

**MINUTES OF THE RETIREMENT COMMISSION**  
**Thursday, May 26, 2016**

A meeting of the Retirement Commission was held on Thursday, May 26, 2016 at 8:30 a.m., at the Talmer Building, 2<sup>nd</sup> 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, Carol Grant, Bob Hoepfner, Derek Miller, Matthew Murphy, George Brumbaugh

Excused:

Mark Deldin

Also Present:

Stephen Smigiel, John Schapka, Stephanie Dobson, Tom Michaud, John Kravitz, Mike Holycross, Erik Burger, Don Brown

**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 Flynn.

**2. Adoption of Agenda**

*A motion was made by Trustee Hoepfner, supported by Trustee Miller to approve the agenda as presented. The motion carried.*

**3. Public Participation**

None

**4. Approval of Minutes**

*A motion was made by Trustee Murphy, supported by Trustee Hoepfner to approve the minutes of the May 12, 2016 meeting as presented. The motion carried.*

**5. Approval of Invoices**

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

**6. Chairman's Comments**

Chair Flynn advised that Ms. Dobson will bring a plan to the June 16<sup>th</sup> meeting to begin implementing more user friendly functionality of the Retirement Commission website. They are hoping to phase those components in by the end of this year. He also welcomed Trustee Grant back to the Board and congratulated her on her election win.

**7. Retirement Administrator Report**

Ms. Dobson provided the activity numbers for April. She also advised that the Buck implementation is on-going and they are currently completing a person-by-person audit (comparing the information in the payroll system to the information in the actuary system). They are still on target for going live on June 7<sup>th</sup>.

Trustee Grant inquired when the services being provided by GRS will cease. Ms. Dobson responded that the GRS system is essentially non-existent at this point and Buck has already begun doing EDRO calculations. Trustee Grant inquired what Buck charges for those calculations. Ms. Dobson indicated she would need to check the contract and could provide that to Trustee Grant when she had the information in front of her. Trustee Grant also reported to the other Board members that she had given Mr. Schapka a copy of the standard EDRO form used in Oakland County for his review.

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

**8. Disability Retirements**

**-- Christine Rutledge-Dudek (Application)**

*A motion was made by Trustee Hoepfner, supported by Trustee Grant to adopt the resolution to process the disability retirement application of Christine Rutledge-Dudek and direct Human Resources to order an IME. The motion carried.*

**-- Eric Pugh (Re-examination Opinion)**

The Board was in receipt of the Medical Director's medical reports and opinion pertaining to Mr. Pugh's disability re-examination. The Medical Director has certified he is not mentally or physically totally incapacitated for duty in the employ of the County. Based on the Medical Director's opinion, the Board concurred to terminate Mr. Pugh's disability retirement.

*A motion was made by Trustee Grant, 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**, Eric Pugh was granted a disability retirement on June 10, 2005, after a finding by the Retirement Commission that the requirements of the Retirement System had been met, and

**WHEREAS**, in accordance with Section 28 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 requires a disability retiree to undergo a medical examination directed by the Retirement Commission Medical Director, and

**WHEREAS**, the Retirement Commission approved the Medical Director to conduct or direct said re-examination, and

**WHEREAS**, on March 21, 2016, Dr. Cheryl D. Lerchin conducted an independent examination and reviewed all records provided and concludes Eric Pugh is **not** totally incapacitated for duty in the employ of the County, and further indicates that Eric Pugh should **not** be retired, and

**WHEREAS**, a second independent examination was conducted on May 4, 2016 by Dr. James Blessman and concludes Eric Pugh is **not** totally incapacitated for duty in the employ of the County, and further indicates that Eric Pugh should **not** be retired, and

**WHEREAS**, the Retirement Commission is in receipt of a certification from the Medical Director, dated May 17, 2016, which states that Eric Pugh is 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 disability, and

**WHEREAS**, the Retirement Commission has discussed this matter and has determined that Eric Pugh 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 Eric Pugh, and further

**RESOLVED**, that a copy of this resolution shall be provided to Eric Pugh and all other appropriate parties.

*Motion carried.*

**-- Christos Candiliotis (Opinion)**

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

*A motion was made by Trustee Murphy, supported by Trustee Grant 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 Christos Candiliotis dated February 24, 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**, on April 14, 2016, Dr. Hermann Banks conducted an independent examination and reviewed all records provided and concludes Christos Candiliotis is totally incapacitated for duty in the employ of the County, and further indicates that Christos Candiliotis should be retired, and

**WHEREAS**, the Retirement Commission is in receipt of a certification from the Medical Director, dated May 2, 2016, which states that Christos Candiliotis is totally incapacitated for duty in the employ of the County, that such incapacity will probably be permanent, and further indicates that Christos Candiliotis should be retired, and

**WHEREAS**, the Retirement Commission has discussed this matter and has determined that Christos Candiliotis has met the eligibility requirements for disability retirement from the Retirement System, therefore be it

**RESOLVED**, that the Retirement Commission hereby **approves** the disability retirement of Christos Candiliotis 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 Christos Candiliotis and all other appropriate parties.

*Motion carried.*

**-- Elizabeth Baumann (Appeal Opinion)**

*A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner that based on the Medical Director's opinion, Ms. Baumann's 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 Elizabeth Baumann dated July 21, 2015 and

**WHEREAS**, in accordance with 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 October 4, 2015, Dr. Deborah Heaney's report and certification reflects that Elizabeth Baumann is **not** totally incapacitated for duty in the employ of the County, and further indicates that Elizabeth Baumann should **not** be retired, and

**WHEREAS**, on January 21, 2016, said applicant exercised their right for appeal and the Retirement Commission resolved to have the appeal processed, and

**WHEREAS**, on March 30, 2016, Dr. Shlomo Mandel conducted an appeal independent medical examination of Elizabeth Baumann, and indicates Elizabeth Baumann is **not** totally incapacitated

for duty in the employ of the County, and further indicates that Elizabeth Baumann should **not** be retired, and

**WHEREAS**, the Retirement Commission is in receipt of a certification from the Medical Director, dated April 8, 2016, which states that Elizabeth Baumann is **not** totally and permanently incapacitated for duty in the employ of the County, and further indicates that Elizabeth Baumann should **not** be retired, and

**WHEREAS**, the Retirement Commission has discussed this matter and has determined that Elizabeth Baumann 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 Elizabeth Baumann and further

**RESOLVED**, that a copy of this resolution shall be provided to Elizabeth Baumann and all other appropriate parties.

*Motion carried.*

**9. Certification of 2016 Special Employee Representative Election**

Mr. Smigiel summarized the letter from Plante Moran certifying the 2016 Special Employee Representative Election. A total of 464 eligible ballots were received with 346 votes going to Carol Grant and 113 votes going to Paul Bukowski. There were five write-in votes. Carol Grant is the new employee representative serving a term ending December 31, 2018.

*A motion was made by Trustee Miller, supported by Trustee Murphy to receive and file the letter certifying the 2016 Special Employee Representative Election. The motion carried.*

**10. Blackstone Strategic Partners Fund VII**

Mr. Thomas Sampson joined the meeting to provide the Board with information related to a new investment opportunity (the Strategic Partners Fund VII). He provided an overview of Blackstone, Strategic Partners, and previous fund performance. He also reviewed the Strategic Partners platform and track record. Fund VII is a new secondary private equity fund and there is a very short window of opportunity open for additional investors. Mr. Sampson explained the differentiated investment strategy for this fund and described the Investment Committee and the depth of their experience.

Mr. Michaud questioned the rate for fees as information given in the presentation differed from that in the books. Mr. Sampson clarified that what is shown in the book (1.00%) is the correct fee that would be applied to any investment from the Board.

Mr. Holycross recommends the Board authorize an investment of \$13 million into Fund VII which would be consistent with the potential investment of \$5 million from the Intermediate Trust Board. That Board pre-approved a 1.5% allocation if the Pension system approved investment into this fund.

*A motion was made by Trustee Miller, supported by Trustee Murphy to concur with Mr. Holycross' investment recommendation of \$13 million into the Blackstone Strategic Partners Fund VII. Investment will be contingent upon review and approval of the legal documents by counsel. The motion carried.*

## **11. Global Dividend interviews**

Chair Flynn provided each firm with approximately 15 minutes for a presentation to be followed by questions from the Board members and others present. He also advised each firm that a decision would not be made until the next meeting on June 16, 2016.

### **-- BlackRock**

Ms. Erin Lane and Mr. Steven Farkas joined the meeting to represent BlackRock in the Global Dividend interviews. Ms. Lane began with an introduction of the firm. BlackRock is a global asset management firm based in London. Mr. Farkas introduced the team, the firm's investment philosophy, the investment process and reviewed outcomes and performance. BlackRock has approximately \$14.3 billion in assets under management. He provided an example of a name they owned in their portfolio and sold prior to the dividend being cut. He indicated this demonstrates the benefit of their skilled active management and fundamental analysis. Their portfolio consists of 50-70 high quality companies with 30-50% of their investments within the United States.

Vice-Chair Cutler requested BlackRock provide Graystone with a breakdown of returns between the domestic and international names within their portfolio. Mr. Farkas confirmed they will be happy to provide that to Mr. Holycross' office. Ms. Lane also reported that they are able to offer a discounted fee of 32.6 basis points (as opposed to the 40 basis points shown in the presentation books).

### **-- LS Investment Advisors**

Mr. William Camp and Mr. Kevin Yousif joined the meeting to represent LS Investment Advisors in the Global Dividend interviews. As the Board is already familiar with the firm, the presentation began with Mr. Yousif covering their investment philosophy and moving on to explain their Global High Dividend Yield Ex-U.S. Strategy. He also stated that a marginal fee of 5.4 basis points would be applicable to an investment by the Board into the Global High Dividend Yield Ex-U.S. Strategy.

Vice-Chair Cutler requested LS send some additional information (back to 2012) to Mr. Holycross' office for comparison purposes. Mr. Yousif will get the information over to Mr. Burger this afternoon.

**-- Nuveen/NWQ**

Mr. James Stephenson and Mr. Ken Hudson joined the meeting to represent Nuveen/NWQ in the Global Dividend interviews. Mr. Hudson began with an introduction of their firm which is based in Los Angeles, CA and manages approximately \$10 billion in assets. Mr. Stephenson provided information about their Global Equity Income Strategy and gave an overview of their investment philosophy. He also covered their sell discipline. Mr. Hudson indicated the fee would be set at 35 basis points. This is their fee for any business the Board may give them and there is no minimum or cap.

Vice-Chair Cutler requested a breakdown between the firm's returns (domestic vs. international) be submitted to Mr. Holycross' office. He would like to get an idea of what is driving their returns. Mr. Stephenson indicated this would not be a problem.

**12. Other Business**

Chair Flynn advised the Board that a letter that had recently been received from an employee would be addressed at the June 16, 2016 meeting. A copy of the letter has been provided via email to the Board members.

**13. Adjournment**

*There being no further business before the Board, a motion was made by Trustee Hoepfner, supported by Vice-Chair Cutler to adjourn the meeting at 11:16 a.m. The motion carried.*