

MINUTES OF THE RETIREMENT COMMISSION
Friday, April 29, 2016

A meeting of the Retirement Commission was held on Friday, April 29, 2016 at 8:30 a.m., at the Talmer Building, 2nd Floor Finance Department Conference Room, located at 120 North Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Chair David Flynn, Vice-Chair Gary Cutler, Bob Hoepfner, Mark Deldin, Derek Miller, Matthew Murphy, George Brumbaugh

Excused:

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 8:35 a.m. by Chair Flynn.

2. Adoption of Agenda

A motion was made by Trustee Hoepfner, supported by Vice-Chair Cutler 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 April 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 with the addition of the quarterly invoice from Graystone. The motion carried.

6. Chairman's Comments

Chair Flynn introduced Ms. Patti Dib who provided the Board members with details of an online attendance survey that will be sent out to each member today. He is asking for confirmation from each member that they will be able to attend each meeting scheduled for the rest of the year. Ms. Dib indicated the survey is very short and will take minimal time to complete. The results will be assembled into a spreadsheet that can be reviewed easily. This will allow scheduling adjustments if necessary for presentations or interviews.

7. Retirement Administrator Report

Ms. Dobson provided the activity report for the month of March. She also advised that Buck Consulting will be on-site next week to work on the implementation of the new actuarial system. They are targeting a June go live date and will have a period where the new system is run parallel with the old system.

A motion was made by Trustee Murphy, supported by Trustee Hoepfner to receive and file the Administrator's Report. The motion carried.

8. Disability Retirements

-- Nancy Oermann (Appeal discussion)

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to accept Ms. Oermann's appeal and schedule it for hearing at a later date. The motion carried.

-- Frank Delise (Opinion Addendum)

The Board was in receipt of the Medical Director's opinion addendum regarding the examination of Frank Delise. The Medical Director has concluded, based on the information, that he remains ineligible for retirement disability.

A motion was made by Trustee Hoepfner, supported by Trustee Deldin that based on the Medical Director's opinion, to deny the disability retirement of Frank Delise and 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 Frank Delise dated November 3, 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, the Retirement Commission is in receipt of a report from its Medical Director, Dr. Mitchell Folbe, M.D., who conducted an independent exam of Frank Delise on January 18, 2016, and

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

WHEREAS, Dr. Mitchell Folbe, M.D.'s report and certification reflects that Frank Delise is not totally incapacitated for duty in the employ of the County, and further indicates that Frank Delise should not be retired, and

WHEREAS, the Retirement Commission has discussed this matter and has determined that Frank Delise 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 Frank Delise and further

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

Motion carried.

-- Dean Rasch (Re-exam Opinion)

The Retirement Services Office was unable to reach Mr. Rasch prior to the meeting to advise him of the location change. As a result, he went to the Board of Commissioners conference room and was then directed to the Talmer Building. The Board agreed to enter closed session and allow Mr. Rasch an opportunity to speak even though action had already been taken on his agenda item earlier in the meeting.

At 10:15 a.m. a motion was made by Trustee Miller to enter into closed session to discuss the Medical Director's opinion related to Mr. Rasch's re-examination for disability retirement. The motion was supported by Trustee Hoepfner. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

At 10:18 a.m. a motion was made by Trustee Deldin to come out of closed session. The motion was supported by Trustee Hoepfner. The motion carried.

A motion was made by Trustee Deldin, supported by Trustee Hoepfner that based on the Medical Director's opinion, Mr. Rasch's disability retirement status shall be terminated and the following resolution shall be adopted:

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

WHEREAS, Dean Rasch was granted a disability retirement on March 22, 2012 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 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 Board's Medical Director,

WHEREAS, the Board designates Dr. Shlomo Mandel, M.D. to conduct or direct the re-examination of Dean Rasch

WHEREAS, the Board is in receipt of a Medical Report from its Medical Director, dated December 3, 2015, wherein the Medical Director concludes that Dean Rasch is not permanently and totally disabled and

WHEREAS, the Board is in receipt of a certificate from the Medical Director, dated December 3, 2015 which states that Dean Rasch is 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 3, 2015 and concurs in the findings regarding the re-examination of Dean Rasch, and further

RESOLVED, that Dean Rasch's disability status shall be terminated and further

RESOLVED, that Dean Rasch is herein advised that an application for appeal of the Retirement Commission's decision must be filed within 90 days, and further

RESOLVED, that a copy of this resolution and medical reports shall be forwarded to Dean Rasch.

Motion carried.

-- Cheryl Patyi (Re-exam Opinion)

At 8:46 a.m. a motion was made by Trustee Murphy to enter into closed session to discuss the Medical Director's opinion related to Ms. Patyi's re-examination for disability retirement. The motion was supported by Vice-Chair Cutler. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

At 9:12 a.m. a motion was made by Trustee Miller to come out of closed session. The motion was supported by Trustee Hoepfner. The motion carried.

A motion was made by Trustee Miller, supported by Trustee Murphy that a decision regarding Ms. Patyi's disability status shall be postponed 60 days until Ms. Patyi has additional testing completed with the results to be submitted to the Medical Director for further review. The motion carried.

-- Michelle Washburn (Opinion)

At 9:14 a.m. a motion was made by Trustee Murphy to enter into closed session to discuss the Medical Director's opinion related to Ms. Washburn's examination for disability retirement. The motion was supported by Vice-Chair Cutler. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

At 9:21 a.m. a motion was made by Trustee Miller to come out of closed session. The motion was supported by Trustee Hoepfner. The motion carried.

A motion was made by Trustee Deldin, supported by Trustee Hoepfner that based on the Medical Director's opinion, to deny the disability retirement of Michelle Washburn and 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 Michelle Washburn dated January 26, 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 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, the Retirement Commission is in receipt of a report from its Medical Director, Dr. Shlomo Mandel, M.D., who conducted an independent exam of Michelle Washburn on April 6, 2016, and

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

WHEREAS, Dr. Shlomo Mandel, M.D.'s report and certification reflects that Michelle Washburn is not totally incapacitated for duty in the employ of the County, and further indicates that Michelle Washburn should not be retired, and

WHEREAS, the Retirement Commission has discussed this matter and has determined that Michelle Washburn 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 Michelle Washburn and further

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

Motion carried.

9. EDRO Policy Resolution

Chair Flynn opened the floor for discussion related to the proposed EDRO Policy Resolution. He suggested adding a 90-day clause before the new policy would take effect to allow Human Resources time to implement the policy. Trustee Brumbaugh reiterated his opinion that this may cause a hardship to employees and changes 25 years of past practice. Mr. Michaud indicated that the trend among Retirement Systems the last few years has been to pass the actuarial costs

along to the members engaged in the divorce action. So even though Boards may have historically billed these costs as administrative expenses, the majority are now passing the actuarial costs along, primarily because the actuarial costs have increased significantly. Ms. Dobson indicated that her office has been advising members coming in to set a retirement date, that there may at some point be a cost to calculate their retirement date and if they change it, there will be an additional cost. She has been amazed by how many members have stepped back and given their retirement dates more consideration given this information. Trustee Deldin expressed his support for the changes to the EDRO Policy and passing the costs on to the employees that choose to get divorced.

Ms. Dobson also reported what Mr. Herppich had found in terms of the collective bargaining agreements (CBAs) and if they touched on this policy at all. He found that in the early 1990s, members were responsible for the costs related to EDROs and then shortly thereafter, a decision was made to have the system absorb the costs. Mr. Herppich also sought outside input and was advised that there would not be much concern from a legal standpoint, but past practice could be cited by an employee who did feel they should have to pay. Trustee Murphy expressed interest in a shared cost system or charging only those who have more than one divorce. He does not feel that they should add salt to the wounds of those who are already going through a difficult time and may be burdened with other expenses.

A motion was made by Trustee Deldin, supported by Trustee Miller to accept the EDRO Policy as presented with an effective implementation date of August 1, 2016. Trustee Murphy voted no. The motion carried.

10. Treasurer's Report

Mr. Kravitz provided the total benefits as of year-end 2015 (\$62,542,051). Member contributions were \$3,667,705 and employer contributions were \$21,281,612. Monthly benefit payments were \$49,529,242, annuity withdrawal payments were \$5,416,521, DROP payments were \$7,133,707 and refund payments were \$462,581. There were 2,537 employees receiving benefits as of December 2015. The average monthly benefit was approximately \$1,600 and average annual benefit was \$19,000.

Trustee Cutler inquired why it appeared that the Sheriff's Department did not make any member contributions in October, November and December 2015. Mr. Kravitz was unsure if there had been a contractual change. Mr. Smigiel advised that for some reason the General and Sheriff contributions had both been combined under the General heading. He will provide an updated report showing the proper breakdown at the next meeting.

A motion was made by Trustee Hoepfner, supported by Trustee Deldin to receive and file the Treasurer's Report. The motion carried.

11. Reinhart Partners

Mr. Rick Plawecki and Mr. Brent Jesko joined the meeting to provide the Board with an update on their investment with Reinhart Partners. Mr. Jesko covered the fund's performance, the firm's process and philosophy, their investment team, current holdings and the portfolio outlook. He also noted in 2015 they had four buyouts in the portfolio, another buyout in the first quarter of 2016 and one more just yesterday.

A motion was made by Trustee Murphy, supported by Vice-Chair Cutler receive and file the presentation from Reinhart Partners. The motion carried.

12. Clarkston Capital Partners

Mr. Kurt Terrien, Mr. J.J. Modell and Mr. Jerry Hakala joined the meeting to provide the Board with an update on their investment with Clarkston Capital Partners. This is their first review as the initial investment with Clarkston was made less than six months ago. Mr. Modell covered the portfolio performance, attribution and characteristics as well as the top 10 holdings. He also answered a question Chair Flynn had posed about their current cash position. At the start of the year, their cash position was approximately 24%. In January and February, they found some opportunities and reduced their cash position down to about 15%. At Chair Flynn's request, Mr. Hakala described the two new businesses they purchased and why Clarkston chose them.

A motion was made by Trustee Murphy, supported by Vice-Chair Cutler receive and file the presentation from Clarkston Capital Partners. The motion carried.

13. Other Business

Chair Flynn advised the Board that there was some confusion and one of the individuals whose disability re-examination was on the agenda for today went to the Board of Commissioners conference room and was directed to the Talmer Building. Mr. Dean Rasch was invited into the meeting to participate and the outcome of his agenda item can be found under item #8 above.

14. Adjournment

There being no further business before the Board, a motion was made by Trustee Deldin, supported by Trustee Hoepfner to adjourn the meeting at 10:20 a.m. The motion carried.