

MINUTES OF THE RETIREMENT BOARD
Thursday, May 18, 2017

A meeting of the Retirement Board was held on Thursday, May 18, 2017 at 8:30 a.m., in the Administration Building, 9th Floor Committee Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Mark Deldin, Gary Cutler, Carol Grant, Larry Rocca, Bryan Santo, George Brumbaugh, Bob Smith

Excused:

Matthew Murphy

Also Present:

Stephen Smigiel, Stephanie Dobson, John Schapka, Joe Biondo, John Kravitz, Aaron Castle, Mike Holycross

1. Call to Order

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

2. Adoption of Agenda

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

3. Approval of Minutes

a. April 27, 2017

b. May 4, 2017

A motion was made by Trustee Smith, supported by Trustee Grant to approve the minutes of April 27, 2017 and May 4, 2017 as presented. The motion carried.

4. Approval of Invoices

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

5. Public Participation

Chair Deldin advised the members that he would be excusing himself at 9:30 a.m. to attend a funeral mass. Vice-Chair Cutler would be taking over the meeting at that point. Chair Deldin also took a moment to recognize Mr. John Kravitz, the Investment Officer from the Treasurer's

Office. Mr. Kravitz has accepted a position with another County and will be leaving Macomb very soon. Chair Deldin wished him well and thanked him for his service to the Retirement Board.

There was no public participation.

6. Retirement Administrator Report

a. Monthly Activity Report

Ms. Dobson provided the activity numbers for the month of March and noted the high number of deaths recorded this month. She also indicated that this is likely the last report on which she will include the data from 2016. Future reports will only include data from 2017.

A motion was made by Vice-Chair Cutler, supported by Trustee Grant to receive and file the Retirement Administrator Report. The motion carried.

b. Disability Retirement Process/Forms for review and approval

Ms. Dobson provided the updated forms and revised procedures for processing Disability Retirements to the Board for their review prior to the meeting. The documents and process have been streamlined for MMRO (the Medical Director) and employees would now be required to have a "Physician's Statement" filled out instead of providing stacks of medical information. The Policy Committee and Human Resources Department have reviewed the process, as well as the documents and she is hoping to obtain Board approval to implement the updates immediately.

MMRO is comfortable with this new process and would like the Board to make a counteroffer to the fee increase proposal they had made earlier this year. Ms. Dobson distributed a spreadsheet with calculations for various counteroffers the Board could make to MMRO. She would like the Board to review this information and make a recommendation.

Trustee Smith inquired about the current contract with MMRO and whether or not they could increase fees at will. He also questioned what the fees were with the prior Medical Director (MES). Ms. Dobson was not in the Retirement Administrator position at that time and did not have that information readily available to her. She indicated she would do some research and see if she could find which other companies submitted proposals at the time that MMRO was selected and what those company's fees might have been at that time. Chair Deldin added that he recalled the Board was very dissatisfied with the prior Medical Director and he believed that the Board has generally been pleased with the service it has received from MMRO. Vice-Chair Cutler agreed.

A motion was made by Chair Deldin, supported by Trustee Smith to adopt the revised process, rules and procedures for Disability Retirement as presented by Ms. Dobson. The motion carried.

Chair Deldin inquired whether or not there is a local representative from MMRO that could be invited to a future meeting to address fee negotiations with the Board. Ms. Dobson will extend that invitation to MMRO and will notify Ms. Schave once the date has been confirmed.

7. Edgewood Management update

Mr. Alan Breed and Mr. Gui Costin joined the meeting to provide an update on the Edgewood Management portfolio. Mr. Breed covered performance history and advised that there have been no changes to their investment team. They are very pleased with their current portfolio and although there are plenty of companies they would like to buy, there aren't any they are currently interested in selling as they are all performing well.

A motion was made by Vice-Chair Cutler, supported by Trustee Rocca to receive and file the Edgewood Management update. The motion carried.

8. EARNEST Partners update

Mr. Patmon Malcom and Mr. Pavel Sokolov joined the meeting to provide an update on the EARNEST Partners portfolio. Mr. Malcom took a few minutes to introduce their firm and its philosophy. He also explained their unique ability to invest in the ordinary market in China (only 200 licenses are available). The Retirement System portfolio has approximately a 9% investment in China. Mr. Malcom then reviewed equity market performance by sector and Mr. Sokolov discussed some sample holdings. Mr. Malcom also reviewed sector weighting within the portfolio.

A motion was made by Trustee Santo, supported by Trustee Grant to receive and file the EARNEST Partners update. The motion carried.

9. Treasurer's Report

Mr. Smigiel reviewed the format of the report for the new Board members. There is a breakdown of monthly benefits by group at the top of the report. In total, approximately \$63.7 million was paid out in monthly benefits in 2016. Employee contributions were approximately \$3.6 million and employer contributions were approximately \$21 million. The following page provided a breakdown of the benefits section into monthly pension payments, annuity withdrawal payments, DROP payments and refund payments.

Trustee Brumbaugh expressed some concern that the average monthly pension amount reported in the 2015 valuation was higher than what Mr. Smigiel shows on this report. He is curious to see what is reported on the 2016 valuation.

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

10. Unfinished Business

None

11. New Business

Vice-Chair Cutler advised that he would like to discuss the Investment Consultant RFP results. Mr. Holycross excused himself from the meeting. A copy of the bid tabulation sheet was distributed. Seven submissions were received. Vice-Chair Cutler requested two volunteers (one employee representative and one representative for the County) to join Mr. Smigiel in reviewing the RFPs submitted. This group would then make a recommendation to the rest of the Board at the next meeting. Vice-Chair Cutler and Trustee Santo volunteered. They will coordinate review of the RFPs and prepare a recommendation of potential finalists to bring in for an interview.

12. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Grant to adjourn the meeting at 10:12 a.m. The motion carried.