

MINUTES OF THE RETIREMENT COMMISSION
Thursday, May 14, 2015

A meeting of the Retirement Commission was held on Thursday, May 14, 2015 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, David Flynn, Matthew Murphy, Mark Deldin, Bob Hoepfner

Excused:

Darra Slanec – Vice Chair, Gary Cutler

Also Present:

Steve Smigiel, John Kravitz, Stephanie Dobson, John Schapka, Brian Green, Mike Holycross, Tom Michaud, Leonard Reinowski

1. Call to Order

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

2. Adoption of Agenda

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

3. Public Participation

None

4. Approval of Minutes – April 30, 2015

A motion was made by Trustee Deldin, supported by Trustee Murphy to approve the revised minutes of April 30, 2015 as presented. The motion carried.

5. Approval of Invoices

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

6. WHV Fee Addendum

Mr. Green provided an explanation for the fee addendum. WHV Investments, Inc. is seeking approval to modify the “Schedule of Fees” (retroactive back to January 1, 2015) to reduce the fee paid to the Manager from 100 basis points to 80 basis points on the

first \$25 million of assets. The remaining fee structure would be unchanged. Trustee Murphy made a motion, supported by Trustee Flynn to approve the WHV Fee Addendum. The motion carried.

7. Retirement Administrator Report

Ms. Dobson introduced two staff members from Retirement Services (Cindy Mitchell, Retirement Specialist and Liz Simmons, Account Clerk III). She thought it would be beneficial for them to see the actuarial presentations as they will be working closely with the firm that is ultimately selected.

Ms. Dobson moved on to the topic of Ms. Elizabeth Carver and Ms. Carver's prior request to have her annuity withdrawn as part of her disability retirement. Ms. Dobson noted that on November 6, 2014, there was a denial of that withdrawal pending the outcome of arbitration. At the March 19, 2015 meeting the results of the arbitration were presented to the Board and the arbitrator supported the employer's position. Ms. Dobson is seeking closure for Ms. Carver's request with continuation of denial of her request for annuity withdrawal. Mr. Michaud recommended that a response be drafted to Ms. Carver and her attorney affirming the Board's decision for denial. A motion was made by Trustee Hoepfner, supported by Trustee Flynn to concur with Mr. Michaud's recommendation to draft and send the necessary correspondence. The motion carried.

The next item up for discussion was the request to waive reexaminations submitted by Ms. Sharon Furno. Ms. Furno is a disability retiree who has submitted a waiver for any future examinations. This would be contradictory to current practice. Trustee Murphy pointed out that there is a very structured process in place to prevent the appearance of any preferential or prejudicial treatment and feels it is important for the Board to maintain that structure. Mr. Michaud added that unless there is a compelling medical reason that can be documented in her file, he recommends that the Board maintain consistency and continue to reexamine everyone until it is no longer necessary to do so. Ms. Dobson advised that once Ms. Furno reaches the normal retirement age, she will no longer be required to be reexamined. Trustee Murphy suggested correspondence be sent to Ms. Furno advising that reexaminations will not be waived and also provide her with the date when reexaminations will no longer be required. Chair Moffitt affirmed that the process will not be changed and Ms. Dobson will send the necessary communication to Ms. Furno.

8. Actuarial Interviews – Finalists

8:45 am to 9:45 am

Buck Consultants:
Larry Langer, Phil Parker, Joe Salazar

Mr. Langer began the presentation with a run through of their responses to the six follow-up questions they had been provided with since the last meeting. He stressed

the importance of an Experience Review and that it is necessary to look at all assumptions while communicating information early and often. When changes come up, they do not necessarily need to be implemented right away, but they should be put on the agenda for discussion at the next Experience Review. Mr. Langer also noted that Buck tries to make any surprises in valuation the exception rather than the rule.

Buck provided a list of references for retirement systems that have started a relationship within the last five years where Mr. Langer is the lead consultant. Many of these references have also been transferred from the County's current actuarial service provider.

Buck has a lot of experience with transition plans and would try to make the process as seamless as possible. The plan would be tailored to meet the needs and desired level of involvement of the Board. Mr. Langer predicted that if planning for the transition began between May and July, then the process could likely be completed by mid-October.

Buck would recommend creating a policy that says an Experience Review will be conducted after the December 31, 2014 valuation. They would recommend future Experience Reviews be done every five years thereafter. This schedule allows for changes to be made on a smaller scale without rushing through the process. Based on information they have reviewed thus far, they would recommend reviewing the mortality table and salary increase assumptions. They also suggest aligning revenue and payments to the unfunded liability.

They are proposing a "co-sourcing" solution which involves Buck receiving the payroll feeds from the County while they manage all security, firewalls and back-ups. They also provide a contact person that will be in touch on a weekly basis to answer questions and help resolve any issues. The goal is to have the entire system programmed and tested before it is ever turned over to the County for use. Buck provides the data center and all system maintenance and the County would provide the data and administration to participants. The system maintains records for all employees and updates their data from the file feeds provided by the County, so that calculations can be run real time. The system is highly sophisticated and can take many tasks that are currently being done manually and automate them, freeing up staff's time to actually work with participants. The bulk of the transition will be done by checking the calculations that are entered to make sure nothing is missed and all plan rules are followed. The system is highly flexible and data-driven.

They offer a "Manager Self-Service website" as well as an "Employee Self-Service website". The Manager site offers the ability to review plan specific data, run calculations and has built in audit tools. Administration of the plan can be done almost entirely through the website. The Employee site allows employees to run estimates at any time and gives them a more accurate picture of their retirement. There are no issues anticipated with any of the payroll feeds the County would be sending over. The

Employee site also offers the option to retire online or simply generate a paper packet of documents to be completed and submitted. Mr. Parker provided a brief demonstration of the Employee website.

Pricing was discussed for two different options – “Base Co-sourcing” (implementation price at \$250,000 with on-going costs of \$72,000 per year) and “Fully Automated” (implementation price at \$450,000 with on-going costs of \$135,000 per year). Costs for implementation can go up or down (possibly as much as \$100,000) dependent on the complexity of the transition and how much back and forth is necessary to implement the system. Price includes implementation of the system, maintenance and on-going support (but does not include the cost of the valuation). Buck typically allocates somewhere between 50-100 hours of support within the contract that is dedicated to data clean-up and they have a team that can assist with that task if necessary. These hours would be included in the initial cost. They will send a link to for a model site to Ms. Dobson and Mr. Smigiel, so they can get a better idea of what can be done in the system. Mr. Parker also noted that Buck does periodic death and address checks to verify the accuracy of the data.

9:50 am to 10:50 am

Milliman:
Tim Herman, Kevin Hicks

Mr. Herman began the presentation by noting that everything done would be customized to meet the County’s needs. All proposed changes would be discussed first and Milliman has experience transitioning from the County’s current actuarial service provider. The planning phase would be done entirely with input from the Board and staff to minimize surprises in terms of recommendations and budget. They provided four references that are current clients using the system they are presenting today, as well as a list of a number of other public plan clients. Chair Moffitt requested a list of current Michigan clients, so that those attending MAPERS may be able to speak to some of them at the conference. Mr. Herman will forward that list to Ms. Dobson.

Milliman does not anticipate a problem importing payroll feeds from different systems. The file type is more important than the provider. They are able to set-up a secure FTP site and upload a file as often as requested (daily, weekly, etc.). The transition plan relies heavily on communication from the Board and staff to get a feel for the culture and make sure the system is set-up appropriately to meet the County’s needs. Milliman would require staff to facilitate the data sharing with the current provider. The transition plan would include a timeline to move the process along at the expected pace.

There would be much more communication required to set-up the MARC system – provide requested plan documents, participate in calls during implementation, provide detail of current processes, review and provide feedback on beta version of MARC.

Milliman would recommend an Experience Study to test how the plan's assumptions are bearing out with regard to other assumptions. They recommend an Experience Study every five years. This study can help assess risks in the current plan and make projections for the path for future contributions and funding. There was some additional discussion about the timing/deadline for generating the GASB 67/68 reports, but ultimately it was determined that those details could be sorted out at a later time.

Mr. Herman turned over the presentation to Mr. Hicks who provided an overview of Milliman's MARC system. This system can help streamline the pension process and is fully customizable. Participants can view and update their own data, designate beneficiaries, run benefit estimates, download documents and generate final retirement paperwork. Administrators can perform benefit calculations, communicate with plan participants and store and maintain necessary data. Payroll feeds can be input manually or set up to load automatically. Participants in need of assistance with the system would typically contact County staff, but Milliman does have a Call Center that would be available if support needed to be outsourced. The County would be responsible for data validation and maintenance.

Annual license fees for the MARC system are \$36,000 per year for a three year lease. There is a one-time installation/implementation fee of \$89,000 for a three year lease (provided Milliman is selected as the actuary). This fee can be paid in four installments or spread across five years (with a higher fee for annual licensing - \$48,000 vs. \$36,000). Actuarial service fees are \$36,000 for three years to be paid quarterly. Board education sessions are \$2,000 (plus reasonable travel costs) for a half-day session and optional five year "Experience Studies" are \$27,000 each.

At the conclusion of the presentations, Chair Moffitt indicated there would be a more in-depth discussion of the candidates at the next meeting. Mr. Michaud recommended that any Trustees attending MAPERS speak to Trustees from other Pension Boards who have gone through transitions with their actuarial services to get a feel for their opinion of the process and how the change has benefitted them. Trustee Murphy inquired of the Retirement staff members to get their overall impressions of the presentations they had seen today. They commented that both systems seem similar, and either would be a good improvement to their processes. Chair Moffitt noted that there may be many aspects of Buck's system that would not necessarily be needed. Milliman's system can be specifically customized to do exactly what the County needs. Mr. Smigiel noted that Milliman's response to his question about the deadline for submitting data for the GASB 67/68 was of some concern. It was generally agreed that both systems will likely produce the same results, but the difference in cost is significant. Chair Moffitt indicated that further discussion would be added to the agenda for the next meeting, with reports expected from Ms. Dobson and Mr. Smigiel that detail their overall thoughts about both candidates.

9. Other Business

None

10. Adjournment

There being no further business before the Board, a motion was made by Trustee Murphy, supported by Trustee Hoepfner to adjourn the meeting at 11:03 a.m. The motion carried.