting of the Retirement Commission was held on Thursday, April 7, 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:

Chair David Flynn, Mark Deldin, Derek Miller, Matthew Murphy, George Brumbaugh

Excused:

Vice-Chair Gary Cutler, Bob Hoepfner

Also Present:

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

1. Call to Order

There being a quorum of the committee present, the meeting was called to order at 8:32 a.m. by Chair Flynn.

2. Adoption of Agenda

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

3. Public Participation

None

4. Approval of Minutes

A motion was made by Trustee Deldin, supported by Trustee Murphy to approve the minutes of the March 24, 2016 meeting as presented. The motion carried.

5. Chairman's Comments

Chair Flynn provided the Board members with a draft schedule that included the dates each money manager would be scheduled to present an update to the Board throughout the remainder of 2016. He is hoping to have an attendance system in place by April 29th so that Board members can indicate whether they will be able to attend the meetings or if they will need to be absent due to scheduling conflicts.

6. Retirement Administrator Report

Ms. Dobson provided the numbers for the activity in her office through the end of February. She also provided an update on the progress of the meetings being held by the Ordinance Committee. There is one remaining group of sections within the Ordinance to be reviewed and she is hoping the review of the last group will be completed at the next meeting.

Ms. Dobson also provided some additional insight on the Buck implementation process. They are still on target for the end of May to have the system up and running. She advised that once the system does go live, there will still be a lot of detail work to be done by her office to upload historical pay data.

Ms. Dobson also wanted to give the Board some additional details explaining why the Buck implementation has been pushed to May. The difficulties her office experienced in getting the historical data from GRS put them behind in being able to research issues with the data. She and her staff are working diligently to keep “garbage” data from going into the system and they have uncovered a number of deficiencies:

- There were 49 County employees, 17 Department of Roads employees and 39 Martha T. Berry employees that were not pulled from GRS’ reporting system when the 2014 valuation was begun. Ms. Dobson’s staff caught these errors and provided this information to Buck and GRS in order for the 2014 valuation to be completed correctly.
- Sixty-three members are still showing having money left in the system, but have taken a refund.
- Fifteen members were coded as having left their money in the system, but should actually have been coded as deferred and eligible for a pension in the future.
- Seventeen members were never coded as collecting a pension yet have a pension value in the GRS system.
- Five members were coded as deferred and are not even actually eligible for a pension.

Ms. Dobson also took a moment to provide an update on her past year as the Retirement Administrator. She and her staff are continually working very hard to correct old problems and improve the level of service given to the employees. She firmly believes that the Retirement Services department is on the right path and she appreciates the commitment of the Board to develop this department again. She has a full staff that works well together and while there are challenges, she is confident that they are providing the best possible service they can to the employees. The change to a new actuarial system has been a monumental task and along with the restatement of the Retirement Ordinance and other day-to-day tasks they have been extremely busy. She expressed appreciation to the Board for allowing her to utilize the resources of Corporation Counsel and Independent Counsel to guide her when important decisions need to be made affecting how her department handles various issues.

Chair Flynn expressed appreciation for the work Ms. Dobson and her team have been doing and he believes it is making a very positive difference to the employees they serve. He feels it is very

important to have dedicated staff and indicated she is doing a great job. After the implementation of the Buck system and the restatement of the Ordinance, he would like to see more progress on the website. Trustee Deldin inquired about whether the new actuarial system and the eventual addition of more tools for the employees on the website will help streamline some of the activity that is handled by Ms. Dobson's office. She said that the retirement estimates will definitely be something the employees will be able to produce on their own through the website and the benefit estimator will be more accurate thanks to the work they are doing to make sure the information going into the system is accurate from the very beginning. She estimates that Phase II of the Buck implementation (which will include the online estimator) will likely be completed by the end of 2016.

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

7. Disability Retirements

-- Carol Pihaylic (Application and Opinion)

The Board was in receipt of the Medical Director's medical reports and opinion pertaining to Ms. Pihaylic's independent medical evaluation. The Medical Director has certified she is mentally or physically totally incapacitated for duty in the employ of the County, that such incapacity will probably be permanent and that she should be retired. Based on the Medical Director's opinion, the Board concurred to approve Ms. Pihaylic's disability retirement.

A motion was made by Trustee Deldin, supported by Trustee Murphy to adopt the following resolution:

WHEREAS, the Retirement Commission 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, the Retirement Commission is in receipt of an application for disability retirement from Carol Pihaylic dated March 27, 2016 and

WHEREAS, Section 28 of the Retirement Ordinance provides that upon the application of a member, or his/her department head, a member who (1) is in the employ of the County, (2) has ten or more years of credited service, and (3) has become or becomes totally and permanently incapacitated for duty in the employ of the County, may be retired by the Retirement Commission: provided, that after a medical examination of the member made by or under the discretion of the medical director, the medical director certifies to the Commission (1) that the member is totally incapacitated for duty in the employ of the County, (2) that such incapacity will probably be permanent, and (3) that the member should be retired, and

WHEREAS, the Retirement Commission has previously acknowledged receipt of said application and directed the processing of said application in accordance with the Retirement System provisions, and

WHEREAS, the Retirement Commission is in receipt of a report from its Medical Director, Dr. Barry Leshman who conducted a comprehensive review of Carol Pihaylic's disability claim information on March 31, 2016 and

WHEREAS, Dr. Barry Leshman, in conducting the review, has reviewed all the records provided and as considered such factors as Patient History, Past Medical History, Current Medications, Allergies, Social History, Outside Medial Records, Physical Examination, and

WHEREAS, Dr. Barry Leshman's report and certification reflects that Carol Pihaylic is totally incapacitated for duty in the employ of the County, that such incapacity will probably be permanent, and further indicates that Carol Pihaylic should be retired, and

WHEREAS, the Retirement Commission has discussed this matter and has determined that Carol Pihaylic has met the eligibility requirements for disability retirement from the Retirement System, therefor be it

RESOLVED, that the Retirement Commission hereby approves the disability retirement of Carol Pihaylic 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 Carol Pihaylic and all other appropriate parties.

Motion carried.

-- Lori Kellie (Re-exam Opinion)

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

A motion was made by Trustee Murphy, supported by Trustee Deldin that based on the Medical Director's opinion, to continue the disability retirement of Lori Kellie and adopt the following resolution:

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

WHEREAS, Lori Kellie was granted a disability retirement on April 30, 2015 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. Hermann Banks, M.D. to conduct or direct the re-examination of Lori Kellie, and

WHEREAS, the Board is in receipt of a Medical Report from its Medical Advisor, dated March 18, 2016, wherein the Medical Advisor concludes that Lori Kellie is totally and permanently disabled.

WHEREAS, the Board is in receipt of a certificate from the Medical Advisor, dated March 18, 2016, which states that Lori Kellie is not physically 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 the 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 March 18, 2016, and concurs in the findings regarding the re-examination of Lori Kellie, and further

RESOLVED, that Lori Kellie's disability status shall be continued, and further

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

Motion carried.

-- Denise Anastos (Appeal Opinion)

At 8:44 a.m. a motion was made by Trustee Deldin to enter into closed session to discuss the Medical Director's opinion related to Ms. Anastos' appeal of her application for disability retirement. The motion was supported by Trustee Murphy. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

At 8:50 a.m. a motion was made by Trustee Deldin to come out of closed session. The motion was supported by Trustee Murphy. The motion carried.

A motion was made by Trustee Deldin, supported by Trustee Miller that based on the Medical Director's opinion, Ms. Anastos' appeal for disability retirement shall be denied and the following resolution shall be adopted:

WHEREAS, the Retirement Commission 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, the Retirement Commission is in receipt of an application for disability retirement from Denise Anastos dated May 27, 2015 and

WHEREAS, Section 28 of the Retirement Ordinance provides that upon the application of a member, or his/her department head, a member who (1) is in the employ of the County, (2) has ten or more years of credited service, and (3) has become or becomes totally and permanently incapacitated for duty in the employ of the County, may be retired by the Retirement Commission: provided that, after a medical examination of the member made by or under the direction of the medical director, the medical director certifies to the Commission (1) that the member is totally incapacitated for duty in the employ of the County, (2) that such incapacity will probably be permanent, and (3) that the member should be retired, and

WHEREAS, the Retirement Commission has previously acknowledged receipt of said application and directed the processing of said application in accordance with the Retirement System provisions, and

WHEREAS, on August 19, 2015, Dr. Deborah Heaney's report and certification reflects that Denise Anastos is **not** totally incapacitated for duty in the employ of the County, and further indicates that Denise Anastos should **not** be retired, and

WHEREAS, on October 15, 2015, Denise Anastos exercised her right for appeal and the Retirement Commission resolved to have the appeal processed, and

WHEREAS, the Retirement Commission is in receipt of a report from its Medical Director, Dr. Joseph Salama, who conducted an appeal independent exam of Denise Anastos on March 9, 2016, and

WHEREAS, Dr. Joseph Salama's report and certification reflects that Denise Anastos is **not** totally incapacitated for duty in the employ of the County, and further indicates that Denise Anastos should **not** be retired, and

WHEREAS, the Retirement Commission has discussed this matter and has determined that Denise Anastos has **not** met the eligibility requirements for disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Commission hereby **disapproves** the disability retirement of Denise Anastos and further

RESOLVED, that a copy of this resolution shall be provided to Denise Anastos and all other appropriate parties.

Motion carried.

8. EDRO Policy Resolution - draft

Chair Flynn requested the other Board members review the draft EDRO Policy Resolution provided in their packets and be prepared to provide feedback and take action at the meeting on April 29, 2016. Mr. Michaud provide a bit of background on this and explained that when there is a division of benefits there must be a court order explaining how that is going to be given to each of the individual parties. This requires an actuarial calculation that incurs an expense and also requires a legal review. The expense that is incurred is appropriate to pass along to the parties involved in the divorce, but the Board has historically paid that expense and the current thinking is that the expense should be assumed by the individuals involved in the divorce and not paid for by the system. Right now, Mr. Michaud is asking the Board if they want to continue as they have in the past or if they would like to update the EDRO policy to begin passing the costs incurred on to the individuals involved in the divorce action.

Chair Flynn expressed his opinion that at a minimum the actuarial costs should be passed along to the individuals. Vice-Chair Cutler was not in attendance, but Chair Flynn indicated he had spoken to him regarding this issue previously and he is in agreement with passing the costs along. Trustee Brumbaugh inquired about the number of divorce judgements the Retirement Services office sees in a year. Ms. Dobson advised that she only sees the divorces where a pension is involved and estimated that her office may see up to 50 a year and the average cost to have the actuary do a calculation is \$1,300. Trustee Brumbaugh also expressed concern that a change in this policy could result in grievances being filed. Ms. Dobson indicated that Mr. Herppich had not expressed any concerns with the Collective Bargaining Agreement (CBA) to her and Trustee Deldin remarked that if this is not a benefit specifically spelled out in the CBAs, the Board should be able to make this policy change without issue. Trustee Brumbaugh acknowledged that while he does not have a vote, his opinion would be that the cost of these expenses is relatively minor when looking at the system as a whole and the value in passing the costs on to the individuals would be negligible.

Trustee Murphy suggested perhaps a cost sharing agreement could be considered where both the Board and the individuals bear some of the expense together. Mr. Michaud advised that passing the expense on to the individuals is not uncommon in other systems. He is not aware of any grievances or issues that have arisen in other systems. Trustee Deldin expressed that now that the issue has been raised, he does not feel the County should bear this expense at all, no matter what fund the money would come from.

Chair Flynn requested Ms. Dobson ask Mr. Herppich put something in writing addressing the CBA concerns and whether or not payment of this expense is addressed anywhere. He also requested that any requests for additional information be sent to Ms. Schave and if there are any

amendments Board members would like to offer, they should run them by legal counsel so they can be documented before the meeting.

A motion was made by Trustee Deldin, supported by Trustee Miller to receive and file the EDRO Policy Resolution draft. The motion carried.

9. Loomis Sayles

Mr. David Sowerby joined the meeting to provide an update on the Board's investment with Loomis Sayles. He introduced himself and gave a brief background of the firm. They offer a very competitive fee and have been very consistent over the long-term due to the portfolio's diversification. There are two separate and distinct teams that manage the system's portfolio. Mr. Sowerby also provided a portfolio review, summarized the investment process, examined investment results and discussed the portfolio's performance history.

A motion was made by Trustee Deldin, supported by Trustee Murphy to receive and file the update from Loomis Sayles. The motion carried.

10. Intercontinental Real Estate Corporation

Mr. Peter Palandjian and Mr. Devin Sullivan joined the meeting to provide the Board with a portfolio update and discuss recent changes that have been made at their firm. They are also requesting the Board reconsider the redemption request that had been made in late 2015. Mr. Palandjian presented the Board with an overview of their firm, a summary of the fund and information related to fund performance and diversification.

He also advised that Intercontinental has now passed Graystone's operational due diligence and they are now on Graystone's platform. There have been a number of changes made to correct the issue that caused the Board to submit its redemption request. Mr. Palandjian apologized sincerely for the concern and expressed his desire to retain the Board as an investor.

Mr. Holycross indicated that Graystone is comfortable with the changes that Intercontinental has made and recommends that the Board remain an investor and cease liquidation.

A motion was made by Trustee Deldin, supported by Trustee Murphy to cease liquidation and remain an investor with Intercontinental. The motion carried.

11. Nomination of delegates for MAPERS Spring Conference

Chair Flynn inquired which members are planning to attend the 2016 MAPERS Spring Conference. Trustee Murphy indicated he was planning to attend. Chair Flynn will also attend. Trustee Miller may also attend, but cannot confirm at this time.

A motion was made by Trustee Deldin, supported by Trustee Miller to designate Chair Flynn and Trustee Murphy as the Macomb County Employees' Retirement System delegates at the 2016 MAPERS Spring Conference. The motion carried.

12. Employee Rep Election update

Mr. Smigiel provided an update to the Board. Nominating petitions were due April 1, 2015 and at this time there are two candidates eligible to be on the ballot. Each had the required number of valid signatures and submitted the necessary biography information. The election will be held May 10, 2016 and ballot material will be mailed out to all members eligible to vote by April 15, 2016.

13. Other Business

None

14. Adjournment

There being no further business before the Board, a motion was made by Trustee Miller, supported by Trustee Murphy to adjourn the meeting at 10:06 a.m. The motion carried.